

## **Vanguard: Financial advisers can add 3 percentage points to client portfolios**

*Mutual fund giant teases research showing four areas advisers can add measurable value*

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A nimble and diligent financial adviser should be able to add about 3 percentage points' worth of measurable alpha to a client's portfolio, according to an upcoming report from The Vanguard Group Inc.

Vanguard chief investment officer Tim Buckley, speaking Monday in Fort Lauderdale at the Inside ETF conference, teased the audience with general details of the firm's first numeric analysis on how and where advisers can add and measure value.

"Advisers need to look at themselves and the value they can provide," Mr. Buckley said in explaining the four broad categories of value-added opportunities.

"Be a great behavioral coach and get clients to stick to asset allocation, as opposed to chasing performance," he said. "That can be worth 150 basis points of performance a year."

Being tax savvy is another component of adding numeric value.

"Think about asset location, and think through the drawdown for clients," Mr. Buckley said. "That can get you another 100 to 140 basis points for your clients."

Mr. Buckley poked fun at Vanguard with the third point being the company's longtime mantra of "keeping costs low."

"Whether investing in the broad market or going after specific factors, keep the expenses low," he said. "That's worth 50 basis points a year."

The final factor is re-balancing, which he said is worth about 40 basis points a year.

The report, due out next month, comes from a team headed up by Francis Kinniry, a principal in Vanguard's investment strategy group.

"We wanted to put a quantitative value around the tools in an adviser's tool kit," he said.

As Mr. Kinniry explained it, and as it will be covered in much more detail when the full report is published, putting specific numbers behind adviser alpha gives advisers measurable reasons to focus on things like behavioral finance, and it also gives advisers the talking points to help explain their value to clients.

*The complete Vanguard study can be found via the following link: [Vanguard Research Quantifies the Value of Advice](#)*