

The Gamma Factor: The Value of Advice

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Wealth Management

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WEALTH ADVISORY GROUP

Does good advice translate into value? The “gamma factor” — the discipline associated with longstanding financial advice — has been shown to make a notable difference to an investor’s wealth accumulation over the longer-term.

A recent study has suggested that an increased saving rate is one of the most significant components influencing the gamma factor. The other component is the ability to stay disciplined through both positive and negative market cycles. According to the study, Canadian households with a financial advisor for more than 15 years accumulated 290 percent more assets than households who did not use the services of an advisor. This was largely attributed to the gamma factor.¹

Beyond saving, there are many ways in which receiving good advice can translate into value. Here are some perspectives on how investors should be leveraging the expertise of an advisor.

Portfolio Management — One of our most important roles is to manage risk within a portfolio according to an investor’s specific risk tolerance levels. This includes having appropriate portfolio guidelines in place, such as maintaining a level of diversification and managing to a certain asset mix, while keeping individual needs in mind. Risk management often results in moderating volatility — not only on the downside, but also when higher returns are driven

by higher risk. As well, we are constantly navigating through the changing investing landscape. Today’s challenges include low interest rates and slower growth; tomorrow’s may be different.

Behavioural Coaching — Emotions can be an investor’s worst enemy. A study by Dalbar, a financial services market research firm, attributed between 45 to 55 percent of an average investor’s underperformance to psychological factors.² Why? According to the study, the average investor may react to short-term noise and trade at the wrong time, buying at highs and selling at lows. As advisors, one of our objectives is to help remove the emotion from investing.

Tax Strategies — Tax strategies can make a significant difference to overall wealth. This includes understanding and adapting to changing tax law and investing in tax-advantaged ways, such as using registered plans, or optimizing asset location.

Withdrawal Strategies — The way in which an investor withdraws investments from different accounts, as well as prioritizes different sources of income (such as government



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tested benefits like the Old Age Security, etc.), may help to minimize taxes and maximize wealth. This depends upon each individual investor's situation. As the time approaches where investors need to access income, we are here to help put a plan in place.

Total Wealth Management — Wealth management extends beyond an investor's portfolio. This may include business succession planning, estate planning or insurance planning, as examples. Managing wealth across all aspects of an investor's life can improve an investor's wealth position. Along with our broader team, we can act as a resource for many other wealth management activities.

We remain committed to you and are here for you to leverage our expertise.

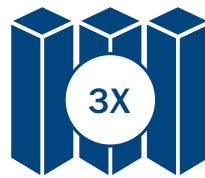
Sources: 1. The Gamma Factor and the Value of Financial Advice", CIRANO, 2016.
2. Dalbar "Quantitative Analysis of Investor Behavior", 2013. www.dalbar.com;

Where Advisors Help

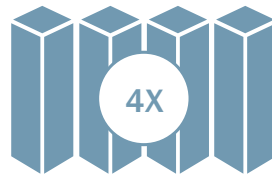
Canadians who work with an advisor have been shown to be more successful at building wealth and achieving their goals.

The support of an advisor can make a difference to the success of an investor, including helping to increase net worth, fostering good saving habits and improved investment habits, as well as achieving personal financial goals.

Building Wealth — Investors who were supported by an advisor were shown to have three times the net worth and four times the investable assets of those who didn't work with an advisor. In this study, the majority of Canadians had investable assets of under \$25,000 at the beginning of the advisory relationship.



Net Worth

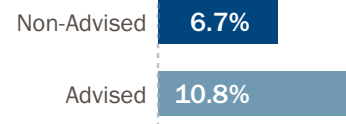


Investable Assets

Fostering Saving — Saving continues to be one of the cornerstones in investing success. Advised Canadians have been shown to have a greater savings rate than non-advised Canadians. Advisors help investors stay on track by helping investors to save and invest on a regular basis.

Annual Rate of Saving

Canadians with an advisor had a higher annual rate of saving.

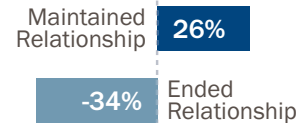


Helping to Achieve Financial Goals

Professional advice can help investors to stick to their financial plan, even through volatile markets. Removing the emotion from investing can play an important role in helping investors stay focused on achieving long-term goals.

Assets Built or Lost

Those who maintained the service of an advisor continued to build assets.



Contact us today.

204-259-2859
robtetrault.com