

# Professionals need professional financial advice

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## Executive Summary

Professionals advise and consult their clients for a living. Many clients may come to them having first tried a do-it-yourself solution online and desire the experience working with a professional can bring to the table. Successful financial planning is the same in that it is readily available online even for free but working with a financial professional brings with it a wealth of experience and understanding of the client's unique needs.

## Professional Advice Matters

Perhaps we can blame HGTV for creating a culture of do-it yourselfers, though in various industries other products might to blame. In law LegalZoom, in medicine WebMD and in finance E\*TRADE has certainly contributed to the attitude of "I can do this without a professional". In each field there is often frustration when learning a client came to you further from their goal having tried to go it on their own first only to make things worse. We must remember that for another professional to come seeking help and advice this is a big first step. A 2019 Whitepaper from Vanguard Advisors Research shows over time a gain of about 3% net per year for investors working with an advisor versus those that are not.<sup>1</sup> This value of advice should be clear to others who provide professional advice but often we lose track of our area of expertise and try to become experts in other areas.

## Investor Behavior

A growing field of financial advice is behavioral finance. The relationship investors have with money is often deep rooted and working with clients to alter or work within that life experience is an important part of working with a financial advisor. Many professionals have taken out large student loans and that large debt seems to be "looming" over them making it difficult to address other financial and protection needs. The Brookings Institute cites a Federal Reserve Survey of Consumer Finances stating, "The highest-income 40 percent of households (those with incomes above \$74,000) owe almost 60 percent of the outstanding education debt and make almost three-quarters of the payments."<sup>2</sup> In working with a professional financial advisor other professionals may be able to see the bigger financial picture and not allow their student loan to create a permanent roadblock in their financial plan.

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<sup>1</sup> Francis M. Kinniry Jr., CFA; Colleen M. Jaconetti, CPA, CFP®, Michael A. DiJoseph, CFA; Yan Ziberling; and Donald G. Bennyhoff, CFA. (2019). Putting a value on your value: Quantifying Vanguard Advisor's Alpha® [White paper]. Retrieved May 4, 2022 from Vanguard Advisors Research: <https://advisors.vanguard.com/iwe/pdf/ISGQVAA.pdf>

<sup>2</sup> Sandy Baum and Adam Looney. (2020). Who owes the most in student loans: New data from the Fed. Retrieved May 4, 2022 from Brookings Institute: <https://www.brookings.edu/blog/up-front/2020/10/09/who-owes-the-most-in-student-loans-new-data-from-the-fed/>