

THE VALUE OF ADVICE IN THIS DAY AND AGE

2022 was a somewhat painful reminder that markets can have negative years. Despite COVID, the last negative calendar year we experienced for the stock market was back in 2018. Markets went down in 2018 due to an increase in interest rates - the bottom being reached on December 31st. Overall, I would forecast that on average, one calendar year out of four will be negative for the stock market. And over a five year period, one is likely to experience at least one bear market (a decline of 20% in the index) for the stock market, and sometimes two.

One of the many benefits of dealing with an Investment Advisor is in getting help setting realistic long-term expectations for the type of portfolio that fits one's investor risk profile. For example, the markets did extremely well from mid- 2020 to mid-2021, mainly due to the decrease of interest rates and partly due to the distribution of stimulus cheques. This in turn might have contributed to unrealistic future return expectations for new investors who did not seek expert advice.

Another benefit of dealing with an Investment Advisor is the ability of getting a second opinion. This is even more important in these days when we hear from 'influencers in social media' and others making irresponsible claims who might then encourage investors to invest heavily in aggressive sectors such as crypto currencies and pot stocks. Unlike decades ago when information was more difficult to obtain, I would say these days, there might actually be too much information (and promotion) available through the internet, making it harder to decipher what is really important and legitimate. A second opinion from an experienced advisor who is backed by a large reputable research department becomes especially helpful....and much more helpful than ads featuring movie stars and athletes, I would say! Getting a second opinion is especially handy in difficult years such as 2022 when one might be tempted to sell after a significant market decline.

Here are a few other added benefits in dealing with an Investment Advisor: retirement planning, estate planning, guidance in setting financial priorities , ongoing communication, newsletters, tax optimization, education, requests for financial plans and/or financial projections, discussion of risk management, access to a variety of investment tools/products, etc.

Studies have also shown that people who work with advisors tend to have a greater net worth over time, are more successful at saving, and for the most part have confidence and a positive sense of well-being with respect to their finances. Source: RBC Global Asset Management, the Value of Working with a Financial Advisor, August 31, 2020

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