2024 / 11TH EDITION

Russell Investments

VALUE OF AN ADVISOR

YOUR VALUE IS IN THE NUMBERS

INTRODUCTION

What's next? That is the eternal question we can ask ourselves about life – and about the financial markets.

Without a crystal ball there is no way of knowing what may come next in either our lives or in the markets. That's why we should always be prepared for any potential situation. But we can generally assume that our lives will follow a certain pattern – we're most likely going to navigate careers, relationships, and major financial events (like having children or buying a home) until we get to an age where we then enjoy the fruits of our labors.

We can't make such assumptions about the markets, however. There are any number of unforeseen events that could jostle them. Just consider the past few years in which the markets have been buffeted by wars, a global pandemic, corporate bankruptcies, surging inflation, or the emergence of accessible artificial intelligence. We just can't predict what may be on the horizon. And in a year where more than half of the global population[1] is going to elect new leaders, the potential for volatility is significant.

That's why we at Russell Investments believe all investors should work with a financial advisor. We believe advisors are never more important than during periods of the unknown – which, frankly, is all the time! We truly can never know what may come next in our lives or the markets.

We believe that advisors play a critical role in steering investors through the various market environments they may encounter over their lives – and through the various major life events they undergo. Indeed, for more than a decade we have conducted an annual study into the variety of services that an advisor typically provides to their clients. We've also estimated the value that represents. And year over year, our Value of an Advisor study has indisputably shown that an advisor who delivers holistic wealth management services provides value that far exceeds the typical fee charged.

Our study is based on a simple formula:

A + **B** + **C** + **T**

Active rebalancing and asset allocation

Behavioral Coaching

Customized family wealth planning

Tax-Smart planning & investing

Our 2024 formula has found that the total value of the services you provide is approximately 5%.

[1] Source: https://www.economistgroup.com/group-news/the-economist/2024-will-put-a-spotlight-on-the-global-state-of-democracy-as-more-people

A IS FOR ACTIVE REBALANCING AND ASSET ALLOCATION

IN 2024 / THE VALUE OF A IS 0.11%

We all know that rebalancing is a critical component of wealth management. But it's often downplayed—even by the financial professionals who ensure it's conducted on a regular basis.

Many advisors take rebalancing for granted. They say: "How can I take credit for it when it's automated and behind the scenes?" Well, the point isn't so much who is *doing* the rebalancing. The point is: would your clients actively rebalance their portfolios if left to their own devices? Would their asset allocation remain in line with their stated goals if they didn't have the guidance of a financial advisor?

Let's think about that for a minute because what IS rebalancing? It's buying more of what has just hurt a portfolio and selling what's done well. Who has a client who embraces that sort of investment philosophy and discipline with open arms?

This is where the advisor's role is vital. By ensuring a portfolio is regularly rebalanced, it is more likely to remain close to its original asset allocation—and keep the investor within their risk comfort zone.

For example, if an investor had purchased a hypothetical balanced portfolio of 60% equities and 40% fixed income in January 2004 and the portfolio had not been actively rebalanced since then, by the end of 2023 the profile of the portfolio would have been substantially different. That original balanced portfolio would have become a growth portfolio, with approximately 81% invested in equities and only 19% in fixed income. Any downturn in equity markets would hit that lopsided portfolio particularly hard. More importantly, the allocation to U.S. large-cap growth would have more than doubled in the period. While that kind of heavy weighting in U.S. large-cap growth may have propelled the portfolio higher over the past decade, any sudden reversal would have a similar outsized impact. And that would not be pleasant to explain to a client.

WHEN BALANCED BECOMES THE NEW GROWTH

The potential result of an un-rebalanced portfolio

The drift was most pronounced:	Total Equity Allocation	↑ 35%	Large Cap Growth Allocation	↑ 121%	Large Cap Value Allocation	↑ 21%	Fixed Income Allocation	↓ -51%

Hypothetical analysis provided in the chart and table above is for illustrative purposes only. Not intended to represent any actual investment.

Source: U.S. Large Cap Growth: Russell 1000 Growth; U.S. Large Cap Value: Russell 1000 Value; U.S. Small Cap: Russell 2000; International Developed: MSCI EAFE; Emerging Markets Equity: MSCI EM; Global Real Estate: FTSE NAREIT All Equity REITs Index : Fixed Income: Bloomberg U.S. Aggregate Bond.

While active rebalancing may not always have a large impact on returns, it goes a long way to ensuring a portfolio reflects the level of risk the investor feels comfortable with. The more risk in a portfolio, the more likely its returns will be volatile, and that is often what causes investors to get nervous and pull money out of the market.

If we look at a typical balanced portfolio held for 20 years ending December 2023, we can see that active rebalancing can significantly reduce volatility. That's why we consider the risk-adjusted return a reasonable reflection of an advisor's value. The "buy and hold' and the rebalanced portfolios had relatively similar returns over time. But one had a much smoother ride, meaning a far more comfortable experience for the investor.

HYPOTHETICAL REBALANCING COMPARISON OF $500,000[2]

January 2003 – December 2023

		BUY AND HOLD	ACTIVE REBALANCING
	Annualized return %	6.90%	6.73%
	Standard deviation %	11.03%	9.83%
0.11%	Risk adjusted return %	4.01%	4.12%

Potential reduction in portfolio volatility

1.20%

Source: Morningstar. "Investor Return" represents the Morningstar Investor Return provided by Morningstar for the S&P 500 for 20 years ended 12/31/2023.

Standard deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk.

Risk adjusted return measures the riskless rate of return that provides the same level of utility to the investor as the variable excess returns of a risky portfolio.

A more comfortable experience is more likely to keep your client invested. And remaining invested means the client can participate in the market's long-term gains. Indeed, the S&P 500 Index has ended the year positively 74% of the time from 1926-2023[3]. That's why we believe that active rebalancing to keep an investor's asset allocation in line with their risk profile has value.

TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE

Do you share with your clients a written statement on:

- ☐ The potential benefits of a systematic rebalancing policy
- ☐ What your strategic rebalancing project is
- ☐ How frequently the portfolios are rebalanced
- ☐ Your approach to strategic rebalancing during periods of market volatility

YOUR RESOURCE HUB

Value of an Advisor brochure for your clients

(Brochure, client-ready)

[2]For illustrative purposes only. Not meant to represent any actual investment.

[3]Source: Russell Investments, LSEG DataStream

B IS FOR BEHAVIORAL COACHING

IN 2024 / THE VALUE OF B IS 2.82%

We all know that investors are ruled by their emotions. How busy does your inbox get when markets are volatile? Do you ever have clients call to ask about an investment their neighbor or brother-in-law has done well with? How much time do you spend talking a client "off a cliff" when their quarterly statement shows a loss, or their favorite stock tanks?

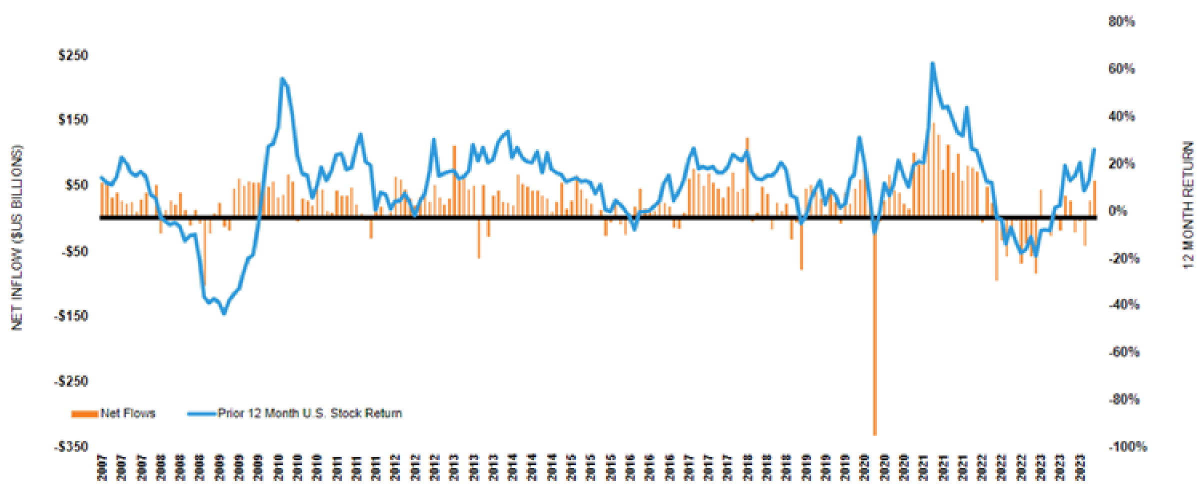
Keeping investors from following their hearts and not their heads is one of the most important roles an advisor plays. And every year, this role of behavior coach invariably provides the highest value in our formula. Without you, the advisor, your clients are more likely to pull out of markets when they become volatile, follow the herd on a popular investment, or buy at the market peak and sell at the bottom, among other well-known behavioral mistakes.

Investors who are left to their own devices are often prone to chase performance. Similarly, investors are prone to vote with their feet when markets get difficult. To illustrate the point, look at the chart below, which shows the flow of money into and out of U.S. open ended mutual funds and passive ETFs (Exchange Traded Funds) over the 16-year period ending December 2023.

The orange bars represent the net flow of cash into U.S. open-ended mutual funds and Exchange-Traded Funds (ETFs), while the blue line represents U.S. equity returns for the 12-month trailing period from the purchase date. As the chart shows, flows into mutual funds and ETFs lagged the blue line both up and down. That means investors bought into the stock market after it had already begun to climb and sold after it had begun to fall. In other words, they bought high and sold low.

RECENT DEMONSTRATION OF A "BUY HIGH AND SELL LOW" MENTALITY

2007 - 2023 U.S. open ended mutual fund and ETF flows vs market



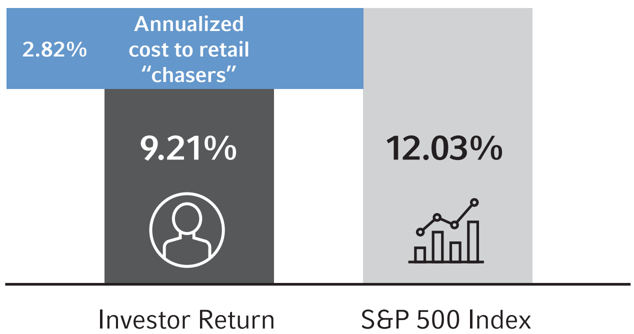
Data shown is historical and not an indicator of future results. Sources: Morningstar Direct. Flows include active and passive categories; Monthly open-end mutual fund and ETF flows. Data as of December 2023. U.S. Stocks represented by Russell 3000 Index. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

A = 0.11% | B = 2.82% | C | T

This tendency to chase performance can be hazardous to an investor's wealth. As you no doubt have warned your clients: pulling out of the market when it's volatile can lock in losses and could lead to missing out on any subsequent rally. As you can see from the table below, the average investor significantly underperforms the market.

THE HIGH COST OF INVESTOR BEHAVIOR

2012– 2023



Source: Morningstar. "Investor Return" represents the Morningstar Investor Return provided by Morningstar for the S&P 500 for 10 years ended 12/31/2023.

Investors who are guided by advisors—and hold their diversified portfolios through thick and thin—are likely to benefit.

TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE

How do you proactively incorporate coaching into every client meeting?

- ☐ Do you have a framework for handling challenging client conversations?
- ☐ Do you have a repeatable process for client reviews?
- ☐ Have you developed a plan regarding client engagement when things go wrong?
- ☐ How consistent is your message and is it simple and concise?

YOUR RESOURCE HUB

Embracing Investor Behavior
(1-pager)

Challenging Conversations Guide
(Brochure)

Keep Calm & stay Invested
(Article, client-ready)

C IS FOR CUSTOMIZED EXPERIENCE AND FAMILY WEALTH PLANNING

IN 2024 / THE VALUE OF C IS 1.13%

Just as you guide your clients through volatile markets, you guide them through their life changes. We can all agree that our society has become more complicated and so have our lives. This in turn has caused many advisors to broaden and deepen the services they provide.

You are now likely to offer a multitude of services, encompassing everything from insurance needs, custom requests, legacy, and charitable planning, setting up family trusts, and ensuring your clients' investments are aligned to their values.

Many advisors have set up a network of experts—estate lawyers, insurance planners, accountants, lifestyle consultants – to assist in creating plans that encompass all aspects of an investor's life. Moreover, advisors aren't just working with a client in isolation: they're often meeting with spouses and other family members to ensure a comprehensive review of their financial situation, and to ensure an orderly transfer of wealth.

Continuous discovery for changing needs

Just as every family is different, every investment plan is different. And that means each one of us has different goals, circumstances and preferences – all of which can evolve across our lifecycle. An investment plan now requires an ongoing process of discovery to ensure it continues to align with each stage in a client's life.

The extra services and deeper discovery conversations, the expanded planning and coordinating are time-consuming. Personalized services are quite different from basic financial plans. How can you do it all and still serve your clients appropriately?

Valuing personalized experiences

We believe leveraging model portfolio options provides increased choice and greater flexibility – for both you and your clients. They allow you to focus more on what your clients value most—the relationship. The time you would have spent researching stocks, meeting portfolio managers and analysts, tracking those stocks, documenting trades and conducting ongoing research is now available for you to spend with your top clients—giving them the personalized experience they crave.

So how much are all of the services you provide worth? Well, let's consider the original role of a financial advisor—selecting investments and developing a financial plan. This is essentially the service provided by robo-advisors. On average, robo-advisors charge 0.37% for basic asset selection for a $500,000 account[4].

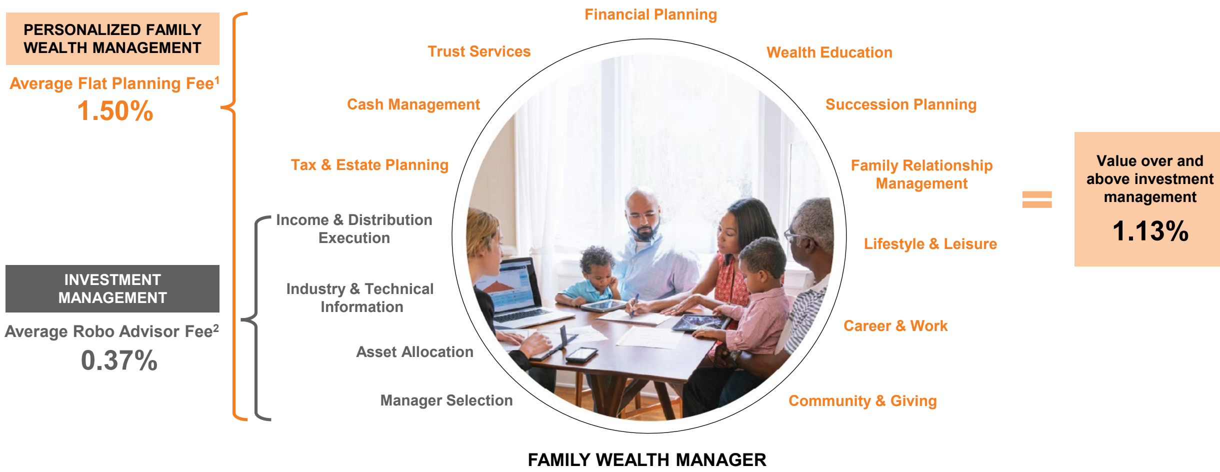
Meanwhile, the average fee for providing comprehensive family wealth planning is 1.50% of assets under management.[5]

[4]Source: Based on average of the fees charged for a $500,000 account by the 18 roboadvisors referenced in https://www.robo-advisorfinder.com/list

[5]Average Financial Advisor Fees in 2023 (AdvisorHQ)

A = 0.11% | B = 2.82% | C = 1.13% | T

THE WEALTH MANAGER OF THE FUTURE



[1,2] Average Financial Advisor Fees in 2023 (AdvisorHQ)

- 1.50% Based on average of the fees charged for a $500,000 account
- Typical robo-advisor fees range between 0.25% and 0.50% of your account balance per year

This means that the work you do to guide your clients through the defining moments of their lives, to ensure their investments align with their goals, to provide expertise on taxes, insurance, careers, and major purchases, to plan their retirement, long-term care needs, and legacy—among myriad other services—has value. We believe it can be worth 1.13% more in value over and above the basic asset management that an investor can get from a robo-advisor.

TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE

How do you customize the client experience you deliver?

- ☐ Do you have a repeatable discovery process?
- ☐ Do you have a written defined service model that you share with clients, based on your segmentation strategy?
- ☐ Can you articulate your Unique Value Proposition and the services you provide?
- ☐ Are you providing comprehensive Family Wealth Planning to your best clients?
- ☐ Do you provide clients with a roadmap of how you will work with them to address their specific needs?

YOUR RESOURCE HUB*

Client Discovery Process
(1-pager)

Client Engagement Roadmap
(Template)

A = 0.11% | B = 2.82% | C = 1.13% | T = 0.94%

T IS FOR TAX-SMART PLANNING & INVESTING

IN 2024
THE VALUE OF T IS 0.94%

Taxes can be complicated and confusing, posing a challenge for even the most seasoned investors – and sometimes advisors too.

It's fairly straightforward to see the tax consequences related to capital gain distributions, dividends, and interest. These are identified in the tax forms sent out by investment firms. But it may be difficult to see how each investment and implementation decision can result in tax liabilities at the portfolio level. Activities such as asset allocation changes, fund changes, rebalancing, and trading can all have tax consequences.

Effectively managing these taxable events is crucial, as the tax consequences may adversely impact portfolio performance. That's why we believe that advisors who incorporate tax management as an integral part of the investment process can add substantial value.

TOTAL TAX COST

Adding it all up

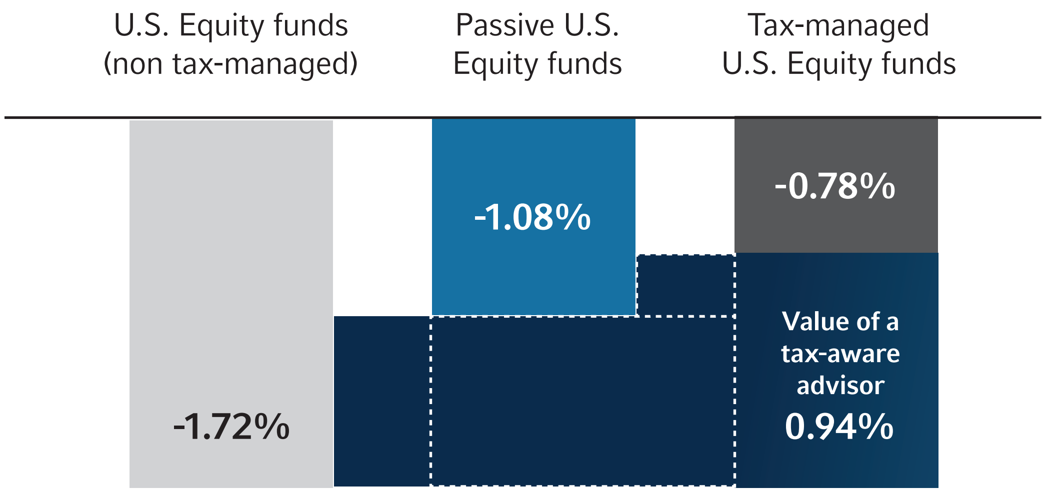
A = 0.11%	B = 2.82%	C = 1.13%	T = 0.94%

We call the tax costs that impact a portfolio's returns tax "drag." When you consider the impact of taxes throughout the entire investing process – from initial asset allocation to management of taxable and tax-deferred portfolios, to the most tax-efficient ways to withdraw funds – you can take action to reduce that tax drag.

One of the simplest actions an adviser can take is to incorporate tax-managed funds into the investment portfolio. Tax-managed funds pay little to no distributions, thereby reducing the investor's annual tax liability. Instead, that money is left in the portfolio where it has the potential to continue growing.

DIALING DOWN THE TAX DRAG

Average annual tax drag (return lost to the taxpayer) for five years ending December 2023



Tax-managed funds identified by Morningstar to be tax-managed.

Universe averages: Created table of all U.S. equity mutual funds and ETFs as reported by Morningstar. Calculated arithmetic average for pre-tax, post-tax return for all shares classes as listed by Morningstar.

Morningstar Categories included: U.S. ETF Large Blend, U.S. ETF Large Growth, U.S. ETF Large Value, U.S. ETF Mid-Cap Blend, U.S. ETF Mid-Cap Growth, U.S. ETF Mid-Cap Value, U.S. ETF Small Blend, U.S. ETF Small Growth, U.S. ETF Small Value, U.S. OE Large Blend, U.S. OE Large Growth, U.S. OE Large Value, U.S. OE Mid-Cap Blend, U.S. OE Mid-Cap Growth, U.S. OE Mid-Cap Value, U.S. OE Small Blend, U.S. OE Small Growth, U.S. OE Small Value.

Methodology for Universe Construction on Tax Drag chart: From Morningstar, extract U.S. equity and fixed income mutual fund and ETF's for reported period. Averages calculated on a given category. For example, average after-tax return for the large cap category reflects a simple arithmetic average of the returns for all funds that were assigned to the large cap category as of the end date run. For funds with multiple share classes, each share class is counted as a separate "fund" for the purpose of creating category averages. Morningstar category averages include every type of share class available in Morningstar's database. Large Cap/Small Cap/Municipal Bond determines based upon Morningstar Category. If a fund is indicated by Morningstar as passive or an ETF, the fund is considered to be passively managed. Otherwise, the fund is considered to be actively managed. Tax Drag: Pre-tax return less after-tax return (pre-liquidation).

A = 0.11%	B = 2.82%	C = 1.13%	T = 0.94%

An active tax-managed investing approach has the potential to lead to a much better after-tax outcome. This can provide significant value to your clients and help you stand out from your peers.

TAKE A SHARPER LOOK AT COMMUNICATING THE VALUE OF YOUR ADVICE

Understanding your client's tax-sensitivity level
Do you...

- ☐ **...KNOW** each client's marginal tax rate?
- ☐ **...PROVIDE** intentionally different investment solutions for taxable and non-taxable assets?
- ☐ **...EXPLAIN** to clients the potential benefits of managing taxes?
- ☐ **...HAVE** a process for partnering with local CPAs?
- ☐ **...REVIEW** your client's 1099 or 1040?

YOUR RESOURCE HUB

Top resources & action items for adding after-tax value all year long:

Every season is tax season

(Webpage)

Winter (Prepare for tax day)
Spring (Assess tax impact)
Summer (Grow your business)
Fall (Review distributions)

COMMUNICATE YOUR VALUE

You may provide all of these services, but do your clients know that? They may not know all the activities you perform to keep their portfolio on track and in line with their goals, circumstances and preferences. But they should.

We have often quoted a YCharts study that found investors appreciate the personal touch and would be far more likely to refer an advisor to family and friends if they felt the advisor provided regular and valuable information[6].

Letting your clients know that you are keeping them on track with their financial goals during all the phases of their lives and of the markets is not only likely to keep them engaged with their investments, but also with you. The implications could be broad: you are likely to be viewed as a valuable guide and trusted counsel. They will see the value you bring to them. And then they are likely to let others know.

We believe our simple but comprehensive formula can help you show your clients the value of your advice.

A for active rebalancing & active allocation: **0.11%**

+

B for behavior coaching: **2.82%**

+

C for customized experience and family wealth planning: **1.13%**

+

T for tax-smart planning & investing: **0.94%**

= **5%** the value of your advice in 2024

[6]Source: Based on responses of individuals who currently invest >$500k in AUM with financial advisors and wealth managers surveyed in "How can advisors better communicate with their clients", December 2019 by YCharts. Total sample size represented 650 individuals across the U.S. https://go.ycharts.com/hubfs/YCharts_Client_Communications_Survey.pdf, Accessed Feb 3, 2021.

FOCUS ON THE VALUE YOU PROVIDE

Your clients don't see most of the work you do. Our Value of an Advisor study is designed to help demonstrate the value of the services your clients may benefit from.

At Russell Investments, we believe in the value of advisors. Our annual study confirms that belief, and helps you approximately quantify the invaluable services you provide.

REACH OUT TO LEARN MORE

Russell Investments provides diversified investment solutions, and through our business solutions we can help you create your unique value proposition.

Contact your Russell Investments team or visit **russellinvestments.com**.

FOR MORE INFORMATION:

Call Russell Investments at 800-787-7354
or visit russellinvestments.com.

Russell Investments

Fund objectives, risks, charges and expenses should be carefully considered before investing.

A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling (800) 787-7354 or visiting https://russellinvestments.com. Please read a prospectus carefully before investing.

IMPORTANT INFORMATION AND DISCLOSURES

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

The Investment Company Institute is the national trade association of U.S. investment companies, which includes mutual funds, closed-end funds, exchange-traded funds and unit investment trusts.

Bloomberg Barclays U.S. Aggregate Bond Index: An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

MSCI Emerging Markets Index: A float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The MSCI EAFE Index is an equity index which captures large- and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada. With 918 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Countries include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The MSCI World ex U.S. Index tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The S&P 500® Index is an index, with dividends reinvested, of 500 issues representative of leading companies in the U.S. large cap securities market.

Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Past performance does not guarantee future performance.

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