SENTRY INVESTMENTS

The benefits of working with a financial advisor

Navigating the financial markets on your own and investing with confidence isn't easy – particularly when heightened volatility has become the norm. Enlisting the help of a financial advisor is an effective way of ensuring that your financial goals – as well as your overall financial health – are on the right track. In fact, recent data has shown that those who work with a financial advisor achieved returns that were 6.6% above the risk-free rate[1] (based on the average of 10-year Government of Canada bonds from January 1, 2001 to December 31, 2010) and built 2.5 to 3 times as much wealth[2] versus those who invested on their own.

Working with a financial advisor can help you:

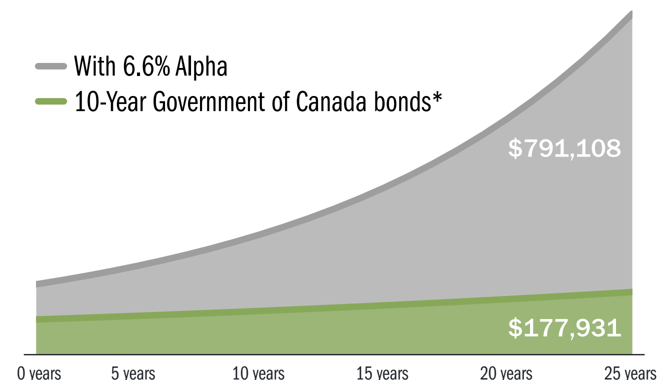
1. Choose the right investment mix – to generate better returns.

Investors who do not have a financial advisor may invest too conservatively for their age and not have enough exposure to growth assets, such as equities, that can deliver superior risk-adjusted returns over the long term. The result? These investors can end up holding an excessive amount of low-risk, low-return investments, such as guaranteed investment certificates (GICs) or government-issued bonds, and may therefore not reach their long-term investment goals.

Financial advisors encourage their clients to invest in equities. Recent data shows that when advisors encouraged equity market participation, investor returns were 6.6% above the risk-free benchmark (10-year Canadian Treasury bills). Based on a $100,000 investment, the results are staggering. This could mean an extra $622,000 in growth over 25 years compared to the risk-free benchmark. What could that extra growth mean in real life? Examples include post-secondary tuition for 20 grandchildren or a Mediterranean cruise for two, every year for 20 years.

It is important to remember that short-term volatility can arise when seeking the long-term growth potential of riskier asset classes like equities. However, over time, the impact of short-term volatility diminishes.

Financial advisors have helped investors generate returns of 6.6% above the risk-free benchmark



Extra $622,000 in growth over 25 years compared to the risk-free benchmark

*Government of Canada Marketable Bonds - Average Yield - Over 10 Years, as at October 30, 2015.
Source: Chuck Grace

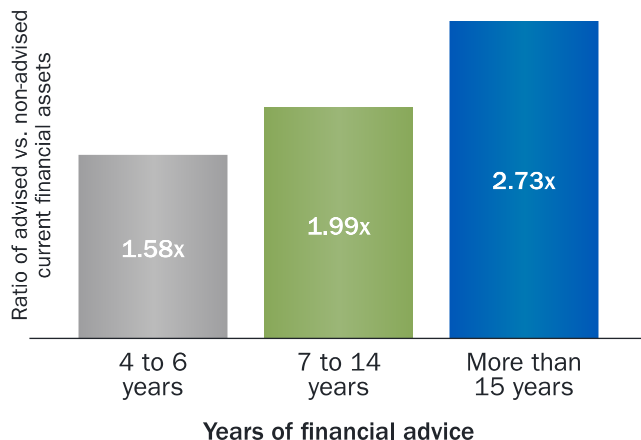
2. Follow a disciplined plan – to save more and reach your long-term goals.

We are living longer than we ever have before: the average life expectancy for a 65-year-old man is 84 and 87 for a woman.[3] While this is great news, a longer life expectancy brings with it additional financial challenges. No matter what life stage you are at, it is important to determine your long-term financial goals. What kind of lifestyle do you want during your working years? When do you want to retire? Once in retirement, what income will you need to live the lifestyle you want?

Research has shown that investors who worked with a financial advisor for a period of 15 years or more had 2.5 to 3 times greater wealth than those without a financial advisor. This is a significant number that could mean a world of difference to your comfort

before and during retirement. Simply put, a financial advisor can help you create a disciplined plan to help you reach your goals and, most importantly, help you stick to that plan.

Investors who work with a financial advisor have accumulated 2.5 to 3 times greater wealth than those without a financial advisor



Source: IFIC Value of Advice Report, 2012

3. Control emotion-based behaviours – to avoid making irrational investment decisions.

It is understandable that if news headlines are screaming about trouble in the financial markets, some investors may feel panicked and make investment decisions that could hurt them in the long run. It's moments like these when financial advisors can help steer investors away from making emotion-based decisions that could jeopardize their long-term financial goals.

Here are some examples of typical investor behaviours, which an advisor can help you avoid:

Herd mentality	The tendency to follow the crowd, often chasing returns after they've already been achieved.
Anchoring	When someone ignores the underlying fundamentals of a business and buys a stock that has suffered a sudden drop in price, solely with the thought that it's destined to rebound to the previous high water mark.
Loss aversion	The emotional response to market declines (however short term they may be) is dramatically stronger than when markets make gains. Losing money is more painful for people than the satisfaction they experience when making money.
Familiarity bias	One way this manifests is in "home country bias," e.g., when Canadians invest the majority of their assets in the Canadian market even though it makes up only a fraction of the world's investment universe.
Overconfidence	This behaviour occurs when people think they are better at doing something than they really are, or that they can "outsmart" the market.

Next steps

If you do not have a financial advisor, we recommend you speak with one. A financial advisor can help you make important changes to your portfolio that will get you on your way to achieving your long-term financial objectives.

If you do have a financial advisor, it is likely that you are already on the right track. But remember: it is important for you to tell your advisor of any significant life changes, such as receiving an inheritance or losing your job, that may require an update to your financial plan.

[1] Ivey Business School report, "The costs and benefits of financial advice," 2013.

[2] CIRANO, The Value of Advice Report 2012. A key feature of the CIRANO research is the depth and quality of its underlying data – the largest and most extensive database yet developed in Canada for this purpose. An initial survey was conducted by Ipsos Reid in December 2010, and a follow-up survey was completed in August 2011. The researchers work with a high-quality final sample of 3,610 households – split into 1,785 advised households and 1,825 non-advised households. A host of socio-economic, demographic and attitudinal information (as presented in the chart to the right) has been collected on each of the respondents so that asset levels could be compared for households that were effectively identical in all respects except for their use of advice. With this rich database, the researchers are able to single out the effects of advice on asset accumulation after accounting for more than 50 other variables that also influence wealth accumulation.

[3] Statistics Canada.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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