



# Is financial advice worth paying for? Investors share their perspectives

T. Rowe Price research reveals how workers and retirees assess the value of the advice they receive from financial professionals.

## KEY INSIGHTS

- Historically, assessing the value of financial advice has been challenging.
- T. Rowe Price research shows that investors value advice aspects that are more readily quantifiable.
- Investors who find some advice aspects valuable may feel financial advice services are worth the price.



**Roger Young, CFP®**  
*Thought Leadership Director*

Financial advice can be a meaningful source of guidance and support for investors. That's true whether you're working toward a long-term goal like retirement or managing shorter-term issues like deciding whether to buy or lease a car. However, assessing the value of that advice can be challenging for investors. (See "Why is it so hard to measure the value of financial advice?")

Research from T. Rowe Price shows that certain aspects of advice—including advice that goes beyond investment selection—may be particularly valuable. If you're thinking about paying for financial advice, which often costs 0.5% to 1% of your assets under management in addition to any investment fees, it's worth

considering where other investors find value in that process. Doing so can help you gain clarity about whether advice might be valuable in your circumstances.

## How investors value advice

In our Retirement Savings and Spending Study,<sup>1</sup> we asked investors to assess the value of various aspects of advice, ranging from asset allocation and investment selection to tax planning, behavioral coaching, and estate planning.

The most valued advice aspects—namely, retirement planning, tax planning, investment selection, and asset allocation—were those that are more readily quantifiable than the less valued aspects, which tended to be more

<sup>1</sup> The Retirement Savings and Spending Study was conducted online June 9–August 4, 2021, and 3,844 participants who are currently contributing to a 401(k) plan or are eligible to contribute and have a balance of at least \$1,000 responded. The survey also included 1,332 retirees who have retired with a Rollover IRA or left-in-plan 401(k) balance. This group is not necessarily representative of the general population.

## Why is it so hard to measure the value of financial advice?

Researchers estimating the value of advice have arrived at a wide range of numbers, from roughly 1.6% to over 3% of assets managed annually,\* and they acknowledge that the value someone realizes depends on many factors. Here are a few reasons it is a challenging exercise:

- Some aspects of advice are relatively quantifiable (e.g., benefits of rebalancing), whereas others are very difficult to measure (e.g., the value of peace of mind that ongoing advice provides).
- There is no industrywide consensus on how to categorize different aspects of advice. For example, some researchers use broad categories such as “financial planning,” whereas others break out services such as tax planning and retirement planning. In addition, there can be considerable overlap between categories, particularly with an aspect such as taxes that touches many other areas.
- The value of advice can vary widely by individual. Tax planning is an obvious example—the value depends heavily on income, wealth, and types of investments or accounts. The value of less quantifiable aspects such as goal setting or behavioral coaching might depend on personality, temperament, and other personal characteristics as much as on financial circumstances.
- Services provided by financial professionals also vary widely.

\*Examples include Vanguard, Morningstar, Michael Kitces, Envestnet, and Russell.

behavioral in nature. (See “How investors rank the value of advice aspects.”)

### Key findings and insights

Beyond the study’s broad findings, investors’ perceptions of value tend to vary based on lifestage and circumstances. For example, retirees are much more likely than workers to pay for advice: According to the study, nearly half (45%) of retirees pay for advice, compared with just over a quarter (26%) of workers. In addition, retirees who pay for advice overwhelmingly value investment selection and asset allocation over other aspects of advice.

By comparison, investors who are working tend to value retirement and tax planning advice most highly. These findings may

display some generational effect, since financial advice historically has been more focused on investments than financial planning.

The complexity of one’s circumstances also may have an influence on the perception of value. People who previously had been married (that is, they are divorced, separated, or widowed) use advisors more often than people who are currently married, living with a partner, or were never married. The former group of people may face additional financial decisions that arise after that life event, or they may no longer have a partner who handles financial matters. For example, widows and widowers often find estate planning particularly valuable.

## How investors rank the value of advice aspects

Among the various aspects of advice, a higher percentage of workers compared with retirees ranked retirement planning and tax planning as very valuable.

	WORKERS			RETIREES		
	Currently Pay for Advice?		Overall rank: workers	Currently Pay for Advice?		Overall rank: retirees
Aspect of advice	Yes	No, but would consider		Yes	No, but would consider	
Retirement planning	<b>52%</b>	43%	1	40%	27%	3
Tax planning	<b>42%</b>	37%	2	34%	27%	4
Investment selection	50%	30%	3	<b>56%</b>	29%	1
Asset allocation and rebalancing	44%	33%	4	<b>53%</b>	22%	2
Prioritizing goals and monitoring	<b>36%</b>	32%	5	29%	18%	6
Ongoing help and coaching	<b>30%</b>	26%	6	23%	12%	7
Estate planning and other	<b>32%</b>	24%	7	30%	23%	5
Day to day	<b>27%</b>	25%	8	13%	11%	8

Source: T. Rowe Price Retirement Savings and Spending Study. Shows the percentage responding “very valuable” for each aspect of advice. Data are sorted by overall rank for workers, and the highest percentage for each aspect is shown in bold. All results are weighted, attempting to reflect overall population demographics.

Likewise, having higher balances in a taxable brokerage or investment account increased the likelihood that an investor would pay for advice—and that impact was much greater than for other assets, such as retirement and bank accounts. A higher taxable account balance may indicate that an investor has a more complex financial situation that may particularly benefit from advice.

All told, people who pay for advice rated more advice aspects as very valuable than those who did not. This result could suggest that finding value in more aspects causes people to pay for advice. However, the reverse could be true in some cases:

Paying for an advisor may reinforce the belief that the benefits are valuable.

### Considering advice for your circumstances

To gauge the potential value of financial advice in your circumstances, consider the experiences of people like you. For example, if you are retired, you may appreciate the fact that retirees are much more likely to pay for advice than workers. Likewise, if you have investments outside of retirement plans, there are compelling reasons to consider financial advice, according to the survey, including the value of tax planning and asset allocation.

It's also worth bearing in mind that your situation might not be reflected in the survey results. For example, support for prioritizing goals and ongoing decision-making were valued less than most other aspects of advice. Yet this type of advice can be a critical component of making, and sticking to, a long-term plan—which in turn can have a substantial effect on investment and financial outcomes. Take an honest look at yourself and think about whether you would benefit from help identifying potential blind spots in your own thinking. Even if you don't usually make behavioral investment mistakes, if an advisor can save you from making just one every five to 10 years, that could be worthwhile. (See “Could you benefit from financial advice?”)

If you think a few aspects of advice are valuable, there is a good chance that financial advice will be worth the price. For the typical advice user who considers three aspects very valuable, an advisory fee of 0.5% to 1% of assets may be justified without making unrealistic

assumptions about the value of any one aspect.

Tax and estate planning services are also highly valued by many people who pay for financial advice. T. Rowe Price generally recommends consulting with professionals in those specialties. A financial professional who offers a broader range of services can help connect you with these specialists and coordinate those areas with other aspects of your financial plan.

Paying for financial advice is not a necessity in every situation. However, our research reveals that investors in a variety of circumstances find advice a valuable addition to their financial planning. Think about what you would value from advice. You may especially want to consider the aspects of advice that go beyond investments, many of which are increasingly provided by financial professionals who can help you define and work toward your goals.

## Could you benefit from financial advice?

A guide to determining whether your circumstances may warrant expert support.

T. Rowe Price research has revealed the factors and circumstances that lead many investors to find value in paying for financial advice. Consult the following questions to determine whether the same may be true for you. If you answer yes to some of the following questions, you may want to consider paying for financial advice.

- Do you have assets in taxable accounts?
- Are you approaching retirement?
- Have you recently been widowed or divorced?
- Do you have a need for tax and estate planning services or help coordinating with those specialists?
- Do you typically find it helpful to talk about your financial goals and priorities?
- Are you concerned about making emotion-driven investing decisions?

## Would you like a financial plan that keeps up as your goals change?

Consider the T. Rowe Price Retirement Advisory Service™.

It's easy to get started with a detailed, personalized financial plan you can review without cost or commitment. And we make it easy to put your plan into action.

- Simply enroll in our managed portfolio service with a competitive average net advisory fee of 0.5%\* (minimum \$250,000).
- Enjoy the ongoing support of a dedicated advisor in your corner.
- You can feel confident with our professionals managing your investments, so you can focus on the people and activities you love.

Our advice and investment professionals have your back through every kind of market.

[Explore advice with us now.](#) Or call 1-800-366-5910 to speak with a Financial Consultant.

\*The average net advisory fee for the service assumes the use of primary funds and neutral portfolio weightings. Your actual net advisory fees will vary depending on your recommended model portfolio, the specific mix of funds in your managed portfolio, and their fees and expenses. The estimated net advisory fees for the model portfolios ranged from 0.37% to 0.57% as of June 2024. You will also pay the fees and expenses of the funds held in your managed portfolio. The total cost you are expected to pay, including the net advisory fee and the underlying fund fees and expenses, is approximately 1.00% of assets under management. For additional information on fees and expenses of the service, please read the Fees and Compensation section of the [Retirement Advisory Service ADV Brochure \(PDF\)](#).

All investments are subject to risk, including possible loss of principal. T. Rowe Price does not guarantee the results of our investment management or that your plan's objectives will be met.

The T. Rowe Price Retirement Advisory Service™ is a nondiscretionary financial planning service and a discretionary managed account program provided by T. Rowe Price Advisory Services, Inc., a registered investment adviser, under the Investment Advisers Act of 1940. Brokerage accounts for the Retirement Advisory Service are provided by T. Rowe Price Investment Services, Inc., member FINRA/SIPC, and are carried by Pershing LLC, a BNY Mellon company, member NYSE/FINRA/SIPC, which acts as a clearing broker for T. Rowe Price Investment Services, Inc. T. Rowe Price Advisory Services, Inc., and T. Rowe Price Investment Services, Inc., are affiliated companies.

## INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term. To learn more, please visit [troweprice.com](https://troweprice.com).

# T.RowePrice®

### Important Information

All investments are subject to market risk, including the possible loss of principal.

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types; advice of any kind; or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

The views contained herein are those of the author as of August 2024 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

All charts and tables are shown for illustrative purposes only.

© 2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.