

CONFIDENT CONVERSATIONS® on Retirement: The Value of Financial Advice: Is It Right for Your Savings Goals?

Francisco Negrón: Welcome to T. Rowe Price's CONFIDENT CONVERSATIONS® on Retirement. My name is Francisco Negrón, and I'm grateful to be your host. For the past 35 years, I've been privileged to work with organizations to help their employees prepare for retirement. My colleagues joining me today are financial professionals who also help people on their retirement journey, whether they're planning for retirement or are already there.

Making smart financial decisions can be challenging, especially with the ever-changing landscape of investment options and economic uncertainties. That's where financial professionals come in. In this episode, we will discuss the value of working with a financial professional to achieve your financial goals, including retirement, as well as how to find a good fit for your financial needs. Joining me to discuss this topic are certified financial planner professionals Emily Herstein and Matt Spratt. Welcome to the show, Emily and Matt.

Emily Herstein: Thanks for having us.

Matt Spratt: It's great to be here.

Francisco Negrón: So, I was really looking forward to this episode because in prior episodes, we've talked a lot about all the different considerations and information that you have to work through in order to develop your plan. So today we get to talk about who helps you through all of that and that entire process. So, let's delve right in.

In our 2023 T. Rowe Price Retirement Savings and Spending study, which surveys a nationally representative group of 401(k) plan participants and retirees, approximately 73% of survey respondents indicated that they are currently paying or would consider paying to receive help from a financial professional. So, let's begin with why would someone want to hire a financial professional? Let's start with you, Emily.

Emily Herstein: Financial professionals work with you to help you achieve your financial goals, but this means something different to everyone. Part of the benefit of working with a financial professional is they can help you decide what does financial success mean to you and what are some ways to help you get there?

Matt Spratt: Emily 100% agree with that. Financial professionals are like any expertise. If I'm going to build a building, I'll hire an engineer and a general contractor. If I'm not feeling well, I'll go to my doctor. I think it's important that we understand that there is multiple disciplines inside of the financial planning world, but ultimately they're like any of those expertise.

If you don't have personally the expertise to, you know, fix your sink, you call in a plumber if you don't have the expertise, the desire, or even the passion to manage your investments, you call in a financial professional. I think that's really one of the best things that financial professionals do for us is to help us navigate the complicated world of personal finance.

Francisco Negrón: Yeah, so it sounds like it's like a financial coach that will walk along with you.

Emily Herstein: Agree 100%. It's just I could probably figure out on the Internet how to fix my own breaks, but that's not something I'm an expert in. So, I'm going to leave it up to the experts.

Matt Spratt: I like what you said, Francisco, about having a financial coach. This is exactly what you're looking for, someone who can help you identify goals and resources, develop a plan, and monitor progress over time. The format will obviously look a bit different depending on the professional you hire and the firm you work with, but at a high level, those are the steps you should expect to go through no matter who you're working with.

Francisco Negrón: I'm curious before we explore the topic more deeply, would you mind sharing what made each of you choose to pursue a career as a financial professional?

Matt Spratt: So, for me, before I was in the finance industry, I had some people in my family and in my life who gave me some really good financial advice. It helped me right out of college, understand a little bit more about my own finances and make good early decisions. So when one of my cousins, who was a little bit younger than me, got this really great job right out of college, making more money than he had ever seen before, I went to my grandmother, who was closer to him at the time, and this is a woman who I have deep respect for, who I learned the value of work ethic and giving to your community and helping out the people around you and just so many wonderful things from I went to her and I said, "Hey, the next time you talk to my cousin, can you please tell him to, get a financial plan and make sure that he's, you know, saving for whatever comes up in the future."

And specifically, when I told her to tell him to save as much as he can, which is what I actually told her, you know, she looked at me really confused and she said, "Why?" Now, this is troubling to me because I knew all the reasons why you should save at the time. But it occurred to me that this is a person who has managed finances for her entire life. I learned later has been unbanked for most of her life. And it occurred to me that she really just didn't have the knowledge of why saving was important. So that that reinforced the passion that I already had for personal finance, and then further reinforced the desire for me to earn more of that knowledge and then spread as much of it out as possible because our personal finance lives are, if I'm, in my personal opinion, too complicated. So, whatever I can do to help simplify it for people makes a lot of sense to me.

Emily Herstein: It's interesting, Matt, my "why" story, my background story has to do with a grandparent as well. My grandfather always talked to me about the market, about his stocks. He

was 90 something years old back when the Internet was first coming about, and we got him on the Internet just to follow his ticker symbols. And it was always something easy for us to talk about that I enjoyed.

I also realized there were not a lot of people like me acting as financial professionals. There were not a lot of women. And it's been said many times that people relate to people that look like them, that act like them, that remind them of themselves. So, I wanted to be a financial professional so that women had someone like them that they could get sound guidance from.

Francisco Negrón: Oh, I love that. So, let's build on that. So, what are, Emily, to you, what are some of the top reasons individuals seek advice, financial advice in the first place? Do you have some examples that you could share from your personal experience working with investors?

Emily Herstein: You know, individuals seek advice for many reasons, from a savings plan to a distribution plan, figuring out how to balance saving for retirement while also saving for college or other goals, and even just to have someone to help them stay the course is really important and helping them through the market changes and their life changes as well.

I had a client in the past and she'd made very good financial decisions, but she felt like she was getting too emotional about her money, so she wanted somebody by her side to help her stay the course, even when things looked bad to remind her of what her goals were and have her not make a decision based on emotion, but based on the plan that we had laid out.

Francisco Negrón: So important, having that objective expert to, to help you through that. So, what are the different ways that financial professionals can add value to an investor's unique financial journey? Everybody's unique, and we've talked about that also in prior episodes. For example, how might you recommend strategies to optimize retirement savings? Matt, start with you.

Matt Spratt: Yeah, absolutely. So, there's, I could share endless stories of how the financial professionals on my team have helped different investors with different needs that they have. But ultimately, what I think the biggest thing is for us is helping clients understand their goals, like Emily said, and then helping them plot a course to achieve them. And that's the initial phase, right?

But where I think the real value of having a financial professional comes in is, okay, so you've got this plan. You know what's what you're going where your what your direction is. You have an initial idea of things that we can help you understand, like when is it an appropriate time to retire or how much do you need to save to retire? How much can you spend in retirement to achieve your goals? All sorts of things like that.

But where I really think the value of a financial professional comes in is in the ongoing relationship. So as things change and that's change in the environment, things like regulations, tax laws, I think the SECURE Acts are a really good example of changes that happen in the

environment that the average individual probably isn't paying super close attention to. But more than that, the changes that happen in our individual lives, that can be good things like we receive a sudden influx of money, or we win the lottery. Right? But it also can be bad things like the death of a spouse or, you know, an unexpected medical expense that has the potential to have detrimental impacts to people's personal finances.

So those are the opportunities where I really think financial professionals can come in and understand your plan and say, "okay, we have to adjust, we have to make changes", and they can help you thoughtfully do that so that you don't incur additional financial impacts from this one bad event, or at least you limit them as much as possible inside of the personal finance landscape that you're operating inside.

Francisco Negrón: That's so important because life happens and those are the places where there are changes, where we know that that's where the stress level goes up if you're the individual. So, Emily, how can a financial professional then help somebody who's going through a change to adapt their plan to accommodate those changes in their personal circumstances, financial goals?

Emily Herstein: It's interesting, when Matt was just talking, it made me remember something I used to tell clients, You should call me any time somebody would say "congratulations" or "I'm sorry." Any time you hear those words, it's, it's time to check in with your financial professional because that means something has changed, you got that promotion or maybe something on the other side, you lost somebody in your family. And that's those things are what a financial professional can help you navigate.

And I think that's why it's really important to build a relationship with your financial professional. You know, things are going to change in your life, and you may not even realize the impact that that has to your financial planning and your goals.

Things may change in your life, and you won't even realize the impact it has to your financial plan and your goals. But by having that relationship and regularly reviewing your financial goals, your current situation, your advisor can help you make any changes that might result from the curveballs that life throws you or the good things that happen, right? Not just the curveballs and all the opportunities that life presents, your financial professional should be your partner and help you adjust your plan, whether it means you can now save more, whether it means that you have to start cutting back on your spending, whatever the case may be, it's somebody to be with you by your side.

Francisco Negrón: I love that, Emily, and I will always remember that when you have something to celebrate. Also, call your financial professional, you know, but also listening to you. The word that keeps popping in my head is also the importance of trust. You really need to, it's not just to fit where you really need to have a level of trust with that individual. So, thank you for that. Thoughts from you, Matt, on all of this.

Matt Spratt: Yeah, I really like what you said there, Francisco, about trust. You know, I think I can share endless examples of, you know, the different ways that our financial professionals help different clients with different needs. But I think one of the things that I see more often than I would like to, if I'm honest, is I regularly will see clients come through who are calling us at the moment when they've lost a spouse, which is obviously a very traumatic period of time.

And what I often hear is that “hey, my spouse was the person that handled all of the finances. They did all of the investing, they did all the budgeting, they did all of the saving. And I have no idea what I'm doing right now.” So, what you said about trust and what you were saying, Emily, about like “congratulations” or “I'm sorry,” I think those both tie really nicely into the understanding that you want to have that relationship before these events happen.

And the reason is because in that event, let's say, you know, the two spouses, one of them really was the primary person for the financial side of things, that spouse passes away. But in the event that you have a financial professional, you probably know that person. That person knows about what your plan is, knows what the goals that you have and has some relationship with you already so that when you call them in that terrible time in your life, when you've lost somebody, there's somebody who can be a trusted professional who can help you navigate those challenges. And already knowing the back story and what you're looking to achieve and can make it as painless as possible, as opposed to you going through this really difficult personal time and having to deal with the family, potentially children, and then having to deal with the estate and then also trying to build a relationship with an advisor when maybe your goals aren't as clear as they once were. So, I think that's some of the benefit that a financial professional can bring.

Francisco Negrón: Excellent points. So, what about let's fast forward, you know, a little bit. What about those who are about to retire or perhaps are already retired? How can a financial professional help in creating a comprehensive retirement income plan or help mitigate potential risk that they may see? Matt, let's start with you.

Matt Spratt: Yeah, I love this question because when I think about how we can help clients in different life stages and that's that extends to early savers, people about to retire, people in that transition phase and in retirement. I think about often the questions that I get from clients. So those are questions like before retirement. Do I have enough to retire? When should I take Social Security? Am I taking too much out of my portfolio?

Or after retirement - Am I going to outlive my money? Am I going to be a burden to my children? Where should I take money from? Do I have to take required minimum distributions? And how much? And there's so many more.

All of these questions are great questions and really important to your success, but they're all ultimately really difficult to answer without having the data. And what I mean by the data is just understanding where your income is coming from, where your investments are, and then how you want to use them, what your goals are, what are the things that make you happy in

retirement? When we have all that information, those questions suddenly become a lot easier. We can run statistical simulations to give you confidence that you won't outlive your money. or to tell you, "Hey, this is now an appropriate time for you to retire, or you can retire the way that you want, or you can meet your goals." So, I think those are the things that are really important to me is having the data really makes the difference. Doing the planning really makes the difference.

Emily Herstein: I would add, Matt, that in addition to the data, it's like we talked about before with trust, there could be similar answers to those questions. But your financial professional is going to know you and your personality. So, if two situations are going to have similar outcomes, a lot of it's knowing what's going to sit well with you, right?

One of the things I always told my clients is we have to pass the "sleep at night" test so I can tell you the right things to do. But you have to be able to sleep at night. Your head has to be comfortable on that pillow and, and you be able to close your eyes and think about your retirement and not, not get mad at me about it.

Matt Spratt: So true.

Francisco Negrón: Yeah. It needs to be *your* plan makes sense for you. Very important. so how can a financial professional help investors navigate all the complexities of tax planning, we're going to be doing an episode just on that because it is complex, but how can a financial professional help with that help minimize an investor's tax liability during retirement? Let's start with you, Emily.

Emily Herstein: This is a tremendously deep conversation, but you can think about it on a high level as each type of account, IRA, Roth IRA, 401k, 403b, all these different letters we have out there, each has different tax implications and rules. And Matt alluded to this earlier, the rules change over time, right? An excellent example is the SECURE Act changes to RMDs and understanding things like Roth IRAs have income limits, but Roth for one case do not. One of the things that a financial professional can help you look at is the best way to minimize your tax implications but have a solid distribution plan. And that may not mean taking money from all of one account. It may not be, let's take all the money from your IRA and then move to your 401k and then your Roth. It might be some combination and you know it goes back to one of the things we've been talking about a lot – everyone's situation is different and that's why it's important to have that relationship with a financial professional to really make the most out of what you have.

Matt Spratt: Yeah Emily, what I heard you say there is basically there's power in the numbers and using your financial professional to understand those different aspects of your tax situation can save you a lot of money over time.

So, the example I like to talk about is thinking about a client who was a few years away from retirement and was thinking about buying an RV. And when they came to the financial

professionals on my team, what they said was, “I want to buy this RV,” it was a very expensive RV, you know, on the order of \$180,000. They're like, “I want to buy this RV the year I retire, and I'm going to take it all out of my retirement accounts.” And what our financial professionals helped them understand was, “okay, this is a really big purchase. So, if you do all of that all at once, that's a lot of tax liability that you add into your personal finances all in one year. But we've got time before that. So we can do some planning now to give you tax diversification, for example, perhaps by using like a Roth IRA, to give you the ability to withdraw some of that money from your accounts that are, for example, pretax and are going to incur a tax liability, but also using other accounts so that you don't pay more tax than you absolutely have to.”

And that's just an example of how we can help. And obviously it's very much personalized and that's a very complicated strategy to work through. And make sure that we're doing appropriately in the context of all of the other goals. But that's just an easy-to-understand example of how we can help if we know that something is coming, we can help you plan for it in a thoughtful way.

Emily Herstein: It's tax diversification. We often, financial professionals, talk about diversification with other things, but there's diversification with taxes as well. And that's something a financial professional can help you walk through.

Francisco Negrón: Absolutely. Like you said at the beginning, a complex topic. There's a lot of layers to it so this is my plug to our listeners, we're going to do an episode just on that, so be sure to come back for that.

So, I think both of you have done an excellent job of making a compelling case. Why it's so important to work with a financial professional, work with that coach that you can trust that will be there with you through every step along the way. Emily How does one find this person? How can an investor find a financial professional and what should they look for when choosing somebody to work with.

Emily Herstein: Work with someone that you trust, someone that you feel comfortable with. We kind of talked earlier about other financial professionals, and I think this is similar to a primary care physician. You can find multiple doctors that do the same thing, but you have to find somebody that you feel comfortable and that you connect with.

I would check to see what's available with the financial services companies that you may already work with and there's lots of public resources. You can verify, your financial professional credentials through FINRA's Brokercheck, you can see their work history, you can also verify any licenses that they have. Additionally, there's resources through the Certified Financial Planners website and you can search on there.

Matt Spratt: Everything that Emily said is 100% true. And I really appreciate that we're taking a little bit of time to talk about how to find a financial professional because it is an important

decision. So, I think there's a couple of things that I would I would add to that. One is being intellectually honest with yourself about the kind of financial help that you need.

We tend to talk about personal finances like its own singular topic, but really, it's a wide breadth of things. So, it's things that we've already talked about like investments and taxes, but it also spans into things like retirement accounts and estate planning and a variety of other, other components.

So, the way I would put it is if you were, you know, a certified public accountant or a CPA, you probably don't need help doing your taxes. But if you're a CPA you might need help managing your investments because that's not really your expertise. I think we all need to be intellectually honest with ourselves about what we're doing. The other piece that I would add to that is there's a ton of really complicated investment and retirement strategies out there. But if, two things if you don't understand the strategy, you're likely not getting the most out of it. And if you don't have the will to execute on the strategy to do all of the things necessary, then you probably aren't going to get the most out of it either. So, thinking about what your skills are and what the amount of time and energy you're willing to put into those things, I think also helps when you think about which financial professionals you want to hire.

Emily Herstein: I totally agree, Matt. And sometimes even within those underlying types of financial professionals, you mentioned CPA, you may need a CPA who specializes in small businesses, or you may need a financial professional who specializes in divorce planning. Everybody's situation is unique, and you can find somebody who is going to be most appropriate to help you.

Matt Spratt: Great point.

Francisco Negrón: Excellent. So, it sounds like listening to both of you, there are some very practical considerations that you don't want to overlook – credentials, experience, reputation. But there's also an emotional, softer side of it that you, you want to consider. Is there somebody you want to work with that you're comfortable with and ultimately that you're going to trust? Really good, really good points you both are making.

So, let's talk about cost. Cost is often a factor that comes to mind when considering working with a financial professional. However, the value that they can bring can outweigh those fees that are associated with their services. So, what are the potential cost savings that you would say, tax benefits perhaps, and long-term advantages of working with a financial professional from a cost standpoint?

Emily Herstein: I think it's hard to measure the value of advice because you could rely on several aspects. But as we talked about, you need to find somebody to help you stay the course, right? That that is somewhat measurable. If you would have acted on your emotions and, you know, walked away from your strategy as opposed to sticking with it. You know, if we think back to 2008, we can see the impact of that.

You also want to find somebody you know who's going to help you save money in taxes that can help you offset the fee, like we just talked about, tax diversification. And additionally, somebody who's going to give you actionable advice that helps you when you're thinking about the value of advice, right? If you're paying somebody and they're helping you come up with a strategy that you're never going to act on because it's not realistic, that's going to be a big difference in terms of the value you're seeking, than a plan that's actionable.

Matt Spratt: When I think about this, this topic, the first thing I would like to say is I love that in our industry there is this sensitivity to fee structures. And I think that's important, right? It's something that you should be aware of. But when I think about this, none of us like paying fees, right? But we do it to get a value out of it.

So, the example I always use when I talk about this is, I don't like necessarily paying Amazon for Prime, but I'm willing to do it because I get my packages faster and I get the Paw Patrol for my kids.

(ALL LAUGH)

Matt Spratt: So, I think it's important to make sure, like Emily said, you're getting the value out of what you're what you're paying for.

I do think that, much like most of the other disciplines, specialties out there, just like when you're talking about earlier in construction right? If you're going to hire somebody to renovate your house you're probably not going to take the first price that's out there. You're going to shop around a couple different contractors. I think that can be a useful exercise to do some of the things that Emily also mentioned, like finding somebody that really resonates with you and can design something that helps you feel comfortable as well as a plan, you know, that makes sense to you and that you feel good about.

Emily Herstein: You know, Matt, just like when you're repairing your home, like what you're talking about, cheapest isn't always the best, right? And you want to make sure that you're clear in what's included in your engagement.

Matt Spratt: Yeah, I agree with that. The one thing I also wanted to add into this is I think it's also important to work with a company that you feel like you can trust too, right? If you're hearing companies names in the headlines and there's concerns about the structure of how they run their business and the impact that that has the clients, that's likely a red flag to you and may not be a company that you want to work with because of the way that the company itself is structured.

Francisco Negrón: I have really enjoyed this conversation. Thank you both. Sadly, we have to wrap it up. So, let's before we do, let's leave our listeners with one key takeaway on the value of financial advice. Emily, start with you.

Emily Herstein: The biggest thing to think about is finding a financial professional who fits your needs. We've made a lot of analogies and one I know we've talked about in previous episodes is the GPS analogy. I know my way to work. I come to work a couple of times a week, but I always check my GPS in case there's an accident, right? Waze may tell me to go one way.

Francisco Negrón: I do the same thing.

Emily Herstein: Yeah, I think that's really the same with a financial professional and one of the reasons to engage with a financial professional, is we can access your GPS, right? You may know how to get from A to B, but we want to help you get there in the best way. And if we need to redirect, you know, or recalculate, we can help you do that.

Matt Spratt: I love that. Emily and just to pile on there, I mean, financial planning, just like the regularity with which you check your GPS, isn't a once and done thing. You know, as regulations change, your situation changes. Having a plan, revisiting it at least annually and adjusting as needed can help you to be aware of the most appropriate direction for you to take right now.

Francisco Negrón: It is clear you both enjoy and really are passionate about helping people through this process. Thank you both for joining me today. I've really enjoyed it.

Emily Herstein: Thanks for having us. It was great.

Matt Spratt: I've enjoyed our conversation as well. Thank you.

Francisco Negrón: Well, as we conclude today's episode, it is clear that financial professionals can play an important role in helping individuals navigate all the complexities of their financial lives, including retirement. From personal guidance and comprehensive financial planning to addressing unique needs and offering expertise. Their value goes beyond mere investment recommendations. However, it is important to carefully select an advisor who aligns with your goals and priorities.

Again, I'm Francisco Negrón. Thank you so much for listening. Please tune in for our next episode, which focuses on tax planning strategies that can help you maximize your savings to and through retirement. If you like this podcast, please read us and subscribe wherever you get your podcasts. And remember, it's not how you start, but how you finish. So be confident! Your tomorrow begins today.



T. Rowe Price
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