Wealth Management Benefit Measured

Industry Thought Leader and Pioneer, Michael Kitces's, compilation of the benefits of working with a financial advisor. Including research from Vanguard, Morningstar and Evestnet.

FINANCIAL PLANNING STRATEGY	POTENTIAL ECONOMIC IMPACT
INCOME TAX BENEFITS	
Claiming tax deductions, credits, & tax-free investing opportunities. Deductions, credits, ROTH IRAs and 529 plans, etc.	$1,000s or $10,000s
Tax deferral - Retirement contributions, TLH.	$10,000s or $100,000s
Tax bracket arbitrage - Roth conversions, tax sensitive liquidations.	0%-30% of total wealth
INVESTMENT PLANNING BENEFITS	
Picking Lower-Cost Investments	0.45%-0.82%
Tax Loss Harvesting	0.20%-0.60%
Asset Location	Up to 0.75%
Investment Selection for Alpha?	>0%
Rebalancing	0.35%-0.44%
Diversification	Risk reduction
Behavior Gap	Up to 1.50%?
ESTATE TAX BENEFITS	
Federal estate tax savings (for those >$5M?)	Millions
State estate tax savings	$100,000s or Millions
Probate and settlement cost savings	$1,000s or $10,000s
Ensuring assets go where they should and when	Priceless!
RETIREMENT PLANNING BENEFITS	
Retirement portfolio tax strategies and withdrawal sourcing	0.50%-0.70%
Maximizing Social Security benefits	$10,000
Retirement-sensitive tax planning strategies (e.g., Medicare Part B and Part D premium surcharges)	$1,000s to $100,000s
Setting spending policies and budgeting	Making retirement work!
Determining when you can stop working!	Priceless!
INSURANCE PLANNING BENEFITS	
Optimizing Insurance Coverage	$100s or $1,000s
Eliminate Financial Catastrophes	Priceless!
DELEGATION BENEFITS	
Enhance Value of Your Time	$1,000s or $10,000s
Spend Money to Free Up Time	Emotional Well-Being!
Ensure Things Actually Get Done!	Priceless!
BEHAVIORAL BENEFITS	
Debiasing	Unquantifiable?
Financial coach for implementation	Priceless!

TYPES OF IMPACT

Financial Gain   Risk Reduction   Well-Being Enhancement   Behavioral Change

"The Kitces Report" by Kitces, Volume 3, 2015
"Alpha, Beta, and Now... Gamma" by Blanchett & Kaplan, 2013
"Quantifying Vanguard Advisor's Alpha" by Kinniry, Jaconetti, DiJoseph, & Zilbering, 2014
"Capital Sigma: The Advisor Advantage" by Envestnet Quantitative Research Group, 2015