

Financial Literacy vs. Fees: Does It Pay to Use an Advisor?

Financial literacy is biggest benefit of working with a financial advisor, according to investors. Is the knowledge worth the price?



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What do investors see as the biggest benefit of working with a financial advisor?

Improved financial literacy

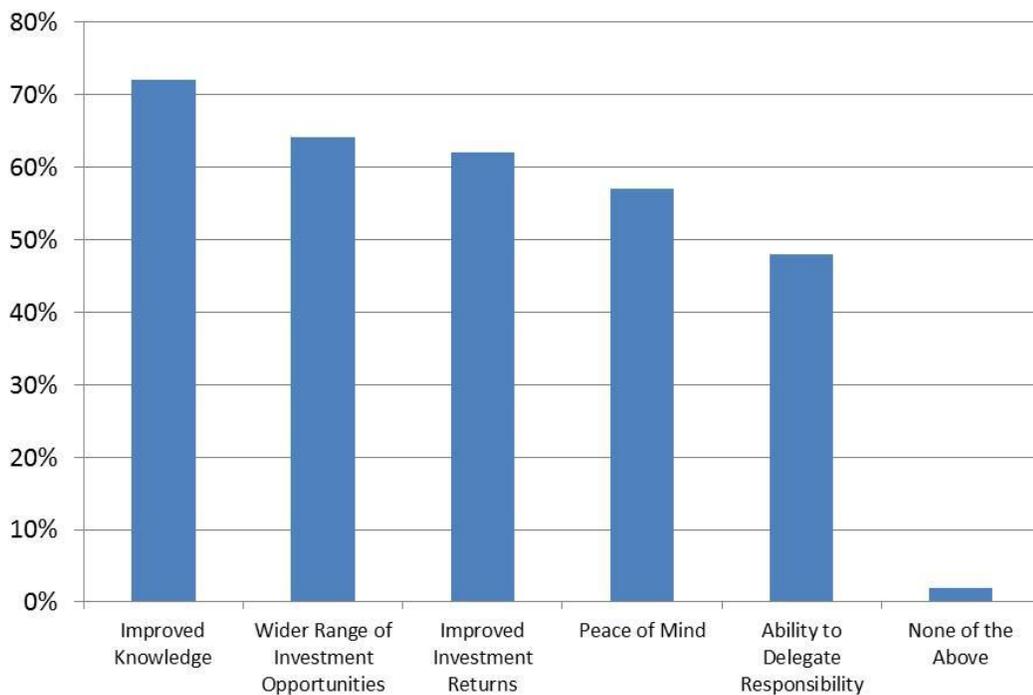
What's the biggest drawback?

Fees

Does it pay to use an advisor?

Investors seem to think so, judging from the results of Millionaire Corner's monthly survey for October. More than 70 percent of participants, from a range of wealth levels, indicate working with an advisor has improved their level of financial literacy.

Investors See Advantages to Working with an Advisor



Source: Millionaire Corner, October 2012

Offsetting this benefit is one notable disadvantage – the cost of engaging an advisor. Investors identify fees as the one significant drawback of working with an advisor, though investors are significantly more likely to see

advantages than disadvantages to the advisor-client relationship. More than 72 percent of the investors indicate working with an advisor has increased their financial literacy and 64 percent say working with an advisor provides them with “a wider range of investment opportunities.”

What’s the bottom line? More than 62 percent say working with an advisor “improves my investment returns.” It’s hard to place a value on a good night’s sleep, but roughly 57 percent of investors feel working with an advisor gives them “peace of mind.”

Millionaire investors are more likely to perceive advantages to working with an advisor than less affluent individuals. Three-fourths of Millionaires cite increased financial literacy as a benefit of working with an advisor, compared to 57 percent of individuals from households with less than \$100,000 in investable assets. Ongoing Millionaire research shows that Millionaires place a high premium on financial knowledge. As a group, Millionaires are actively involved in the day-to-day management of their personal finances and they cite “smart investing” as one of the top three factors contributing to their wealth.

Our research also finds that the majority of Millionaire investors are comfortable with the fees they pay to advisors, though they prefer paying compensation in the form of fees for service rather than commissions on transaction. According to Catherine McBreen, president of Millionaire Corner, “Millionaires tend to be highly educated and hardworking. In their minds, financial literacy and financial success are inextricably linked.”