

## THE VALUE OF A FINANCIAL PROFESSIONAL IS MORE THAN DOLLARS AND CENTS

There have been many studies conducted about the benefits and costs of professional financial advice. Most of the research has focused on portfolio performance and return generation. But are investors who receive professional guidance also more likely to feel confident about making important financial decisions than those who go it alone?

Janus Henderson partnered with researchers at Kansas State University to conduct a survey of 1,005 U.S. households to explore this question. The findings, published in the peer-reviewed Journal of Personal Finance, offer valuable insights into the intangible emotional benefits a financial professional can provide to investors.

### The Price of Confidence

The study's results supported our theory of a positive relationship between using a financial professional and investing confidence. Investors in the study who worked with a professional were twice as likely to be confident in their ability to meet their investing goals than those who did not work with a professional.

While the study did not investigate why investors who work with a financial professional had more confidence, we believe goal setting is likely a key contributor. Financial professionals who help you establish goals and track progress may be able to increase your level of confidence. As a result, you may be more likely to implement a financial professional's recommendations.

- ▶ **The key takeaway for investors: When deciding to hire or continue using a financial professional, consider the impact on your confidence along with other cost-benefit factors.**

### Couples Who Make Decisions Together Are More Confident

The study also found a relationship between investment confidence, marital status and whether married/partnered couples make decisions together. Investors were separated into four groups: Single individual/sole decision maker; in a relationship and my partner is the primary decision maker; in a relationship and I am the primary decision maker; in a relationship and my partner and I make decisions equally.

The findings showed that those in groups with a single decision maker had less confidence than the group of investors who shared decisions equally with their partners. In fact, the difference was staggering:

Primary decision makers in their relationship were 53% less likely to feel confident

Single individuals who made decisions on their own were 66% less likely to feel confident

Investors whose partner was the primary decision maker were 70% less likely to feel confident

- ▶ **The key takeaway for investors: Consider the potential advantages of joint investment decision making, which could increase your and your partner's levels of investment confidence. If you work with a financial professional, make sure you both have the opportunity to be involved in the financial planning process.**

## Entrepreneurs Have More Investment Confidence

Our survey found that self-employed investors reported higher levels of investment confidence compared to the rest of the group. This was not surprising considering that entrepreneurs have shown to have higher levels of self-confidence in general compared to non-entrepreneurs. It makes sense: individuals who are responsible for managing the financial matters of their businesses would likely feel more comfortable managing their personal finances as well.

However, it's worth noting that investing in the financial markets may require a different skillset and mindset than running a successful business. Furthermore, overconfidence is a common behavioral finance trap that can lead to poor decision making.

- ▶ **The key takeaway for investors: Working with a financial professional can help curb overconfidence and manage your expectations regarding investment returns. This may be especially true if you're a business owner.**

## Major Life Events Produce High Anxiety

The study also tested a second relationship: the association between using a financial advisor professional and lower levels of financial anxiety. No evidence was found to show a connection; however, the researchers found a correlation between experiencing a major life event and having financial anxiety.

A life event was defined as any of the following: starting a new job, losing a job, starting a new business, selling a business, entering retirement, being diagnosed with a major illness.

Investors who experienced a life event were 53% more likely to report financial anxiety than those who did not. Again, this was not exactly a startling discovery – financial stress and major life events often go hand in hand.

Whether you already work with a financial professional or are thinking about engaging one in the near future, it's important to understand that the benefits go beyond potential investment returns. As our survey showed, receiving professional guidance can help you gain confidence in your ability to make sound financial decisions. And if you are going through a major life event or have one on the horizon, you may be able to reduce the anxiety associated with the event by working with an FP. In our view, these emotional aspects should be factored into your cost-benefit analysis of working with a financial professional, as they could indeed be considered "priceless."

- ▶ **The key takeaway for investors: Make sure to discuss strategies for managing the financial aspects of specific life events with your financial professional.**

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