

The value of managed account advice

Vanguard Research

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- According to our research, most participants who adopted managed account advice realized value in some form. For them, advice led to higher projected retirement wealth through increased expected returns and savings. For a smaller group, advice led to reduced risk exposure, resulting in lower expected returns and projected retirement wealth but better diversified portfolios.
- By using managed account advice, 7 in 10 participants increased their projected ten-year retirement wealth by an average of 23%, net of investment and advice fees. This increase can be attributed to higher expected returns due to increased equity exposure and, for a subset, increased savings rates.
- Among participants, 54% made an active savings decision when they adopted managed account advice. The majority in this group chose to increase their savings rate by an average of 3 percentage points.
- For participants with concentrated single-stock positions of 20% or more of their account balance, company stock risk was substantially reduced through a managed account service. The average allocation to company stock fell from 52% to 9%.
- A managed account advisory service can help improve outcomes for defined contribution plan participants. The benefit will depend on the fee charged for the service relative to improvements in investment allocations and savings behavior. Plan sponsors should consider offering professional advice programs as a complement to other professionally managed vehicles, such as target-date funds. Because of the powerful effect of savings increases on wealth outcomes, managed account providers should also more actively promote increased saving.

Board	Mtg Date	Item #
DC	11.15.18	15K4