How Much is Financial Advice Worth?

Keith: Welcome to the Empowered Investor. My name is Keith Matthews, and I'm joined by my co-host Marcelo Taboada. Marcelo, how are you today?

Marcelo: I'm doing great. I'm particularly excited about this episode. I always say that about every episode, but I'm especially excited because it's a fun subject to talk about. It's something that's very close to me, to you, and to the firm. It really defines what we do and how passionate I am about the subject. It's going to be a good episode.

Keith: I'm happy to hear you're pumped because to say the word "fun" with regards to financial services and investment is sometimes a bit of a stretch, but we do love what we do. Yes, today we have a great guest, and you've got an interview with Emile Bouchard of Vanguard, all around the value of advice. Many organizations have tried to figure out, quantify, and determine the value of advice. So, tell us a little bit about the background of Emile, and then we'll jump into some show description.

Marcelo: Yes, Emile is a very passionate guy with a similar background to mine in the industry. He started his career in financial services, not knowing he wanted to work in the industry but always being passionate about it. He worked for some of the biggest names in the industry and eventually ended up at Vanguard. He started as an internal wholesaler at Fidelity Investments, similar to my trajectory starting at Franklin Templeton. Now, he's in the wholesaling side of the business, going out there, meeting with financial advisors, helping them grow their business, and presenting investment solutions.

He's now doing that for Vanguard Investments, a reputable organization we're fans of. They've made positive changes in the industry by bringing down costs, promoting transparency, and advocating for evidence-based investing. Emile is championing these ideas in Montreal.

Keith: He's one of the Vanguard representatives in Canada. Vanguard is a storied company, one of the largest investment management firms globally. Jack Bogle was instrumental in getting them into indexing when the world wanted to shut them down. They do great research. Emile's background is in wholesaling and representing organizations to advisors. He's a CFA, indicating his expertise in financial capital markets.

Marcelo: Regarding the show, Vanguard has this excellent research report. As Vanguard is research-heavy, they've quantified what an advisor brings to the table when working with an individual investor. They found that on average, an advisor adds an extra 3% to the final return that the client gets. This could be through rebalancing, portfolio selection, or behavioral coaching. There's a breakdown of what an advisor brings to the table.

Keith: On average, there's value to the advice you're receiving, although it's hard to quantify. Vanguard has taken a stab at it and come up with various metrics for individuals to consider. There are other organizations you'll speak about in today's show. Emile was also on the French version with Ruben. Bilingual guests like him are fun to have. So, with that, I know you've had a great interview with Emile. Folks, enjoy Marcelo and Emile's conversation.

Marcelo: Yes, please enjoy, and we'll include all the resources in the notes for you to access. Enjoy the show.

Marcelo: Hello and welcome to the Empowered Investor Podcast, Emile. It's a pleasure to have you here. We've met a few times, and I'm a huge fan of Vanguard. Tulett, Matthews & Associates is a huge fan too. I think Vanguard is a remarkable force in the investment industry, doing a lot of good in Canada. Today's topic is, can you quantify financial advice? We'll cover various things, but first, tell me about yourself. How did you end up at Vanguard? Who is Emile Bouchard?

Emile: Thanks, Marcelo, for the invitation. I appreciate being on your podcast. My role at Vanguard involves working with professional investors, like those in wealth management firms or family offices. Vanguard is recognized in the industry for its research, and I share that research with our partners, covering subjects like portfolio construction and personal finance.

I've been passionate about financial markets since a young age, which led me to study finance at university. I didn't initially plan to work in this industry, but financial courses reignited my interest. I worked for a bank and a firm from Boston before joining Vanguard nearly six years ago.

Marcelo: Our backgrounds in the industry are quite similar. At some point, I was an internal wholesaler and then became an advisor. You transitioned to an external wholesaler, helping advisors communicate solutions to clients, like a coaching chain. It's an interesting role. You joined Vanguard about six years ago.

Emile: Yes, in early 2018. It's an intriguing job, working alongside investment professionals and sharing our research.

Marcelo: So, it's perfect. You mentioned research because as Tulett Matthews & Associates is very heavy on evidence-based investing. We know the importance of doing research, testing ideas, testing what works, what doesn't work. We implement here an investment philosophy that encompasses a lot of the evidence-based research that's done out of firms like Dimensional Fund Advisors and Vanguard in the U.S.

You guys have done fantastic research in trying to quantify the value of financial advice. And that is a very abstract subject for a lot of people, because what we do is very intangible. I love the Warren Buffett quote that says, price is what you pay, value is what you get. But sometimes that value is very hard To quantify. Your firm has done a very interesting paper on the subject, tell me more about how it started, what's the research paper about and the conclusions. Then we're going to get more into the details as we go.

Emile: It really started in 1997 when we opened our advice business because in the U.S. We do have an internal financial advisor working with retail investors and we're really based on evidence. As you mentioned, we would say that we are also evidence-based investor. We like research. And when we started to give advice to individual investors, We really wanted to understand the role of a financial advisor and where it adds the most value.

What we did is we hired experienced advisor who had successful practice, managing a lot of money in the billions of dollars. We wanted them to share us their recipe for success and where they were adding the most value with their clientele. They're really the foundation of our research, these successful advisors.

The first research that we published was in 2001. Since then, since 2001, so 22 years ago, we've analyzed millions of accounts and produce over 30 research on the subject of the value added of a financial advisor. And despite the evolution of our industry in the last 20 25 years, with all the advancement of technology, We would say that the initial thesis is still very much intact, and it's really centered on the human aspects and the relationship we develop as humans, because at the end of the day, humans were social and were emotional animals, right? So that's the essence of all the research that we've done on the value of advice.

Marcelo: The paper concludes that Vanguard has concluded on average that the value that a financial advisor adds is 3 percent after the returns that the client gets. Tell me a little bit more about how they came to that number.

Emile: Yes, so the 3%, what we've done is we've analyzed a lot of the aspects of the role of, and all of the tasks of the role of a financial advisor. And we tried to quantify. Each of those tasks and most of the value added really comes from tasks that we can control, which is management. And behavioral coaching. And then we break down each of the silos to really pull out what's going to add up to the 3 percent of value advice.

Marcelo: Okay, perfect, thank you for that. It makes total sense because by the way, when you say wealth management, we're going to get into the details, but that entails asset allocation, behavioral coaching, like you said, maybe doing some estate planning, financial planning, saving rates. So, we're going to talk about all those things. The first thing that caught my attention is in the research report, there's an old mentality in the financial industry. And that's something that says my advisor can help me pick stocks, pick different managers, maybe do some market timing, get out of the market, get in the market. So according to Vanguard's research, can value come from generating returns through stock market selection and market timing?

Emile: Marcelo, there's a lot of research and studies on the subject. I think one of the most well-known that we like a lot at Vanguard was published in 1986. It's by Brinson and B. Bauer. And they found out that long term portfolio management was explained at 92 percent by asset allocation. Security selection and market timing only contributes to 8 percent of the explanation of long-term performance of our portfolio. When we build a portfolio strategy, the most important decision by far is the asset allocation and for the audience, what's an asset allocation is really how much we can have invested in bonds, in stocks, and in cash. Its geographies like Canadian stocks, US stocks, and international stocks. But these big decisions. We'll explain 92 percent of your long term returns as an investor. We would also add that the more you transact and research, I've shown this as well, that the more you transact, the closer you are to speculating than investing, and it will reduce your long-term return. There's a famous quote in finance. And you've heard that before Marcelo, your investment portfolio is like a bar of soap. The more you touch it, the smaller it would get.

Marcelo: I love it.

Emile: At the end of the day, we believe that trading too much is actually going to destroy the value and the reason to hire a good financial advisor. Like I mentioned, it's really on the things that you can control and trying to predict the wars, the pandemic, the interest rate movement, or the stock market movement is a loser's game.

Marcelo: Yes, I love the SOBA analogy. I think it was a guy out of Wall Street that said it, correct me if I'm wrong, but it says so much about what we do and the things that we can control. And a lot of times, a lot of people will ask me like, Oh, you're a financial advisor. Like what stocks can I buy? Should I buy that stock? Why do you think about Shopify? Why do you think about all this like stocks that are making the news?

The reality is like you said, the evidence shows that it's all boils down to having a plan, having a defined investment philosophy, proper asset allocation, and just working through those things. And I think it's a hard thing for regular investors and regular Canadians to grasp the idea that an advisor will just set up an asset allocation and then manage other things.

I think the industry, because people are becoming more aware, there's more research, the internet is more of a thing right now where people go and find information about investing. Things are changing it for the good. And you're seeing it, I'm a huge fan of what Vanguard is doing in Canada. We talk a lot about the Vanguard effect that once Vanguard enters a market, fees tend to go down because they tend to bring a lot of the solutions that reduce fees and focus on asset allocation.

I'm super glad to hear the other thing that's interesting is as we're talking about this subject, you broke down to us, where the 3 percent comes from. I've seen other studies that put the value of a financial advisor anywhere between 1.5 and 4%. And again, we're talking about averages because it'll vary from client to client. It's just like when people say the average weather in Montreal is 20 degrees. Do we get

20 degrees every day? Sadly, no, right? We get minus 35 sometimes, we get 40-degree days in the summer.

So that was like a validating thing to see, but I want to move the conversation now and start breaking down where the 3 percent comes from you guys. Let's talk first about Portfolio construction, I think that's a big thing. We just spoke about asset allocation, it's your percentage of bonds, stocks, and cash, and then how it's broken down after that's a different conversation. But when it comes to portfolio construction, like how do advisors create value? What percentage of value on average can clients derive from a good portfolio construction?

Emile: Great question. We estimate a Vanguard at 50%, half of the value that an advisor brings, which represent around 1.5%, which is a lot comes down to some technical tasks, such as knowing how to rebalance a portfolio using investment vehicle that really minimize costs, mapping assets or asset classes between taxable and non-taxable account, and also implementing a good withdrawal strategy that really minimize our taxability and retirement. These are more technical tasks that really needs an expert. And they're unique to each investor, right? Because each investor will have a different financial situation, but good financial advisor will help people establish a good, solid portfolio strategy, and that represents around half of their value.

Marcelo: Wow. Yes. It's such a good point. And I see it with some clients and sometimes you have what's rational and what's reasonable for the client. Like a lot of the times if you ask me my personal opinion, if I see a 35-year-old, should he have everything in stocks? My answer is yes. Because you have the long term, that's the rational answer. But a lot of the times the client will say, listen, like I would feel really uncomfortable going through a 10, 30 minus 40 percent drawdown in the portfolio. You have to mitigate exactly how the client will feel and try to understand that, and maybe the asset allocation will be different, but for sure, if you have the proper construction from the beginning, I could see how that adds 50 percent of the value. You said that 1.5 percent is what you guys have concluded comes from the portfolio construction.

Emile: Correct. And we often say also that the best portfolio is the one the client will be able to hold. So, if he's in a too risky portfolio, there's a lot of odds that he's going to sell it at the wrong time. And that's going to destroy a lot of value for his retirement, it's important to stay the course.

Marcelo: That's such a great point. And it comes back to what we just said, right? If you don't do your homework with the client and the education process on the onboarding, then deviating from that asset allocation will create trading costs. It can set the portfolio in a different route. I totally see what you mean. Okay. What is the importance of low-cost investments? I know that's a big discussion, that could be a podcast in itself, but just give me briefly Vanguard's research and what Vanguard's point of view is on this.

Emile: Yes, and it's really important, Marcelo, because research is clear that low-cost investments over the long term generally perform better than high-cost investments. And I would add that it's intuitive, yes and no, because humans, we're conditioned that when we pay more, we get more. We can think of our clothing, when we buy clothes that are more expensive, they're usually better quality. A car, when we buy a more expensive car, it's typically better quality or more luxurious. So, this relationship of costs and quality is true in almost every of our purchase, but on the other end, several studies show that in an investment, this relationship does not hold. And the main reason is really because markets are cyclical and unpredictable. So, what worked yesterday won't necessarily work tomorrow.

This is also a conclusion at Vanguard and Jack Bogle, our founder, said a famous quote on that. "An investment. You get what you don't pay for." So, this is one of our philosophies to keep our fees as low as possible, both for index products, but also for active management funds. If you look at the performance of different firms, the ones who charge less have a big advantage, because investment at the end of the day is an ultra-competitive industry.

It's like playing basketball. I like the basketball analogy. Because typically in a basketball game, we would have our basket at a 10 feet height. But some companies like Vanguard like to lower the basket to a 5 feet height. And it's not impossible to win games and do great things with a basket at 10 feet height. But it's certainly more difficult to win the game if you're open and decide to put the basket at five feet high, right? In the investment industry, this means for Vanguard to lower our fees, lower our costs, and it makes our life so much easier to deliver good results for a client.

At the end of the day, I come back to one of the major points in the stock market and the future. It's uncontrollable and uncertain, but one thing that advisors can control when they build portfolios is the investment costs of the vehicle they use in building their portfolio. I would say Canada is a bit behind the U.S. on the message around fees, but with the result of our strategy and the growth we've had in Canada over the past 10 years, I can confirm that it doesn't go unnoticed on this side of the border as well and good financial advisor will minimize fees and taxes. According to our studies, it can add 30 basis points of value added. So 0.30, just with an efficient portfolio construction in terms of costs, it's a really important point.

Marcelo: Wow. Okay. So, you're saying, and by the way, when you say high fees, it does resonate because we have seen many studies across many publications that Canadians pay one of the highest fees in the world when it comes to investment products. But just out of your experience in the industry, why do you think that is? And obviously we're moving in the right direction. We're seeing companies like a lot of ETF companies and evidence-based companies in Canada are helping create more competition and bring costs down, which at the end of the day, it's great for the end investor, but what's your take on the whole high fee area? Why we have this in Canada, as opposed to in the U.S.?

Emile: I think it's a less competitive industry. It's a less fragmented industry and the financial industry and the financial media don't have any incentives to publish the research on low-cost investment vehicles. I would say that's probably some of the main reasons.

Marcelo: Yes, for sure. And in the last 10, 15 years, we've seen huge change. And I think it's moving in the right direction, but we definitely need to see more than what we're seeing at the moment. I think in the average in Canada, if I'm not mistaken, is about anywhere between 2.5 and 2.8 for a regular account in Canada if you're dealing with a financial institution is anywhere between 2 and 2.8 percent. It's still quite high when you think about it.

Emile: Yes, I know for sure.

Marcelo: All right let's move into the second area. We covered portfolio construction. We covered the importance of low fees. The second area I want to talk to you about is holistic wealth management. And that hits close to home because we are a firm that focuses a lot on that. We do a lot of financial planning, insurance analysis, estate planning. We do taxes for clients in special situations. I think that adds a lot of value but tell me more about what Vanguard has found about this.

Emile: Yes, beyond portfolio management, there's all the service related to financial planning, which helps clients achieve their retirement goal. These services include making a plan for their service, supportive savings, their expense, the debt level to be respected, insurance, charitable giving strategy, estate planning, and other retirement planning services.

Ultimately, at the end of the day, we believe the financial advisor is really the financial coach. It's like the equivalent of having your own personal CFO, it's the chief financial officer of your household. And you can consult that person, that advisor, for every big financial decision that you have to do. Good advisors give great insights, give great feedback, and really are a great coach in your corner because at the end of the day, they're external experts with no emotional bias. And they see financial advisor, a wide range of situations on a daily basis. They can really help you all do your planning, your financial planning with you. That's really wealth management in essence.

Marcelo: Yes, and it's the accountability we provide. When you're working with a client and you're working on the things, you built a portfolio, you chose like low-cost investments. You're focusing on things, like you said, holistic financial planning, looking at the insurance, charitable donations, saving rates, withdrawal rates, estate planning. All these things can add a lot of value, sometimes it's intangible because the client at the end of the day, they're paying for the portfolio management and the actual financial plan that they get.

But on an ongoing basis, I would think that clients at some points in their lives, they get tempted by other things. I've heard it many times where a client comes and says, Hey, my buddy's investing in this private company and I need 30,000. And you have to almost like put your foot down and say, look, can you afford it? Yes. But let's see how it fits the overall plan. I think as a fiduciary, you have a responsibility to maybe the client will do it right, and that's okay. At the end of the day, it's their money. But as a fiduciary, you have the obligation of saying. Let's put the brakes, let's look at the overall plan, see how it fits, see what that 30,000 withdrawal does over the long term, because at the end of the day, there is a lot of risk in a single investment. Again, that's a different conversation, but when you look at the holistic wealth management, is there a quantified value in the report that you guys have?

Emile: So holistic wealth management is really hard to quantify, but we do put one other aspect and it's going to be behavioral coaching and behavioral coaching is a bit more quantifiable, but I agree that wealth management and all the aspects and the work and the tasks related to wealth management. Are really hard to quantify, but they do add a lot of value.

Marcelo: Yes. Sometimes you can save a client tax if a strategy has fewer taxable events, like we call that the turnover ratio. So, if a strategy has less turnover or you're doing certain tax strategies, that'll add to the final return. But I agree with you like the quantifiable number for that will be specific to every client. It's hard to throw a number. I can see that.

But let's move to what you just mentioned, the behavioral coaching. Cause I think that one is a big one. It's a big one because we have social media now, we have friends, and everybody has a brother-in-law who's making great trades in the market. And he's telling you all about it, but he won't be telling you when he's losing, right? Temptation is almost infinite in today's world. And we're constantly being bombarded. What has the research found about this?

Emile: We believe behavioral coaching adds around 50 percent of the value of a financial advisor, and that would be around 1.5 percent a year. The technical aspect of the relationship with an advisor would be one and a half percent and behavioral coaching and more soft aspect would be another, half a percent, 1.5%.

The main reason we believe why behavioral coaching is so important is that as humans, we all have behavioral biases and the financial markets really make these biases stand out and we see a lot of common mistakes and you name a few, but the main error that we see is really trying to anticipate the market, chasing trends, having poorly diversified portfolios, not rebalancing the portfolio, forgetting to rebalance the portfolio, making too many transactions, or, and that's probably one of the biggest ones, being influenced by the financial news and what's happening in the world.

We really analyzed all the behavioral biases extensively at Vanguard, and with us it was essential to understand how people make decisions, because that's the basics of investing, how people make decisions. And in our daily life, we often make decisions based on word of mouth, popularity rating, guarantees, star ratings, or suggestions and recommendations by one of our peers. And in all fairness, the process works pretty well for a lot of us like your car, also appliance. Or even when we travel, like hotel and restaurants, and the reason is really because there's certain stability and predictability in all of the service or goods that we're buying. For example, if we decide to stay at the Ritz Carlton when we travel, we'll know that we'll have a better experience than if we stay at a Super 8 motel.

But investment doesn't work like that because the market, like I mentioned before, is cyclical and unpredictable and what worked yesterday won't necessarily work tomorrow. For example, a great company can really be a bad investment if it's an odd stock and we pay way too much for it. But on the opposite, If a so-so business is totally undervalued because it's so unloved, it might actually be a great investment.

There's a lot of reasons that the decision-making process that we use on a daily basis shouldn't be applied to investment. I would say it's, again, counterintuitive. But good advisors we'll recognize the biases and those common mistakes, and then they will help their client and do the necessary coaching because like I mentioned, like they see tons of situation on a daily basis, right? So, they know at the end of the day, what works and what doesn't work.

Marcelo: I could see that. I think the pandemic comes really back to my mind because we spend a lot of time and that's one of the things that we do really is we spend a lot of time at the beginning of the relationship, making sure there's a fit on both sides that the client understands how we manage money, how we coach them through different periods of bad markets, even good markets and financial planning and all the holistic wealth management that we talk about.

But you still have people that even after that, two examples come to mind. One client during the pandemic said, I'm really nervous. This is a once in a lifetime event. Pandemics only happen once every hundred years. I really think we should move everything to cash. I said No and I walked him through all the process. Yes, we're going to have shutdowns and all that. And at the time it was very uncertain.

But one of the things about markets is like you said, they're unpredictable, but one of the things that is predictable is that human beings, no matter how bad things get, they always want to make things better. And that's the whole basis of capitalism. That someone somewhere will always say, you know what? There's a better way to do this. And when you aggregate that over billions and billions of people, markets work.

At the end of the day, we coached the client, and he didn't do it. And I was proud of that moment because I think it's one thing to say, I'm going to say no to someone, but it's one thing to live through it and have to do it, and when you experience it, it is a different thing.

The other example that comes to mind is when you have a lot of stocks that are doing remarkably well, Emile, like Zoom, DocuSign, Peloton, Shopify. But Shopify is still a great company, but a lot of the companies that did well during the pandemic, if you plot them in a graph and you remove the name, they all look the same. They overshoot in performance and then they come crashing down.

I remember clients calling and saying, Hey, maybe I should get in ARK. I should get in Shopify. I should get in DocuSign. And again, like you said, it's great. You may have a great company like Tesla, but are you buying it at the right price? That's a big question. And I think a lot of clients had that question during the pandemic. Hey, let me take 10,000, 20,000, maybe move a lot more than that to this type of funds.

As advisors, I come back to what I said before, fiduciary responsibility is to say, it's your money. You can do what you want, but let's see how it fits the whole program. And this is my advice to you. So, when you say it's 50 percent of the 3 percent that you generate as the value of advice, I can totally see that.

We've talked a lot of subjects, anything else that we forgot about the report. I think we've covered the three areas that I wanted to cover. We've gone through every section. My takeaway is obviously asset allocation and behavioral coaching are the biggest contributors to the value of an advisor, but anything else we forgot, anything you want to add.

Emile: Yes Marcello, a good advisor really helps us to put things in perspective, right? And can see the situation from other angles. We believe the value of advisor lies that he doesn't experience the same level of emotion in relation to our own personal affairs. It really allows the investor to push their own thinking and make better decisions. Especially when they're under the influence of bad emotion, and if the advisor prevents one serious error in a difficult market, like we've seen in 2020 or 2022.

For the example that you just gave with your own client, that can justify their fees for a long time. You can think of the best athletes of all time, like Tom Brady, Jack Nicklaus, and Muhammad Ali. They all add some coaches in their corner, and this will allow them to be well trained and maximize their chance of success. It's certain that if we compare sports with investing, most people who are not professional investors will have a major benefit of hiring an external advisor. A coach who is hired by a professional athlete.

We'll really push them physically and psychologically and in investing a financial coach, a financial advisor will really put the client into a plan, create a good plan, respect it, stay invested. And that's going to make a huge difference in retirement for these people because it's so easy to spend a little bit more or postpone our retirement plans. But good financial advisor really helps us maintain a very strong discipline. And it didn't seem simple. But it's not always easy. I don't know if people have some gym trainers and some plan, but it's not always easy to respect it and go to the gym every week, every couple of days. The financial advisor is a bit like that in the relationship. So that's what I would add.

Marcelo: A hundred percent. I love sports analogies. Just FYI, if you really like sports and leadership and basketball specifically, there's a great book by Phil Jackson, actually, which is the most successful coach in the NBA history. It's called 11 Greens, the Soul of Success. And what resonates with what you just said is the emphasis of the book is obviously for him talking about how he worked with the teams that he coached, like the Lakers won, I think five championships and then the Bulls won six championships, but it's his relationship with Michael Jordan. And here you have the greatest player of all time in basketball and as the book goes through, you see the evolution of Michael Jordan coming into the league as very, this brash attitude, like I'm the best, I don't need coaching to embracing the coaching and being, Hey, Phil, what can I do better? How can I improve? How can I be a better teammate?

I'm sitting back and saying if the best player with the most talent in the world needs a coach to walk him through the process of becoming a great player, what does that tell you about the value of coaching? Anyway, so highly recommended book if you want to get into that.

All right let's start wrapping up here. There's a lot of buzz around artificial intelligence, robo advisors. How is this going to affect the industry? Do you think a financial advisor will still have a place in a world dominated by artificial intelligence and robo advisors? What's your opinion and what's Vanguard's opinion?

Emile: I think we're well placed to answer that question, Marcelo, because we launched around 10 years ago a robot advisor in the U.S. called Vanguard Digital Advisor, and today it's the largest robot advisor on the planet with around 130 billion of assets.

Marcelo: Wow.

Emile: We have a lot of real situations between robo advisor clients and investor working with human advisor because Vanguard, we offer both service in the U.S. And all true, we believe robo advisor platform has a lot of merit and it will continue to improve, the offering of a robo advisor will continue to improve with the advancement of technology.

The research and the conclusion of our research is that humans remain humans and establishing bonds of trust, maintaining good relationship and it goes back to the point that I made at the beginning of the podcast where social and emotional animals and we develop loyalty with a human advisor that doesn't exist on a robo platform.

Robo platform is more commodity product and at the end of the day on technological platforms, such as robot advisor, the entire behavioral coaching aspect of the business relationship, which added a lot of value, is missing on robot advisor platform.

We did a survey with our clients in the U.S. and their perception of value ad with clients, with investor that use a human advisor was 5 percent per year, while the perception of the value and added of our clients using the robo advisor was 3 percent per year. This means that clients who deal with humans saw a lot more value than our clients using the robo platform. I would add one other interesting point is that 90 percent of our clients dealing with humans were not and are not considering the move to a technological platform while 88 percent of our client on the Vanguard digital advisor platform are possibly thinking of making a switch eventually to a human advisor in the future.

In conclusion, we believe that human advisor will increasingly use and leverage technology to build efficiency within their own practice and automate that are low added value to free up more time to focus on the human aspect of the relationship and really focus on people. That's where clients and investor are seeing the most value, right? That's in the relationship and not necessarily in the technical tasks.

Marcelo: Yes, I wouldn't dedicate my life to what I do if I didn't agree with that statement. I think we're in agreement there, I completely agree with you. It's going to make everybody more efficient. It's going to have possibly give more access to people. The technical task will be probably done by a computer now, but the relationship, the communication, the behavioral coaching, the, at the end of the day, Emile, you become friends with these people. Besides being clients, you end up attending their kids' weddings and sometimes their funerals and their life events. I think that's never going to go away because what makes us human is. that relationship, that ability to care for others. And that's super important.

Thank you so much for your time. Before we say goodbye, what would be your final message or lessons to be drawn from what we shared? If you had a takeaway to give us, what would that be?

Emile: At Vanguard, we offer a lot of different investment vehicles, whether it's an index ETF or an activity managed funds. I think we need to focus on creating strategy. Focus on creating strategy with low cost because one of the central ideas that rings within our advice is to focus on what you can control. It's super important for investment advisor to create clear investment goals, a solid financial plan with our clients, diversify well, the portfolio, maintain long term discipline. Which is super important and really not easy, but to maintain discipline on the plan that's done with your financial advisor is all great advice, ultimately great financial advisor really focused on people, and they really focus on the wealth management aspect and the B roll coaching of the relationship. That would be my two takeaways.

Marcelo: Thank you, Emile. And I do appreciate you taking the time. Please keep up the good work and I'm sure it's not going to be the first time that you're going to be on the podcast. I do appreciate your time and thank you everybody for listening and staying with us.

Emile: Thanks Marcelo.

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