PIMCO

INVESTOR EDUCATION

The Value of Professional Advice

Use this brochure to better understand strategies to streamline your financial life.

IMPORTANT NOTICE

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The Value of Professional Advice

The value of partnering with a financial professional extends beyond investment performance – it includes the development of a thoughtful strategy and ongoing advice around key financial decisions.

When you partner with a financial professional, and he or she has a comprehensive picture of your investment holdings, you can eliminate conflicting advice and receive informed guidance to help you seek both your long-term and short-term investment goals. Consolidated account assets can also help a financial professional deliver this value more effectively.

Every investor wants personalized and clear financial guidance. In this guide you will find four strategies that may impact your success as an investor, and considerations for discussing these strategies with a professional. They include:

1 Managing Behavioral Biases

2 Simplifying Retirement Income

3 Reviewing Asset Location and Tax Opportunities

4 Easing Wealth Transfer and Estate Guidance

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.

1. Managing Behavioral Biases

The study of behavioral science, which incorporates cognitive and behavioral psychology, recognizes that investors are emotional and have biases that often may lead to erroneous conclusions and suboptimal investing decisions. From **home country bias** (overinvesting in one's own country) to **recency bias** (chasing after recent trends instead of using longer-term performance data to inform decisions), investors face a rash of behavioral biases when it comes to investing. Professional advice can help mitigate the negative outcomes and help manage investor emotions.

Mental accounting bias is another common consideration; it can occur when you spread investment assets across several accounts. If investors put money in different buckets or similar accounts, oftentimes those dollars are not invested properly to meet long-term goals. As a result, investors may miss out on returns they may have otherwise achieved if the money had been properly invested according to time horizon and risk tolerance strategies.

If money is invested in different or similar buckets, then it may lead to suboptimal returns.

2. Simplifying Retirement Income

Greater control and simplicity are arguably most crucial for retirees, yet **investors can easily lose track of old 401ks**. Retirees will want to avoid the headache of tracking down accounts in retirement, particularly when it's time to take required minimum distributions (RMDs). Multiple investment accounts only complicate RMDs, especially if the accounts are a mix of 401ks and individual retirement accounts (IRAs). Retirees must calculate an RMD from each account. Combining similar accounts, where possible, simplifies calculating RMDs. Remember – missing an RMD can be costly, possibly owing the IRS an excise tax of 50% of the RMD shortfall.

In addition to RMDs, a financial professional overseeing all your accounts can help determine and lead an investor to an **effective retirement distribution strategy** to optimize your income and help you decide an appropriate withdrawal strategy to minimize after-tax income.

The examples provided are for illustrative purposes only and may not be appropriate for all.
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3. Reviewing Asset Location and Tax Opportunities

Investors, and the financial professionals they work with, devote significant time and energy to the asset allocation process (time horizon, risk tolerance, liquidity constraints, etc.). However, effective asset location involves the process of placing various investment holdings in the most appropriate accounts (taxable vs. tax-advantaged) to maximize after-tax returns.

When financial professionals have a complete picture of an investor's holdings they have a deeper understanding of the overall asset mix and aggregate returns. This helps financial professionals **develop an efficient asset location strategy for investors** – a key driver of incremental investor return potential. After all, it's not the assets you own, but where you place those assets.

When it comes to buying and selling for tax loss harvesting purposes, an entire financial snapshot is necessary to avoid inefficient or unjustified losses. For example, an investor can have a large capital gain with one advisor and end up selling the underperforming assets to create capital losses, but may already have capital losses with another advisor.

While taxes should not drive the investment process, attention to tax-sensitive asset location and tax loss harvesting has the potential to improve investors' results.

TAXABLE ACCOUNTS	SITUATIONAL	TAX-ADVANTAGED ACCOUNTS
Passively managed investments	REITs	Actively managed investments
Qualified dividend positions	Partnership interests	Non-qualified dividend positions
Long-term holdings	Precious metals	Short-term holdings
Tax-exempt bond funds/ETFs*	Cryptocurrency	Taxable bond funds/ETFs
Investments subject to foreign tax		

*Tax-exempt refers to federal tax-exempt income.
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4. Easing Wealth Transfer and Estate Guidance

As is often the case, investors tend to focus on brokerage accounts. But ignoring assets held in company benefit plans (which, for many investors, could be the majority of assets) means that these assets do not receive the attention they deserve. **Informing your financial professional of all investment holdings** will help ensure that these assets are not overlooked, and will help confirm that the correct beneficiary is listed on an account. IRA assets bypass probate, which means that forgetting to update an IRA beneficiary, leaves the assets vulnerable to going to a former spouse instead of a current spouse, for example.

Simplifying financial matters when living – having one tax statement, fewer passwords, pre-arranged access to financial accounts – is often extremely helpful, too. Easing the burden on loved ones who are left when a partner or family member passes away may not be top of mind when setting up an account, but it is arguably one of the most impactful benefits of consolidating accounts. Additionally, **streamlining investment records** for those who will inherit these assets allows for ease of transfer during an otherwise challenging time.

DIFFERENT JOBS MAY LEAD TO SCATTERED RETIREMENT SAVINGS

According to the U.S Bureau of Labor Statistics:

- The average worker holds 12.4 different jobs
- Millennials held ~8 jobs before turning 30
- Baby Boomers averaged 12 jobs before they turned 50

This translates to the potential for several disparate retirement accounts left behind.

Source: Bureau of Labor Statistics. August 2021.

The Value of a Strong Relationship with a Financial Professional

Plenty of investors crave simplicity in investing, but when it comes to consolidating investment accounts to achieve a simpler financial life, few are successful. In addition, when factoring in individual bank and brokerage accounts, it's no surprise that investors easily accrue multiple investment accounts scattered among various financial institutions.

A strong relationship with a single financial professional can potentially help investors achieve better outcomes than they may achieve with multiple advisors and accounts. To be fair, not all accounts can be combined – or should be combined. But beyond the opportunity for more efficient planning advice and lower overall costs, both consolidating accounts and partnering with a financial professional offer many additional benefits.

A WORD ON REBALANCING

A holistic planning experience is essential when it comes time to design and implement an investment strategy or allocation. As various asset classes earn differing returns, the overall asset allocation may no longer reflect your investment objectives.

Rebalancing, an important tool to reduce risk and instill disciplined decision making, becomes nearly impossible with assets spread across various accounts. A financial professional can help you accomplish what may be emotionally uncomfortable but financially productive by rebalancing investments annually.

Insights into women as investors

In the United States **women control more than $10 trillion of personal wealth,** and by the end of the decade that number is expected to grow to $30 trillion.[1] Still, many women are still seeking a better fit with their financial advisor; 70% of women in the U.S. changed their advisor within 1 year of their partner dying.

PIMCO conducted a market survey to help financial professionals and investors gain insights into the investment philosophies and goals of women investors. Highlights of the study, and considerations inspired by the data, include:

LIFE GOALS VS. FINANCIAL GOALS

Many women prioritize improving the quality of their daily lives over improving their finances over the longer term, but they don't need to be mutually exclusive.

Over **90%** of women believe health and wellness practices are as important as financial longevity.

SHIFTING PRIORITIES

Women may be focusing on shorter-term goals at the expense of retirement – one of the biggest financial demands they will face. Half of the women surveyed say that planning for tomorrow is difficult given day-to-day demands.

Only **17%** of women rank retirement as their top money goal – this ranks behind stability, lifestyle, and financial independence.

A WORD ON RETIREMENT

- Retirement is the single largest financial obligation most people will face. This is especially true for women in the United States.
- A financial professional can help investors develop a long-term plan that:
- Considers monetary goals, time frame considerations, and a specific investment strategy
- Reflects risk tolerance, current expenses, and personal definition of performance success

For more information on the research and data visit pimco.com/diverse-perspectives

1 McKinsey. "Women as the next wave of growth in US wealth management". July 2020.

*Cumulative lifetime earnings for a woman who takes time off from the workforce to care for children, parent, and spouse vs. a man who doesn't.

Methodology: This survey was conducted online within the United States by The Harris Poll on behalf of PIMCO from May 3 through May 16, 2018, among 1,500 U.S. adults ages 18 and older, including 748 women. All respondents had over $10,000 in investable household assets and at least some financial decision-making responsibility within the household. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. In March 2018, we also hosted 2 salon sessions to explore issues around women and investing with thought leaders, influencers and experts.

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Past performance is not a guarantee or a reliable indicator of future results.

A word about risk: All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Diversification** does not ensure against loss.

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

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