EQUITABLE

The value of the advisor

White Paper

The impact of advisors on financial outcomes among K-12 educators

A white paper by Keith Namiot, Edward Kenney and Tali Yarmush, Equitable

Research partner:

Fred Gaudios, Zeldis Research Associates

The impact of financial professionals on financial outcomes among educators

Voluntary, employer-sponsored retirement plans are playing a more essential role in helping to ensure positive financial outcomes for educators due to the increasing uncertainty of pensions at the present time.[1] Working with a financial professional in association with these plans can lead to more positive results, as demonstrated by the findings presented in this white paper.

Independent research by Zeldis Research Associates, commissioned by Equitable, highlights the quantifiable financial benefits K-12 educators experience by working with a financial professional with respect to their 403(b) account (a voluntary retirement savings plan offered by public schools allowing their employees to contribute pretax dollars from their paycheck). While the decision to work with a financial professional is ultimately up to the educator, working with one may pay significant dividends toward their long-term financial well-being and retirement readiness.

Executive summary and key findings

1. Educators who work with a financial professional on their 403(b) plan have significantly and measurably better financial outcomes.
2. Educators who work with a financial professional exhibit more effective financial behaviors.
3. There are emotional benefits to working with a financial professional.
4. The longer the relationship with the financial professional, the greater the benefits; those who do not work with a financial professional see benefits of doing so.

In 2018, Equitable commissioned an online survey of 1,007 U.S. K-12 educators to better understand and measure the value of working with a financial professional among educators who voluntarily contribute to a 403(b) plan. The sample of educators was a representative cross-section of the U.S. educator population (see Methodology section for further detail).

This study found demonstrable financial and emotional benefits, along with associated positive investment behaviors, among educators who worked with a financial professional. The longer educators' relationships with financial professionals are in place and the more frequently educators interact with a financial professional, the more significant the benefits. Those who choose not to work with a financial professional nonetheless perceive potential advantages of doing so, showing the unmet needs of a significant portion of the educator population.

Introduction

As educators may not be able to depend on a future pension to fully cover their retirement expenses, defined contribution plans, such as a 403(b), will likely become even more important to teachers' retirement planning over time.

Educators who participate in a 403(b) plan often have the option between a do-it-yourself (DIY) method and working with a financial professional to assist them with retirement planning, goal setting, setup and maintenance of their retirement account.

It is clear 403(b) plans have become more complex over time with respect to investment choices and options.[2] As a result of this increasing complexity, Equitable has commissioned and written this paper to evaluate the potential value a financial professional brings to educators who have chosen to contribute to a 403(b) account. Importantly, we define "value" from not only a financial and behavioral perspective, but also with respect to the emotional and attitudinal impacts of working with a financial professional.

Voice of the educator

"He is very knowledgeable and works to make me the most money possible."

"I am comfortable and confident in her suggestions and I am pleased with how my 403(b) has grown over the years."

Educators who work with a financial professional on their 403(b) achieve greater financial outcomes

Worked with a financial professional

$40k

Median account balance

$3.9 funds

Average number of funds in plan

Did not work with a financial professional

$21k

Median account balance

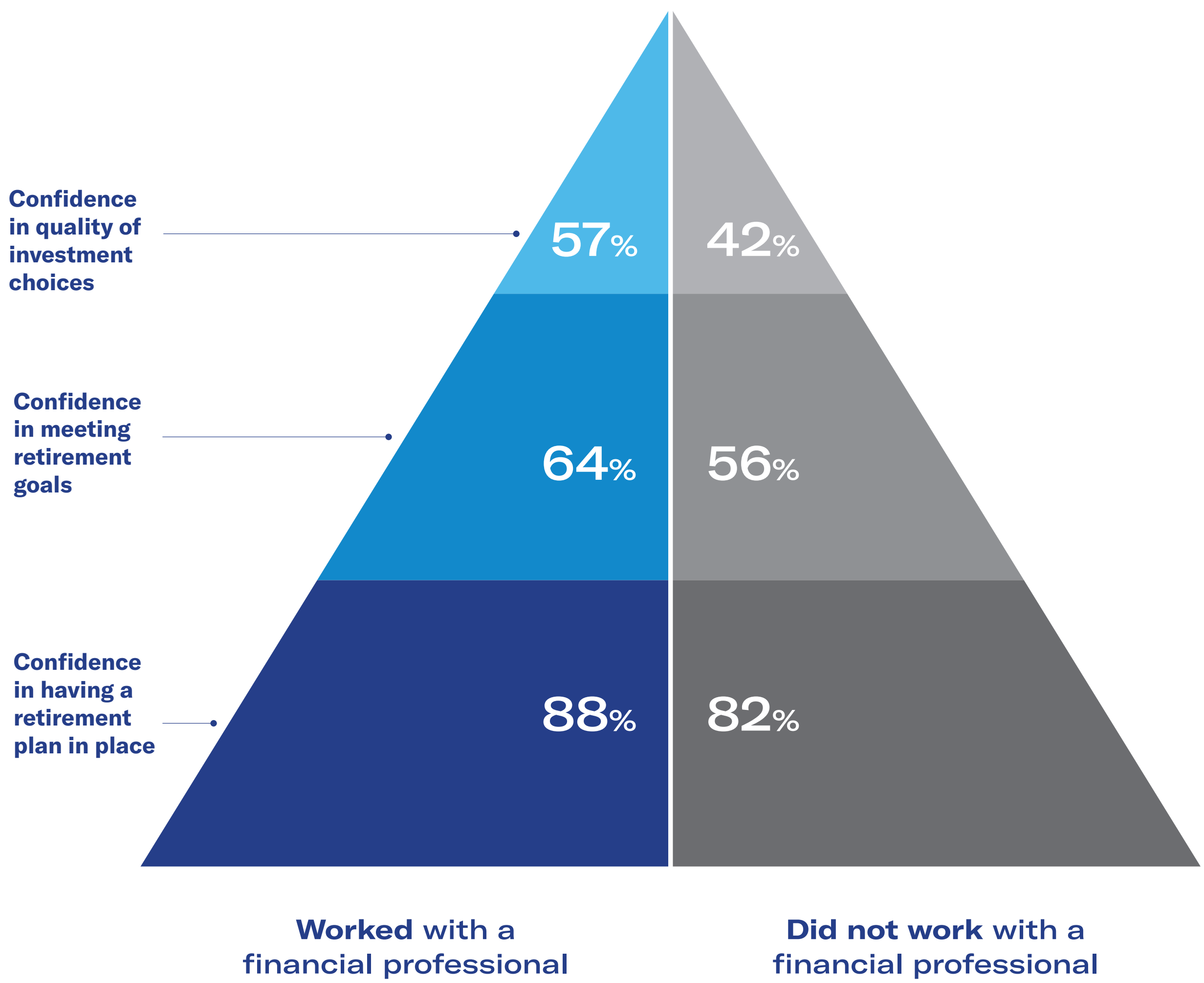
$3.4 funds

Average number of funds in plan

Educators working with a financial professional are more confident investors

Educators who work with a financial professional are also more confident in the quality of their investment choices, in having a retirement plan in place and in believing they will meet their retirement goals. We hypothesize that an important element (perhaps the most important element) of any retirement plan is confidence in achieving one's goals, which is built upon by knowledge and action. All of these elements are significantly different between the two groups studied in this research.

From knowledge to action[4]



Educators who work with a professional also show more effective financial behaviors

Supporting the aforementioned outcomes, educators who work with a financial professional exhibit more effective financial behaviors over time. They have higher monthly contributions and increase their contributions more frequently. These behaviors create a positive feedback loop and ultimately contribute to the positive financial outcomes presented in the previous section.

Worked with a financial professional

$5,016
Mean annual contribution

2.6x Since opening account
Frequency of increasing contributions

Did not work with a financial professional

$3,372
Mean annual contribution

2.1x Since opening account
Frequency of increasing contributions

Voice of the educator

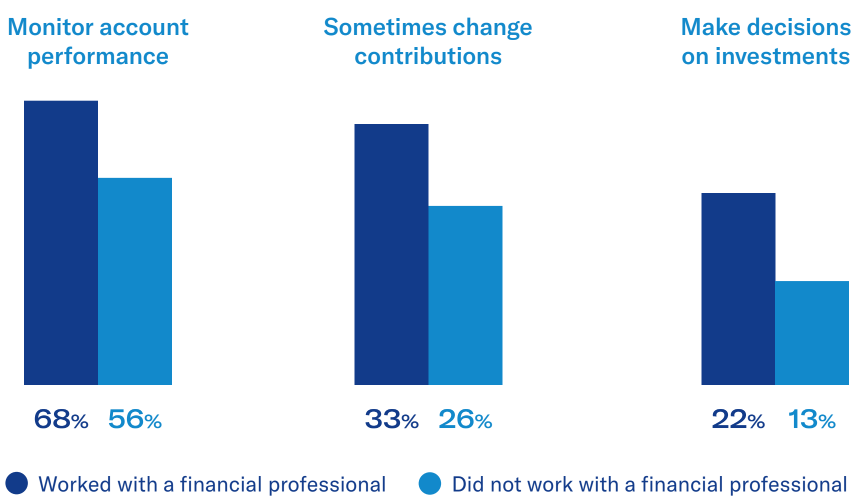
"He keeps in touch with me, but doesn't contact me too much. He also keeps me up to date on my account. He invests my money wisely and makes good suggestions."

"He crunches the numbers for me. I do not have to worry about what is going into my 403(b)."

"He helps me adjust my investments. Sometimes he gives me advice on increasing my contributions...I know he's just trying to get me to save the most I possibly can."

Those who work with a financial professional are more engaged with their 403(b) accounts

Those working with a financial professional engage more meaningfully and deeply with their 403(b) account. They are more likely to monitor their account performance, change contributions and make decisions on investments versus those who choose not to work with a financial professional.



When asked, educators who work with a financial professional agree they help them engage in these behaviors. Specifically, almost two in three believe they contribute more because of a financial professional, and over half agree they started contributing earlier to their 403(b) account because of them.

Because of my financial professional (% agree)...

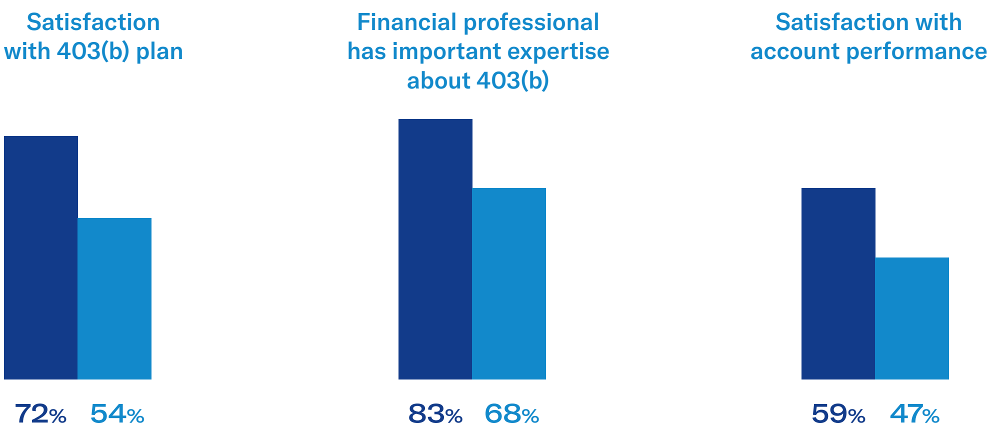
Voice of the educator[3]

"She comes to work twice a year before school so I can see her and ask questions then, instead of making an appointment and taking a day off of work."

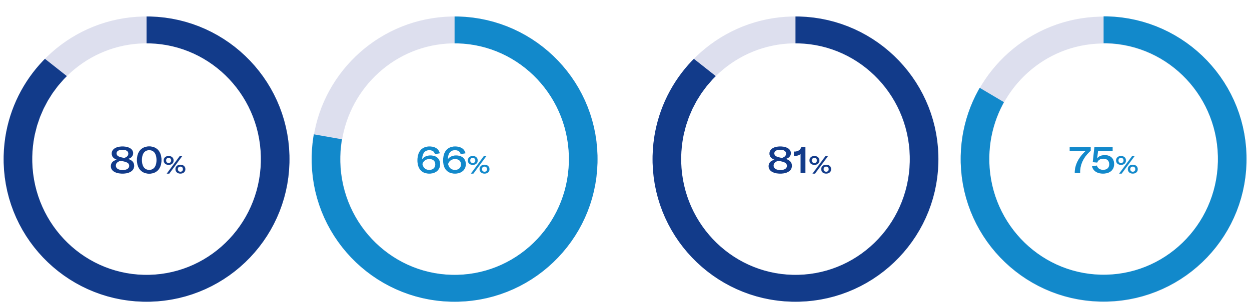
"I am comfortable and confident in her suggestions and I am pleased with how my 403(b) has grown over the years."

There are emotional benefits to working with a financial professional

Regarding the emotional benefits of working with a financial professional, those who work with one feel more positively about their 403(b) plan, as well as their account performance. They are also more likely to agree with positive attitudes surrounding the importance of a financial professional — that they offer knowledge and experience, understand how a 403(b) fits into their overall plan and help them make the decisions necessary to fund a successful retirement.[4]



Worked with a financial professional   Did not work with a financial professional



Financial professional helps make investment decisions that are best for you

Financial professional understands how 403(b) fits into retirement plan

Worked with a financial professional   Did not work with a financial professional

The deeper the relationship, the better the outcomes

Educators who worked with their financial professional for more than 5 years have higher median account balances and invest in a more diverse array of funds, relative to those with less than 5 years' tenure. The impact of a financial professional accelerates with increased duration of working with them, as shown by the data below.

More than 5 years with a financial professional

$57.6k
Median account balance

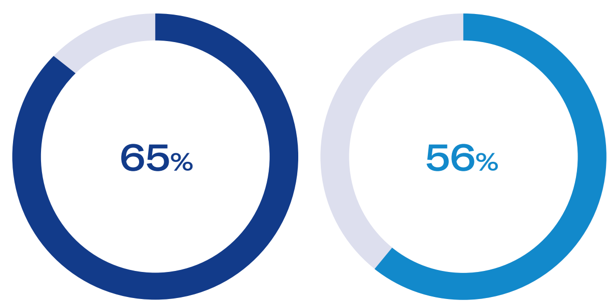
4.3funds
Average number of funds in plan

Less than 5 years with a financial professional

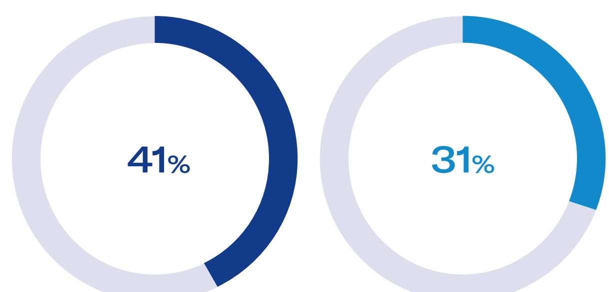
$21k
Median account balance

3.4funds
Average number of funds in plan

Additionally, educators who worked with a financial professional for more than 5 years are more satisfied with plan performance and more confident they have a complete retirement plan in place.[4]



Satisfaction with plan performance

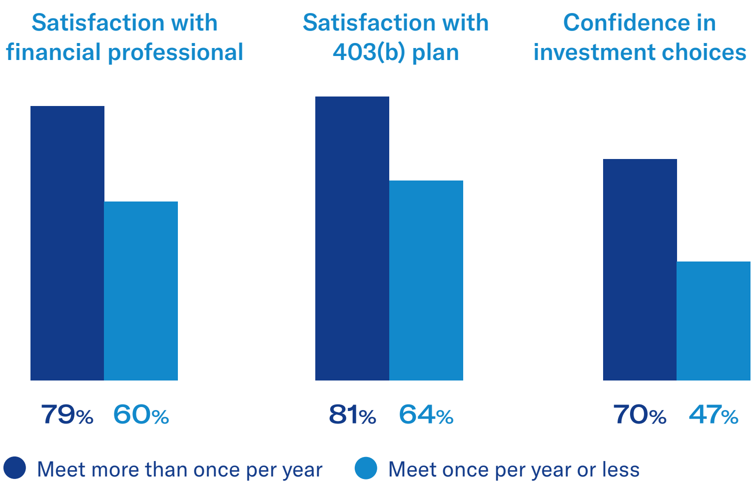


Confidence in having a retirement plan in place

- More than 5 years with financial professional
- Less than 5 years with financial professional

The more frequent the interactions, the better the outcomes

In addition to the duration of working with a financial professional, the frequency of interacting with one's financial professional also matters — those who meet more than once per year are more satisfied with their financial professional and their 403(b) plan. They are also more confident in their investment choices.[4]



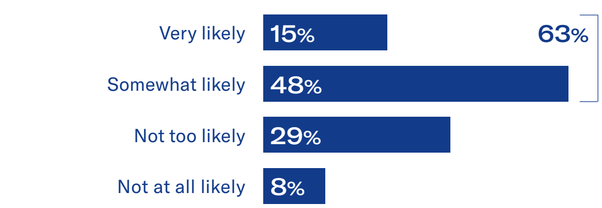
Educators who do not work with a financial professional still see benefits of doing so

The majority of those who do not use the financial professional available to them expect their 403(b) account balance would be higher if they actually were to work with one.

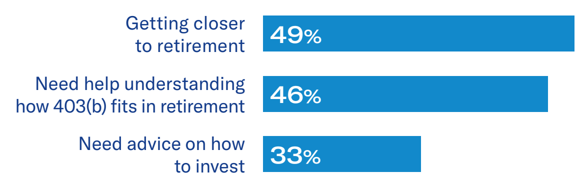
Impact on account value

So why don't these educators work with a financial professional? Most who do not would be at least somewhat likely to use one in the future — as their circumstances change. For many, they don't feel they are close enough to retirement, don't need to understand how their 403(b) fits or don't feel they need investment advice.

Likelihood to work with a financial professional in the future



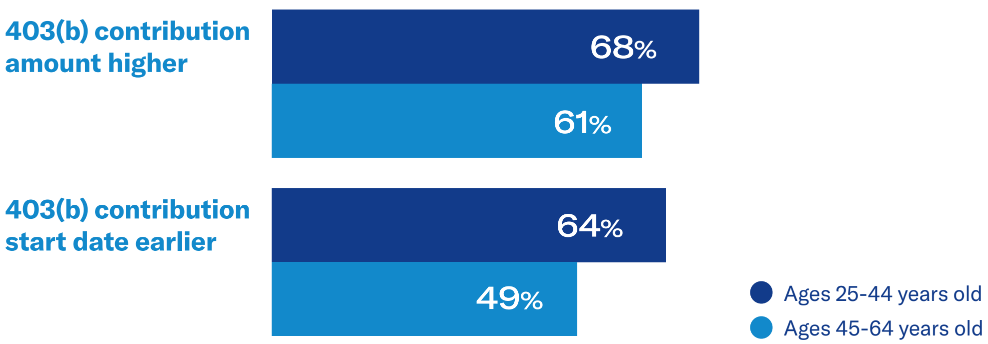
Top three reasons to work with a financial professional in the future



Younger educators may have a stronger need for a financial professional

Among those who work with a financial professional, younger (25-44) educators are more likely to believe their financial professional encourages them to contribute more and contribute earlier.

Because of my financial professional...



Due to heightened concerns about retirement among younger educators, they may have a stronger need for financial professionals. They are more likely to find retirement products confusing, be worried their pension will be cut over time, be concerned about the potential to outlive their retirement savings and be unsure how much they need to save to have enough for their retirement years.

Retirement concerns	Younger (Age 25-44)	Older (Age 45-64)
Retirement products are confusing and hard to understand	76%	70%
Worried my pension plan will be cut over time	75%	55%
Concerned about potential to outlive my savings	68%	59%
Unsure how much I need to save to have enough for retirement	67%	51%

Conclusion

This independent research demonstrates there are quantifiable financial, behavioral and emotional benefits to educators who participate in a 403(b) plan and work with a financial professional. These benefits accelerate with deeper, longer-term relationships — educators who interact more frequently with financial professionals (and for longer than 5 years) show even greater outcomes.

Methodology

2018

This report presents results of a study conducted by Zeldis Research Associates, commissioned by Equitable, on the value of a financial professional to K-12 403(b) plan participants. The study was fielded and compiled in April 2018.

K-12

Steps were taken to ensure the sample of K-12 403(b) plan participants was nationally representative by age, region and gender. Respondents included K-12 educators who participated in their 403(b) plan (a mix of those with and without a financial professional), as well as plan prospects.

1,007

respondents completed the online survey. The margin of error at the 95% confidence interval is +/- 3%. All differences between groups shown in this report are statistically significant at the 95% confidence interval.

ONLY 12%

of the plan participants surveyed are account holders. Other plan providers represented in the respondent base include Fidelity, VALIC, Voya Financial, MetLife, Lincoln Financial Group, Horace Mann and TIAA-CREF.

1 CNN Money. "How states are changing teacher pension plans." April 4, 2018.

2 Proactive Advisor Magazine, "Why advisors should target the 403(b) market," October 11, 2017.

3 These responses reflect anonymous individual opinions from the survey and are not intended as predictions of any product/investment performance, may not represent the experience of any other plan participant, and should not be relied upon as basis for any purchase decision. Equitable Financial Life Insurance Company (Equitable) and its affiliates do not guarantee the accuracy or applicability of the information included in these responses. These responses were collected by Zeldis Research, a third-party vendor not affiliated with Equitable or its affiliates.

4 Top 2 box.

IMPORTANT NOTE
Equitable believes education is a key step toward addressing your financial goals, and we've designed this white paper to serve simply as an informational and educational resource. Accordingly, this document does not offer or constitute investment advice, and makes no direct or indirect recommendation of any particular product or of the appropriateness of any particular investment-related option. Your needs, goals and circumstances are unique, and they require the individualized attention of your financial professional.

The information and opinions in this report were prepared by Zeldis Research and Equitable. This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisors. Zeldis Research and Equitable have made every effort to use reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. Zeldis Research and Equitable accept no liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports for sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages. The report is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities.

The use of the term of "financial advisor" or "advisor" for purposes of the survey questions and responses by both the consumers and the financial advisors queried does not necessarily imply that the individual is a registered investment advisor (RIA). The use of these two terms is meant in a general sense of the word or phrase to describe working with an investment advisor, a licensed insurance agent or other financial professionals who may sell annuity products.

Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a group variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact the issuing company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

Group variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½. Optional benefits are available for an extra charge in addition to the ongoing fees and expenses of the group variable annuity. Guarantees are backed by the claims-paying ability of the issuing insurance company.

Equitable is the brand name of the retirement and protection subsidiaries of Equitable Holdings, Inc., including Equitable Financial Life Insurance Company (NY, NY); Equitable Financial Life Insurance Company of America, an AZ stock company with main administrative headquarters in Jersey City, NJ; and Equitable Distributors, LLC. Equitable Advisors is the brand name of Equitable Advisors, LLC (member FINRA, SIPC) (Equitable Financial Advisors in MI & TN). The obligations of Equitable Financial and Equitable America are backed solely by their claims-paying abilities.

EQUITABLE