



EQUITABLE

The value of the advisor

Their impact on financial
outcomes for K-12 educators

A white paper by:

**Bernadette Mitchell and Tali Yarmush,
Equitable and Edward Kenney**

Research partner:

Zeldis Research Associates

The impact of financial professionals on financial outcomes among educators

Many state pension funds remain chronically underfunded, leaving educators with some risk and uncertainty about their futures.¹ Voluntary employer-sponsored retirement plans, such as 403(b) plans, continue to play a vital role in helping educators reach their retirement goals. Working with a financial professional associated with these supplemental retirement plans can lead to more positive financial results, as demonstrated in this white paper.

Independent research conducted by Zeldis Research Associates, and commissioned by Equitable, highlights the financial benefits K-12 educators can gain by working with a financial professional with respect to their 403(b) account. These include achieving retirement readiness and long-term financial well-being.

Executive summary and key findings

In 2022, Equitable commissioned an online survey of 1,001 U.S. K-12 educators who contribute to a 403(b) plan to better understand and measure the value of working with a financial professional.

This study found demonstrable financial and emotional benefits, along with associated positive investment behaviors, among educators who worked with a financial professional.

Additionally, educators showed greater interest in financial products, such as life insurance and annuities. Those who chose not to work with a financial professional still saw advantages of doing so, indicating an opportunity for more educators to take advantage of these benefits.

Educators who work with a financial professional have measurably better outcomes and demonstrate more effective financial behaviors.

Educators exhibit better financial knowledge and are more confident investors when they work with a financial professional.

Working with a financial professional provides emotional benefits, including fewer concerns about retirement.

Even those who do not work with a financial professional see their value and believe they can help improve their retirement outlook.

Introduction

As educators may not be able to depend on a pension to cover their retirement expenses, defined contribution plans, such as a 403(b), are an increasingly important tool in educators' retirement planning portfolios.

Educators who participate in a 403(b) plan often have the choice between managing their retirement themselves or working with a financial professional to assist them with setup, account maintenance and planning.

These plans continuously evolve, with new investment choices and options offered annually. To understand how educators are impacted by these changes, Equitable presents this paper to illustrate the value a financial professional can bring to help manage a 403(b) plan.

Educators who work with a financial professional demonstrate better financial behavior

Elects to use 403(b) financial professional

 **\$48k** Median account balance

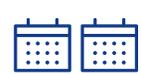
 **\$9.0k** Mean annual contribution

 **3.0x** Mean frequency of increasing contributions since opening account

Elects **not** to use 403(b) financial professional

 **\$39k** Median account balance

 **\$5.3k** Mean annual contribution

 **2.1x** Mean frequency of increasing contributions since opening account

Those who work with financial professionals credit the relationship for generating more positive financial outcomes.

Educators who choose to work with a 403(b) financial professional directly attribute better financial outcomes to that experience. They believe the relationship favorably impacts their account value, enables them to make better investment decisions and helps them to save more over time. **Even the majority of educators who choose not to work with a financial professional recognize the positive impact working with one has on retirement savings.**



In general, about four in 10 Americans have less than \$25,000 saved for retirement, less than one-third work with a financial professional, and many retirees wish they had saved more for retirement.^{3,4} However, those who work with a financial professional are least likely to have regrets about their financial behaviors before retirement. They believe working with a financial professional is worth the cost.

About half who had not worked with a financial professional before retirement believe they would have benefited from one while still working.⁵

Voice of the educator⁶

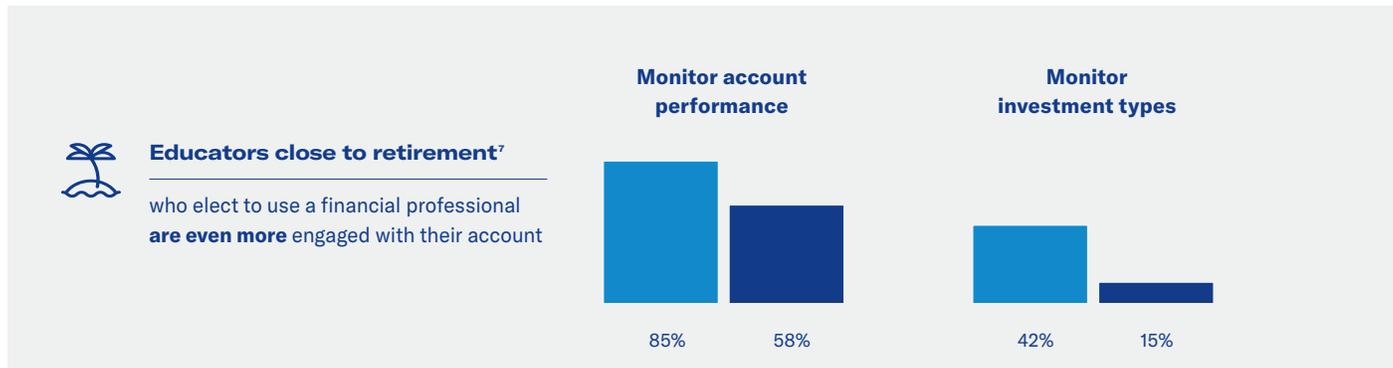
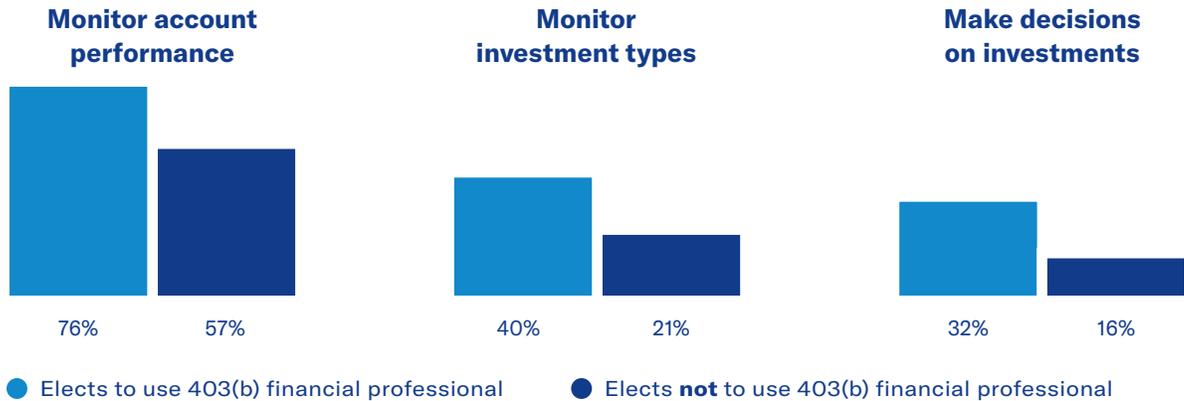
“Caring and support with expert advice on the plans to save more for the future.”

“My advisor cares about my needs and understands which services will help me save more.”

“She is very straightforward. She explains how the allocations are made, when I should consider changes and the effect inflation might have. When I am nervous or confused, she gets me back on track to keep me planning for a great future.”

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

Educators working with a financial professional are more likely to monitor their account performance, review investments within their plan and make investment decisions compared to those who don't work with a financial professional.



Educators agree financial professionals help them engage in these behaviors. Specifically, more than seven in 10 believe they contribute more and started earlier because of a financial professional.



Voice of the educator⁶

“My advisor helps me understand my options about my 403(b) plan, through which I am able to invest in the best way possible.”

“He communicates clearly and in words I can understand. He also makes sure he contacts me regularly...to discuss my investments.”

Educators working with a financial professional are more informed about their 403(b).

Educators working with a financial professional are more likely to recognize the importance of their 403(b) plan, especially since they are playing an increasingly important role in preparing for their future. With enhanced plan engagement (e.g., monitoring account performance, investment type) among those who choose to work with a financial professional, it's not surprising they are more familiar with 403(b) accounts and more knowledgeable about their investment choices.

Knowledge is the backbone of retirement investing. More knowledge leads directly to greater investing confidence, less fear of the unknown and fewer concerns about economic uncertainty as retirement approaches.

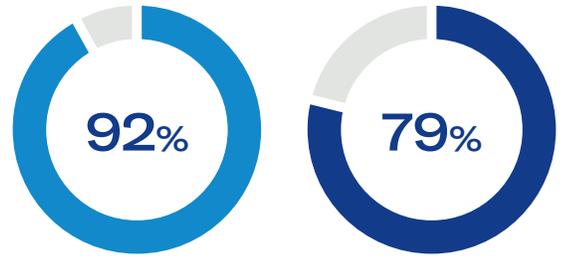
Voice of the educator⁶

“Learning everything about the investments and policies all by myself is very time-consuming, so here an advisor can help me save lots of my precious time.”

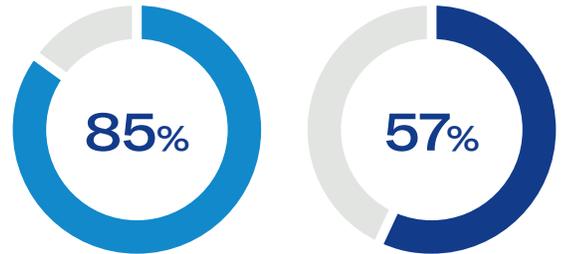
“He provides personal service...he clearly cares about my financial future and is much more knowledgeable than I about investment.”

“The advisor helps in understanding the basics of how the plan works and its benefits, then guides me accordingly, making my work easier.”

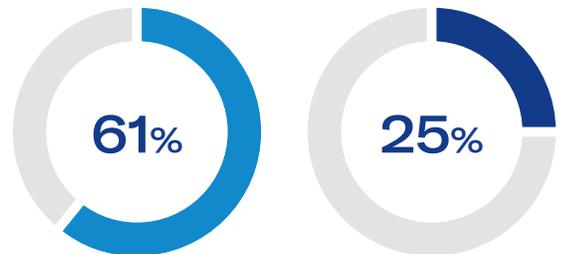
Recognize the importance of the 403(b) to their retirement savings²



Familiarity with 403(b)²



Knowledgeable about investment options²



- Elects to use 403(b) financial professional
- Elects **not** to use 403(b) financial professional

Working with a financial professional can lead to higher satisfaction among educators with their 403(b).

For educators working with a financial professional, their greatest satisfaction may come from the knowledge and guidance they provide as a trusted individual.² Many educators also value their ability to explain things and being available when needed.



Communication is key to building that trust. While in-person meetings are preferred, educators who communicate virtually with their financial professional consider it a key part to the relationship and helps them make better decisions.

Having a digital option to communicate...

90% is an absolute necessity these days

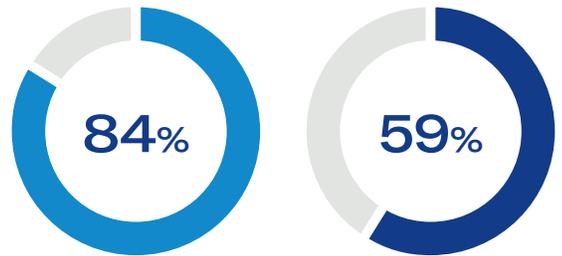
85% makes me more likely to communicate with my 403(b) financial professional

83% makes me more satisfied with my 403(b) financial professional

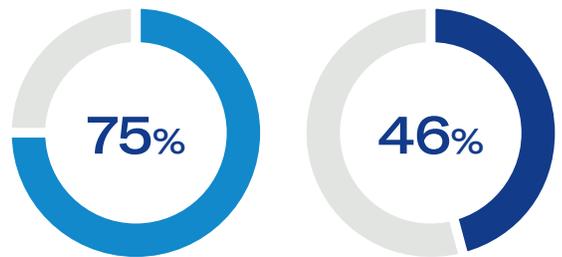
82% makes me a better, savvier 403(b) investor

High satisfaction with their financial professional likely has a strong impact on how satisfied educators are with their 403(b), as those who work with one are more likely to feel satisfied with their plan and its performance.

Satisfaction with 403(b) plan



Satisfaction with account performance



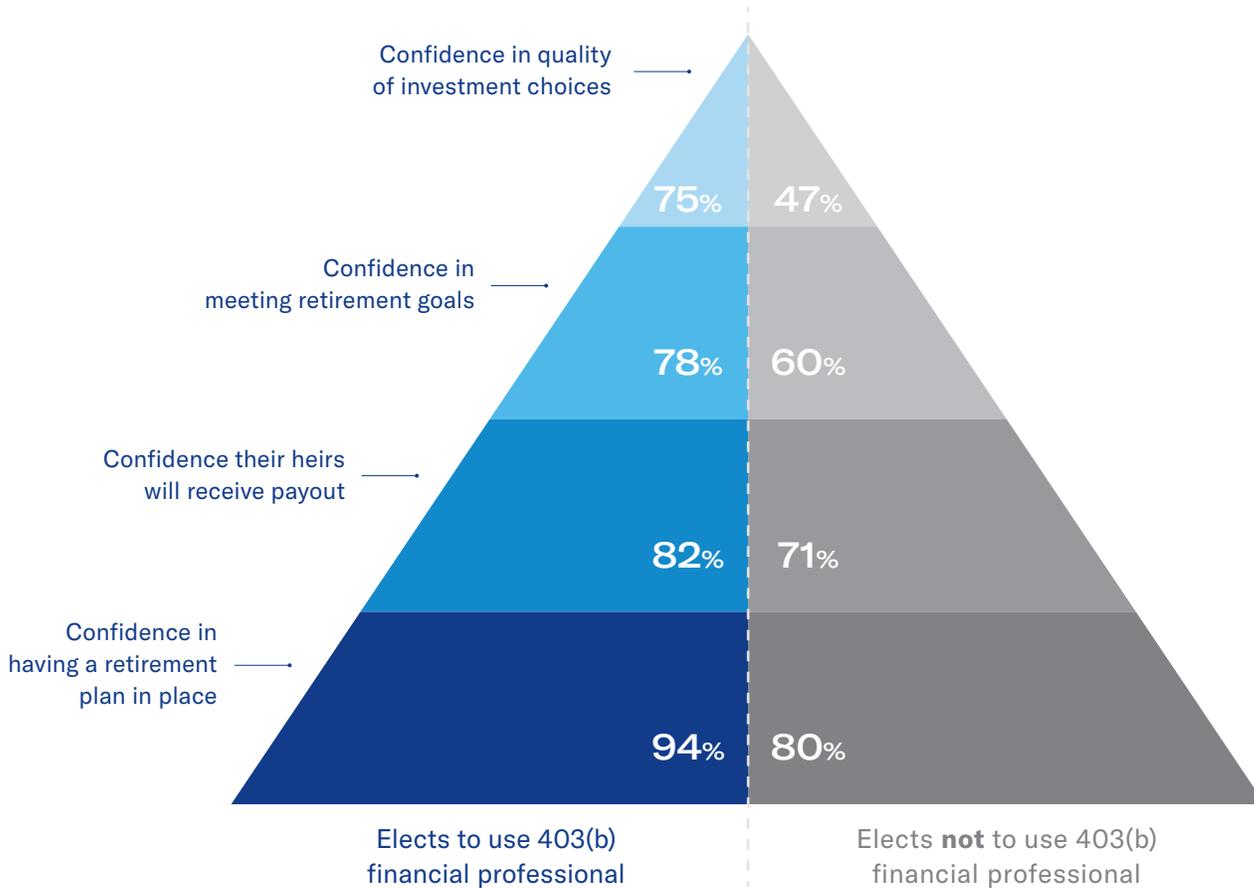
- Elects to use 403(b) financial professional
- Elects **not** to use 403(b) financial professional

Educators working with a financial professional are more confident investors.

Educators who work with a financial professional are more confident in their investment choices, having a retirement plan in place, knowing their heirs will be taken care of, and meeting their retirement goals. Higher confidence leads to a stronger decision-making process, which can result in more effective financial behaviors and fewer concerns as retirement approaches.

While most Americans are somewhat confident in having enough savings for a comfortable retirement, that confidence is likely to decline if inflation continues.⁸ Working with a financial professional can help keep confidence high and concerns under control.⁹

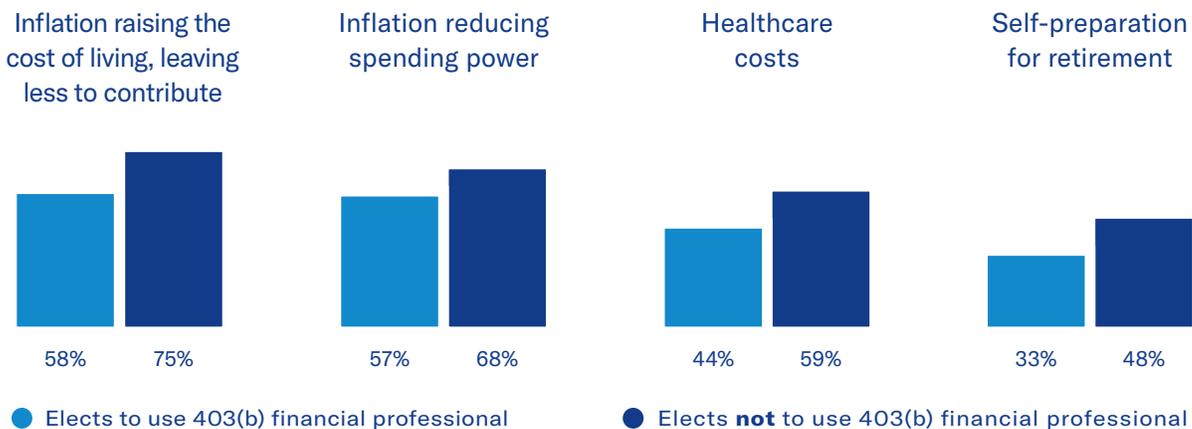
From knowledge to confidence²



Working with a financial professional can ease concerns educators have about their retirement goals, especially inflation.

Currently, U.S. inflation has become a concern for many Americans, with many believing it's "a very big problem."¹⁰ Some individuals have already dipped into retirement savings while others changed their lifestyle so they can increase contributions to their retirement savings.¹¹ Understandably, educators are concerned about inflation's impact on their retirement savings, specifically how it could reduce their spending power. However, there are marked differences between those who choose to work with a financial professional and those who don't, especially in regard to inflation and healthcare costs impacting their retirement savings.

Regarding retirement savings over the past 2 years, educators who work with a financial professional are less concerned with:



Educators who don't work with a financial professional are more likely to be concerned with how prepared they are for retirement. Those who work with a financial professional may be better positioned to retire on their own timeline, pursue part-time work or be able to start a new career.

8.5x

Educators who work with a financial professional are 8½ times more likely to be better positioned to pursue part-time work or even start a new career.

3.5x

Educators who work with a financial professional are 3½ times more likely to be better positioned to be able to retire on their own timeline.

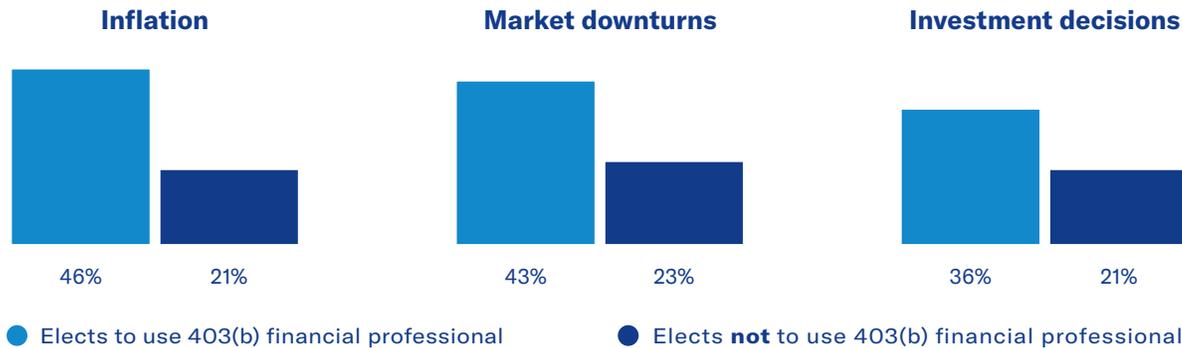
Financial professionals impact the way educators view financial products.

When asked to rank their top goals in retirement, educators want their plan to provide guaranteed income every month to cover living expenses and feel reassured their savings can be set up to consider market volatility. In times of economic uncertainty, financial professionals can help educators see the value of downside protection strategies.²



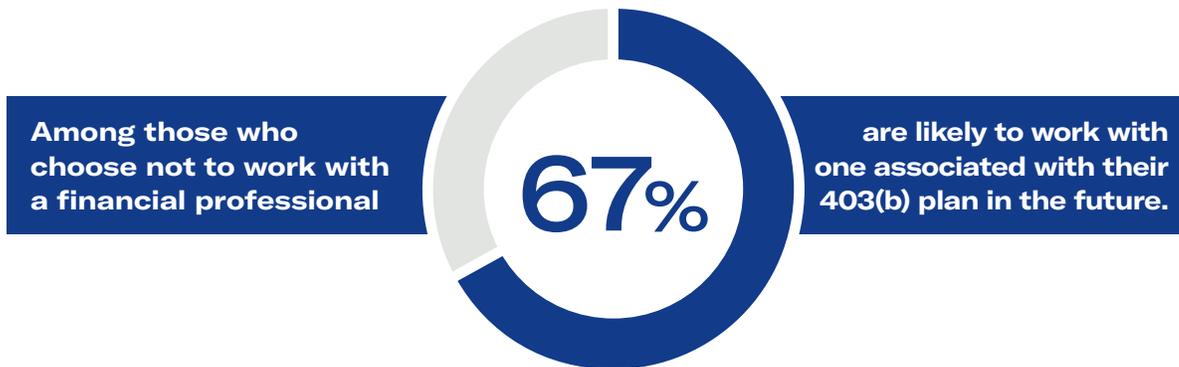
Furthermore, educators who work with a financial professional are more likely to see the benefits of additional financial products that can help address inflation, market downturns and poor investment choices.

Additional products may help educators address...



Educators who choose not to work with a financial professional are likely to consider one in the future, especially as retirement nears.

As we have learned, even educators who choose not to work with a financial professional recognize they can have a favorable impact on retirement by helping investors save more money long term and develop better financial decision-making skills. Although they don't use a financial professional today, two-thirds are likely to use one as retirement nears.



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



So why are some educators still choosing not to work with a financial professional? There are many misconceptions to overcome, such as needing a lot of money to work with one or that it's expensive.¹² However, those who work with a financial professional feel the value they receive outweighs the cost.⁵

Clearly, educators need to learn more about financial professionals and how they can lead to more retirement savings over time.

Conclusion



This research demonstrates there are quantifiable financial, behavioral and emotional benefits to working with a financial professional.

Educators have greater knowledge about their 403(b) plans and their value, the investment options that come along with their plan and how they fit into overall retirement goals.



This increased understanding leads to greater confidence in making retirement planning decisions. They'll likely experience fewer concerns about retirement savings overall.



More confident decision-making also leads to better financial behaviors, with educators crediting that to their relationship with their financial professional.

Better behaviors include starting earlier and contributing more, which can result in higher account values and better overall investment decision-making.



Methodology



2022

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 2022.



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.



1,001

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.



11%

Only 11% of the plan participants surveyed are offered Equitable plans. Other plan providers represented in the respondent base include Fidelity, MetLife, AIG, Lincoln, Nationwide, Horace Mann, Prudential, Voya, New York Life, TIAA, Empower, Aspire, Life of the Southwest, Invesco, Security Benefit, TransAmerica, Principal and OneAmerica.

- 1 Pew Research. “The state pension funding gap: Plans have stabilized in wake of pandemic.” September 14, 2021.
- 2 Top 2 box.
- 3 Gold IRA guide. “Nationwide survey: 42.9% of American adults have less than \$25k saved for retirement.” November 12, 2021.
- 4 NAPA National Association of Plan Advisors. “Why consumers use — and don’t use — financial advisors.” March 26, 2021.
- 5 CNN Business. “What today’s retirees want future retirees to know.” June 22, 2022.
- 6 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.
- 7 Pre-retirees are defined as educators ages 53-64.
- 8 Forbes. “Storm clouds hover over retirement confidence in America.” May 6, 2022.
- 9 EBRI. “Results from the 2022 Retirement Confident Survey,” May 17, 2022.
- 10 CNBC. “Inflation is the ‘top problem’ facing America, with no other issue coming close, survey shows.” May 16, 2022.
- 11 SHRM. “High inflation disrupts retirement savings strategies.” May 20, 2022.
- 12 FINRA, CFA Institute, “Uncertain futures: 7 myths about millennials and investing.” October 17, 2018.

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; 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.

