

# **AXA Equitable** **Enhancing Outcomes**

**The Value an Advisor brings  
to K-12 Participant  
Preparedness and  
Account Performance  
in 403(b) plans**

**a white paper**  
**by**

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# **the value of an Advisor in K-12 participant preparedness and 403(b) account performance**

Because teachers may not be able to depend on their pensions to fully maintain the lifestyles they enjoyed while working, it is particularly important to examine the 403(b) market as a growing voluntary retirement option for K-12 educators.

This paper evaluates the impact of financial advisors in the 403(b) experience for plan participants. It also examines the extent to which participants want an advisor option and whether providing that option is beneficial to them. As plans and funds grow increasingly complicated to navigate on one's own, the value of an advisor can be an important service. The results of this study could help participants decide whether they want to work with an advisor or use a do-it-yourself approach.

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# executive summary

Due to the challenges inherent in quantifying how advisors add value to plan participants' retirement goals, AXA U.S. commissioned a study to help quantify the value of their service to 403(b) plan participants.

The study found that participants who worked with an advisor generally started saving sooner, attained higher account balances, achieved higher plan contribution levels, and had greater diversity in their assets than those who did not.

In addition, participants who used an advisor also benefited emotionally from the interaction: they felt more secure about meeting their retirement goals, had more confidence in their 403(b) investment choices, experienced greater satisfaction with their accounts' performance, and valued more highly their 403(b) plans as part of their retirement planning.

## Key findings:

- 1 Using an advisor has measurable financial benefits to the 403(b) participant.**  
Those who use an advisor have a substantially higher account balance than those who do not (+34% median balance). Participants who work with an advisor had better diversification of assets.
- 2 Participants attribute contributing earlier and more to their 403(b) plans to working with an advisor.** Two-thirds of participants in this study attribute an early start to saving to advisor influence. Participants also attribute contributing more to working with an advisor, with 33% higher mean monthly contribution levels. These participants were also significantly more likely to have increased their contribution amounts as their salaries grew.
- 3 Participants who work with an advisor reported higher confidence in and higher satisfaction with their 403(b) and with their retirement savings overall.**  
Those who use an advisor take more ownership of their role in monitoring their accounts, express higher overall satisfaction with their 403(b), and express a higher satisfaction with the performance of their 403(b).
- 4 A deep, working relationship with an advisor enhances the benefits.**  
Participants, who work with an advisor in a deeper way, by discussing long-term retirement goals and by reviewing their overall financial situation, benefit the most.

# introduction

## The 403(b) market

The 403(b) market as a growing voluntary retirement option for K-12 educational professionals is particularly important to examine, because teachers may not be able to depend solely on their pensions to fully cover their life expenses after retirement.

**Participants generally approach their retirement planning in two ways:** by the do-it-yourself method or by working with someone who can assist them. As plans and funds grow increasingly complicated to navigate on one's own, it is important to examine and debate the value of an advisor.

This paper evaluates the impact of financial advisors in the 403(b) experience for plan participants. It examines the extent to which participants want an advisor option, and whether providing that option is beneficial to them.

Overall, this study found that participants who use an advisor benefit greatly from it both financially and emotionally. Participants who work with an advisor save more, resulting in larger account balances. Participants who use an advisor also feel more secure about meeting their retirement goals, have more confidence in their 403(b) choices, experience greater satisfaction with their accounts' performance, and value their 403(b) plans as a part of their retirement planning. And perhaps most important, when participants' working relationships with their advisors are deeper, the foregoing benefits are augmented.

# 1

## using an Advisor has clear and measurable financial benefits

Those who use an advisor have achieved a substantially higher account balance in a shorter amount of time than those who do not (+34% median balance).

In general, those who use an advisor started contributing at a slightly younger age than those who do not. These participants were also significantly more likely to report they increased their contribution when they got a salary increase than those who do not, and exhibit 33% higher mean monthly contribution levels.

|                      | Use an Advisor | Advisor Option But Don't Use | % Increase Use Advisor Over Don't Use Advisor |
|----------------------|----------------|------------------------------|---|
| Account Balance      |                |                              |   |
| Median               | \$23,500       | \$17,600                     | <b>+34%</b>                                   |
| Mean                 | \$64,100       | \$39,300                     | <b>+63%</b>                                   |
| Monthly Contribution |                |                              |   |
| Median               | \$250          | \$200                        | <b>+25%</b>                                   |
| Mean                 | \$478          | \$359                        | <b>+33%</b>                                   |

Solid/dotted boxes indicate a significant difference at the 95%/90% level of confidence.

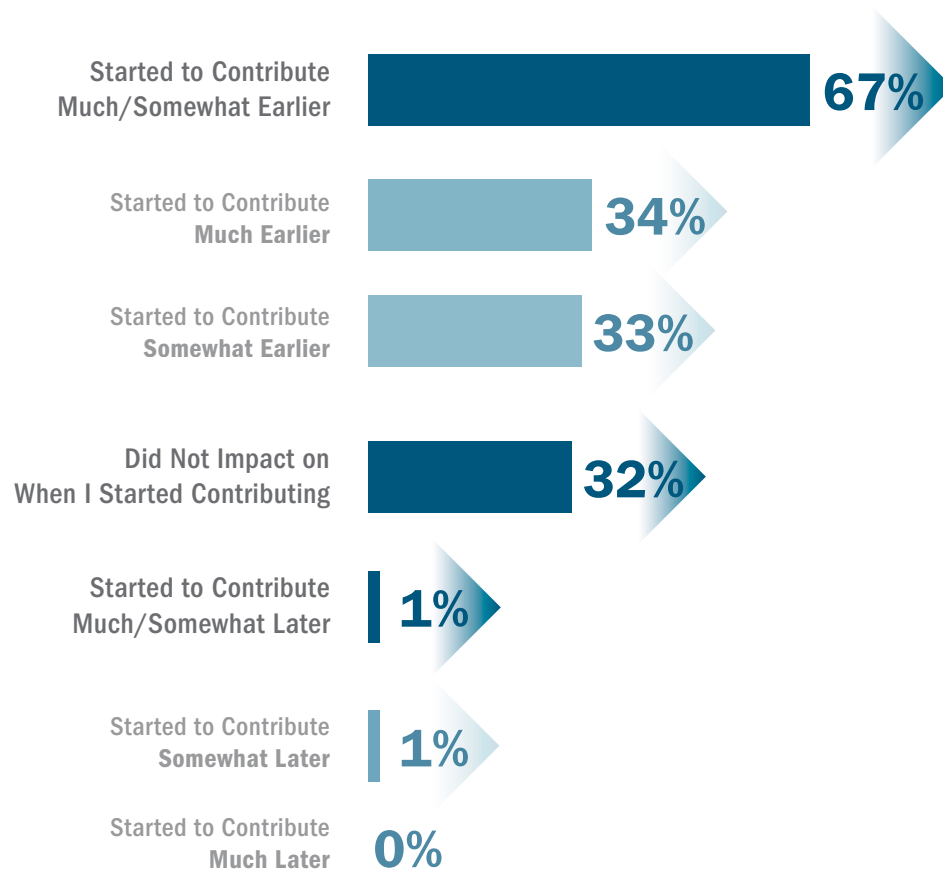
# 2

## using an Advisor enhances plan participation and appreciation

Participants attribute contributing earlier and more to their 403(b) plans to working with an advisor.

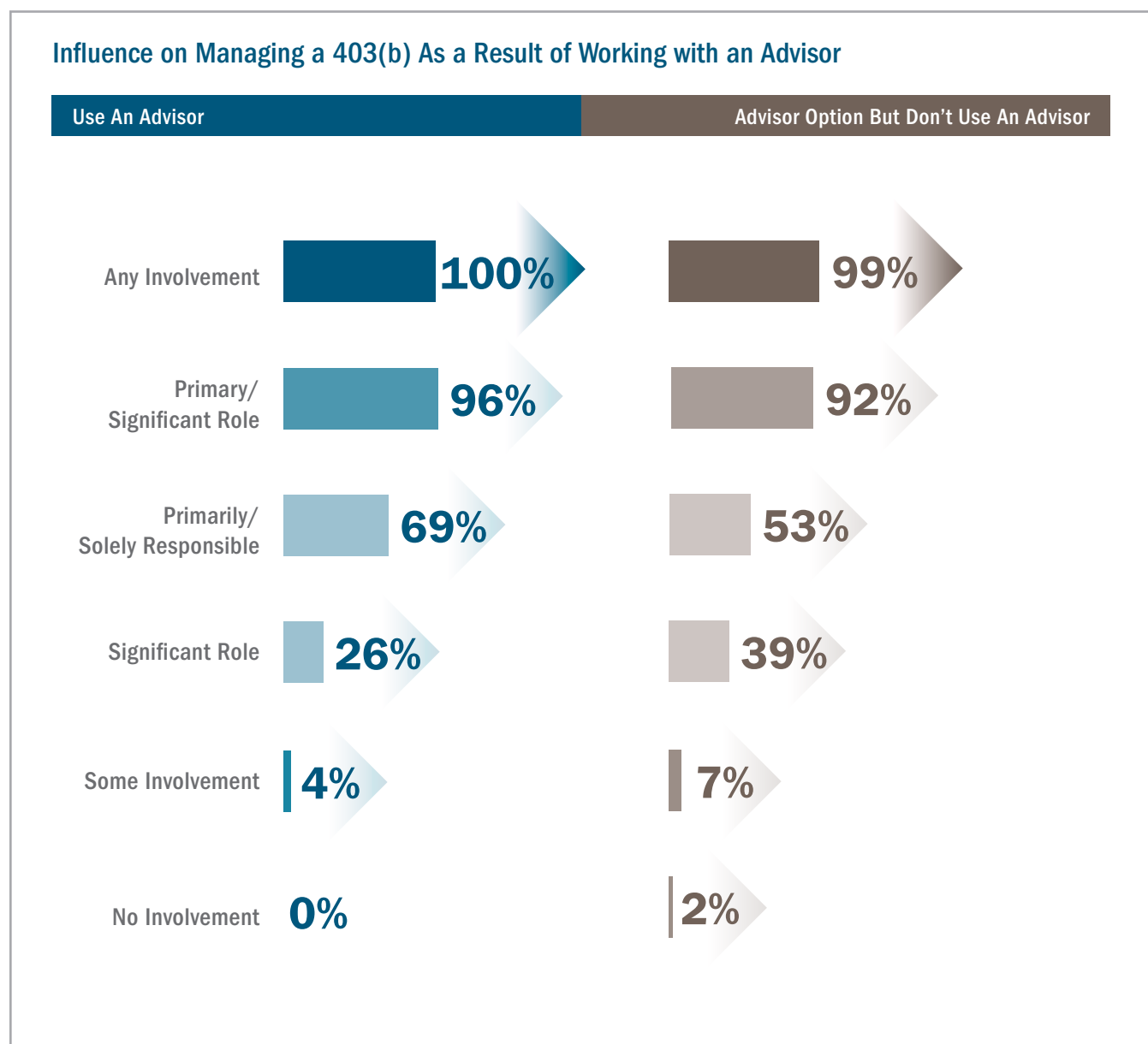
Using an Advisor enhances plan participants' approach to and appreciation of 403(b) retirement savings. Two-thirds of participants in this study attribute an early start to saving to an advisor's influence. Almost three-quarters of participants report contributing more to their 403(b) as a result of working with an advisor.

### Influence on When Started to Contribute to a 403(b) As a Result of Working with an Advisor



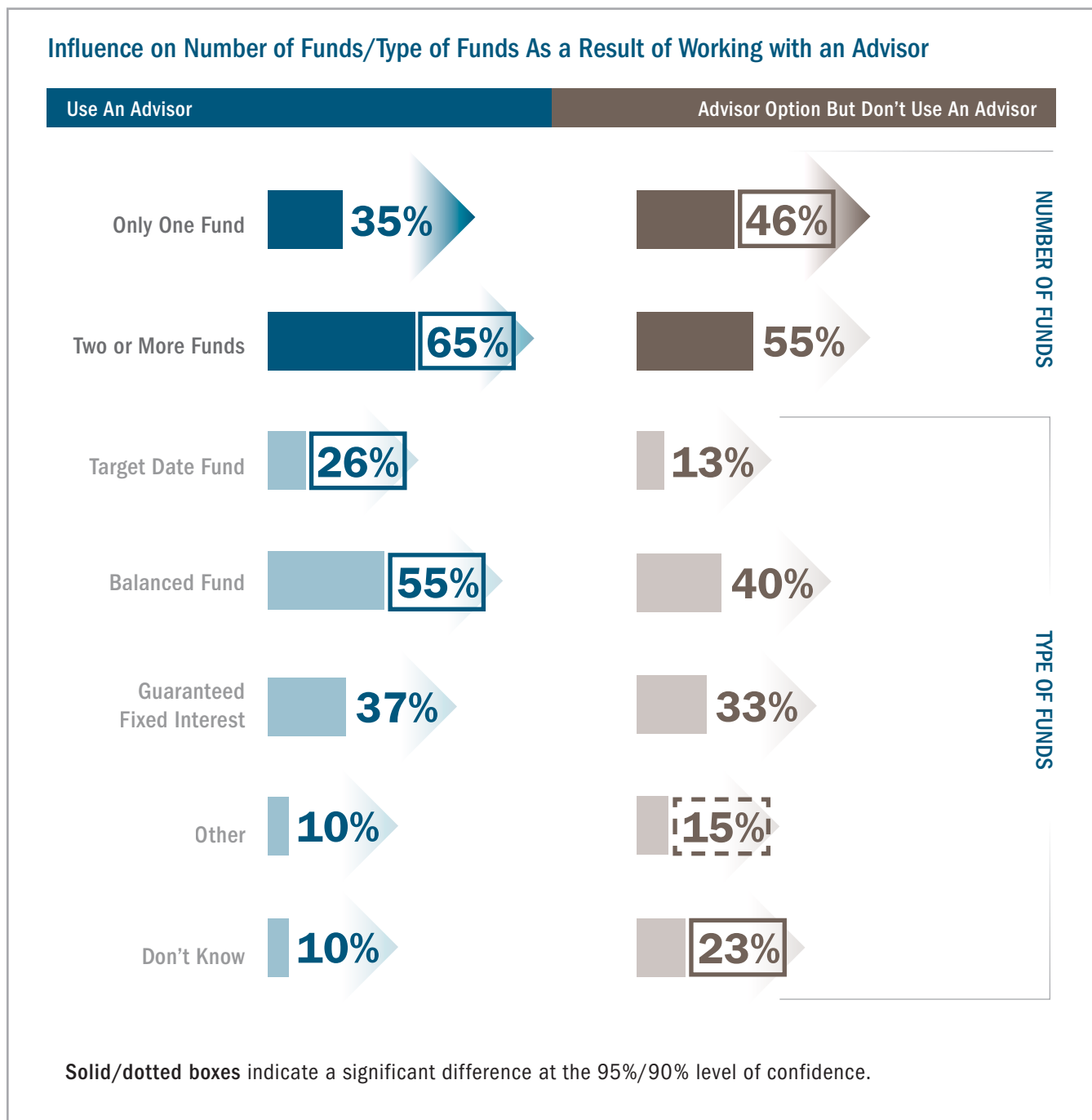
## Participants who work with an advisor tend to take a more active role in managing their 403(b) plans.

Those who use an advisor are more likely to monitor their overall account performance – not just glance at their statement — and take a bigger role in investment decisions. For 403(b) accounts, advisor service engages participants, increasing both their involvement and perception of value. Participants who work with an advisor retain accountability and responsibility for the decisions on their accounts in their role of primary decision maker, with 69% reported being primarily or solely responsible for their investment decisions, vs. 53% who have the option to use an advisor, but don't.



## Participants who use an advisor also invest in more funds.

Participants who use an advisor also invest in more funds, producing investment diversity that tends to reduce risk from large exposure to a particular sector, such as technology. The wider exposure also opens the diverse investor's portfolio to the possibility of more upside potential.





# 3

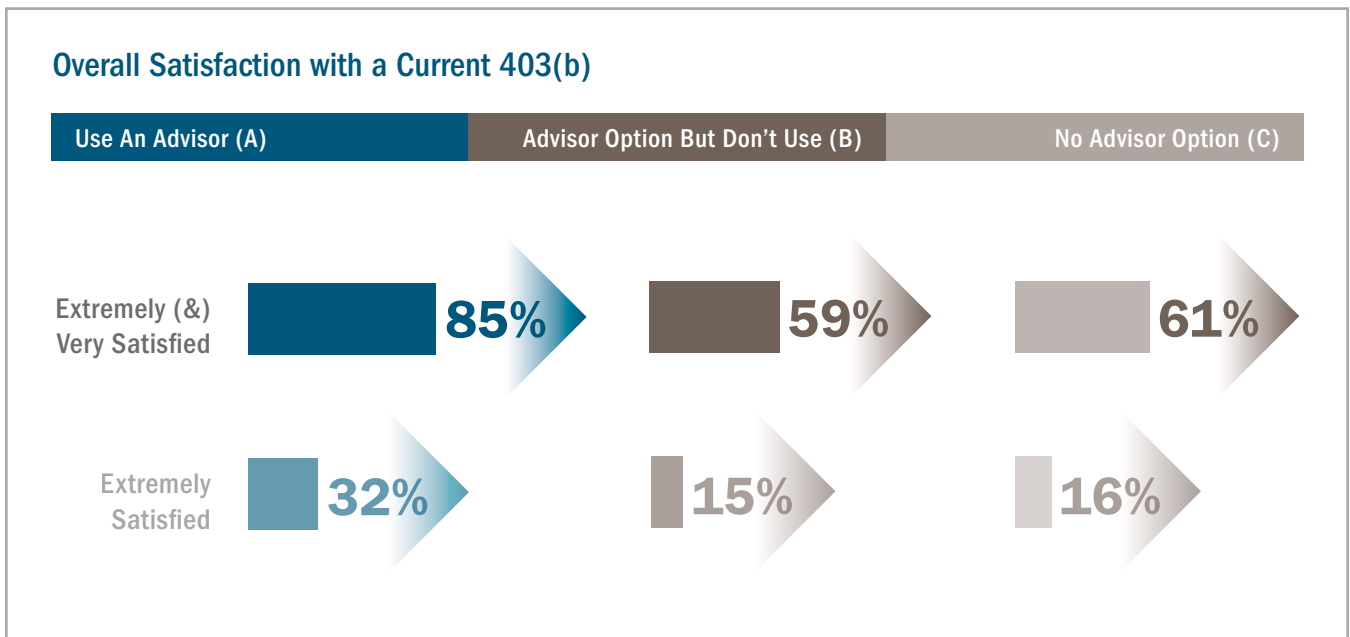
## using an Advisor has clear and measurable emotional benefits

Participants who work with an advisor reported higher confidence in their 403(b) and higher confidence in their retirement savings overall.

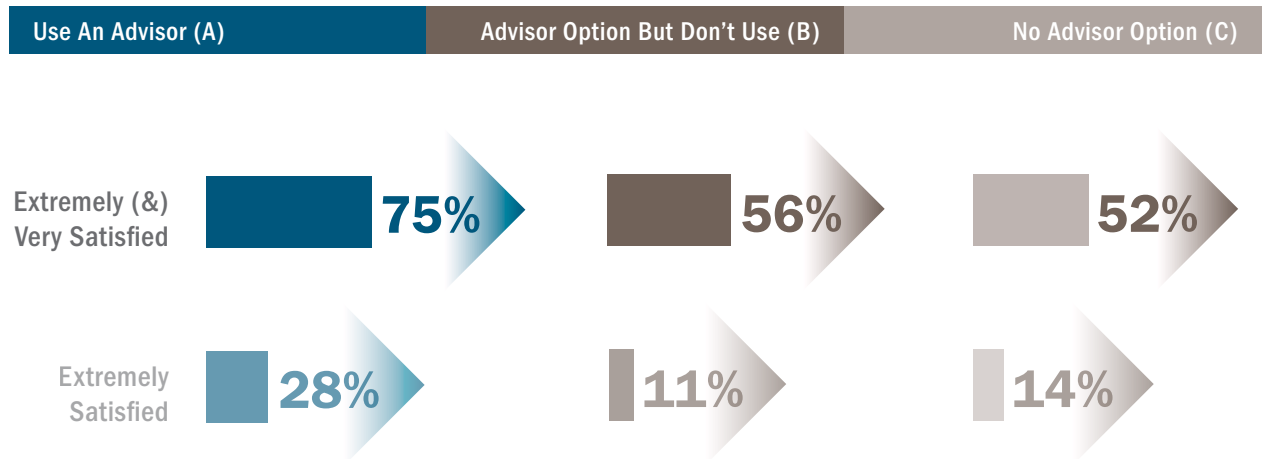
The biggest concern of participants is having enough money for their retirement, and making the right personal investment choices. Those who use an advisor are much more confident about reaching their retirement financial goals, by 79% vs. 59%. Participants believe an advisor helps them set and stick to their retirement saving goals, by 86% over 67%.

Participants who work with an advisor reported more satisfaction with their 403(b) experiences and more satisfaction with their 403(b) results.

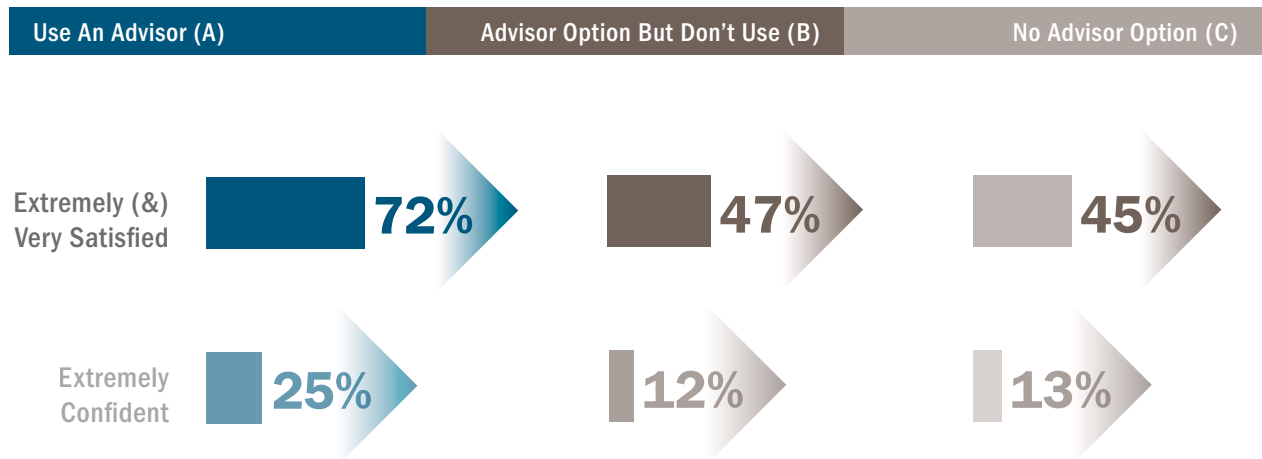
Those who use an advisor take more ownership of their role in monitoring their accounts, express higher overall satisfaction with their 403(b), and express a higher satisfaction with the performance of their 403(b).



### Overall Satisfaction with the Performance of a Current 403(b)



### Confidence in 403(b) Investment Choices

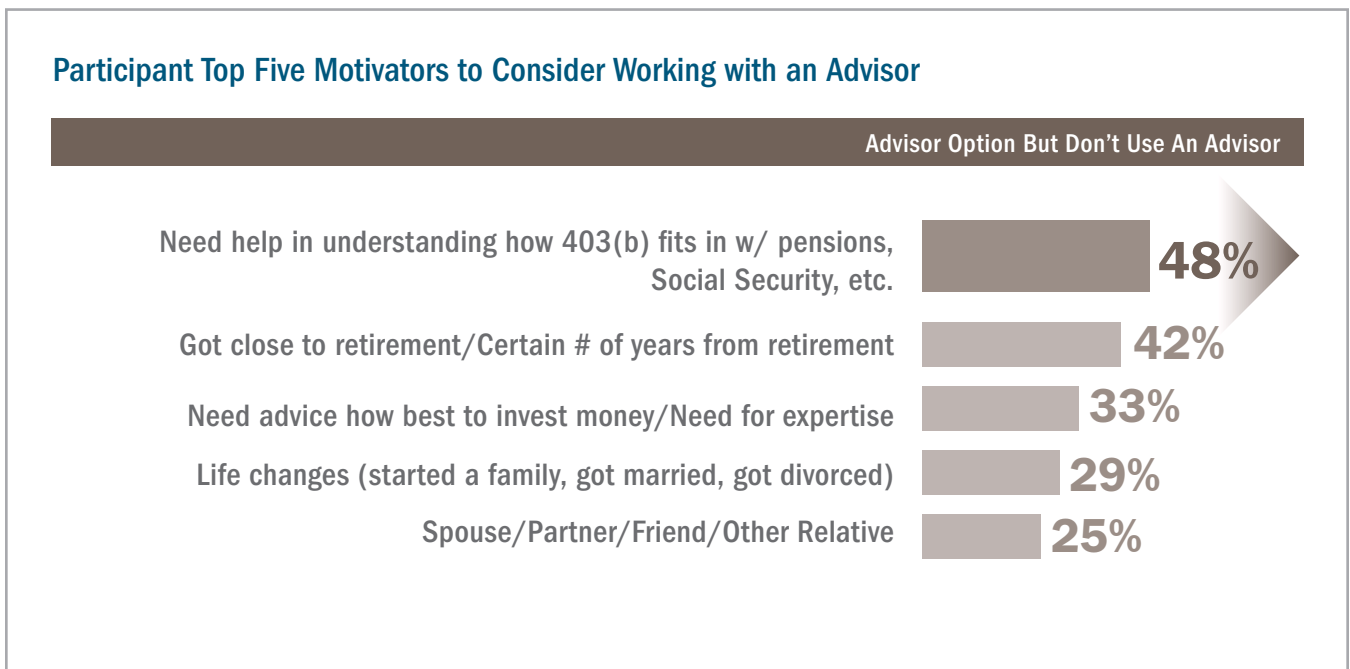


# Advisors are valued, appreciated and recognized for their contributions

Participants view the advisor as knowledgeable, and a reliable, trusted source of expertise who helps them meet their financial goals.

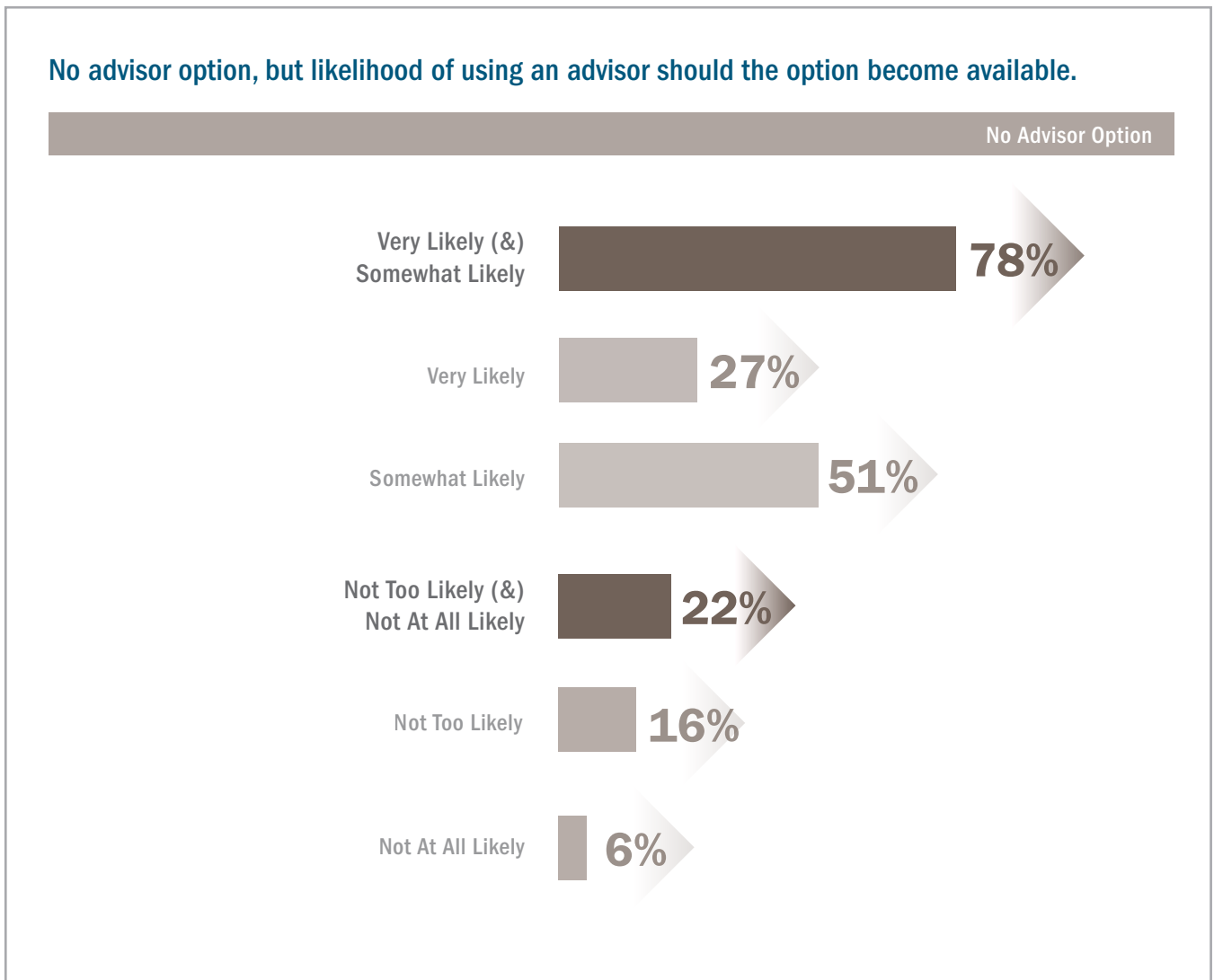
Almost nine-in-ten participants are highly satisfied with their advisor, no doubt because of the emotional and potential financial benefits working with an advisor provides.

Among 403(b) plan participants who have an advisor but do not use the option, the top five reasons they would consider working with an advisor are as follows:



This illustrates that even participants who do not currently work with an advisor value the expertise and advice an advisor is able to provide. Advisors play a critical role in helping new and existing plan participants understand the importance of 403(b) to their retirement savings portfolio and the importance of saving before they get close to retirement.

Additionally, participants who have no advisor option say they would likely use an advisor, should the option become available.



# 4

## a deep working relationship with an Advisor enhances the benefits

Participants who have a deeper relationship with their financial professional are more satisfied with their 403(b) plan, more confident in achieving their retirement goals, invest more and have a higher account balance.

Advisors not only enable activity and influence informed decision-making, working with an advisor keeps participants engaged, prompting additional beneficial behavior, such as increasing contributions when participants' salary increases.

Participants who work with an advisor in a deeper way, such as discussing long-term retirement goals and reviewing their overall financial situation, benefit the most.

### Ways in Which Participants Worked with Plan Advisors

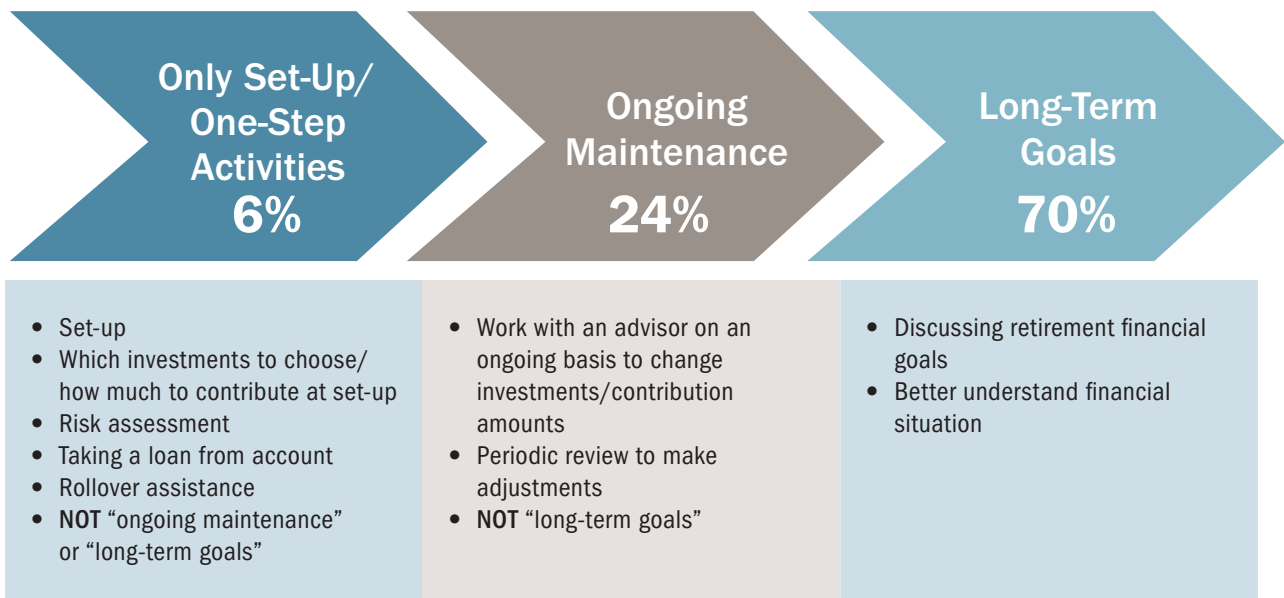


Chart shows that 94% of this study's participants who use an advisor have discussions regarding financial planning and long-term retirement goals.

Participants who reported working with their advisor beyond setting up their 403(b) accounts, such as discussing long-term retirement goals and reviewing their overall financial situation have a higher account balance and higher monthly contribution.

|                             | Only Set-Up/<br>One-Step<br>Activities<br><b>A</b> | Ongoing<br>Maintenance<br><b>B</b> | Long-Term<br>Goals<br><b>C</b> |
|-----------------------------|--|------------------------------------|--------------------------------|
| <b>Account Balance</b>      |  |                                    |                                |
| Median                      | \$18,000   | \$24,700                           | \$23,900                       |
| Mean                        | \$31,100   | \$58,700                           | \$68,700                       |
| <b>Monthly Contribution</b> |  |                                    |                                |
| Median                      | \$200  | \$262                              | \$250                          |
| Mean                        | \$330  | \$45                               | \$499                          |

# about the study

This report presents results of a study conducted by deKadt Market Research, commissioned by AXA Equitable, on the value of an advisor to K-12 403(b) plan participants. The study was fielded by online survey and in-person interviews and compiled in 2015.

A nationally representative sample of K-12 403(b) plan participants with varying advisor use was invited to participate in an online survey and additionally, a sample of the participating cohort was invited to in-person interviews with a copy of their 403(b) account statement. A total of 1104 participants completed the survey.

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## Important Endnotes

1. For purposes of this discussion, “advisor” is used as a general term to describe insurance/annuity and investment sales and advisory professionals who may hold varied licensing as insurance agents, registered representatives of broker-dealers, and investment advisory representatives (IAR) of registered investment advisors, respectively. “Advisor” in this context is not intended to necessarily refer to IAR-offered financial advisory/planning services.
2. Working or consulting with an advisor does not provide a guarantee of superior investment returns and does not suggest or ensure a profit or protection against investment loss.
3. Investment diversification is a tool that positions assets among major investment categories in an effort to manage risk and enhance return potential, but it does not guarantee a profit or protection against investment loss.

No more than 8% of Advisor User participants are AXA plan holders.

Participants: Three key subgroups and one complementary subgroup of prospects were sampled for this study. (1) Advisor Users: plan participants who make use of an advisor. Currently contributing to a 403(b) for 3 or more years, plan has an advisor, currently works with/has worked with an advisor in the past year familiar with 403(b) and actively does something to monitor account. (2) Advisor Option but do not use: participants who have an advisor option as part of their plan but choose not to use that option. Currently contributing to 403(b) for 3 or more years, plan has an advisor, has never worked with an advisor/has not worked with an advisor in the past year, familiar with 403(b) and actively does something to monitor account. (3) No Advisor Option: participants who do not have an option of an advisor. Currently contributing to 403(b) for 3 or more years, no advisor option, familiar with 403(b) and actively does something to monitor account. (4) Prospects: 403(b) offered but not enrolled. Definitely/Probably would consider enrolling in the next 2 years and familiar with 403(b). Some plan providers represented in this study are Fidelity Investments, MetLife, AXA Equitable, Prudential, Voya, TIAA-CREF, and VALIC/AIG.

Plan Participant I = 503, Plan Participant II = 200, Plan Participant III = 102, Prospects = 199

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