

# Retirement Planning Insights

December 2025

## Tenon Financial Happenings

- Ribbon cutting and some Buc-ee's

## Retirement Planning Happenings

- Why it's impossible to measure the value of financial advisory services

## Tenon Financial Happenings

### Grand opening of University of Delaware Financial Planning Center and some brisket

Last month, my wife and I had the honor of taking part in the ribbon cutting ceremony for the new on-campus Financial Planning Center at the University of Delaware.



We both went to college there and were Finance majors. However, at the time, the school only had what I call "traditional" finance; mostly corporate and institutional in nature. They did not have personal finance or financial planning classes.

Thankfully, they've since started a formal Financial Planning & Wealth Management major. Now,

students can opt to take the personal finance and financial planning route and learn the formal education behind being a financial advisor or planner.

I've been involved with that program for the last few years as a member of its advisory panel. And now, thanks to a generous donation from the Charles Schwab Foundation, the school has an on-campus Financial Planning Center where students and faculty of University of Delaware can meet with students of the Financial Planning & Wealth Management program to get free guidance and advice on certain personal finance topics.

The Center is a great example of industry and academia coming together to create a hands-on experiential learning opportunity for students that will also benefit the university body at large. As such, I'm happy to have been a part of the grand opening.

In other news, we went to a friend's destination wedding in Marco Island, Florida last month. The wedding was lovely. But it was the weekend where there were mandatory flight cancellations to ease up air traffic during the government shutdown. Long story short, we ended up having to drive back home to New Jersey because our flight was cancelled.

The bad news is it took us 18.5 hours, with only a few short stops for gas, food and bathroom breaks. The good news is one of the food breaks was at a Buc-ee's, where I got a chopped brisket sandwich. That sandwich is one of my top three favorite foods. Yes, you read that correctly...a gas station brisket sandwich is one of my favorite foods.

I don't have a Buc-ee's near me in NJ, so stopping at the one in South Carolina off I-95 was a bit of a silver lining to our unexpected long drive home. 😊

Happy December!

-Andy

## Retirement Planning Happenings

There's value in good financial advisory services, but it's not possible to actually measure and put a number on

Whether you're a consumer of financial advisory services or an advisor providing such services, you've probably wondered, "what's this actually worth?" Unfortunately, it's not possible to put an honest and defensible quantifiable dollar value on it. That doesn't mean there isn't value in good advisory services. But it does mean there isn't going to be an indisputable objective way to accurately measure the value.

With that said, it's disingenuous for advisors to pretend to be able to measure the value of what they provide. Whether or not the service is "worth it" is completely for clients/consumers to decide.

In the last few years, I've seen lots of claims from other advisors who've made assertions such as being able to deliver value that's at least 2X their annual fee, or that the value of a financial plan they do will be greater than the value of the financial plan done by other advisors (yes, this was a literal challenge that one advisor put forth to the world on LinkedIn) or that fees should be value-based, thus implying value is able to be measured.

As a current or potential consumer of financial advisory services, keep the below information in mind when deciding if the advisor you work with, or are considering working with, is going to be of enough value to you. As with purchasing any kind of product or service, the value needs to exceed the cost, otherwise it doesn't make sense to buy. I think it was Warren Buffet who said something along the lines of "price is what you pay, value is what you get." If the price is more than the value, don't pursue the product or service. And vice versa.

However, as you'll see below, it's not possible to put a precise measurable dollar figure on the value of good financial advice. But the information below should at least give you more to consider when trying to decide if it's worth it for you and what you'll think you'll get out of the service.

The value of financial advisory services can be broken up into three categories in terms of its measurability:

1. Value that *can* be objectively measured

2. Value that can *potentially* be objectively measured, but only in hindsight
3. Value that *can't* be objectively measured

For better or worse, the majority of the value provided from advisory services falls mainly into the second and third categories. I'm going to focus this discussion on the services provided to clients in or near retirement, as those are the clients with whom I know best. However, the gist and outcome will be largely the same even if you're not in or near retirement.

### 1 - Value that *can* be objectively measured

There are some things advisors do that indeed provide clearly quantifiable value. For example, finding errors in clients' tax returns is a way to deliver identifiable value uniquely attributable to that advisor.

I previously reviewed a tax return for a client who had a fairly large amount of municipal bond interest income for the year. His tax return preparer properly reflected that interest as tax-exempt on the federal return. However, the preparer mistakenly included all of that interest as taxable on the state return.

After looking into the specific municipal bond holdings the client had, I realized all of the securities were issued by municipalities within his state. As such, all of the interest income from those bonds should have been tax-exempt at the state level.

I brought that to the attention of the client and recommended he point it out to his tax return preparer and amend the state return. The incorrect return meant the client overpaid about \$600 in state income tax for the year. The preparer subsequently amended the return and the client received a refund for the overpayment.

All said and done, this was \$600 of clearly identifiable and quantifiable value I provided. In other words, had I not reviewed the return, the most likely outcome is that no one would have went back and looked at that year's return, caught the error, and brought it up to the client to have it fixed.

However, to play Devil's Advocate against myself, how do I know for sure that no one else would have ever found that error and fixed it??? How can I say with certainty that only I would ever be responsible for that \$600 catch and value add to the client??? What if, hypothetically, the client reviewed his return

himself later in the year and found the error. In that case, I can't actually say that that \$600 was attributable solely to my services.

As you'll see, a lot of the "value" of advisory services is based on a lot of hypotheticals and assumptions. But nonetheless, I think examples like the one above are as close as we're going to get to tangible and measurable examples of value provided by advisors.

## **2 - Value that can *potentially* be objectively measured, but only in hindsight**

This second category is one where the value could theoretically be measured, but not until years (decades?) down the road. Furthermore, measuring the value would require careful record keeping of the outcome of what the advisor recommended vs the outcome of what would have happened had the client done things on their own. And realistically, no one actually does that kind of "what if" tracking over the course of their lives.

Investment management is a one such area where it's impossible to measure the value delivered year-by-year, unless the advisor and client agree to a formally defined measure of outperformance or "alpha" relative to a benchmark. For example, just because a client's portfolio has an investment return of +8% for the year doesn't mean the advisor added 8% of value to the client. What if the benchmark for how the portfolio was invested returned +9% for the year. Or what if the client's self-picked portfolio - before they started working with the advisor and the advisor reinvested it - would have returned +12% for the year. Did the advisor really add value in these cases? No. At least not quantifiably. If anything, they quantifiably lost money for the client compared to what the client could have or should have gotten in investment return. But, like I said, no one actually measures the hypothetical *what could have been* portfolio, particularly in the case of what the client's old portfolio would have done before the advisor reinvested it.

Advisors all know that well-diversified portfolios are generally prudent to use instead of heavily concentrated portfolios that have only one or two stocks in them. But there is no guarantee that the advisor's diversified portfolio will end up a financially better outcome for the client compared to the concentrated portfolio they may have previously had.

For example, assume a client started working with an advisor 20 years ago and had a portfolio that consisted of only shares of Apple, Amazon, Google and Microsoft. The advisor would have rightfully recommended diversifying those holdings, such as by investing in broad market index funds instead. And, in hindsight, had the client NOT diversified and just kept those four stocks, they would have substantially more money now than if they went with the advisor's recommended portfolio. If we were to actually quantify the difference in actual vs hypothetical portfolio outcomes, the advisor would have cost the client a lot of money.

Additionally, advisors all know that part their job and value is to help clients not make emotional or behavioral mistakes such as trying to time the markets, sell based on fear, buy based on greed or fear of missing out, etc.

But it's also possible that the client selling out of fear and sitting on the sidelines for a while could lead to avoiding additional portfolio losses before deciding to get back in and catch the eventual rebound. I'm not advocating anyone should actually market time or act based on fear. But it's nonetheless possible that luck could have it and those emotional or fear-based decisions could potentially end up with better outcomes.

As you can see, to actually quantify the value of the advisor's investment advice, you would have to look backward and compare a) the actual outcome of the portfolio under the advisor's recommendations vs b) the hypothetical outcome that **WOULD HAVE** happened had the client not implemented any of the advisor's recommendations.

Don't get me wrong, I fully believe in the research and potential benefits that support recommending portfolios that are low-cost, diversified, properly allocated, not acting based on emotions or fear, etc. And I know there is value in implementing such portfolios and actions. But I also know it's impossible for me to attempt to quantify that value. And I also know it's possible that the portfolios I recommend may not ultimately result in better outcomes than whatever alternatives the client could use instead.

However, just because the outcome may not have been the best (in hindsight), it doesn't mean the advice at the time wasn't the best it could have been. In other words, don't mistake bad or suboptimal outcomes for bad or suboptimal advice.

There are numerous other large, important and impactful areas of advisory services where there is a lot of value in getting good advice, but it's impossible to measure that value without the benefit of hindsight.

For example, recommending a single person with above-average family longevity delay starting Social Security as long as possible is generally a prudent and valuable recommendation. But what if the person dies unexpectedly at age 69, just months before when she would have started her benefits. In hindsight, not starting benefits sooner would have cost the client (or her heirs) tens of thousands of dollars. However, that's not to say the original recommendation wasn't still in the client's best interest and wasn't valuable based on everything that was known at the time. But the advice ultimately led to an outcome where the client (or the client's heirs) were financially worse off than they otherwise would have been. This wasn't bad advice, but it did result in a not ideal outcome.

Another example is around Roth conversions. In the right set of circumstances, it could make sense to convert money from tax-deferred accounts to Roth accounts. The conversion process means paying more tax now with the intended benefit of saving more than that in future taxes. However, without having a working crystal ball that can accurately predict decades of future tax legislation, financial market returns, peoples' longevity, etc., it's impossible to quantify the tax savings (if any) of doing Roth conversions. That doesn't mean there isn't value in the advice and guidance given, but it does mean no one can pretend to know today whether Roth conversions will ultimately be of quantifiable tax savings, and how much.

### **3 - Value that can't be objectively measured**

This last category contains many areas of value that are intangible, emotional and often wildly different from person to person. For many people, a lot of the value they ultimately get from working with an advisor is subjective and can't be numerically measured. But that doesn't mean value isn't there and isn't important.

For example, the advisory relationship may lead to relief of a major financial pain point the client had. The relief of that particular issue could be invaluable to one client, yet other clients may not care at all

about that same issue and therefore don't really give any value to it.

It's also impossible to put a value on something as simple – and important – as sleeping well at night. For example, for whatever their reasons may be, some people may prioritize entering retirement without a mortgage. Even if the pure dollars and cents of the analysis are such that they will almost certainly be better off by NOT paying off the mortgage and instead doing other things with their money, it's ultimately much more valuable to that person to pay off the mortgage and sleep better knowing they are debt-free.

On the other hand, other people may not care at all about the thought of having debt in retirement and would derive much more value from the advice of doing something else with the money instead of paying off their mortgage. In either case, it will always be impossible to say how much value the advisor delivers from his or her guidance.

One final thought before I wrap up. The financial advisory industry tries hard to prove its worth and say its value CAN be measured.

For example, one popular study often cited by advisors is from Vanguard, where Vanguard claims to show that the value of good advisory services can be as high as 3% of assets per year. Advisors – particularly those who charge a fee that's equal to a percentage of their clients' assets – will use that study to say that their 1.0% or 1.5% fee is comparatively a steal to the potential 3% of value they can provide!

But if you dig into the Vanguard paper and do some reading between the lines, you'll see that even Vanguard admits the range of value potentially provided is really wide, not consistent year-to-year and could actually be much closer to zero than 3%.

I took the liberty of dissecting the Vanguard paper and providing additional context around each item they looked at in their study. You can find my analysis of it here, in my podcast episode [#132 – Why the value in financial advisory services can't actually be measured.](#)

In closing, there is definitely value to be had in good advisory services. But, for a variety of reasons, different people will perceive different amounts of value. Some folks will never feel hiring an advisor is

worth it. Others will feel the value of an advisor is immeasurable. And the differences in perception between those two scenarios will often be subjective and not something anyone can measure with a calculator or spreadsheet.

Should you hire an advisor and/or will you find it valuable enough to justify the fee??? That's for you to decide. Also, be sure to know what the fee is, in dollars, not just percentages. The typical 1% of asset fee on \$100,000 is only \$1,000 per year in fee; not too bad. But on \$2,000,000 of assets, it's \$20,000 per year...

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