Professionally-managed 401(k)s Get Higher Returns

A Charles Schwab study released November 2007 revealed that 401(k) participants who received professional assistance or advice in allocating their 401(k) assets earned a significantly greater rate of return than those who did not receive assistance.

The study, conducted by Schwab, showed that individuals who availed themselves of financial advice or plan-sponsored asset allocation models received a substantially greater rate of return than those who chose to go it alone. The release, “New Schwab Data indicates Use of Advice and Professionally-Managed Portfolios Results in Higher Rate of Return for 401(k) Participants” quantifies the value that professional financial advice added to the returns of individual investors for the previous year, 2006.

Broken down by age group, the 2006 data is set forth in the table below.

Participant Segment	**Non-Target, Non-Advice Participant Rate of Return**	**Advice Participants (> 1 year) Rate of Return**
Ages 25 or under	9.33%	14.06%
Ages 26-35	11.08%	14.45%
Ages 36-45	11.40%	14.32%
Ages 46-55	11.27%	14.01%
Ages 56-65	10.75%	13.29%

**Past performance is no guarantee of future results*
Source: Schwab press release dated Nov. 28, 2007, titled “New Schwab Data indicates Use of Advice and Professionally-Managed Portfolios Results in Higher Rate of Return for 401(k) Participants”

It’s not surprising that people using advice are more likely to earn higher returns, but it is remarkable to see how much better they are doing,” said Jim McCool, executive vice president of Schwab Corporate & Retirement Services.

This study reveals the significant value-added benefits that 401(k) plan participants receive when they are educated regarding the significant impact of risk, return, time, and diversification. This is the very education IFA 401(k) provides plan sponsors and participants alike.