Understanding The "Robo-Advisor" Landscape

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Understanding "Robo-Advisors"

- Defining a "Robo Advisor"
  - Software to automate the implementation of portfolio asset allocation through algorithms
    - Determining both the assets in the portfolio, and the "matching" of the portfolio to the investor
    - Intended to be "cheaper" by eliminating human advisors
  - Other notable features
    - Automated rebalancing & tax loss harvesting
    - Fully electronic/online onboarding process
    - Excellent client experience through technology

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Understanding "Robo-Advisors"

- "Robo Advisor" versus Technology augmentation versus Online Advice
  - Using technology or an online delivery model does not define "robo advisor" – that's just a human using technology!
    - The "cyborg" or "bionic" advisor leverages technology **and** human interaction

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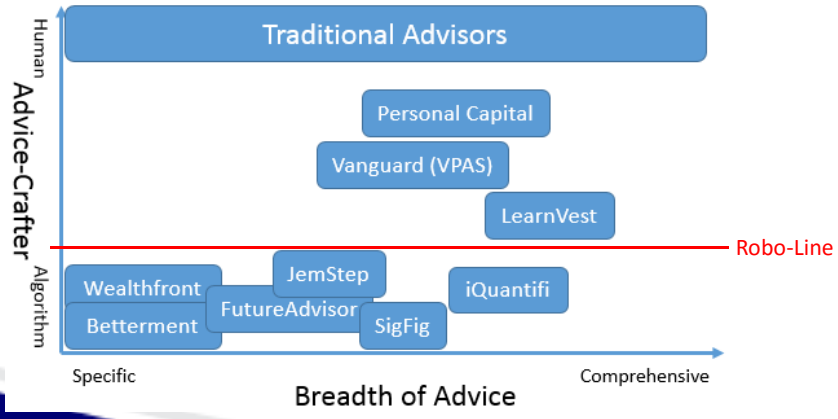
Understanding "Robo-Advisors"

- Framing the "Robo Advisor" landscape



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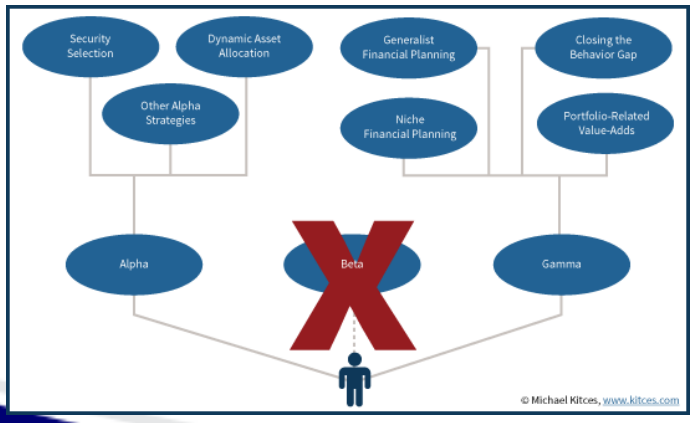
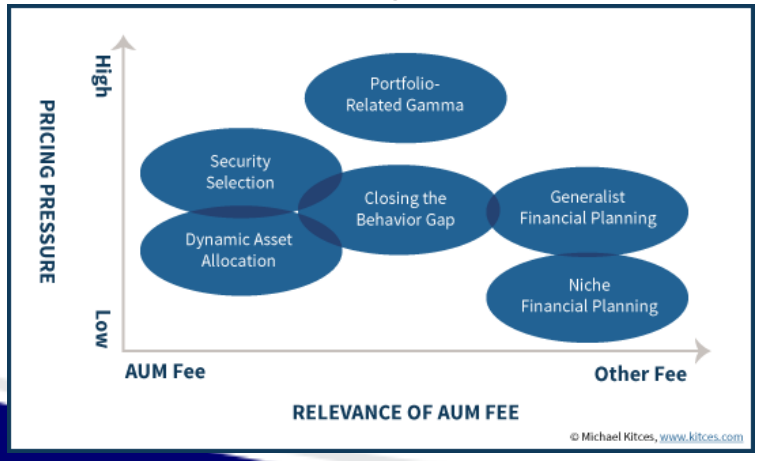
Understanding "Robo-Advisors"

- "Robo Advisors" driving down the cost of beta



Understanding "Robo-Advisors"

- "Robo Advisors" & pricing pressure



Understanding "Robo-Advisors"

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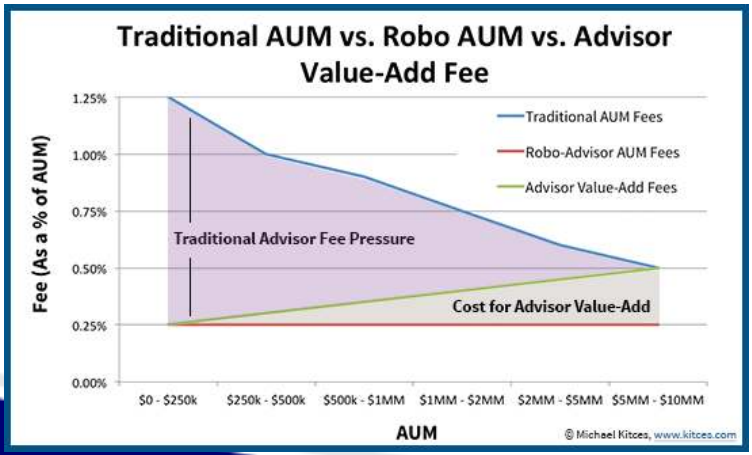

Understanding "Robo-Advisors"

- "Robo Advisors" & who's really winning?

Firm	AUM	% Fee	Revenue
Wealthfront	$2.6B	0.25%	$6.5M
Betterment	$2.6B	0.25%	$6.5M
FutureAdvisor	$600M	0.50%	$3.0M
Total	**$5.8M**		**$16.0M**

- Personal Capital: $1.5B AUM, $13.5M revenue?
- VPAS: $10B+ AUM, $30M+ revenue?
  - Plus another $7B AUM that rolled in from legacy?
- Schwab launches quasi-hybrid solution?
  - $2B in first quarter?

Understanding "Robo-Advisors"

- What *is* a robo-advisor really?
  - An alternative to a mutual fund?
  - A direct-to-consumer SMA?
  - A form of TAMP for advisors?
  - A distribution channel for ETFs?
  - A technology solution for managing assets?
    - Self-directed *or* by advisors?
  - An alternative custodial platform for advisors?

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Understanding "Robo-Advisors"

- True "Robo Advisor" threats
  - Mutual and index funds; ETFs
    - Indexing 2.0 solutions
    - Natural tax bias in favor of granularity?
  - Smart beta and algorithmic investing
    - Solved by software
  - Custodians & broker-dealer platforms
    - A generational shift underway?

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Understanding "Robo-Advisors"

- Where will robo-advisors go from here?
  - Blurring lines between an investment solution and a technology solution
  - "Everyone" wants better technology, including advisors & companies that serve them
    - Robo-advisors pivoting to serve human advisors
    - Fidelity acquires eMoney, Northwestern buys LearnVest, Envestnet buys FinanceLogix
    - Blackrock buys FutureAdvisor
  - When custodians & broker-dealers step up on tech, are robo-advisors even relevant anymore?
    - Or just another TAMP/SMA?

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Questions?

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