

The Future of Investment Advice in the Digital Age

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Understanding "Robo-Advisors"

Introducing the "robo advisor"



Source: Barron's, "Robo Advisors Take On Wall Street"

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

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Understanding “Robo-Advisors”

- Defining a “Robo Advisor”

- Other notable features



- Automated rebalancing & tax loss harvesting



- Fully electronic/online onboarding process



- Excellent client experience through technology

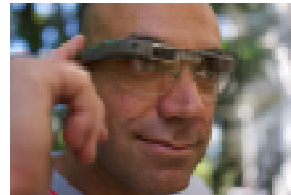
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Understanding “Robo-Advisors”

- “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



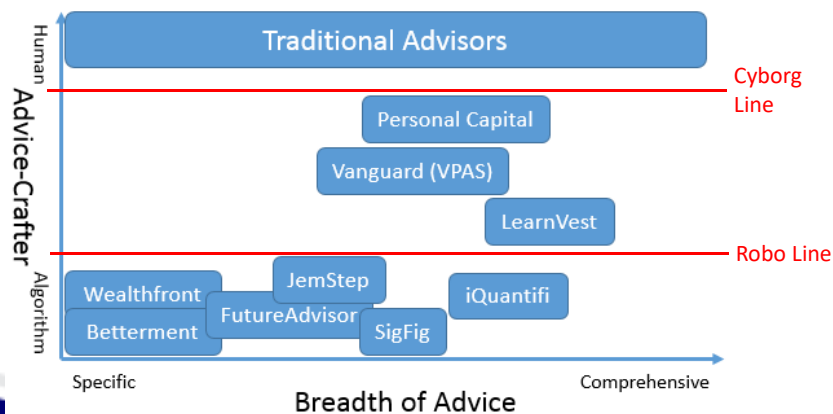
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Understanding “Robo-Advisors”

- Framing the “Robo Advisor” landscape



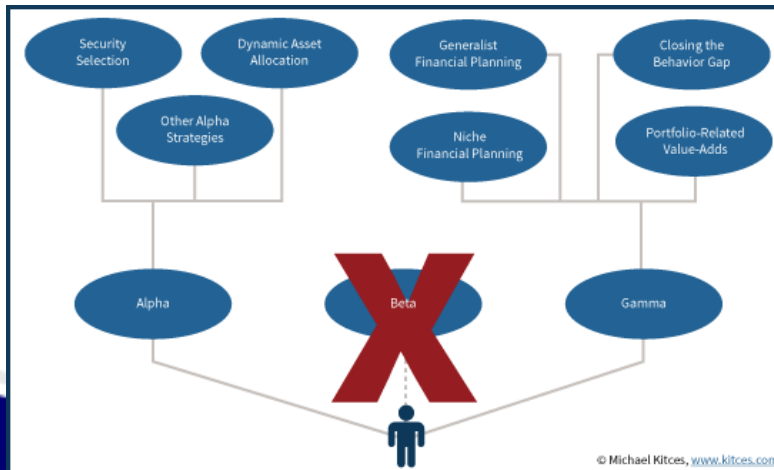
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Understanding “Robo-Advisors”

- “Robo Advisors” driving down the cost of beta



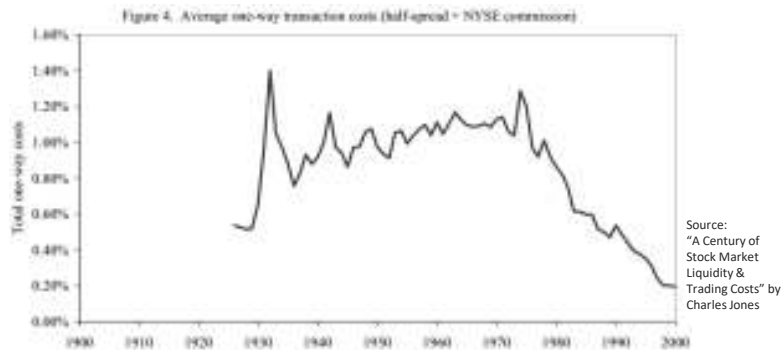
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - First “stock brokering” died with discount/online brokers



- So we became fund pickers

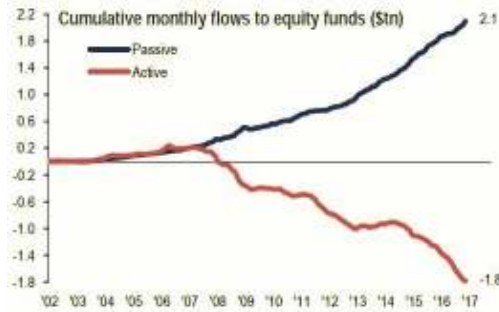
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - Then active mutual fund picking died as reporting tools made it clearer how bad most are



Source:
BofA Merrill Lynch
Global Investment
Strategy, EPFR
Global

- So we became asset allocators

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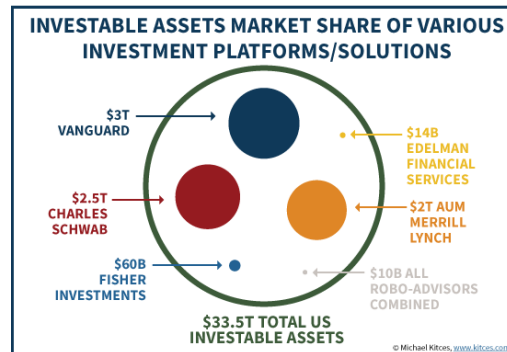
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - Now “robo-advisors” are commoditizing asset allocation?

- Or are they...?



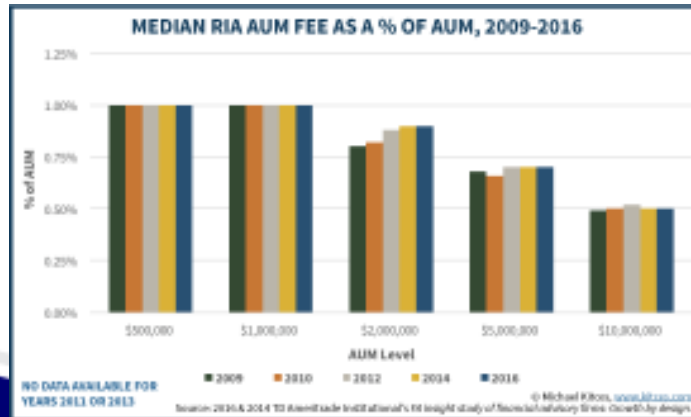
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - Median RIA AUM Fees Aren’t Declining...



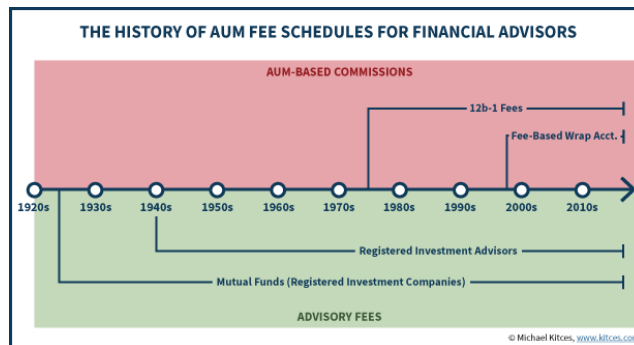
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - The transformation of the 1% AUM fee...



- From a distribution fee to an actual advice fee?

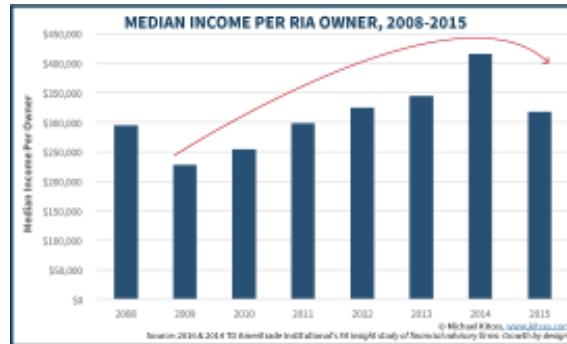
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Understanding “Robo-Advisors”

- The ongoing disruptive force of technology
 - But advice is more expensive to provide...



- Is take-home advisor pay rolling over?

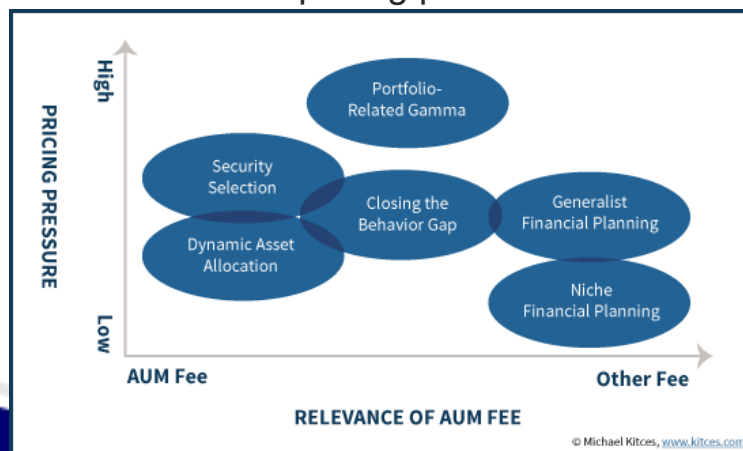
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Understanding “Robo-Advisors”

- “Robo Advisors” & pricing pressure



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Understanding “Robo-Advisors”

- Robo-advisor Threat? 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?

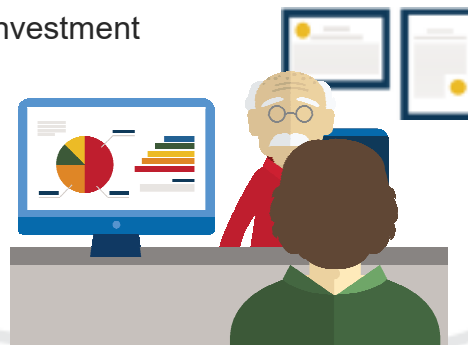
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Understanding “Robo-Advisors”

- The Real Future Of Financial Advice...
 - Technology isn't replacing advisors...
 - But it's replacing the advisor's back office!
 - And powering our investment implementation!



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Understanding “Robo-Advisors”

- The Real Future Of Financial Advice...
 - But technology is also disintermediating advisors in the “distribution” business...
 - So what value will you provide from here?



Investment
Manager



Asset
Gatherer



Financial Planner/
Wealth Manager

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Questions?

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