



Robo Advisors

Robo Advisors are challenging traditional financial advisors, Robo Advisors combine passive investments like ETF's with tailored advice that is generated by algorithm, easy to use apps and websites and sometimes positive behavioral nudges to invest.

Robo Advisors use algorithms to generate tailored investment advice and the services collect information about the age, income, family situation goals and risk tolerance of the individual investors. This information is then entered into an algorithm that provides the investor with a suggestion for a diversified portfolio that reflects their personal situation.

For example, the algorithm may suggest placing 60% of the retirement funds or the funds into a global equity fund, 30% in a global bond fund, 5% in a growth fund and 5% in cash.

The algorithms are quite flexible and the suggestions from the algorithms can often be adjusted.

For instance the investor or you and I could allocate more of our funds to the bond fund and take some of it out of cash. Or we could decide to underweight equity if we just felt uncomfortable with a lot of risk.

Now, in addition to the flexibility these applications and websites are extremely easy to use in contrast to a traditional financial Advisor, Robo advised is almost exclusively delivered through online apps. The apps are easy to use, offer extremely simplified investment interfaces, and can even be used while waiting for the bus or in line at lunch.



Robo advice platforms also include things called nudges or behavioral suggestions that are supportive of things that we should be doing.

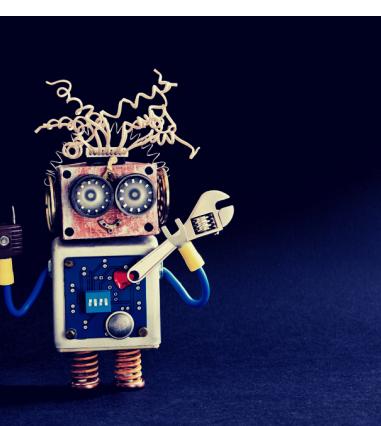
Most robo investors include set it and forget it options to automate your investing every month or every day or every week, they may nudge users to invest right before attacks window will close, and they generally try to encourage good saving and investing behavior.

ROBO ADVISORS

The business model of Robo Advisors is a less expensive version than a traditional financial advisor, but they are certainly more expensive than the underlying passive investments that they often suggest.

Now, this is driven by the fact that Robo Advisors save on human financial advisors by building an algorithm, and they have an automated front office and back office process.

Most Robo advisors are thus or thus far money losing operations. Not for the investors that invest in these platforms, but for the operators and the owners of these platforms themselves, because they're so inexpensive they're going to require massive scale to survive long term.



Question is, is there a role still for human advice while Robo Advisors are generally good form of cost, they're good from a cost perspective, their ability to provide good advice in a crisis has yet to be tested.

Human financial advisors are more likely to be able to actively advise their clients, particularly during a crisis.

Human advisors can also offer an even more tailored financial advice. However, only time will tell if this additional advice is valuable, valuable enough to justify the additional cost.