



However complex your business questions,
Deloitte delivers the answers you need to move forward.

Audit | Tax | [Consulting](#) | Advisory

[Find out more](#)

Money | Tue Nov 10, 2015 1:53pm EST

Related: MONEY

Breaking up with your adviser for a robot is hard to do

NEW YORK | BY CHRIS TAYLOR



What do you tell your financial adviser when you are leaving for an algorithm?

Joe O'Connor, a 52-year-old Connecticut salesman, had to have this conversation recently. It was delicate business explaining why he was ditching the planner he had been with for over a decade, to put his money in the hands of what is known as a robo-adviser - a web-based service that automates the allocation of your investment portfolio.

There were the usual responses: "But why?" "Was it something I did?" "What can I do to make it right?"

And of course, there is the timeless relationship classic line: "It's not you, it's me."

"It wasn't fun," O'Connor said.

That kind of awkward conversation is taking place more frequently these days, thanks to the rise of robo-advisers, which have about \$20.1 billion in worldwide assets under management for new entrants, according to Switzerland-based research firm MyPrivateBanking.

Of course with total U.S. investable assets at \$33.5 trillion, that is barely loose change under the couch cushions, industry analyst Michael Kitces points out. But projections are for heady growth with new robo-advisers expected to grow to \$42.6 billion in 2016 and \$86.7 billion in 2017.

WHY LEAVE?

Looking strictly at fees, robo-advisers offer certain advantages. Prominent site Betterment ([betterment.com](#)), for instance, charges .25 percent on accounts between \$10,000-\$100,000, and .15 percent above that. Competitor Wealthfront ([wealthfront.com](#)) has a

EDITOR'S CHOICE



[What's next for Iraq?](#)

similar cost structure, charging .25 percent for accounts worth \$10,000 or more.

Personal Capital (personalcapital.com), which Joe O'Connor uses, offers more of a blended service, combining its automated recommendations with humans (albeit primarily via video chat or email), charging .89 percent on portfolios up to \$1 million.

That is in comparison to traditional financial planners, who charge around 1 percent or more of assets annually. (Fee-only planners have their own payment structure, billing per planning session instead of charging a percentage of assets.)

The low-fee logic of robo-advisers may work admirably for young savers starting out. In fact many users are converted Do-It-Yourselfers or Millennials with little investable cash, rather than mid-career professionals who have switched from existing planners, Kitces points out.

WHY STAY?

You may gain something by opting for low-fee robots - but you lose the long-term financial planning aspect.

"I had a client recently leave for a robo. I told them robos are not financial planners," says Kashif Ahmed, an advisor in Woburn, Mass. "A robo will not call you when markets are going through a rough patch, and you can't call a robo to discuss your protection needs, or to ensure your estate documents are in order."

As you age, and financial responsibilities start piling up - raising kids, dealing with insurance questions, running a business, coping with elderly parents, and so on - the advantages of dealing with an actual person become more evident.

"At that point, when money has grown substantially, you may opt out of robo-investing and go find a real person," says Maggie Baker, a Philadelphia financial therapist and author of the book "Crazy About Money."

Of course, it is not always fees that cause breakups with financial planners. Far from it. In fact, the number-one reason cited by millionaires for switching advisers is due to them not returning client phone calls, according to a report from research firm Spectrem Group.

In cases like that, a robo-adviser is obviously no upgrade. After all, it is hard to get on the phone with an algorithm.

HAVING 'THE TALK'

Baker's advice for ditching your existing planner: Just be honest. It is likely that some negative event has caused you to look elsewhere - subpar returns, maybe, or a general lack of communication - and it could be something you can talk through and resolve.

In fact, thanks to technological advances, you may not have to break up at all. Many firms, like Vanguard (vanguard.com) and Charles Schwab Corp, are gravitating towards two-tiered solutions - offering robo-allocations as a starter level, but also providing flesh-and-blood advisory services as a premium option.

With more investors considering robots to steer their finances, though, you cannot escape the regret and bitterness that linger over broken relationships.

PICTURES OF THE DAY



Our top photos from the last 24 hours. [Slideshow »](#)

INSIDE THE NORTH KOREAN MILITARY



A rare glimpse inside the Korean People's Army. [Slideshow »](#)

BUILD YOUR PERFECT CANDIDATE



[Download Reuters' White House Run from the App Store](#)

TRENDING ON REUTERS

- [Deutsche Bank freezes plans for North Carolina jobs over transgender law](#)
- [Billionaire Yuri Milner bids another \\$100 million to explore the cosmos | VIDEO](#)

"When a client decides to leave, I don't do anything," says Richard Colarossi, a planner in Islandia, New York. "If a client leaves to go to robo-adviser, let them go. My experience tells me that a majority of robo clients will shoot themselves in the foot."

(Editing by Beth Pinsker and Diane Craft)



More from Reuters

- [What is Squad X, and how much will it change the U.S. Army?](#) | 10 Apr
- [In Iowa corn fields, Chinese national's seed theft exposes vulnerability](#) | 11 Apr
- [Why the F-35 Joint Strike Fighter might not stink](#) | 7 Apr
- [Disappointed Ukrainians turn fire on leaders after Dutch vote](#) | 7 Apr
- [Former doubles champion Bob Hewitt expelled from Hall of Fame](#) | 6 Apr

Sponsored Financial Content

- [How Long Can Your Retirement Savings Last?](#) *American Funds*
- [China's real estate market is the biggest risk to the global economy](#) *Financial Times*
- [Donald Trump's Advice For Paying Off Mortgage \(It's Genius!\)](#) *Bills.com*
- [Is this Tiny Stock the Next Big Thing?](#) *VentureCapital News*
- [A jaw-dropping 10% cash back card has arrived](#) *Next Advisor*

From The Web

Sponsored Links by Taboola



Cyber Blowout. KitchenAid Mixers Going for Next to Nothing
QuiBids



What Investors Are Doing Wrong: Wealthfront's Malkiel Has Som...
Yahoo! Finance | Wealthfront



Are you a strategic thinker? Test your skills with millions of
Sparta - Free Online Game



Woburn Homeowners Are Furious With Their Power Com...
Home Solar Programs



The Book Secret Even Librarians Don't Know
BookBub



3 Banks Introduce New Cards Paying Unusually High Miles P...
LendingTree

Sponsored Topics

- | | | | |
|---------------------------------------|---|---|---|
| 1. IRA Interest Rates | ▶ | 5. Retirement Annuity Rates | ▶ |
| 2. Oil Price Forecast | ▶ | 6. Top 10 Cars to Buy | ▶ |
| 3. New Honda CRV | ▶ | 7. Best Hybrid Vehicles | ▶ |

Declassified: Secretive North Korea lifts veil on arms program	3
U.S. posts \$108 billion budget deficit in March	4
Band plays on, as global oil glut leaves supertankers in a huge jam	5



SPONSORED

The largest automated investing service, empowering you to achieve your goals



Lower Fees

A fraction of the cost of traditional financial services

Easy to Start

60-second rollovers and next-day deposits

[EXPERIENCE SMARTER INVESTING TODAY >](#)

KEY RATES

- MORTGAGE
- HOME EQUITY
- SAVINGS
- AUTO
- CREDIT CARDS

See today's average mortgage rates across the country.

TYPE	TODAY	1 MO
30-Year Fixed	3.65%	3.67%
15-Year Fixed	2.75%	2.80%
10-Year Fixed	2.70%	2.79%
5/1-Year ARM	2.94%	3.13%
30-Year Fixed Refi	3.65%	3.71%
15-Year Fixed Refi	2.76%	2.84%
5/1 ARM Refi	2.93%	3.18%
30-Year Fixed Jumbo	4.00%	4.08%

Rates may include points.

Source: Bankrate.com

[SEE MORE KEY RATE DATA](#)

SPONSORED TOPICS

1. [Reverse Mortgage Calculator](#)
2. [10 Best Income Funds](#)
3. [Best Retirement Investments](#)
4. [Crossover SUV Deals](#)
5. [Retirement Planning Calculator](#)
6. [Hybrid Car Prices](#)

4. Vitamins for Hair Growth ▶

8. Best Cars to Own ▶



[^ Back to top](#)

Reuters.com

[Business](#) | [Markets](#) | [World](#) | [Politics](#) | [Technology](#) | [Opinion](#) | [Money](#) | [Pictures](#) | [Videos](#) | [Site Index](#)

More from Reuters

[Reuters News Agency](#) | [Brand Attribution Guidelines](#) | [Delivery Options](#)

Support & Contact

[Support](#) | [Corrections](#)

Account Information

[Register](#) | [Sign In](#)

Connect with Reuters

[Twitter](#) | [Facebook](#) | [LinkedIn](#) | [RSS](#) | [Podcast](#) | [Newsletters](#) | [Mobile](#)

About

[Privacy Policy](#) | [Terms of Use](#) | [Advertise With Us](#) | [Advertising Guidelines](#) | [AdChoices](#) | [Copyright](#)

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals.



**THOMSON REUTERS
EIKON**

Our Flagship financial information platform incorporating Reuters Insider

**THOMSON REUTERS
ELEKTRON**

An ultra-low latency infrastructure for electronic trading and data distribution

**THOMSON REUTERS
ACCELUS**

A connected approach to governance, risk and compliance

WestlawNext™

Our next generation legal research platform

ONESOURCE

Our global tax workstation

[Thomsonreuters.com](#)

[About Thomson Reuters](#)

[Investor Relations](#)

[Careers](#)

[Contact Us](#)

Thomson Reuters is the world's largest international multimedia news agency, providing investing news, world news, business news, technology news, headline news, small business news, news alerts, personal finance, stock market, and mutual funds information available on Reuters.com, video, mobile, and interactive television platforms. Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

NYSE and AMEX quotes delayed by at least 20 minutes. Nasdaq delayed by at least 15 minutes. For a complete list of exchanges and delays, please click here.