Who Should Love and Who Should Hate Robos

By Mrinalini Krishna November 21, 2019

New research from **Greenwich Associates** reveals that nearly 71% of advisors consider robos and automated investing the most over-exaggerated technology. But the advent of robos is also considered the top reason advisor ranks will shrink over the next five years, according to the study.

Of the more than 2,500 advisors surveyed by Greenwich, 43% believed that the number of advisors would decline in the next five years and 43% of those who think there will be a decline blame it on the rise of robos.

Yet many advisors who spoke to FA-IQ disagreed, saying it all boiled down to the value proposition. While the fear of robo-advisors once loomed large, it has since diminished, they say.

“I think personally, the perception that robos would eliminate the need for financial advisors and planners has certainly dissipated a little bit. And the reason why is, I believe there’s a bit of just the human element and the personal connection that wealth managers can bring to client relationships. That would just be kind of hard to be automated out of the equation,” says **Salim Boutagy**, a Westport, Conn.-based financial advisor with **Congress Wealth Management**.

Scroll down to see an interactive chart of what advisors think are over- and under-exaggerated technologies.

Jennifer Weber of Lake Success, N.Y.- based **Weber Asset Management** says, “We were nervous but do not see robo-advisors as a real threat. Our clients come to us for real conversations and view us a trusted partner for their financial life.”

“I think that robos and financial advisors can coexist. For those looking for a more transactional experience, the digital platforms can suffice. For others, they’ll be looking for coaching and counseling along with the planning and investment management aspects. This segment would likely benefit from an advisory relationship,” says **Christopher C. Giambrone**, founding partner at New Hartford, N.Y.-based **Coughlin Giambrone**.

Who should be afraid of the robos?

Others think advisors focusing only on investment management as opposed to holistic financial planning need to fear robos.

“What the robos have done is put pressure on pricing (AUM fees) and thus altered the business models of RIAs. RIAs cannot continue to justify the high AUM fees — model portfolios can be outsourced at a fraction of the price. Thus, firms are seeing profits shrink and thus looking at other ways to serve their clients. In my humble opinion, robos have made the industry take a hard look at the value proposition,” says **Nicholas Hofer**, president at **Boston Family Advisors**.

“A lot of people say they’re planners, but they do no such thing. Almost 90% of their business day-to-day is just managing investments. Those people should definitely be scared to death of robo advisors because a robo advisor will do that for a fraction of the cost,” says **Kashif Ahmed**, founder and president at Bedford, Mass.-based **American Private Wealth Advisors**.

“Robos are only a threat to financial advisors charging a lot for little value over and above what can be automated,” says **Daniel Lee**, a Silicon Valley-based senior wealth manager at **Plancorp**. Plancorp powers BrightPlan, a digital, financial planning-led robo-advisor as a financial wellness benefit that employers are licensing for their employees.

Brad Tingley, one of the authors of Greenwich’s research, tends to agree with that assessment.

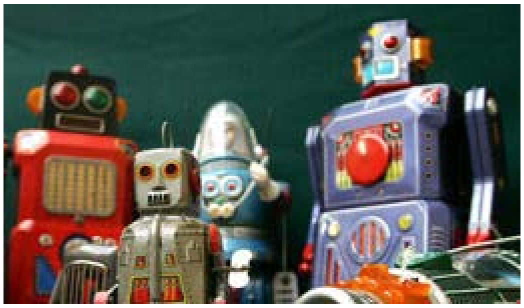
“With fees and everything decreasing, that space for financial advisors to compete just on investment management is already getting tough enough,” says Tingley.

How advisors can leverage robos

But the relationship between advisors and robos isn't a mere co-existence. Many feel that advisors can leverage automation to improve their client experience and even achieve more efficiency in their business.

In the Greenwich survey, 71% of advisors ranked robos and automated investing as the most over-exaggerated technology. But, in comments to FA-IQ, many advisors said automation could actually benefit advisors.

“With the low-fee products and everything, it might even be in the best interest of the financial advisor to let some technology take on the burden of that, so they’re able to focus more on value add or other



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services they can provide," says Tingley.

One way is using robo-investment allocations for smaller-sized accounts.

"I really do think that when it comes to smaller clients, utilizing robots to automate the investment management of those clients' portfolios, for example, it's a good fit because it's low cost. The functions of the portfolio management, for example, are handled by a third party, so the advisor doesn't need to use his time or his firm's resources," says Boutagy.

Ahmed agrees.

"For the vast majority of the people it's a models-based practice which is generally considered the intelligent thing to do — build models. But that's what robo advisors do. And so what we've done is under a certain threshold of account size, we've started using these robo platforms to do the investment management for us, because it's far more efficient for that algorithm to do it for a certain account size. And then we spend the rest of our time doing actual financial planning around that," says Ahmed.

"I think most financial advisors don't come to the realization that they are business people," Ahmed adds. "I'm a big believer in driving efficiencies through the use of technology, whether it's delivering the client experience or efficiency for my own practice."