

# To Robo or Not Robo

## WHICH ADVISORY MODEL IS RIGHT FOR YOU?

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The financial advisory world has come a long way from the Excel-based financial plans and face-to-face quarterly meetings that once categorized the industry. In today's digital age, investors have more choices when it comes to managing their finances. The possibilities for how you want to manage your money and who—or what—you want to interact with along the way are plenty.

In order to help you navigate the landscape of financial advisory models out there, here is a quick primer on the three most common models:

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### Human, Robot, or Hybrid—Which is Right for You?

#### *The Human*

A traditional advisory relationship typically involves a financial advisor and an investor meeting to discuss financial goals, investment accounts, assets and liabilities, and any other pertinent details that affect one's relationship with money. The partnership usually begins with a detailed conversation (often in person). After you provide some basic financial information, the advisor will present customized recommendations or a financial plan that takes into consideration your unique financial picture and is intended to help you stay on track toward your financial goals. Many advisors will maintain your investments and check back regularly to provide guidance. Meanwhile, they're available to consult on any number of financial issues that may arise, such as a career change, liquidity event, home purchase and the like.

#### *The Robot*

Robo-advisors (such as Betterment, Wealthfront, and Personal Capital) promise to help you manage your portfolio at a lower cost—and with a lower minimum investment—than their traditional flesh-and-blood counterparts. Robos tend to focus on investing by algorithm. The algorithm suggests an investment mix and periodically “rebalances” your portfolio, buying and selling to maintain the original allocation as markets shift. After that, you're on your own, though the robo might offer online tools to help you gauge how adjusting your investments might affect your progress.

#### *The Hybrid*

Then there are “hybrid” services, which combine the automation of robots with the expertise of human advisors. For those investors who are interested in a more autonomous investment experience that includes access to their finances online (but may still need to rely on the guidance of a professional from time to time), this approach may be a good fit. Hybrid services can work well for investors whose wealth has not reached a level of complexity that requires ongoing professional advisement and who are pretty comfortable managing their finances digitally. To keep costs down, hybrids may impose limits on how often you can access a real-person advisor. If you're considering a hybrid, you'll want to think about how much human-access you want and how comprehensive of a financial plan you'll require.



## Important Questions to Consider When Choosing an Advisory Model

Taking into account your budget, comfort-level with technology, and specific financial needs, here are a few questions to ask when you evaluate the advisory model that's right for you:

### 1. *How important is it to be able to access and manage my finances digitally?*

For some, handing over their accounts and financial statements to an advisor and relying on that professional to check in at regular intervals throughout the year sounds like the ideal solution. If you are someone who prefers to take a more active role in your finances, however, you may want to consider an advisor that is tech-enabled. Many advisors use robust tech platforms to not only power their financial planning efforts, but also to offer clients the opportunity to interact with their plan or accounts digitally. If working with your advisor to simulate what-if scenarios, forecast your financial future, and assess the probability of reaching your goals sounds intriguing, finding an advisor who is tech-savvy will be an important consideration. Many tech-enabled advisors also offer clients a personal financial management portal where all your financial accounts are viewable in one organized interface. This encourages advisors and clients to collaborate on financial decisions without having to always meet face to face, and also allows the client to track and monitor progress in between meetings and stay on top of their financial goals.

### 2. *How well should my advisor know me?*

Some robos offer financial advice but employ a cookie-cutter approach, making general assumptions you cannot change. A human advisor can hold an in-person meeting, jump on a quick call, or collaborate online with you to work through your financial standing and ambitions. What if your income or expenses tend to be highly variable? What if you have strong views on investing? An advisor can adjust his or her approach to meet your unique needs, while a robo will make investments for you based solely on the data points you have provided about your financial situation and risk tolerance.

### 3. *How complex is my financial life?*

The older (and wealthier) you get, the more complicated your financial decisions can become. Should this extra dollar go to my retirement account, my kids' college accounts, or toward paying off my mortgage? Can I start my own business? Could I really retire early? Robo-advisors aren't equipped to answer complex—and somewhat subjective—questions like a human, who will account for these concerns when first drawing up your plan. If you require this level of personal guidance, working with a real-life advisor is probably a better choice.

### 4. *Who will come through for me as markets fluctuate?*

Investments can be volatile. When the markets drop steeply, it can be tempting to panic and sell at a loss. Would you prefer to have a real person available who can offer reassurance and help you decide what—if anything—to do as markets shift? Consider the level of involvement you will be comfortable with in these situations and ensure that the relationship you choose allows for the connectivity you need.

## FINANCIAL ADVICE BEYOND THE NUMBERS

When choosing a financial advisor, you must keep in mind your budget, your needs and your personal preferences regarding managing your finances. There are many options out there, but every advisory relationship is unique. Keep these points in mind when deciding on the best financial advisory model for you.

If you have questions about your finances or would like to learn more about how a financial advisor can help, give us call.