



## EMBRACING ROBO-ADVISING IN TRADITIONAL FINANCIAL SERVICES

It doesn't take much arguing to convince readers the future is here. From pressing a button on our phone and having a car appear, to receiving phone calls through a wrist-watch, what was once fictional is now prevalent in everyday life. In our profession of financial services, it almost seemed extreme innovation would pass our industry by, except for the possibility of faster execution and quicker access to clients via social media. What could possibly be enhanced in a marketplace so heavily reliant on relationship and human interaction?

In 2011 with the backing of several institutional firms, Wealthfront was born. From inception, Wealthfront envisioned a world of investment opportunity for the masses, specifically millennials who evolve technologically each day. Wealthfront set out to be a disruptor to financial services the same way Charles Schwab did in the 70's. But who would bypass personal attention, a brick-and-mortar neighborhood office, and the occasional live update meeting for a bespoke online algorithm and little to no human interaction? The answer is many, as Wealthfront has recently passed \$2billion under management.

As firms like Wealthfront and others create a new paradigm in investing, financial professionals are stuck deciding how, or even if, to embrace change and alter what has been the traditional financial services offering for decades. Those financial professionals who have a solid niche, such as an investment model, annuity platform or specific wealth management process, need not worry as their offering is likely unreplaceable by mass-technology. Many financial professionals if asked, will claim they have a unique client offering that cannot be duplicated however, a ten-year relationship or educational event is no longer classified as something that will glue the retail investor to you for life.

For the financial professional without a unique offering, one must decide how to adapt to what is commonly referred today as robo-advising. One simple choice is to treat it as a fad and ignore it altogether. This would be the same as ignoring social media and hoping it just goes away. The next choice is to throw in the towel and follow the adage; "if you can't beat em' join em'". Making a decision to do so would force you to change your entire business model. It is sufficient to assume choice one and two will not be the norm.

## EVOLUTION

As we have all heard professionally; "What got me *here* is not necessarily what will get me *there*". Opportunity for financial professional evolution is the inclusion of certain aspects of robo-advising technology. Financial professionals should consider investigating technology platforms or third-party resources they believe are best in class, will last and are led by innovators. Adjusting to create a hybrid offering can bring new opportunity for prospecting, and



retaining assets from both existing clients and millennials. Smaller accounts, younger clients, or even select portions of higher net worth client's assets can be placed in the robo-advising technology model while continuing to offer tailored services otherwise. A conversation regarding which clients to fire based on account minimums can now shift to which robo-model is best per client.

#### BEST OF BOTH WORLDS

Although millennials seek speed and simplicity when using technology, financial technology notwithstanding, many understand they will need more as their financial needs mature. In the early years, millennials will praise you for adapting technology. You can add value to the robo-offering by providing semi-annual updates via technology such as FaceTime with little added expense.

In the future, as needs adjust upward, millennials will realize the relationship with you offers much more than an online investment tranche. Millennials will require additional services such as planning, income, long-term care, budgeting and life insurance. They will seek these services from the advisor they have worked with since inception. Even with your reduced interaction throughout their robo-advising journey, they will trust you as their source, knowing you understand and have adapted to the current financial services marketplace. As these add-ons become necessity, you charge an annual planning fee or fee-per-service. As AUM and wealth management needs grow, clients have the option to continue as-is or move to a more traditional wealth management platform offered through you. Each step of the millennial's financial path leads directly to you.

Embracing a robo financial services platform will take change. Investing the time to investigate which models are elite and provide the most value, will prove worthwhile to new and existing clients. Consider a beta test of your hybrid model with several younger family members. You might be surprised with what you find, and realize the potential of this brave new world.

Nicholas Ross

Nicholas Ross is founder of Surge Business Consulting; A Dallas, Texas based business consulting firm specializing in financial services professionals nationwide through its partnership with Financial Independence Group. Nicholas can be reached @ [nic@surgebc.com](mailto:nic@surgebc.com). Sources: Wealthfront.com



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4514 Westway Avenue, Dallas, TX 75205  
214.945.2605 | [www.surgebc.com](http://www.surgebc.com) | [info@surgebc.com](mailto:info@surgebc.com)