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[PERSONAL FINANCE](#)

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# Should you trust a robo-advisor for financial planning?

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A few conversation topics that are taboo and can make a conversation go nuclear include opinions on politics and religion. When it comes to the most difficult conversation you can possibly have, money and your personal finances are usually at the top of the list.

Let's go ahead and overcome that barrier and talk finance! The dynamic field of finance is constantly evolving and changing throughout the years at a rapid rate, just like technology.

There is no denying that technology is taking over the world. I recall a teacher in school telling me we had to learn how to compute math because we won't have a calculator with us all of the time. In today's world, most of us don't leave home without our smart phone, which happens to have a built in calculator.

While there are benefits to technology, there are also a lot of risks, such as ever-increasing laziness and memory loss. When we think of addiction, most of us think of alcoholism or drug abuse. With technology and the easy access, anonymity and constant availability of the internet, email, texting, chatting and twittering has led to a new form of compulsive and dependent behavior. This isn't intended to be a psychology article, so I won't even go into Nomophobia, i.e. the fear of being without a smart phone.

What about other technological advances?

Technology has already taken over so many facets of our world and robots are ever increasingly taking over human jobs. I have joked for years that if we aren't

careful, we are going to be more and more a world of smart phones and robots and “dumb” people.

Financial advice is by no means the first industry to be affected by “robots”. There are so many advances, such as surgical robots performing operations on humans. For instance, since the Da Vinci surgical system launched in 2000, they have since performed well over two million procedures. Robo-surgeons are currently used for everything from knee replacement surgery to vision correction. The prediction is that robots will almost certainly one day operate on patients independently and replace human surgeons all together.

Then there are self-driving cars. Will these eventually take over companies such as Uber and Lyft? I even have an iRobot that vacuums my home automatically. What about farm-bots and taking over of the farming/agriculture industry?

The question arises, can computers replace humans and give sound financial advice? If you take the human element out of investing, there is an option for Robo-Advisors.

What exactly is a “Robo-Advisor?”

A “Robo-Advisor” provides automated, algorithm-based portfolio management advice without the use of human financial planners. These services analyze each customer’s current financial status, risk aversion and goals.

Here are a few thoughts to consider when deciding on whether or not to use a Robo-Advisor.

Pros of using a “Robo-Advisor”:

1. There’s no doubt that robo-advisors are revolutionizing financial services and making investing more accessible. Robo-advisors seem like an attractive option with their lower fees, low investment minimums and easy-to-use technology.
2. Some consumers--younger generations such as the Millennials, those in the accumulation phase or those with lower net worth, that may not have considered investing--will now have an option.
3. Robo-advisors are growing the existing market of financial advisory clients.

Cons of using a “Robo-Advisor”:

1. Can you trust robo-advisors with your investments? We have very little history to dissect in order to determine the fate of robo-advisors.
2. Robo-advisors are programmed to do their best at personalizing their advice to your particular situation and your financial goals. But at the end of the day, they are using an algorithm to make big financial decisions.
3. An advisor's perspective is particularly useful if you have a large portfolio or a complicated financial situation, especially when there are specific needs, i.e. tax-savings or estate planning, etc.
4. No personal relationship is developed with a financial advisor if you are simply using a robo solution for your investment needs. Some of the companies only offer (800) numbers so you can call in, which usually will be a different person every time.

Can robo-advisors act as a fiduciary? Industry leaders are currently divided.

Some believe the SEC should create an entirely separate set of regulations to oversee robos. There are limitations that robos have currently. The questionnaires given to clients don't necessarily encompass all of the necessary pieces of information that would be needed to fully assess a client's suitability. Many questions remain.

As with any life choice, the investor should figure out what type of investment guidance he or she needs and select a "Robo-Advisor" or financial professional to suit their individual lifestyle. It is important to understand the risks and limitations before using them. As always, investors should be wary of tools that promise better portfolio performance.

This technological advanced landscape is dynamic and one could assume will continue to change at a rapid rate. Make sure to do your due diligence and make sure you fully understand before making any sort of investment.

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