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## **Robo Revolution Is Here, 10 Dramatic Impacts: Expert**

**SYDNEY (November 17, 2015)** – A new report from risk profiling specialist FinaMetrica, *The Robo Revolution: Robo Advice Market Commentary and Analysis*, details 10 dramatic impacts of robo-advisers on the Australian and global financial planning industry.

The report, released in Australia this week and authored by FinaMetrica co-founder Paul Resnik, describes robo-advice as the "most significant development in the delivery of financial advice in the last 30 years". He says while some human roles will undoubtedly be replaced by automation, robo-advisers will still struggle with gaining market share given the high costs of customer acquisition.

“Robo-advisers are likely to be as great a disrupter to the delivery of financial advice as Uber is to public transport. It could be an expensive mistake to make an uninformed decision to operate a robo-adviser or to choose to disregard or dismiss them,” said Mr Resnik.

“While robo-advisers are the flavour of the month, they still have a tiny market share of less than 1% of assets under management (AUM). But based on all we know, here is our take on 10 dramatic impacts that robo-advisers will have on the financial planning industry,” said Mr Resnik.

### **1. Robos are big.**

You’re going to hear a lot about them and they will impact on your life. We believe that the impact will be overwhelmingly positive! Don’t believe the gloom that says robos will replace human advisers. They won’t.

### **2. Robos will be everywhere.**

Everyone in the financial services supply chain will have a robo, either as a direct-to-consumer offering or as a tool for financial advisers to use.

### **3. Your client base may be under threat.**

Robos will be everywhere and your clients will be courted by them. Your new competitor might be a club or a community based organisation or affiliate – any organisation with a large membership could soon be in the market for a white-label robo.

### **4. There will be many different robos for different purposes.**

You will have a choice of robos, which will not all be the same. If you plan on working with any one you will need to assess it carefully to ensure it will be fit for your purpose.

### **5. Early-movers don’t necessarily win.**

Better to make a considered decision and use proven technology and processes like FinaMetrica's risk profiling system.

#### **6. Robos will have to adopt suitability standards.**

To flourish, robos will have to meet the same suitability standards as human advisers. It is unimaginable that an advice business would want the same client getting a different recommendation depending on whether they used robo or human advice. A business built on a multi-factor assessment of risk tolerance, risk capacity and risk needed will, of course, expect those same standards in a robo.

#### **7. Dealing with non-assigned clients and other relationships.**

Robos are quick and accurate at process work, like collecting data. And they make things fast – an investment recommendation can be on the table moments after the data is collected. It will, of course, be expected that robos must integrate with your business practices.

#### **8. Low-cost, multi-asset portfolios are here.**

Robos deal in very low-cost investment structures and that is going to challenge current thinking, current practice and profitability. Like ripples in a pond, over time the effect becomes unpredictable even when it started out very structured.

#### **9. You will have to prove your value proposition.**

Advisers are professionals who add value to their clients' financial lives. Be ready to prove that, because you will have to be able to do supply that proof to charge higher fees than a robo.

#### **10. Fees may come under pressure.**

Just as low-cost airlines lowered airfare costs, robos are likely to bring down the base-cost of advice. But, just as with the airlines, some people will not want to fly with the cheapest; some will be happy to pay full economy and some will want the silver-service that comes with first-class. The more holistic and detailed traditional advisers are, the more they will win. Robos are not currently good at complex matters such tax or estate planning or insurance. Possibly we will see traditional advice operating to create the financial plan, with robos dealing with ongoing transactional needs.

FinaMetrica is working on leading technology to analyse the ongoing suitability of investments for clients.

“Robo-advisers need smart investment suitability tools, like our risk tolerance test to ‘plug-in’ to their algorithms – just as every miner in the Californian gold rush needed a shovel. Our risk tolerance test is the best of breed. It has been tried and tested and we believe it should become the standard suitability test for robos. They may even boast about using FinaMetrica adding validity to the advice process,” said Mr Resnik.

#### **About FinaMetrica**

Advisors rely on FinaMetrica's award-winning risk profiling process to help clients stay invested and achieve their financial goals by delivering suitable investment advice. Launched in 1998 and proven through market cycles, FinaMetrica is used by thousands of leading advisors around the globe to scientifically assess their clients' risk tolerance, incorporate those assessments into the financial planning process and frame expectations more realistically. Over 850,000 FinaMetrica risk tolerance tests have been completed to date. For further details visit [www.riskprofiling.com](http://www.riskprofiling.com)