



Secrets robo-advisor sites are keeping from you

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Everything is going digital. There are even companies that sell a suite of services called “robo-advisors” that offers subscribers a “low-cost, algorithm-derived, passive strategic asset allocation.” Service providers claim that using their technology platform, investors no longer need to use a financial advisor.

It’s not artificial intelligence that is behind managing your investments. It’s an algorithm. An algorithm is a sophisticated mathematics procedure or formula used in problem solving. People using robo-advisors leave their investment decisions to a math program running on a server somewhere.

What services are you getting with a robo-advisor?

Although robo-advisors are “high tech financial advisors” they’re using the term financial advisor in the broadest possible way. What do they do? – Asset allocation. Although using a certified financial planner gives you tons of services not available from Roboadvisors, the one thing Robo-advisors do, you can do yourself using any number of tools available free, on the Internet. They too use algorithms for asset allocation. Some of these site are:

- SUREPAYROLL
- CNN Money

- Market Watch
- Calcxml.

Using the same criteria for each of these sites, you get 4 completely different sets of suggested asset allocation. One site asked four questions and one as many as 12. Though, the allocations were all different, the differences were small. So, if you want to check on the asset allocation plan your financial advisor developed with you, try one of the tools. It is likely the calculator and your real asset allocation plan that you worked on with a financial planner do not match.

Why does my financial planner’s asset plan differ from the plan from a robo-advisor?

Simply put, the robo-advisor is an asset allocation tool and returns a general asset allocation plan generated from the information you give. It cannot create a financial plan and it does not consider other factors about your finances. But a financial advisor provides you with loads of services you cannot get from a Robo-advisor, and asset allocation is part of your personal plan. In addition, most Roboadvisors have three huge flaws.

Continued on back



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As read in these Newspapers:

MORGAN HILL
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Continued from front

1. Their calculations use broad, general assumptions that are not always correct.
2. They are incapable of taking human nature into account.
3. The variables put in by people often change

Services offered by a financial planner

Since there are so many variables that have an impact of your financial plan, this requires you to think about these uncertainties.

Compare the services offered by free and paid robo-advisors to those of a fee-only wealth management firm. Typical services provided by a fee-only wealth management firm include:

- Management of your assets by your personal financial planner or retirement planner
- A free first meeting to discuss your financial goals and needs without obligation
- A customized retirement income strategy
- Wealth accumulation
- Asset protection
- Annuities
- Life insurance
- Tax minimization strategies
- Long-term care protection
- IRA and 401(k) rollovers

In addition, many professional retirement planners have a professional network to help you with:

- Retirement planning
- College planning
- An insurance needs assessment
- Estate management

Other areas a financial planner works closely with you include:

- Trusts
- Charitable giving
- Estate planning
- Tax planning
- IRA legacy planning

High-income/high-asset people need the human experience and ability offered by a financial planner. The lower fee offered by a robo-advisor once again proves the adage – you get what you pay for. Bargain shopping is not the way to build and protect your wealth. When you work with a retirement planner you enjoy fact-to-face investing. trusted financial advisor.

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