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**NEWS RELEASE**

**For Immediate Release**

**April 29, 2019**

**Financial Literacy Month Tip of the Week**

**Informed Investor Advisory:  
Robo-Advisers**

**Boise, Idaho**...Investors are increasingly turning to robo-advisers to help manage their portfolios. Easy-to-use smartphone apps and online portals make setting up an account with a robo-adviser convenient and quick, which is contributing to their increasing popularity. “Advancements in fintech, such as the advent of robo-advisers, provide new tools for investors and can result in positive outcomes,” said Mary Hughes, Acting Director, Idaho Department of Finance. “However, it’s important to know what these advisers offer, the pros and cons of engaging such an adviser, and how they charge fees. It is also imperative to check out these advisers for proper registration.” For those considering a robo-adviser, it is best to take it slow and ensure this type of service meets your short- and long-term investing needs.

**What are Robo-Advisers?**

The term “robo-adviser” refers to electronic platforms that provide automated investment advisory services to customers pursuant to computer algorithms developed by the platform sponsors. Robo-advisers thus in effect replace the roles of financial services professionals with computer algorithms. In so doing, robo-advisers may be able to offer useful services at comparatively low cost.

Robo-advisers may be discretionary or non-discretionary – i.e., a customer may allow the platform to execute trades automatically on the customer’s behalf or may withhold trading authority and use the platform’s advice as a mere recommendation for the customer’s own investment decisions.

**How do Robo-Advisers Work?**

There are two general robo-adviser models: pure and hybrid robo-advisers. The pure model is entirely automated and offers little (or no) ability for customers to receive personalized investment advice from a financial services professional.

In a pure robo-adviser, customers interact solely with the electronic platform. The hybrid model adds a level of human interaction to the robo-advisory platform, allowing customers to work with a financial services professional online or in person. Hybrid robo-advisers generally have higher fees than pure robo-advisers, but may provide greater portfolio customization, tailoring of advisory services, or personal comfort for their customers.

**Is Robo-Advising for Me?**

Before getting started, shop around and research different robo-advisers’ investment product offerings and fee structures. Robo-advisers use proprietary computer algorithms and software to build your portfolio based on how you answer a questionnaire or interview with a firm representative. Computer programs are unique and different programs can make very different investment and portfolio recommendations, even when presented with exactly the same investor profiles.

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### Things to Consider when Investing With a Robo-Adviser

Even though robo-advisers offer a service that allows you to take a more passive approach to investing, you should continue to monitor and adjust your portfolio according to your needs. Handing off your investments to a robo-adviser and putting them on autopilot may yield unexpected or undesirable results. It is also important in selecting a robo-adviser to consider the extent to which you will need personalized investment advice or interactions with a financial services professional.

Before you choose to use a robo-adviser, reflect on these questions:

- Does the robo-adviser build a portfolio based on your financial goals while taking into account your appetite for risk? When you invest, you should always keep track of your investments and ensure your portfolio meets your long- and short-term needs.
- Are you comfortable and familiar with the types of investment products the robo-adviser will use to build your portfolio? Research and understand the investment products the robo-adviser uses before you invest.
- Do you like discussing ideas or asking questions when seeking financial advice? If so, be sure you understand the level of human interaction you will get with the robo-adviser you are planning to use.
- Do you want the ability to make decisions based on market fluctuations? With robo-advisers, you may not have the ability to buy and sell securities in your account as the market moves up or down.
- Are you considering any tax consequences for investment losses and/or gains? When investing, you should consider your yearly tax situation. You may want to talk to a tax consultant to better understand how using a robo-adviser may affect you.
- Are you comfortable and familiar with the robo-adviser's fee structure and compensation model? You should know how much you are paying for the robo-adviser's services and how these costs will affect your returns over time.

### How to Protect and Inform Yourself

- **Check Registration.** Firms that provide advisory services in the U.S. are typically registered with the Securities and Exchange Commission (SEC) or one or more state securities regulators. Call the Idaho Department of Finance at (208) 332-8000 or check the SEC's Investment Advisor Disclosure database at <https://www.adviserinfo.sec.gov/IAPD/Default.aspx>.
- **Check Disciplinary History.** Robo-adviser firms in the U.S. must comply with the laws of the jurisdiction they are operating in. Take a look at the firm you are considering to see if it has been subject to any disciplinary action. Call the Idaho Department of Finance to check a firm's disciplinary history.
- **Research the Company and its Management.** Look at the background and experience of the firm's leadership. You also may find news on a variety of topics such as its overall business strategy, management interviews, operational matters, or customer complaints.
- **Read Online Customer Reviews.** Online reviews will give you a sense of pros and cons of the service. Understand, however, that portfolio performance is unique to every individual.

### The Bottom Line

Robo-advisers are relatively new to the investing landscape. As with any new service, you should thoroughly investigate to make sure they are right for your investment needs. Before making any financial decisions, do your homework and contact the Department of Finance to check out any robo-adviser. The Department's website, <https://www.finance.idaho.gov>, also has tips on saving and investing, as well as information on recognizing, avoiding and reporting investment fraud.

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*Governor Little has proclaimed April as Financial Literacy Month. Department of Finance Press Releases can be found on the Internet at <https://www.finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.*