

ROBOS versus ADVISERS: so what's the big deal?

Will you, as a financial adviser, have to fight machines and robots in the future, like Arnold Schwarzenegger did in Terminator? Or is it already too late – are the robots amongst us already?



Many of the world's industries are already run by robots. Stock exchanges, for example, execute gazillions of trades every second of the day with no human intervention. In fact, a bank account is run by a robot – when last did you withdraw cash via a human inside a branch?

The truth is that people are still fully in control of all robots. We program them to carry out our human instructions so that we can benefit from their speed and power.

Uncovering the biggest myth

A key advantage for financial advisers is that robots will help them and their clients make informed choices when it comes to investing, as opposed to threatening the role of a financial adviser.

Once a computer is correctly programmed, it will reduce costs by working all day for us (no overtime to be paid) and being virtually error free (no costly mistakes to unwind). This all translates into efficiency for everyone.

However, at the end of the line, it remains a human decision to act upon the outputs of the computer. The choice to act therefore is entirely human and herein lies one of the biggest myths about the so called "Robo Advisers".

The human element

An "adviser" is a human who understands how to plan for and guide other humans in reaching their overall financial objectives.

For instance, the emotional consequences for the remaining family members after the death of the main bread winner cannot yet be understood by a robot, it can only assist in providing relevant information so as to create a solution to solve the consequences of a death. In other words, robots help humans make good decisions as opposed to making the decisions for us.

Their platform already offers advisers algorithmic investment solutions through passively managed products such as low cost Exchange Traded Funds. The platform's intention is to enhance this offering by putting the power of financial robots in the hands of their advisers as a tool to assist them in guiding their clients to financial freedom.

By placing these robots in advisers' hands, investment costs can be reduced, but the value of comprehensive expert human financial advice can never be replaced.

Computers lack emotion

Advice in effect is a separate product that an investor pays for, pretty much the same as paying a consultation fee for visiting the doctor for a diagnosis of your ailment and obtaining a treatment solution in the form of a script which a pharmacy dispenses to you over a period of time.

In a similar vein, financial robots will be able to "diagnose" various variables given to it, to help build logical financial solutions. They will be able to do this within seconds since computers are not confused by emotion

- they never panic, nor do they become scared, and they do not get greedy (like we humans sometimes tend to).

They simply carry out well-written investment algorithms that deliver smart results based on many variables such as understanding human behavior by tapping into social media for instance, or relating how current world events, like the recent Brexit affect markets going forward.

They then store, analyse and learn from huge mountains of information (that we as humans could never analyse quick enough) on a continual basis to provide us all with good information and intelligence to make informed decisions.

Predicting the future

Planning for the future, however, is possible. Many companies, commentators (and even some advisers) are pushing the fact that so called robo advisers will replace human advisers, but this is simply not true.

As technology evolves, so does the process of human advice. What will eventually materialise is a seamless fusion of human and technological outputs that will favor investors.



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