



Why your human advisor can't be replaced by a robot

From self-driving cars to robotic bricklayers to Artificial Intelligence (AI)-powered digital assistants, it seems that in more and more areas a computer-based algorithm can purportedly do the work of a person.

A number of financial services organizations have developed sophisticated programs designed to replace human financial advisors. A client logs into a web platform, answers a few questions, and minutes later has a customized asset allocation plan. As the first adventurous investors moved their assets to these sites, the financial media was abuzz with stories about how the new "robo-advisors" would someday replace the human ones.

Why you need a person to help you

One of the goals of the robo-advisor companies was to shave investing costs as low as possible while still giving passive investors the best investment mix a computer could devise.

While efficiency is generally good, what the robo advocates ignored is the historical evidence that it's the *behavior* of the investor rather than the *precision* of the asset allocation that has the biggest effect on long-term performance.¹

What an automated "advisor" can't offer is the expert human component investors actually need most: someone who can advise them about what to do at the major decision points in life. Equally as important, they need a person who can encourage them not to abandon their long-term investment plan when their emotions are telling them to "do something" in response to volatile swings in the market. It's the same reason even the most sophisticated training app cannot replace a good coach.

The positive effect of the robo revolution

The advancements in digital asset allocation, complex reporting, and other "back office" functions have made it possible for human advisors to serve their clients more efficiently and effectively than ever. This new technology is enabling them and their staff to spend more of their time where it counts most—engaging with clients.

Automated technology is great for things like vacuuming your rug or finding the cheapest airfare. But for something as critical as your retirement, the help of an experienced, trusted advisor is your best choice.

Sources:

1. <https://seekingalpha.com/article/4143658-stay-course-importance-managing-investorbehavior>

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