

Rise of the Machines

Written by Michael Sadowski, with special contribution from Tim Decker, AIF®
Thursday, 15 September 2016 00:00



Feared on first sight, robo-advisers win fans

Fear struck the wealth management industry when robo-advisers--automated, online financial planners--first came on the scene a few years ago. "It was like Godzilla," said Thomas J. Terhaar, an investment consultant with Conrad Siegel Investment Advisors Inc. in Susquehanna Township, Dauphin County. "It would gobble us up and we'd all be out of the business."

Flash forward, and a tool poised to take the investment world by storm still might, but not in the way it was once feared.

Wealth management advisers now see robo-advisers as a useful tool—to an extent—and some firms have embraced the technology by integrating it into their work. A robo-adviser is a web-based tool that relies on a computer algorithm to decide how to invest a client's money

Rise of the Machines

Written by Michael Sadowski, with special contribution from Tim Decker, AIF®
Thursday, 15 September 2016 00:00

without any input from a financial manager.

Conrad Siegel launched a robo-adviser this summer, and so far has found it successful in helping a certain clients, such as those who need to make changes to 401(k) accounts or who are not in high-net-wealth situations.

"I think everyone reset their expectations," Terhaar, a 23-year wealth management professional, said. "It's a new way to reach and ideally help people. We had to realize that some people are looking for this, and we present this as a solution we can offer."

Brad Sanders, managing partner at Econ Wealth Management, in Lower Paxton Township, Dauphin County, said his firm plans to roll out a robo-adviser platform this year. The program will use a conventional robo-adviser format in which clients answer questions about themselves, their financial goals and their risk tolerance levels. The program will build a customized portfolio in response.

However, robo-advisers don't take into account market fluctuations that could prompt a client to adjust his or her portfolio and move money into different investments, Sanders said. At Econ Wealth Management, he said, employees will handle that task.

Timothy J. Decker, founder and president of Lancaster County-based ISI Financial Group Inc., said he believes robo-advisers are here to stay, and that's fine for some clients. He said they are useful tools for people just starting out in their wealth management plans, like recent college graduates or those who don't have much to invest.

But, he said, a robo-adviser isn't going to offer the same kind of service and personal relationship sought and often needed by those who have started to accumulate wealth. Decker's firm, for example, works with clients who have at least \$1 million in assets.

Wealthier people, he said, face complicated issues such as tax management and insurance. And as a client starts a family, other complex needs arise, such as estate planning, college savings and trusts. They can't be addressed by robo-advisers, meaning wealth managers will still have a role instead of being run out of the industry by an algorithm, he said.

Rise of the Machines

Written by Michael Sadowski, with special contribution from Tim Decker, AIF®
Thursday, 15 September 2016 00:00

"Comprehensive wealth management doesn't happen with you just being a number in a computer that is strictly driven by algorithms," Decker said. "A Q&A on a computer doesn't give a sense for your passions."

However, younger investors who start out using robo-advisers for wealth management advice may never graduate to wealth management professionals as they accumulate wealth. Decker, however, doesn't see that happening.

Market fluctuations, complicated financial planning questions and home ownership are just some of the issues he expects will compel clients to turn to human beings.

"When you start having those scenarios, you can't call 1-800-ROBOCALL, that's not what it's there for," he said.

Sanders said the initial feeling of dread that robo-advisers instilled in wealth managers has mostly gone away. Most advisers have accepted them and are figuring out how to use the new tools to their advantage.

"Our approach has always been to offer the highest level of technology we can," Sanders said. "To have that available for the most tech-dependent investors. That is what a robo-adviser is right now."

[Download the Article From Central Penn Business Journal](#)

Rise of the Machines

Written by Michael Sadowski, with special contribution from Tim Decker, AIF®
Thursday, 15 September 2016 00:00

This content is based upon information believed to be accurate by ISI Financial Group, Inc. However, it should not be relied upon for legal or accounting purposes. You should always use the custodian's brokerage statements as an accurate reflection of your portfolio. Past performance is not indicative of future performance. Investments involve risk, including the possible loss of principal. Always seek professional advice before making any financial or legal decisions.