



Robo Advisors: Looking Beyond the Low-Cost Service

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Robo-advice platforms — referred to as robo-advisors — are growing in popularity among millennials and other investors by providing an affordable digital investment platform to manage investment portfolios with initial investments as low as \$1,000. While it is good news that millennials are starting to manage their wealth early, the growth of their wealth is highly dependent on comprehensive planning, not just the portfolio put together by an algorithm. The strength of a portfolio can be measured by its key characteristics such as asset allocation, diversification, stock and bond risk, investment costs, and overall portfolio risk and trading efficiency.

Results of a new study from Loring Ward comparing the portfolios from the top five robo-advisors to a benchmark portfolio with several decades of measurable performance reveal that while the robo-advisor portfolios are very well diversified, they also contain construction gaps that should not be present in well-constructed portfolios.

The key gaps identified in the Loring Ward robo-advisor paper include:

- Large allocation of assets to emerging markets
- Lack of small-cap and value tilts that can increase returns over the long term
- Higher credit risk in the bond portion of the robo-advised portfolios, through exposure to junk bonds
- Significant variations in asset allocation recommendations across ostensibly similar risk profile offerings, particularly with respect to large allocations either to stocks or to cash

The Portfolio Gap Analysis performed on the portfolio recommendations of the robo-advisors reveals significant gaps with respect to the

benchmark portfolio. Vanguard and Schwab portfolios have gaps in two of the 10 key portfolio characteristics, while Wealthfront, Betterment and Personal Capital have four or more gaps in their portfolios. None of the robo-advisors had a perfect portfolio.

Robo-advising is an innovative service that will most likely have an impact on future money management. The low asset minimums and low fees gear the service towards millennials who do not have the resources to invest with a traditional financial advisor. While inexpensive, the portfolios of these robo-advisors appear to be constructed inefficiently and may expose investors to risks they may not fully understand.

Low cost may also mean low service as robo-advisors lack the benefits of holistic wealth management with a real-life advisor who takes into account specific situations with fiduciary implications, such as moving to another state in retirement or personal situations such as planning for a special needs child or for specific charitable bequests. Computer processors and algorithms cannot comprehend these real-life situations. And what about the value of compassion and empathy when it comes to helping someone navigate life? Compassion and empathy just don't exist for robo-advisors, which makes holistic wealth planning difficult for them. This holistic wealth planning, along with a little compassion and empathy that a human financial advisor can provide, may be the difference between a client reaching their investment goals and possibly falling short.

We believe that holistic wealth management is vital to achieving future financial independence for many investors.

7 Things You May Not Know About Inauguration Day

History.com by Christopher Klein

1. Inauguration Day used to be March 4.

Lame ducks used to be much lamer. Until 1937, the president and vice president began their terms on March 4, four months after Election Day. With technological advances requiring less time to count votes and travel to Washington, D.C., the 20th Amendment, which was ratified in 1933, moved up Inauguration Day to January 20.

2. One man has both taken and administered the oath of office.

Twelve years after he was sworn in as America's 27th president, William Howard Taft was appointed chief justice of the Supreme Court. In that role, he was the man to administer the oaths of office to Calvin Coolidge in 1925 and Herbert Hoover in 1929.

3. Vice presidents used to have separate swearing-in ceremonies.

In modern times, the swearing-in of the vice president moments before the president has been the warm-up act to the main event. Before 1937, however, the second fiddles had their own swearing-in ceremonies inside the Senate chamber before heading outside for the presidential inauguration. Veeps even delivered their own inaugural addresses, sometimes at their own peril.

4. A Congressional chair squabble led to the first outdoor inaugural address.

Except for George Washington's first inauguration in 1789, presidential swearing-in ceremonies were initially indoor affairs, held in the House and Senate chambers. The 1817 inauguration of James Monroe was scheduled for the House chamber, but after a disagreement broke out between the House and Senate about whose chairs would be used, Monroe had enough and decided to take the oath of office and deliver his speech outdoors.

5. The man with the longest inaugural address had the shortest presidency.

Brevity can be a presidential virtue; long-windedness can prove fatal. A month after William Henry Harrison spent two hours delivering his 8,445-word inaugural address in 1841, the 68-year-old president was dead from pneumonia, perhaps due to his prolonged exposure to raw, blustery elements during the inaugural. The shortest address: George Washington (135 words in his second address).

6. Whiskey may have saved the White House from being trashed during a rowdy inauguration party.

In 1829, Andrew Jackson threw open the doors of the White House to his supporters to celebrate his inauguration. The rowdy party quickly got out of control with the throng muddying the carpets, destroying several thousand dollars worth of china and crystal and getting into fist-fights over refreshments.. The exuberant crowd was finally lured out of the White House when tubs of whiskey were rolled onto the south lawn.

7. John F. Kennedy's inaugural address obscured a comedy of errors.

An overnight snowstorm almost forced the cancellation of the festivities, but they continued as planned—sort of. During the invocation, a short circuit caused smoke to temporarily pour out from the lectern. Then when poet Robert Frost took to the podium, he was unable to read his original composition due to the bright glare reflecting off the snow. Instead, he was forced to recite another ode from memory and then told the crowd he dedicated it “to the president-elect, Mr. John Finley.”