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# Discussion points Robo-Advice

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*Quantitative*  
**Strategies**

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# What is robo-advice?

- *Robo-advice, commonly referred to as digital advice and automated advice, is built on a foundation of rules and algorithms using client data to drive automated advice recommendations. In broad terms, a calculation engine or platform will power a robo-advice tool. These engines and platforms house the rules and algorithms which consider variables such as scenario (singles/couples), age, gender, assets (superannuation and personal investments), income, debt, financial objectives and tolerance to investment risk.*



# Grey areas

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- Is there more?
  - What do we call a tool that automates the calculations that a financial planner needs to perform and allows them to do their job better?
  - What if this is so simple an untrained person could use it?

# Calculators

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- The actuaries are claiming ground
  - THE 10 GOOD PRACTICE PRINCIPLES FOR RETIREMENT PHASE PROJECTIONS
  - These are more the points that need to be raised in discussion with clients

# What is risk?

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- Psychology shows us that we humans are poor at handling risk sensibly
  - Can we handle longevity risk, market risk, timing of consumption and saving?
- Is robo-advice just asking for trouble?
  - OTOH could it do worse than the lower quartile financial planner?
- Most people don't understand importance of return assumptions

# Financial literacy

- The legislative framework and social safety net is too complicated
  - No amateur can handle this morass
  - Can it be put into a set of algorithms?
    - How much info do we need about the client to find a suitable path (there is no optimum path)
  - Most people don't want to know
    - It's easier to leave it to the "experts"