Robo-advisers a threat? It depends how you answer 5 key questions

Advisers need to make sure they are acting and behaving in a truly client-centric way to ensure they don't become redundant as the wave of robo-advisers starts to make in-roads.

Early this month, Royal Bank of Scotland (RBS) confirmed it will sack hundreds of front-line client advisers and replace them with a robo-advisory online service, after the UK's Financial Conduct Authority (FCA) approved this technology. Only a week later, Citi forecast that the continued growth of fintech start-ups will mean 30% of all bank staff will lose their jobs over the next 10 years.

Further, another report released in 2016, by KPMG, predicted that between shifts from traditional advisers and new investors, USD2.2 trillion from existing and new investments will be managed by digital advice platforms by 2020.

At the same time, however, Citi nuanced its findings with regards specifically to the wealth advisory industry. According to Ronit Ghose, head analyst at the bank: "We see the advent of robo-advice as an example of automation improving the productivity of traditional investment advisers, and not a situation where there is significant risk of job substitution. Higher net worth or more sophisticated investors will, in our view, always demand face-to-face advice."

That is great news. Advisers are safe, it seems. But why would higher net worth and sophisticated investors demand face-to-face advice? Aren't they usually the people with the least time to spare? What would they want to discuss in person with an adviser?

They are apparently expecting value from such advice. So how can advisers be sure they are adding the value sought by HNW individuals – and not just doing something which can be replaced by robo-advisers, like at RBS?

To help advisers assess where they stand, we ask them to answer five questions:

1. In the conversations I currently have with my clients, are these mostly about how best to achieve their goals and objectives in life? In other words, are my recommendations aligned with these?

2. Is it true that generating revenues is not the driver behind my recommendations, and am I (prepared to be) transparent about my income?

3. Do I genuinely believe that clients perceive and treat me like a professional (like they treat their doctors or their lawyers)?

4. When the markets are down, am I still able to stay calm and relaxed and not fall into a state of nervousness and stress?

5. Do I have the necessary knowledge and skills to be able to confidently and convincingly add real value to the lives of my clients?

The more that advisers can confidently answer these five questions with a 'yes', then the more likely they are – or will end up becoming – the adviser with whom a HNW or any more sophisticated clients will demand a face-to-face relationship.

In these cases, digital platforms present an opportunity rather than a threat, enabling advisers to spend more time on those things that really matter to their clients.

There are obviously many more questions one could ask to 'test' to what extent robo-advisers pose a threat.

But in short, the more an adviser contributes to and succeeds in aligning their clients' wealth with their goals, objectives and ambitions in life, the more client-centric he or she is, and hence the more valuable as a professional. ■

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