# FROM YOUR ADVISOR

# MANAGING YOUR PORTFOLIO ONLINE

*"Robo-advisors" typically invest your assets in a portfolio of exchange-traded funds, then rebalance your portfolio automatically*

So-called "robo-advisors" have grabbed the attention of the retail investment industry since entering the Canadian financial services sector two years ago. These online services promise to provide Canadians with a simplified and cheaper means of managing their investments.

But what exactly is a robo-advisor?

The term refers to a financial technology (fintech) company that offers portfolio-management services online. Investors access their chosen service by signing on via a website or an online application. As part of the sign-up process, the robo-advisor asks investors several questions about their investment risk tolerance and financial goals.

Based on these responses, investors' money is allocated to a portfolio, typically consisting of exchange-traded funds (ETFs). Over time, these portfolios are rebalanced automatically to continue to meet changes in investors' goals and risk tolerance.

Although ETFs tend to be the product of choice for robo-advisors, some firms include mutual funds and pooled funds in clients' portfolios. Some robo-advisors also cater to clients who favour portfolios consisting of socially responsible investments.

Robo-advisors tend to have low management fees and account minimums compared with traditional financial advisors. For example, robo-advisor companies typically charge management fees of 0.3%-0.7%. (That's in addition to the management fee of the ETFs included in the portfolio.) Most robo-advisors have a minimum account balance of $5,000.

Although much of the process used by robo-advisors is automated, the accounts are not totally run by machines. Canadian securities regulators require these companies to have registered advising representatives (ARs) on staff. These individuals must make sure that the company has gathered enough information about an investor during the account-opening process. An AR may have to contact potential clients directly if the information provided is insufficient. ARs also must review portfolios to ensure that they are in keeping with the investors' risk tolerance and goals.

These fintech companies are mostly direct-to-consumer — they primarily service individual retail investors. However, some robo-advisors have begun to offer new service platforms and to partner with traditional advice channels.

For example, there now are robo-advisors that offer group registered retirement savings plans and platforms that allow traditional advisors to automate some of their practices by outsourcing the investment-management portion of their clients' accounts to a robo-advisor.

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