

PRESIDENT'S PAGE



What Separates Us From the Robots?

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Everyone is buzzing about “robo-advisors” — either lauding their arrival or bemoaning their existence. Are they really a threat to the industry’s traditional advisors?

It depends.

Robo-advice technology, which is best suited to provide automated investment advice, is gaining traction in the asset management business. A recent study found that the 11 leading robo-advisors had a total of \$19 billion in assets last December, which represents a 65 percent increase in just eight months.¹

Many different forms of the automated financial management platforms known as robo-advisors exist today, and they are evolving. Firms like Wealthfront and LearnVest™ are targeting younger consumers who have fewer assets and less complicated portfolios than older investors. There is no doubt that increasing technological advances will enhance these services’ current capabilities to provide more sophisticated advice in the future. It would be naïve to think that these tools will not be part of tomorrow’s distribution landscape.

Based on what I have seen in my career, along with a tremendous amount of research we and other behavioral economists have conducted, I continue to believe there is an intrinsic need for real advisors. LIMRA research bears this out: We have found that people are more likely to buy life insurance if they talk to an advisor. In fact, for many consumers, too much information will create confusion, which behavioral science says will lead to procrastination. As a result, these people will not buy life insurance, and they won’t save as much as they should for retirement and other needs.

With visions of a future where more clients use robo-advice, and where service centers and direct-to-consumer distribution become more prevalent, will advisors be disintermediated? Again, it depends.

What separates individual advisors from robo-advisors is their ability to provide meaningful, personal advice. But are advisors today spending enough of their time giving advice?

How many clients per week are they actually seeing? How many times per week are they eyeball to eyeball with someone? Of the time they are with a client, are they really talking about planning and offering value-added advice? Or do they seem to be pushing a product?

For advisors to survive, they must spend more time giving advice.

LIMRA research shows that three quarters of middle-market consumers want advisors to listen and educate them, and the majority believe they need professional financial advice when planning for retirement or evaluating current plans. Do you think we are currently giving clients this type of advice and education?

Our research also shows that only 3 in 10 advisors provide their clients with a formal, written retirement plan; only one third of pre-retirees and retirees have one. So, what is it that ultimately separates real advisors from the robots? The answer lies in actually providing advice that consumers can trust.

Today, 30 percent of consumers believe that advisors are more interested in pushing product and earning commissions than helping their clients achieve financial security. If we really want to distinguish people selling financial products from other channels of distribution, they must be seen as true *advisors* — not salespeople. Consumers must believe that these advisors offer knowledge and guidance they cannot get elsewhere.

It’s simple: Advisors need to spend more of their time giving advice to remain relevant. 🌐

¹ Corporate Insight, 2014.