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Fidelity Sees 'Robo-Advice' at Its Heels, and in its Future

By Kerry Pechter *Thu, Feb 5, 2015*

'From eMoney they're getting the retail and advisor aggregation tool and the client portals; that is, the user experience part, where the industry is playing catch-up with the robo-advisors,' said financial software analyst Joel Bruckenstein.

Opting to buy rather than build a next-gen digital interface for its customers, Fidelity Investments will acquire *eMoney* Advisor, a Philadelphia-area financial software company that just last month unveiled a highly-regarded new system called **EMX**, whose Pro version includes a retirement income planning module.

The terms of the acquisition were not disclosed. The *Philadelphia Inquirer* reported a purchase price of more than $250 million, or about four times *eMoney* revenues. Nine years ago, *eMoney* changed hands for a reported $32 million. Fidelity said *eMoney* would remain independent, with founder Edmond Walters staying on as CEO and minority owner.

The purchase gives Fidelity the kind of technology it will need to fend off competition from the invasion of so-called robo-advisors and to succeed in a future that many expect to be dominated by mobile, digital, interactive financial services. *eMoney* said it will use the new capital to accelerate new product development.

"This acquisition is primarily about the account aggregation and the portals, at least initially," wrote Joel Bruckenstein, a financial software tracker, on his **blog**. "It enables Fidelity, on both the advisor side of the business and the retail side, should they so choose, to rapidly bring to market a platform capable of competing with the B2C robo-platforms."

"As an advisor, you're not going to survive without a digital channel to your clients," Sophie Schmitt, a financial technology analyst at **Aite Group** told *RIJ*. "*eMoney*'s capabilities can be leveraged into any digital advisor solution. Ultimately it's about giving clients the experience they want. The advisors who win will be those who provide more holistic advice—not just investment advice.

"This allows advisors to work with their clients anywhere, anytime, and it gives clients what they want—a fiduciary, fee-based relationship online for 15 to 70 basis points," she added, noting that the term "digital advisor solution" is fast replacing "robo-advisor" in the industry lexicon. "That won't even be around next year." (See another Aite commentary on the deal **here**.)

The 270-employee software firm has 2,300 corporate clients, including Fidelity, Guardian Life (which remains a minority owner of *eMoney*) and LPL. "There are 25,000 registered investment reps and one million end users using our software. I'd say we have 20% of the one percent of richest Americans. We're growing at around 26% a year."

"On the retail side and with its advisory clients, Fidelity needed to offer a better user experience, at the level that a **Mint.com** offers," Bruckenstein told *RIJ* in an interview. "Their 'platform' is a little dated. It's been a while since it had a major refresh.

"If you look at where they are in the technology life cycle, it was time to build the next generation of WealthCentral and StreetScape. It needed to be broader than either of those, and this puts them in a position to do that. From *eMoney* they're getting the retail and advisor aggregation tool and the client portals; that is, the user experience part, where the [established financial services] industry is playing catch-up with the robo-advisors."

Besides *eMoney*'s technology, which is considered versatile enough for Fidelity to adapt and apply in many of its businesses, the software firm brings relationships with some 25,000 financial professionals and institutions that manage more than $1.4 trillion.

"For the past six to nine months we've been talking to our RIA clients about the features they want to see in the next generation of technology," said Fidelity's Erica Birke. "They said they want data aggregation, they want to be able to look at all of a household's assets and liabilities in one place, which makes their job easier.

"*eMoney* has a nice offering in place. They have collaboration tools for advisors and investors, where they can co-browse their screens together. Fidelity's first application of that would be to build it into our StreetScape platform for broker-dealer reps and our WealthCentral platform for RIAs."

"The capabilities that *eMoney* has—the client portal, aggregation, screen-sharing, co-browsing—can be leveraged in lots of ways by Fidelity," said Schmitt. "Fidelity could offer something like **Personal Capital**, and tie the retirement side to the retail side. They'll be able to entice retirement participants to do holistic planning, with access to a CFP."

In the advisor trade press, anxiety was expressed about whether those who had existing relationships with *eMoney* would see those relationships change. On his blog, Bruckenstein dismissed those fears.

"Some have quickly questioned the independence of *eMoney* going forward. Will others still share data with them? Will other financial planning programs be frozen out of the Fidelity/*eMoney* ecosystem, etc? We think that most of this speculation is bull. First, if you read the press release, *eMoney* will not fall directly under Ed O’Brien’s group (Ed is Head of platform technology for Fidelity Institutional, the group responsible for, among other things, WealthCentral and Streetscape).

“Instead, *eMoney* will be part of Michael Wilens’ group, Fidelity Enterprise Services. This is significant because other entities within this group, XTRAC being a prime example, have a long history of providing technology and services to non-Fidelity companies successfully.”