Fidelity, Vanguard and Schwab are the top-of-mind 'robo-advisors'

By Editorial Staff *Fri, Nov 20, 2015*

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Nearly one-third (30%) of affluent Americans use some type of automated investment advice service—a "robo-advisor"—to manage a portion of their assets, according to the 2015 Investor Brandscape from Cogent Reports. Another 22% are thinking about placing money with a robo-advisor in the near future.

That doesn't mean that startups have stolen the show. Seventeen percent of investors are using robo-advisor services from familiar direct providers like Fidelity, Vanguard or Charles Schwab while 10% are using one of nearly two dozen upstarts. (Another 7% of those surveyed couldn't name their robo provider.)

Gen-Xers' Favorite Direct/Robo Providers

- Fidelity Investments
- Vanguard
- Charles Schwab
- Motley Fool Wealth Management
- Betterment
- Wealthfront
- AssetBuilder
- Hedgeable
- Personal Capital
- FutureAdvisor

Source: Market Strategies International. Cogent Reports. Investor Brandscape: October 2015.

The market is far from solidified. Of the 22% who expressed interest in robo-advice, only 51% could name a provider. The rest, about 10% of all affluent Americans, said they were "open to learning about automated investment advice solutions from well-known players and upstarts alike," said Cogent Reports, the syndicated research division of Market Strategies International.

Most (76%) robo-advisor users have under $500,000 in total investable assets; however, money invested with a robo-advisor represents only 60% of users' assets, on average. Most robo-advisor users are Millennials or Gen Xers, but, four in 10 users are first- or secondwave Boomers.

“The vast majority of near-term adoption of robo-advisors will come not from Millennials, but Gen Xers, the oldest of whom are turning 50 this year,” according to Cogent Reports. Gen Xers are the most interested in robo-advisors and the most likely to name an emerging provider for consideration.

Those most likely to embrace robo-advisors are more concerned about their ability to save for retirement, and a strong desire for better investment performance, York said. “Many pre-retirees see automated investment service solutions as a good way of getting to their retirement goals. …This could have huge implications for the IRA rollover marketplace as well as threaten the dominance of traditional target-date funds inside of DC plans,” she added.

Cogent Reports interviewed 3,889 affluent investors recruited from the Research Now, SSI and Usamp online panels. Respondents had to have at least $100,000 in investable assets (excluding real estate). Due to their opt-in nature, the online panels do not yield a random probability sample of the target population. Thus, target quotas and weighting are set around key demographic variables using the most recent data available from the Survey of Consumer Finances (SCF) conducted by the Federal Reserve Board.