Retirement Income
JOURNAL

Industry-sponsored legal study attacks ‘robo-advisors’

By Editorial Staff *Thu, Oct 8, 2015*

A recent paper by D.C. attorney Melanie Fein argues that “Robo-advisors do not provide personal investment advice, do not meet a high standard of care for fiduciary investing, and do not act in the client’s best interest."

In a brief commissioned by the Pittsburgh-based asset management firm Federated Investors, a Washington attorney with expertise in fiduciary matters has asserted that robo-advisors are not the populist panacea to conflicted investment advice that they present themselves to be.

In her June 30, 2015 **paper**, “Robo-Advisors: A Closer Look,” attorney Melanie L. Fein argues that the DOL has touted robo-advisors as investment alternatives for retirement investors based on “incorrect or misleading” assumptions that “robo-advisors are free or ‘lowcost’ and seek to minimize conflicts of interest.”

According to the paper, “robo-advisors do not provide personal investment advice, do not meet a high standard of care for fiduciary investing, and do not act in the client’s best interest.

“The robo-advisor agreements reviewed herein would not meet the DOL’s proposed ‘best interest’ contract exemption that requires investment advisers to acknowledge their fiduciary status, commit to give only advice that is in the customer’s best interest, and agree to receive no more than reasonable compensation.”