RetirePreneur: Bo Lu

By Jenna Gottlieb *Wed, Aug 5, 2015*

Bo Lu is co-founder and CEO of FutureAdvisor, a San Francisco-based digital advisory firm that helps mass-affluent Americans manage their savings.

What I do: I am the co-founder and CEO of FutureAdvisor, an investment advisory firm based in San Francisco that helps people manage their long term investments. We manage multiple goals for individuals including retirement planning and college saving. Our software helps those that are looking at how to set everything up correctly as they enter their retirement phase, and also to assist saving for college on behalf of their grandchildren.

The software takes less than two minutes to get started and there is free portfolio analysis for users and recommendations. The software also helps minimize investment fees. We work with Fidelity and TD Ameritrade in managing accounts. We have a relatively straightforward custodian relationship with Fidelity and TD—very similar to what they have with thousands of advisors.

***Retire*Preneur**: Bo Lu
Company: FutureAdvisor
Location: San Francisco, Calif.
Founded: 2012
Niche: Retirement planning software

Who my clients are: Our average client is 42 years old and has $150,000 in assets being managed by us. That number represents the majority of their liquid net worth, so we would define clients as middle class, middle America families who are looking for investment help.

My business model: Just like every other investment advisor, we are fee-based. We charge half a percentage point on the assets we manage annually, not including college savings assets, which are managed for free. We change half or less than half of what a local advisor would charge and we start at a minimum of $10,000 in investable assets, which is much lower than many other advisors.

Where I came from: I'm the lead investment advisor for FutureAdvisor and I hold a Series 65 license. Before co-founding this company, I earned a degree in computer science from the University of Illinois Urbana-Champaign with a minor in technology and management. Jon Xu, FutureAdvisor's other co-founder, is the chief technology officer who previously worked at Microsoft.

My entrepreneurial spirit: For me, the major motivation to solve this problem was that it was a problem worth solving. I saw a problem that was so stark. Rich families have financial advisors and that's it, many in the middle class and poor families don't have that same opportunity. I felt that my duty to the world was to fix this problem. It's so obvious that every single person in the country deserves access to quality, unbiased financial management. The poor care just as much, but they don't have the tools or money.

The most challenging part of starting and growing a business: When you have something you're truly passionate about, the actual work and execution of that idea are a pleasure and exciting. At the start, the most challenging part was the things you don't go into it thinking about – things like incorporating, and getting registered with the SEC. Things like finding office space and accounting and setting up phones. At the start, it was surprising how much more time the operational aspects of the business took than I expected. As you continue to grow the biggest challenge becomes finding the right people. Especially early stage, the people you choose to work with are paramount to your success – finding those people in a crowded marketplace can be a challenge.

What I see ahead for retirement income: I think that there's good news ahead. What I see for the future of retirement income is that everyone will have a team managing their assets for them. Quality, unbiased, affordable retirement planning will not be reserved for only the wealthy. There are people who rather than spend their time looking at the markets, want some help, but may not be able to afford pricier advisory services. I hope, and our mission is, that more people will be able to go out and enjoy their lives, and worry less about the future, because a team is managing retirement assets for them.

The best retirement income plan for most people: The reason why this company was started was because the best financial income plan does not exist for most people. People have different situations and varying degrees of risk tolerance. It's so different for each person. The problems are personal therefore the solutions must be personal.

My view on the robo-advisor label: We have been called a robo-advisor. But it's really bigger than the term. Software has an ability to help those who do not qualify for high-quality expensive financial management. That said, we couldn't imagine that in 10 years time, that software will play a smaller role. Software is here to stay and we believe in a mix of licensed CFPs to answer questions and the use of software. It's reasonable to incorporate software into retirement planning. Advisors who don't incorporate software will get left behind.

How we train our algorithms to think more like people: Computers are completely logical. They take the most mathematically correct actions, even when those actions aren't particularly intuitive. When the impact of those actions is relatively small, and where an investor might assume something is broken/wrong when seeing them, we have trained our algorithm to not make them.

For example, the algorithm might want to sell a particular ETF in your IRA and then buying the same ETF in your taxable account. Even to the saviest investor, this might seem like an error, and cause distrust or even fear that the system is broken. Causing that type of alarm just isn't worth the .0001% extra efficiency that the algorithm is capable of. There are a lot of little things like that, which don't have a measurable impact on performance, but which could cause undue stress or unnecessary churn in users' portfolios.

What the retirement income industry can do better: Help needs to be more accessible to the masses. If you look at what the industry's impact has been as a percentage of the country it's embarrassing. Incentives are misaligned, and the people who need help the most are precisely the ones who have been viewed as "too small to spend time on." It's why we are focusing so heavily on providing more advice digitally. It lets us throw the status quo on its head, and give everyone the attention and advice they deserve.

My retirement philosophy: I think the thing we think about is that people should not worry, but be cognizant of their financial future earlier rather than later. I would encourage people who are younger to do that. Our median client is not 50 but in their early 40s and are actively engaged in planning for their own future. If you are actively engaged and planning, you would be a person well served.

© 2015 RIJ Publishing LLC. All rights reserved.