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'Robo' assets grow 208% in 15 months: Corporate Insight

By Editorial Staff *Thu, Oct 8, 2015*

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In a measure of their disruptive force in the investment industry, the 11 leading robo-advisors, or digital advice providers, saw assets under their discretionary control grow 208% from April 2014 to July 2015, according to a new report from Corporate Insight.

"Fintech firms offering online managed accounts are winning customers' trust. They have established a model that will bring low-cost managed money to the masses," said analyst Sean McDermott, who leads fintech research for Corporate Insight, in a release.

The new study, *Next-Generation Investing 2015: Digital Advice Matures*, evaluates some 60 investing-related startups as well as platforms launched by Schwab, TradeKing and Vanguard. It also analyzes robo evolution since 2012.

Eleven robo-advisors—AssetBuilder, Betterment, Covestor, Financial Guard, FutureAdvisor, Jemstep, MarketRiders, Personal Capital, Rebalance IRA, SigFig and Wealthfront—saw total assets increase from $11.5 billion to $21 billion, an 83% percent growth rate in the 15 months ending last July.

"Most of this growth can be attributed to the managed account model, as the appeal of the algorithm-based advice approach seems to have plateaued," a Corporate Insight release said. The research firm distinguished between assets under discretionary management (i.e., held in low-cost online managed accounts) and assets for which clients receive paid investment advice (i.e., algorithm-based investment advice services).

The paid investment advice growth rate steadily declined each time Corporate Insight collected data, dropping from a 35% increase between April and July 2014 to 16% between July and December. From there, advised assets declined six percent between December 2014and July 2015.

By contrast, managed account assets among 11 leading digital advice providers grew 208%, from $2.6 billion to $8 billion. These firms saw their highest six-month growth rate (57% from December 2014 to July 2015) when most major domestic indices were flat. New client assets drove most of the growth.

The next year to 18 months will see more incumbent firms acquiring a robo, Corporate Insights said. (BlackRock recently bought FutureAdvisor for a reported $150 million.) Since the first quarter of 2015, several firms—Morningstar, Fidelity and Northwestern Mutual, for instance—have bought a robo, partnered with one, or built their own.

Corporate Insight's *Next-Generation Investing 2015: Digital Advice Matures* study is the third in a series where the company has tracked and reviewed the automated advice market.

The first study, *Next Generation Investing: Online Startups and the Future of Financial Advice,* was released in October 2013. The second, *Transcending the Human Touch: Onboarding and Product Strategy for Automated Investment Advice*, was published in August 2014.