
Schwab adds hybrid robo income distribution service

By Editorial Staff Thu, Dec 19, 2019

Schwab Intelligent Portfolios has a \$5,000 minimum and charges no advisory fee. Schwab Intelligent Portfolios Premium has a \$25,000 minimum and charges an initial one-time \$300 fee for planning and a \$30 monthly subscription (\$90 billed quarterly).

Charles Schwab, fresh from announcing its acquisition of TD Ameritrade, will in January 2020 launch Schwab Intelligent Income, a hybrid digital advice service “for people who want a simple, modern way to pay themselves in retirement, or any other time, from their investment portfolios,” according to a release Wednesday.

Schwab’s Intelligent Income will help customers “generate a predictable paycheck” from their portfolios without “high costs, lack of flexibility and long-term commitments,” said Schwab senior executive vice president and head of Investor Services Jonathan Craig. There was no indication that the services would include access to an annuity purchasing platform, in addition to providing “smart” systematic withdrawal plans.

According to the release, the Schwab service will help clients decide:

How much money to withdraw from retirement and taxable accounts

How to invest based on individual goals and time horizon

How to withdraw tax-efficiently from taxable, non-taxable, and Roth accounts

At press time, it was undetermined whether or how this new service might compete with digital advice services at Vanguard, Fidelity, Guided Choice, or Financial Engines, all of which serve either individual clients, retirement plan participants or both.

“More than half of our existing digital advice clients are over the age of 50, and Schwab Intelligent Income aims to solve the retirement income concerns common for this population – from the difficulty of managing multiple income sources to the fear of running out of money,” said Tobin McDaniel, senior vice president of digital advice and innovation.

Enrollees in Schwab Intelligent Income must answer a short set of questions that assess their financial situation, time horizon and risk tolerance. The tool will then recommend an appropriate strategy across their taxable and retirement accounts. The portfolios are comprised of low-cost exchange-traded funds (ETFs) from Schwab and third-party providers including Vanguard, iShares and Invesco.

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Clients in Schwab Intelligent Portfolios and Schwab Intelligent Portfolios Premium pay the operating expenses on the ETFs in the portfolio, which includes Schwab ETFs and funds from third party providers. Based on a client's risk profile, a portion of the portfolio is placed in FDIC-insured deposit accounts at Schwab Bank. Some cash alternatives outside of the program pay a higher yield.

Schwab Intelligent Portfolios Premium also features a satisfaction guarantee, which states that if a client is not completely satisfied for any reason, Schwab will refund any related fee or commission and "work with the client to make things right."

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