
Schwab goes robo

By Editorial Staff Thu, Mar 12, 2015

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After many years in the making, the provision of low-cost, automated, unconflicted financial advice for the masses (and for the rich, if they want it) seems to have achieved oversight success.

What yesterday was called “robo-advice,” and which today some are calling the “digital advisory channel,” seems to have passed a tipping point. Yet another big company (after Fidelity and Vanguard) in the direct provider segment of the financial services business has adopted such technology, and that firm is offering it to its wholesale as well as retail customers.

To wit: Charles Schwab this week announced a free, fully automated managed account service, Schwab Intelligent Portfolios. The new service uses proprietary software to “build, monitor, and rebalance” diversified portfolios based on investors’ answers to traditional questions about their goals, time horizon and risk tolerance.

The software (or algorithms), created by the Charles Schwab Investment Advisory (CSIA) team, will build client portfolios from combinations of 54 exchange traded funds (ETFs) in 27 asset classes, plus an FDIC-insured cash account. The minimum starting account balance is \$5,000, Schwab said in a release. Account holders will get online and phone support from Schwab representatives.

According to the Schwab release, Intelligent Portfolios will draw from:

- Low-cost ETFs from Schwab and third party providers including Vanguard, iShares and PowerShares which are selected based on quantitative criteria such as size, bid-ask spread, tracking consistency, and operating expense ratio
- Up to 20 globally diversified asset classes, including equities, fixed income, real estate, and commodities across U.S., international and emerging markets
- Automatic portfolio monitoring and rebalancing to keep portfolios aligned to clients’ chosen investment strategies
- Automated tax loss harvesting available at no cost for portfolios starting at \$50,000
- A combination of fundamentally weighted and market cap-weighted ETFs
- Access from any desktop or mobile device

- The ability to automatically fund accounts on a recurring basis
- The ability to fund accounts using mobile check deposit
- Fully paperless account open and account management
- Live help from Schwab investment professionals every day, around the clock.
- No commissions, advisory fees or account service fees charged

A version of Intelligent Portfolios for independent registered investment advisors (RIAs) who custody their client assets with Schwab will be available in Q2, Schwab said. The advisor solution will allow RIA firms to modify asset allocations and customize portfolios from a pool of eligible ETFs. Advisor pricing options will be available including a version with no program management fee, and advisors will be able to incorporate their firms' branding.

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