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Digital financial advisors make headway

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It's a smarter, more comprehensive robo competitor than Canadian advisors have seen, but that could soon change.

Betterment – the latest company to pop up offering comprehensive online financial-advice services for a lot less (fee-wise) than the traditional financial advisor – is differentiating itself from its competitors, not only offering cool tools – such as swipe-of-a-finger mobile apps and sophisticated interactive dashboards – but financial advice and broker-dealer services too.

Customers can get the investment advice they desire and complete transactions from the same platform – services typically fragmented with other robo-advisor websites. Betterment reported Tuesday that it has raised \$32 million in a Series C round of funding – led by

Northwestern Mutual Capital, with assistance from Citi Ventures, Globespan Capital Partners, Bessemer Venture Partners, Menlo Ventures and Anthemis Group – boosting its total venture backing to \$45 million. The company plans to use the new funding capital to expand its team from 50 to 80, and invest in marketing.

And, there are a host of other similar websites, backed by wealthy DIY investors, that are making significant headway in the industry. Betterment's most well-known competitor, Wealthfront, for example, raised \$35 million in Series C funding earlier this month, boosting its total funding to \$65.5 million. Meanwhile, New York-based LearnVest announced Tuesday that it raised \$28 million, also led by Northwestern Mutual Capital, with assistance from Accel Partners and American Express Ventures. Its total venture backing is now \$72 million.

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Other lesser-known digital money management companies, including SigFig and Personal Capital, seem to have the same goal in mind – open up sophisticated financial planning services to those who previously couldn't afford it.

With Betterment now managing \$500 million in assets – which grew four-fold in 2013 – and Wealthfront reporting \$800 million in assets under management (AUM), it would seem these platforms aren't going anywhere anytime soon ... if ever.

So, what does the future hold for the traditional financial advisors, like yourself?

Ontario advisor, Marc Lamontagne of Ryan Lamontagne Inc. acknowledges the convenience of online platforms, but says the advice offered would be limited, and can't replace the one-on-one connection with a real human being.

"They (online tools) have their usefulness. What I disagree with is if that's the only thing you are using to help decide the client criteria," Lamontagne told WP. "You still can't beat the sit down and talk with the client."

What do you think the future holds for advisors given these more sophisticated websites? Tell WP your thoughts in the comment box below.

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COMMENTS

Kathy Waite on 15/04/2014 12:04:11 PM

Procrastination is the biggest hurdle I see most ordinary families hit. They have good ideas, want to change and then get busy. I consider myself a personal trainer for their finances and send lots of "helpful reminders" to keep them on track. Robo advice is for the DIY crowd

Kathy Waite www.eurekainvestorguidance.ca The only fee for service net worth manager in Saskatchewan

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