

# **The Rise of Robo:** Americans' Perspectives and Predictions on the use of Digital Advice

November 2018

## INTRODUCTION

The number of people using robo advice in the U.S. is expected to grow significantly over the next few years. According to Aite Group, digital advice users will increase from roughly 2 million to 17 million by 2021.\*

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In this new report, Charles Schwab examines Americans' outlook on robo advice – its potential impact on how they invest and the financial services industry overall, the perceived benefits, and what factors make them more likely to consider an automated investing service. The report also digs into current robo advice users across the U.S. – who they are, where they are, and what they think about the services they're

using to reach their investing goals.

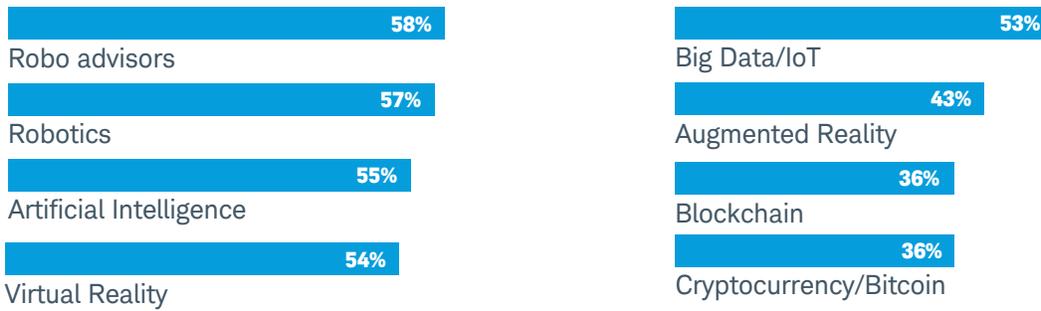
This report reveals generational trends around the use of robo advice, in particular what baby boomers think of using technology and automation to invest. While millennials are the primary robo advice power-users today, boomers see a significant opportunity to automate a portion of their investing in the future.

\*U.S. Digital Advice: Consolidation, Fee Disruption, and the Battle of the Brands – Aite Group, September 2017

# Americans see a significant opportunity for robo advice to change the way they invest.

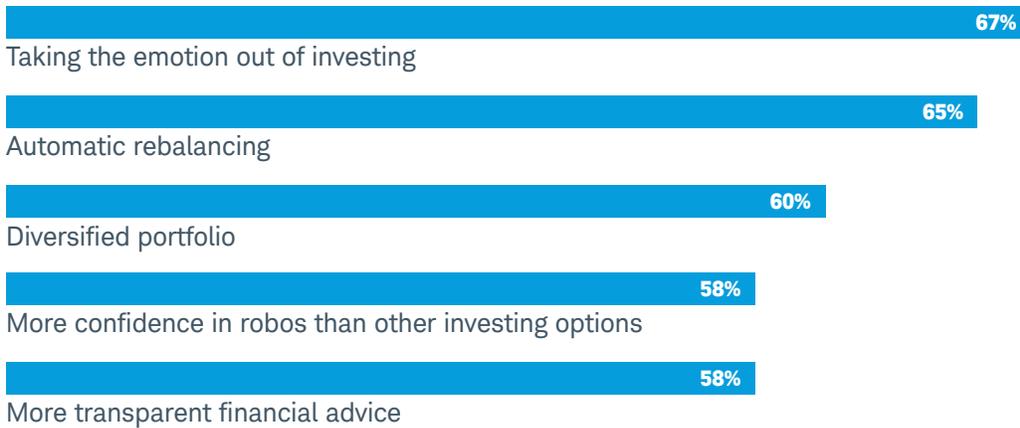
In fact, **58 percent of those surveyed say they will use some form of robo advice by the year 2025**. And people are more likely to use robo advice than a number of other technologies in the headlines today including artificial intelligence, virtual reality, blockchain and cryptocurrency.

Expected use by Americans on a regular basis by 2025



Additionally, when asked which technology will have the biggest impact on financial services in the future, 45 percent of Americans say robo advisors compared to 29 percent for cryptocurrency, 28 percent for artificial intelligence, and 21 percent for big data. Just 12 percent say virtual reality will have the biggest impact on the industry.

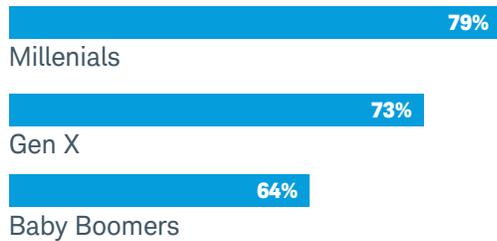
Benefits of a robo advisor according to consumers





Despite the benefits of automation with a robo advisor, it is clear that Americans still see value in the ability to interact with a person when needed. Seventy-one percent of people want a robo advisor that also has access to human advice and nearly half (45 percent) not using a robo advisor today would be more likely to use one if it has quick and easy access to human support. Even among millennials, 79 percent want a robo advisor that also provides access to human advice.

People who want access to a human in robo advice



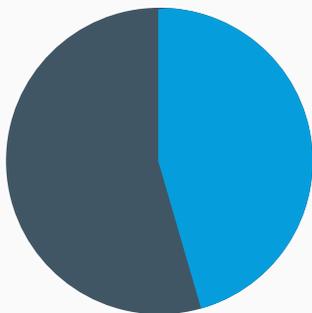
*“Robo advice is the ultimate equalizer – it democratizes investing by improving both the process and price.”*

– Cynthia Loh  
VP, Digital Advice and Innovation

## The desire to use a combination of technology and humans to get things done is strong across generations, and boomers are very comfortable with technology.

Beyond investing, 42 percent of boomers are more comfortable relying on technology than people to answer questions and solve problems, and boomers also report that technology has helped them improve their financial lives: 51 percent say technology gives them more confidence of mind when it comes to finances and 44 percent say technology has helped them reach financial goals.

Although robo advice is often thought of as a tool primarily for younger investors, older generations see the appeal as well. In fact, nearly half of baby boomers using a robo advisor today say the service is perfect for their life stage. Among all boomers, 62 percent agree that robo advice takes the emotion out of investing, nearly half (49 percent) say it helps them maintain a diversified portfolio, and 46 percent trust robo advisors to provide more transparent financial advice.



**46%**

**Nearly half of baby boomers say a robo advisor is perfect for their life stage.**

When asked about the impact of robo advice, 45 percent of boomers expect to use a robo advisor by the year 2025, and 43 percent state that robo advisors will have the biggest impact on the financial services industry – the highest of any technology included in the survey.

## *45% of boomers expect to use a robo advisor by the year 2025.*

Baby boomers' desire to have access to a person when using a robo advisor is similar to Americans overall – 64 percent of boomers prefer a robo advisor that provides access to human advice and 46 percent of boomers not using a robo advisor today would be more likely to use one if it had quick and easy access to a human when needed.

In addition to having access to a person, baby boomers would be more likely to use a robo advisor if they feel like their information in the service is secure, if the fees are lower than a traditional financial advisor, if the mobile app is easy to use, and if the service has a low investment minimum.

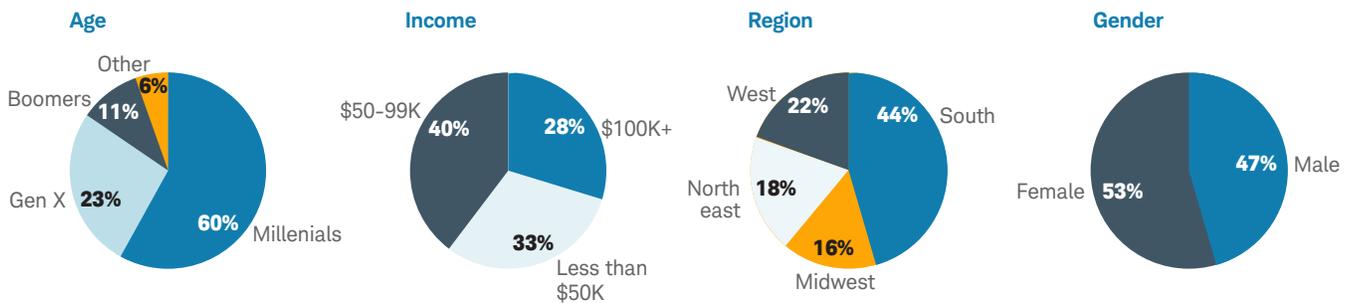


*“As different as they are, younger investors and their older counterparts share affinity for a great digital experience, ease and simplicity, and low costs and minimums.”*

– Cynthia Loh  
VP, Digital Advice and Innovation

## WHO USES ROBO ADVICE TODAY?

A current snapshot of the U.S. robo advice user reveals a broad range of investor types.



While the majority of robo advice users surveyed are millennials, nearly a quarter are gen-x. Nearly 30 percent of today's robo advice users have an income over \$100,000, and users are spread out geographically across the country with the highest penetration in the south.

Not surprisingly, robo advice users are more tech savvy than the average American.

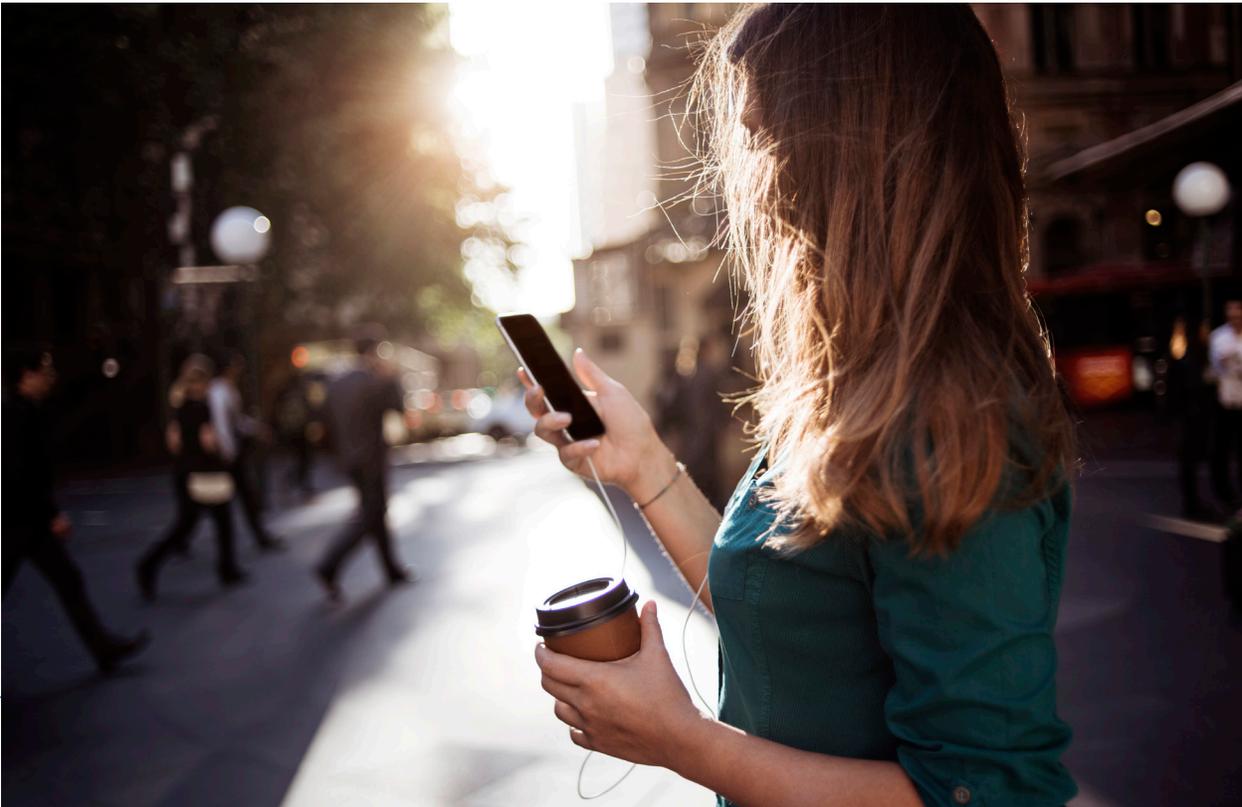
Thirty-one percent say they are first-adopters of technology compared to just seven percent of Americans overall. In addition, more than 80 percent reveal that technology has given them the ability to spend more time with family instead of finances, has given them more peace of mind when it comes to their finances, and has put them in a better position to reach their financial goals.

*Ninety percent of robo advice users are satisfied with their experience, and they are 2x more likely than non-robo users to say managing their investments is “extremely easy.”*

When asked about the benefits of using a robo advisor, nearly 90 percent of users say it's the ability to stay diversified and approximately 80 percent cite more transparent financial advice, not being sold products they don't need, and the ability to remove emotion from investing decisions.

Despite the growth in the robo advice market, awareness of these services remains relatively low. A significant portion of Americans (62 percent) have never heard of robo advice, and among those using a robo advisor, 30 percent don't know it.

Top benefits of robos according to users



## About the Report

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This report is based on an online study conducted by independent research firm Edelman Intelligence among 1,000 U.S. general population adults and 391 robo advisor users over the age of 18 between July 25, 2018 and July 31, 2018. General population respondents were weighted to be nationally representative based on most-recent U.S. Census data. Robo advisor users were collected based on mix of natural fallout among general population and oversample; users were identified through self-selection of at least one robo advisory platform. The study has a margin of error of  $\pm 3.1\%$  at a 95% level of confidence.

## About Charles Schwab

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At Charles Schwab, we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity. More information is available at [www.aboutschwab.com](http://www.aboutschwab.com). Follow us on [Twitter](#), [Facebook](#), [YouTube](#) and [LinkedIn](#).

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