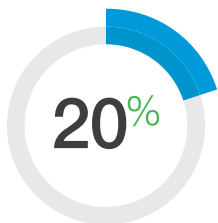


Online advice solutions

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Leveraging robo-technology
to deepen client relationships

Overview

Traditional financial advisors may feel threatened by the fast rise of robo-technology solutions, which can appear to remove the human factor from the advising process. However, we see these online advice solutions as more of an exciting opportunity than a threat to advisors, particularly as they look to attract the crucial next generation of tech-savvy investors.



Only **20%** of an advisor's client base is 40 years old or younger.¹

¹Source: Aite Group survey of 401 U.S. financial advisors, Q2 2014.

The hybrid human/robo approach allows advisors to integrate the new technologies into their existing practice and thus grow their business. Furthermore, these solutions can free up time for advisors to enrich their uniquely human interactions with clients, many of whom still value face-to-face communication.

TD Ameritrade Institutional has created integrations with a number of robo-technology providers. Through these platforms, advisors can learn to expand efficiency, deliver a modern set of tools for clients of all wealth levels, grow their client base and AUM and improve their services. We encourage advisors to connect with an experienced TD Ameritrade consultant today to discover what types of online advice solutions are available to help enhance their business.

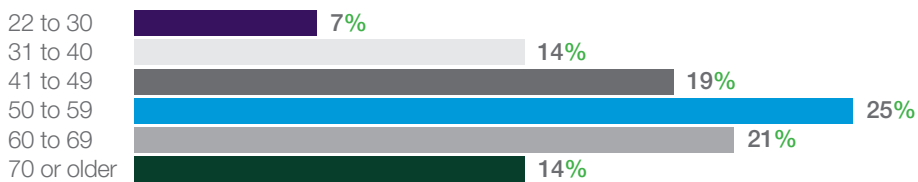
Robo-advisors: threat or opportunity?



There has been much media attention given to the rise of robo-technology solutions in the financial advising space. Advisors who value face-to-face interactions with their clients may feel threatened by the growth of automated online advice solutions that appear to strip the human factor from the advising process.

It's understandable that advisors who appreciate the personal relationship they have with their clients may feel uneasy about the evolution of robo-advisory platforms. By featuring superior technology and lower fees, these online advice solutions are positioning themselves as a convenient alternative to working with traditional advisors – particularly for the younger, more technologically savvy set. Advisors know they must attract the next generation of investors as baby boomers move into and beyond retirement; the prospect of high-tech competition for the attention of younger clients could naturally be a bit daunting.

Figure 1: Percentage of RIA clients by age group



Source: Aite Group survey of 401 U.S. financial advisors, Q2 2014.



However, we feel that, along with the challenge of fresh competition, online advice solutions can offer exciting new opportunities for traditional advisors. In fact, many of these platforms have been developed to work with, not against, advisors. These solutions help advisors to integrate new technologies into their existing practice, potentially adding convenience, efficiency and scale to their business. This means traditional advisors can operate at a higher level.

These technologies can also help draw the very demographic advisors need— younger investors—to help grow a full-service practice that keeps up with our rapidly changing times. And Registered Investment Advisors (RIAs) can leverage these platforms to help strengthen current client relationships and build new ones.

 **Take control**

Instead of allowing new technologies to take over their business, traditional advisors can take control of these new technologies in order to vastly improve their business. Rather than stripping the human element from advising, we believe robo-technology can enhance the vital personal relationship between advisors and their clients.

Figure 2: Reasons advisors would offer robo-advice



Source: The 2015 Elite RIA Study by IN Research and BlackRock.

How robo-advisors work



In order to identify how best to utilize online advice solutions to help their own practice, advisors need a clear understanding of exactly what the technology comprises.

Commonly referred to as robo-advisors, these solutions are set up by firms to provide investors with automated financial advice while minimizing direct interaction. Using these sophisticated technology platforms, investors can easily open, monitor and make transactions within their accounts online.

Most robo-solutions also offer fully automated algorithmic investment planning capabilities. Leveraging technology and limiting human contact can allow firms to charge lower fees than traditional advisors, due to the reduced amount of time spent meeting with individual clients.



What advisors need to do to attract Next-Gen investors

- Create appealing content
- Offer financial management and self-service tools
- Expand areas of advice (debt, work, etc)
- Develop online marketing materials

A collaboration

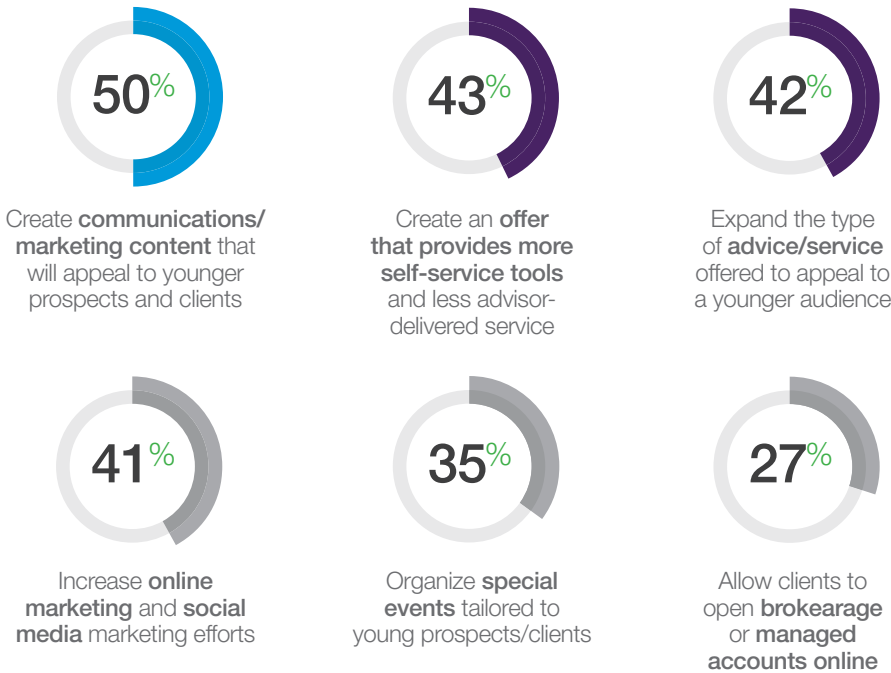
As noted in the section above, however, the key human relationship between advisor and client need not be eliminated because of this technology. Some advisors—including advisors who custody with TD Ameritrade—work in tandem with online advice solutions to boost the service they already provide, and to actually help enrich their uniquely human connections with clients.



Face-to-face interaction, after all, will always have value. Consider, for example, ultra-high-net-worth investors looking to pass their wealth on to the next generation; it's unlikely such clients will want to manage a large and complicated portfolio without having direct communication with an advisor. Many lower-net-worth or less-experienced investors also appreciate the personalized guidance only another human being can provide.

The hybrid human/robo approach provides RIAs with a range of services to help their clients including models, investment management, client-facing Web portals and advisor dashboards. Leveraging these digital capabilities, along with an algorithmic investment planning approach, can free up advisors' time for deeper interactions with their high-net-worth clients and help expand their reach to that key next generation of investors.

Figure 3: How RIAs plan to attract Next-Gen investors



Source: Aite Group survey of 401 U.S. financial advisors, Q2 2014.

How robo-advisors communicate

Many firms employing online advice solutions—particularly direct-to-consumer—conduct almost all of their client communications online. Thus, their websites must be fully comprehensive, clearly outlining their products and services and educating investors on key relevant topics, including tax-loss harvesting, leveraging ETFs and the firm’s investment methodology.

Compelling video and visuals, various presentations, white papers and other educational materials that are easily accessible from the website help minimize direct client interaction. There should still be easy client access to any additional information needed through the use of phone calls, emails and online chat requests to the firm’s help center.

Robo-advising firms often reach out to current and prospective clients through the use of popular social media sites such as LinkedIn, Twitter, Facebook and YouTube. Such firms can also continuously engage clients through the mass-communication approach of blogging; this gives advisors the ability to personally respond to individual inquiries in a timely—and public—manner.

Sophisticated client portals and mobile apps are other must-haves for online advice providers. Clients want 24/7 access to their accounts so they can monitor them according to their own schedules. They also want the latest features of client sites, such as the ability to transfer money, set allocations and receive real-time performance metrics for all of their accounts.

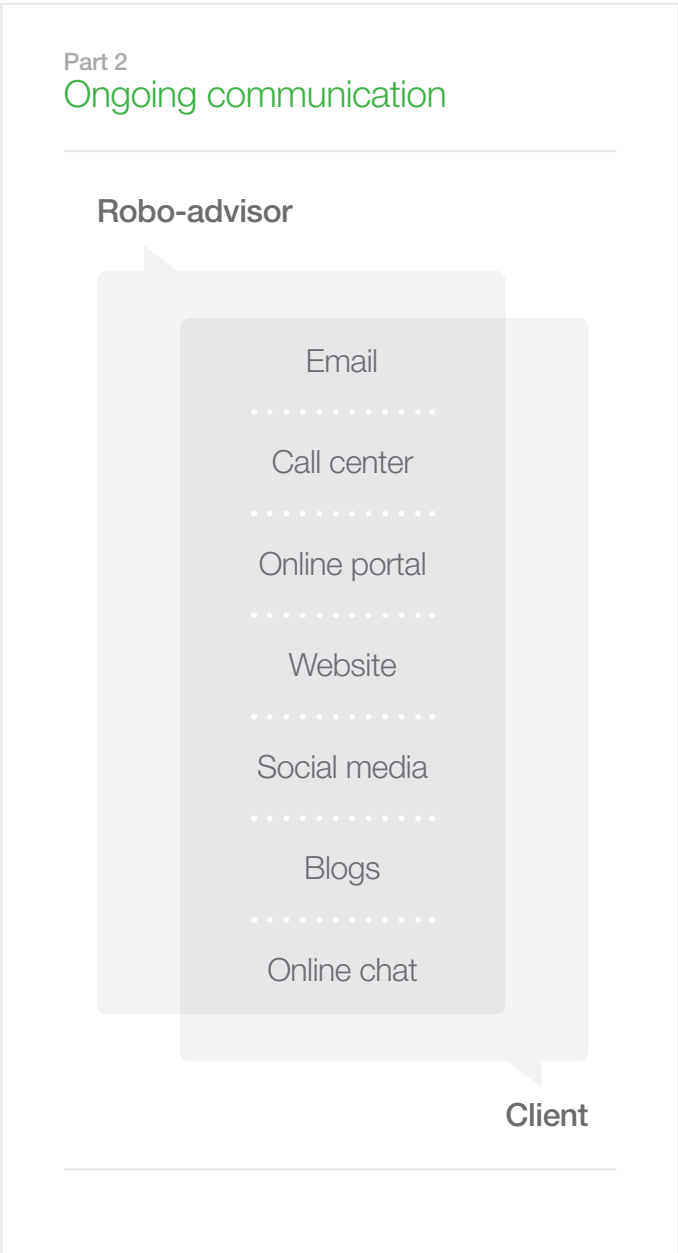
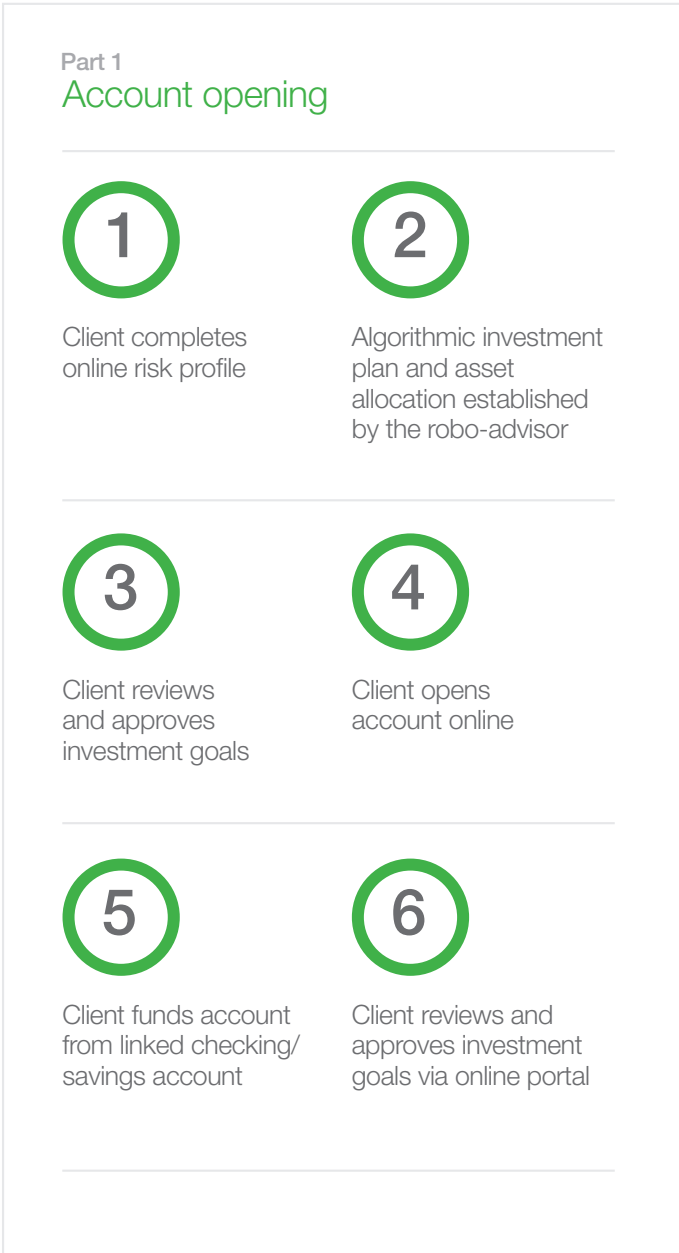
Essential capabilities

These capabilities can help hybrid advisors to deliver the type of experience that highly coveted younger clients not only want but fully expect from their financial services provider. Many older clients have also come to require such services. These capabilities are equally essential in helping advisors manage a larger client base while focusing their efforts on what matters most – growing their business and cultivating client relationships.

What RIAs need to do to meet client expectations

- Have a comprehensive website
 - Offer compelling video, visuals and other online presentations
 - Have sophisticated portals and mobile apps
 - Give clients 24/7 access
 - Engage clients through social media
-

Robo-advising: the process



An array of online advice solutions



Direct to consumer:
Online Planning Advice

Target audience: Mass Affluent Investors, Emerging Affluent Investors, Gen X/Gen Y

Value proposition: Online planning tools, coaching, recommendations for saving, budgeting and investing based on a total view of the investor's accounts and situation (aggregation data). Some firms have human Certified Financial Planner (CFP) access and a dedicated advisor who monitors the investments and rebalances investor portfolios. Some of these firms provide an overall score, based on an investor's aggregated finances –insurance policies, retirement plans, estate plans, savings, debts and investments–and from there provide a list of personalized tips in order to improve the investor's overall financial well-being.

Direct to consumer:
Online Investment Management

Target audience: Mass Affluent Investors, Emerging Affluent Investors, Gen X/Gen Y

Value proposition: Low-cost/efficient goal-based investment solutions. Ongoing implementation of investment recommendations, which may include trading, rebalancing, tax-loss harvesting, etc. Most firms in this category choose an asset allocation based on a questionnaire the investor fills out online, while some allow the investor to select the model portfolios that will be used.

Direct to consumer:
Hybrid Online Advice/
Investment Management

Target audience: Mass Affluent Investors, Emerging Affluent Investors, Gen X/Gen Y

Value proposition: Access to online financial planning tools as well as ongoing implementation of goals-based investment recommendations. A combination of the two types of offerings above.

Institutional platforms (B2B)

Target audience: RIAs, Broker-Dealers

Value proposition: Technology that enables advisors to offer private-labeled digital capabilities to their clients as a complement to their personal relationship.

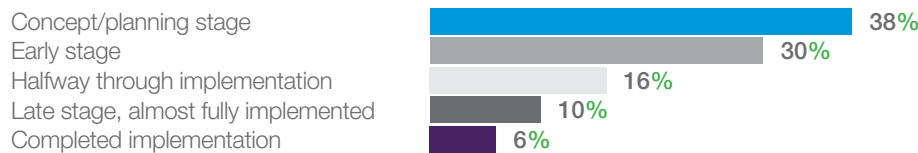
Online advice solutions integrated with TD Ameritrade Institutional's Veo® platform (as of October 2015):

- Autopilot Enterprise
- Balance
- Blueleaf
- CLS Autopilot
- Envestnet/UpSide
- FutureAdvisor
- InvestCloud
- Jemstep AdvisorPro
- Modestspark
- NestEgg
- Oranj
- Orion
- Rixtrema
- Trizic
- Wealth Access
- Wealthminder

Robo-advising — now and in the future

Advisors are just beginning to understand the impact of robo offerings as both a competitive threat and an exciting opportunity. According to the 2015 Investment News Tech Study, only 6% of respondents said they offer robo-advice now, and 12% said they plan to in the next six to 12 months. So, while the numbers are still small, if this holds true, that will be a robust 200% increase.

Figure 4: Where RIAs are with digital strategy implementation



Source: Aite Group survey of 401 U.S. financial advisors, Q2 2014.

Advisors who offer a robo-like solution are incorporating it to:

- Deepen relationships with larger-net-worth households (i.e., \$2MM+) by providing a service for the full family
- Monetize a set of smaller account referrals that are today often turned away
- Segment high-net-worth and mass affluent clients into appropriate channel strategies
- Deliver a modern set of tools for clients of all ages and wealth levels
- Prospect and convert leads online with the ability to guide to offline resources
- Position for intergenerational wealth transfer by brand-building with their clients' family members early on

Over the next few years, we expect this trend to continue as advisors learn more about how they can include these systems in their current service model. And the better the technology available, the more potential benefit for all areas of an advisor's practice.

TD Ameritrade Institutional's offerings

TD Ameritrade Institutional has created integrations with a number of robo-technology providers to help advisors take advantage of these new offerings and continue to expand their business.

Choice and flexibility are at the core of our technology approach. As with all the third-party technology applications integrated with our Veo platform, we have no preference as to which solution you use. We'll work with any of the online advice solution providers that meet the criteria we have established to be part of Veo Open AccessSM.

In addition to the Veo Open Access vendors, TD Ameritrade offers iRebal[®]. iRebal enables advisors to implement functionality, such as scheduled or ad-hoc portfolio reviews and tax-loss harvesting*, into their practice. The sophisticated tools available within iRebal can help lower the cost of ownership per account.

You also have the ability to build your own solution by directly accessing the Veo Open Access API for cash management functions, new account opening, trading and more. Combine these functions with the power of iRebal to create a technology solution to match your firms needs.

You don't have to change your business model in order to take advantage of these solutions. At the most basic level, online advice solutions can help you:

- Establish an online account-opening strategy
- Create a pipeline of future high-net-worth clients
- Expand your client base
- Increase AUM from a new segment of the population
- Gain additional efficiency with your current business processes
- Provide a better client experience

We encourage you to evaluate all online advice solution providers. Incorporating this new technology into your business can help position your firm for growth and continued success for years to come.



[Connect now](#)

Connect with an experienced consultant today to find out what type of online advice solution is the right one to help you enhance your business and continue to focus on the most important thing – building and maintaining strong client relationships.

Notes



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Connect with an experienced consultant today.

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The Veo platform's open access capabilities are dependent upon third-party vendors first meeting our security requirements and then accessing Veo data from our application programming interface (API). Vendors will be added on an ongoing basis.

Access to the Veo platform's open access capabilities is provided as a service to financial advisors using the brokerage, execution and custody services of TD Ameritrade Institutional. Veo Open Access is an indication of potential programming compatibility. It does not imply any TD Ameritrade, Inc. recommendation of, endorsement of, warranty of, or fitness for use of any third party's products or services. TD Ameritrade is not responsible for information, opinions or services provided by a third party. Since TD Ameritrade must ensure that all vendors meet security requirements, integration with new vendors is not immediate and cannot be guaranteed.

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*iRebal offers a flexible tax harvesting feature that allows you to set various loss thresholds for taxable accounts, total loss targets for portfolios, and choose a replacement security for each harvested security. Once the thresholds have been set, iRebal identifies eligible losses in taxable accounts, and shows you the securities that fit the criteria that you have defined.

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