



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

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Consumer Connection: Rise of the robo-adviser

Topeka, Kan. – Robo-advisers have exploded in popularity over the last decade. A robo-adviser is a digital platform that provides automated, algorithm-driven financial planning and investment services often with little to no human supervision. A typical robo-adviser asks questions about your financial situation and future goals through an online survey. It then uses the data to offer advice and automatically invest for you. With typically low fees and 24/7 accessibility, these automated tools can be an attractive option to the do-it-yourself investor, but Kansas Insurance Commissioner Vicki Schmidt urges investors to do their research when considering a robo-adviser.

“With the rise of automated investing tools like robo-advisers, investors have more options than ever before to pursue their financial goals,” Schmidt said. “But like any investment tool, robo-advisers come with their own set of limitations that potential users should carefully consider.”

Assets under management by robo-advisers have grown each year and are expected to continue. But even with their rise in popularity, they may not be the right fit for everyone. Here are a few questions to ask if you are considering investing with a robo-adviser:

- **What information does the robo-adviser use to make recommendations and build portfolios?** Keep in mind that some robo-advisers may consider only limited information about you, and that you may have to update this information regularly as your needs change. Make sure you understand how the robo-adviser accounts for things like your risk tolerance, personal financial situation, and overall financial goals. Robo-advisers have different approaches to investing, such as using pre-determined portfolios of investments that may or may not be customizable. Others may focus solely on a limited range of investment products, such as exchange-traded funds.
- **What fees does the robo-adviser charge?** One of the biggest advantages of robo-advisers is the lower fees when compared to other options. It is important to understand all fees the robo-adviser charges, including additional brokerage or management fees. Make sure you are aware if there are any penalties or fees associated with withdrawals, transferring, or closing your account.
- **Is the robo-adviser properly registered and licensed?** Even though they are automated, robo-advisers in the U.S. must comply with the securities laws of the SEC and Kansas. You can check to see if a robo-adviser offered by an investment firm is properly registered just like you would with a human advisor, at [BrokerCheck.com](https://www.brokercheck.com).

To learn more about different types of investments and how to avoid fraud visit [SmartInvestKS.com](https://www.smartinvestks.com).

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The Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, regulates investment sales in Kansas—the birthplace of “Blue Sky Laws.” In 2017, the Office was merged with the Kansas Insurance Department.