

Alberta Doctors' Digest

Ready or not, Fintech is here

When I get into conversations with my tech-savvy teenaged nieces, they don't understand why I would call a taxi when there's Uber, or call for a pizza when I can simply order online.

I see these as choices that I can make. Sometimes, I love the convenience of technology. At other times, I just want to be served by a human being.

I'm amazed by how much technology now affects all aspects of our lives and particularly by the momentum of change. As someone who works in the financial industry, I am most interested in the constant developments in financial technology or "fintech."

Look around and you can see fintech everywhere. It's bringing new automated solutions and new ways of dealing with the financial services sector.

How fintech is reducing the human element

When you pay for your coffee using an app on your mobile phone, it's fintech. Online shopping, e-transfers, stock trading – all fintech. Fintech affects all aspects of financial services: investing, insurance, deposit-taking, lending, crowdfunding, personal financial management, e-commerce and digital currency like bitcoin.

A lot of fintech is about creating efficiencies and reducing the human element. More and more, you'll have the option to manage your investments using an automated approach. Often it means cost savings, but as you evaluate financial technology, you'll need to weigh the benefits of automation against the added value of the human touch.



A lot of fintech is about creating efficiencies and reducing the human element (Photo credit: Tumisu, Pixabay.com)

Enter the robo-advisor

By now, you've probably heard of robo-advisors. Even though this type of automated service has been around for 10 years, it has really only made headway in the past few years.

Before robo-advisors came on the scene, investors had two basic choices: either you worked with a live human advisor who gave you advice and recommendations, or you managed money on your own using an online brokerage account. With a robo-advisor, you get the advice without working with a financial advisor.

Typically, robo-advice means going to a website or a mobile app. You get started by answering multiple-choice questions and scenarios to help determine your personal investment profile. Your answers are analyzed by an algorithm, and you are presented with a recommended asset mix and investment portfolio options.

You can then choose to invest in a "model portfolio," which aims to deliver an appropriate balance of return and risk – based on your profile – by combining mutual funds into a portfolio offering.

More and more options in financial services

The robo-advice segment will probably grow as more clients gravitate to this option for its low cost and 24/7 availability. To save time and money, these clients are willing to forgo having an advisor help them navigate the investment environment.

Other clients will still want the additional services offered by the fee-based option: highly personalized asset management, more investment choices and financial planning. They'll want their difficult questions answered by an advisor who is familiar with their situation – in face-to-face or video conference meetings.

I also expect the customized services offered to high-net-worth clients – where such clients can choose to delegate their day-to-day investment decisions to a portfolio manager – to thrive because of the added value that investment professionals offer.

Choose what's best for your situation

If you feel that the savings from more automated services are worthwhile, you should investigate robo-advisors. This service is relatively new and stands to develop further as artificial intelligence becomes more prevalent. For this route, it's best to evaluate providers on the investment options they have available (actively managed investments versus market-based exchange-traded funds), their service reputation, their number of years in business and their fees.

On the other hand, a discount brokerage account may be best if you want complete control over all, or a portion, of your portfolio without advice from a dedicated advisor.

Do you prefer to work closely with a human advisor? With only so many hours in a day, the best decision may be to delegate some tasks to those who are highly trained in financial services and investing.

Based on my experience, I believe many physicians appreciate simplicity and the support afforded by a team of experts and the relationship they develop with their advisors. But others are comfortable doing their own stock investing without advice.

MD Financial Management has recently integrated more fintech into its services. We've widened the options available to meet the specific needs of physicians and their preferred ways of managing their financial assets. For more information, see [How to Invest With MD](#).

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