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Signature Estate & Investment Advisors LLC

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“Are robo-advisors the wave of the future for investors?”

By Jennifer Kim

Last year, 2014, marked a year of substantial growth in the robo-advisor business. According to a study by the research service Corporate Insight, robo-advisors, as of last December, managed \$19 billion in assets.

The last nine months of 2014 also saw a 65 percent increase in assets under management. As of July, the increase was 21 percent over six months.

So, the trend is certainly growing rapidly, causing investment companies to take notice—and react: Fidelity has partnered up with Betterment to offer robo-advisors, using the Fidelity platform. And Charles Schwab, in just the first six weeks of its Intelligent Portfolios platform launch, attracted \$1.5 billion in new assets. TD Ameritrade and TradeKing have also included robo-advice in their new products.

Writes Corporate Insight Analyst Grant Easterbrook: “The continued growth of the newcomers and the recent actions of the major players prove that online advice is not a fleeting fad. Human advisors must realize that the disruptive powers of the web and automation are here to stay.”

While the traditional wirehouses continue to draw multimillion-dollar clients, robo-advisors like Betterment and Wealthfront are attracting what Goldman Sachs calls HENRY (“High Earnings, Not Rich Yet”) clients.

Robo-advisors manage portfolios online with minimal human intervention and lower fees through automated

technology. But beyond those similarities the platforms differ among themselves:

- **Investment choices**—Most of the programs use ETFs, with only a few offering other options like individual stocks.

- **Costs**—The average service costs range from free to 0.50 percent, with a few higher, at 0.89 percent.

- **Assets custodian**—Some services allow funds to remain in the existing brokerage accounts, but most require transfer of the funds to the program’s custodian.

- **Tax harvesting**—Some programs offer automated tax loss harvesting, with certain minimums.

Many of the programs have exquisitely designed tools that make it easy to understand the investments, and some offer evaluation tools based on performance, asset diversification, fees and taxes.

Still in the infant stage, most robo-advisor companies are not very profitable and depend heavily on venture capital funding. However, this new wave is changing the landscape of investing, with its lowered costs and sophisticated tools.

However, wealth management companies still offer a broad range of services most robo-advisors cannot, such as estate planning, insurance planning and a sophisticated array of investment choices. As a Wall Street pro pointed out, “the robo-advisors

work for middle class or young people who don’t have much and just need to avoid fees. They can’t replace full-service advisors.”

My personal practice has always centered on relationships and service. Robo-advisors do have a market with HENRY millennials. **But questions remain as to how well these automated portfolios might perform in a big market downturn.** Will these companies contact clients to see if they want to raise cash? Will they be able to adequately handle each client’s unique situation?

Most clients are not aware that there are usually other financial planning issues that also need to be addressed in their personal situations. Many times, these issues are not clear; it takes a few meetings and phone conversations to uncover, and an advisor can assist in helping the client understand why and how the problems can be resolved. An advisor is also a sounding board when decisions need to be made about important financial planning choices. Clients prefer a person whom they can confide in and provide guidance to them during emotional hardships.

And then, with the launch of online legal documents, the fear was everyone would set up their own trusts. Yet even with these industry-changing events, clients still want a live person to assist them with their overall planning and more complicated scenarios. And robo-advisors simply can’t do that. ☹

“Clients still want a live person to assist them with their overall planning and more complicated scenarios.”

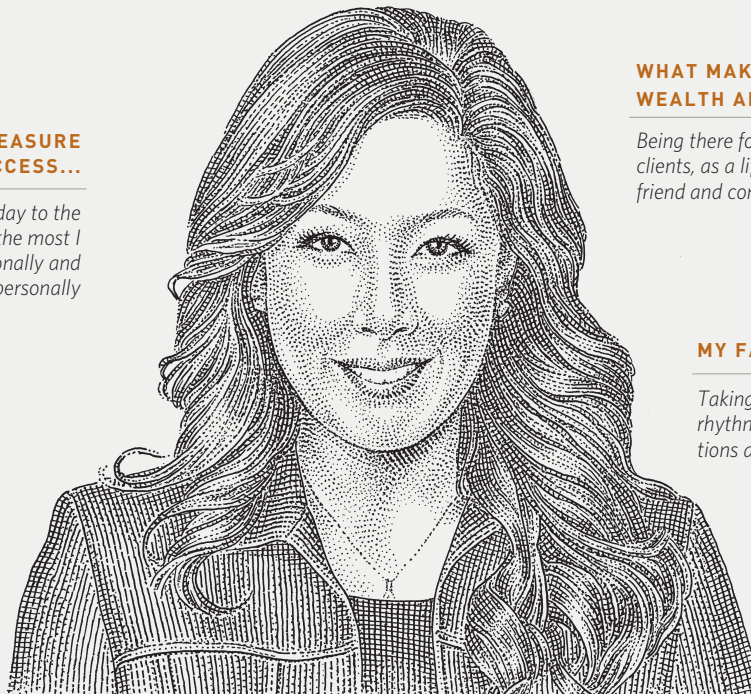
—Jennifer Kim

How to reach Jennifer Kim

Please call my office at 310.712.2323 to schedule a meeting, either over the telephone or face to face.

HOW DO I MEASURE SUCCESS...

Living each day to the fullest by doing the most I can both professionally and personally



WHAT MAKES A GOOD WEALTH ADVISOR...

Being there for all my clients, as a lifetime friend and confidant

MY FAVORITE ACTIVITY...

Taking my daughter to her rhythmic gymnastics competitions and being a “dance mom”

About Jennifer Kim

Jennifer Kim is a senior partner with Signature Estate & Investment Advisors, LLC (SEIA). Mrs. Kim received her bachelor of arts degree in economics from the University of California—Los Angeles (UCLA) in 1992. She has been in the securities and insurance business since 1993, and she specializes in investment and wealth management for affluent individuals and corporations. Mrs. Kim is a certified financial planner (CFP) professional. She completed the chartered financial consultant (ChFC) and chartered life underwriter (CLU) certifications through The American College. Mrs. Kim also completed the chartered mutual fund counselor (CMFC) education program and completed her master’s degree in professional financial planning through the College for Financial Planning in 2013. Mrs. Kim lives in the Hancock Park area of Los Angeles with her husband and four children.

Assets Under Management
\$387 million (Kim, as of 6/30/15)
\$5 billion (firm, as of 5/15/15)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$500,000 (investment services)
\$5 million (Private Client Group)

Largest Client Net Worth
Confidential

Financial Services Experience 22 years

Compensation Method
Asset-based, fixed and hourly fees

Primary Custodians for Investor Assets
Charles Schwab & Co. and Fidelity Investments

Professional Services Provided
Investment advisory and money management services, private client wealth management, corporate retirement planning, estate planning, insurance planning and philanthropic planning

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ILLUSTRATION BY NANCY JANUZZI



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