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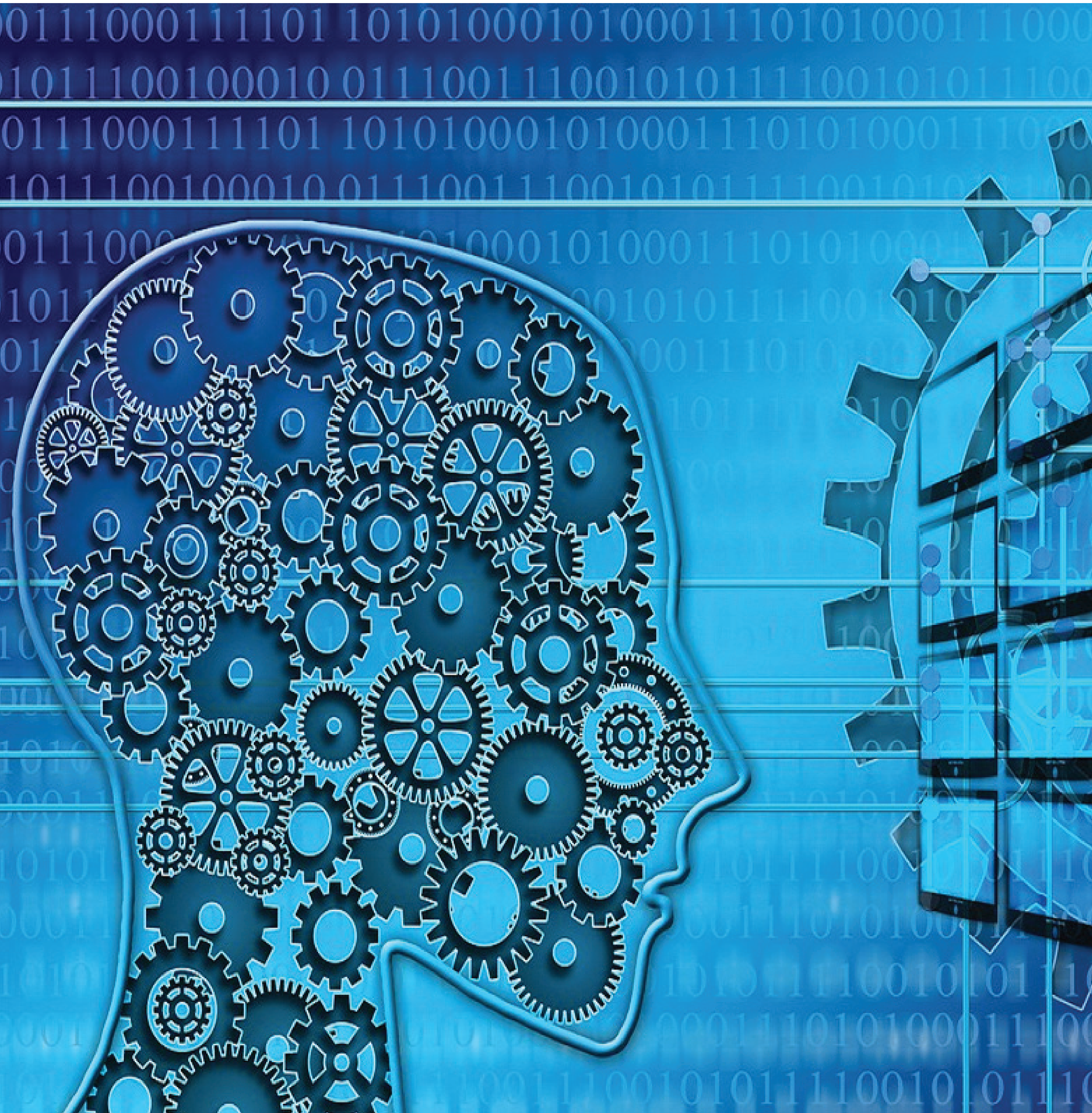
INVESTED INTEREST

Investment in 2018
The Human Factor



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The Human Factor

In 1950 Alan Turing, the British computer scientist, published his paper "Computing Machinery and Intelligence" in which he explored the possibility of machines that could think. Today he is considered the father of Artificial Intelligence (AI); the computational development that PwC predicts will boost the UK's GDP by up to 10.3% by 2030, the equivalent of an additional £232bn.

AI is now revolutionising the finance industry as it crunches through enormous amounts of market data whilst learning, adapting and informing strategies. For investors, the major consumer-facing AI development is the robo-advisor, an online investment platform that analyses markets, makes decisions and invests on behalf of its clients, without the need for any human interaction.

However, with investments forming a key component of our lifetime's financial decision making, do investors really want their financial advice reduced down to data processing power and 'Computer says invest?'. In a nationally representative report commissioned by IW Capital – the sentiments of a population of 2004 high net-worth and retail investors, in addition to money minded consumers, were analysed. Titled: Investments in 2018 - The Human Factor – the report unveils illuminating insights from a body of data representing 30.6 million investors nationwide, a staggering 89% of which – 23 million – elect to not use the technology. Over half of the sample - 56 % - equating to 17.4m people UK-wide state this is because the need **human interaction to feel safe about an investment of any sort.**

Tomorrow's Investors

According to the Financial Conduct Authority's (FCA) report 'Financial Lives Survey 2017', "most 25- to 34-year-olds have relatively little in the way of savings, and what savings they do have are predominately in cash rather than equity-based investments". Having lived through the financial crisis, and leaving university saddled with debt, it's no surprise that the UK's digitally native millennials are wary of robo-advisors, with only 20% of 18 to 34 year olds in the UK saying they would consider using one. Moreover, a staggering 40% of millennial investors distrust robo-advisors with their investable assets as no human interaction is required.

Percentage of investors – broken down by age and gender - who distrust robo-advisors with their investable assets as no human interaction is required

	Total	Male	Female	18-34	35-54	55+
Net : Agree	47%	46%	49%	39%	39%	52%
Net : Disagree	12%	14%	10%	22%	15%	10%

Why Humans Over Robots?

For many investors, this dehumanised model is simply no substitute for a human financial advisor, with 27.3m of all investors saying they would not use a "robo-advisor" and 14.7m people distrusting robo advisors with their investable assets as no human interaction is required when using an online service. Capturing the true picture of risk tolerance as it changes over time is not straight-forward, particularly when coupled with investors' increasingly complex lifestyle and financial requirements. Being able to talk to a human being who understands the nuances of, not only the markets, but also our respective and somewhat emotive decision drivers is vital, particularly in today's climate. Tim Clift, chief investment strategist at Envestnet PMC, a firm that helps build portfolios, said that while artificial intelligence can give managers an edge, it is "a little gimmicky at this point.....We know the markets are irrational, especially in the short term," he said, "but the machines aren't going to know how to behave in that kind of environment."

Gregg Fisher, a portfolio manager at US based Gerstein Fisher Funds, cautioned that A.I. programs could be stumped by off-the-wall and out-of-the-blue developments that have no obvious analogues in their databases. He stated "they learn by studying past patterns that they expect to continue," he said. Referring to the events that precipitated the global financial crisis, he wondered: "How would A.I. have observed and planned for that? The quantity of different things that can happen is seemingly unlimited."

Brexit Uncertainty Drives Digital Mistrust

With Brexit underpinning political uncertainty and contributing to a fluctuating economy, increasingly responsive asset management is required. Almost half of investors (14.2m people) say that the Brexit-induced economic unpredictability means they now want to speak to a human advisor about their wealth management decisions. Having this personal relationship enables investors to discuss their portfolio, revise their investment strategy and assess their risk appetite as the markets react to Britain's unfolding Brexit agenda.

Percentage of those who feel the fluctuating economic and political events such as Brexit influence them to speak to a human advisor with regard to their investment decisions

	Total	Male	Female	18-34	35-54	55+
Net : Agree	46%	45%	47%	57%	43%	46%
Net : Disagree	16%	18%	13%	4%	16%	16%

IW Capital commissioned the 'Why humans matter' report to uncover the willingness of investors to move from human financial advisor to robo-investors.

Key Outcomes

- 27.3 million investors say they do not use an e-investment platform or robo-advisors
- Only 11% of investors would use robo-advisors moving forward
- 11.9m investors say they do not/would not trust an online wealth manager to manage a proportion or all of their investable assets
- Over a quarter of those surveyed have investable assets, but are holding-out-/seeking financial advice from a person as opposed to an online wealth management platform as they do not feel confident in the latter with their money
- 5m investors say their risk appetite has increased in the last decade and do not feel online wealth managers will fulfil anticipated returns as they deem them to be low-risk
- 14.2m investors or almost half the investor population say, given the fluctuating economic and political events such as Brexit, they now would want to speak to a human advisor with regard to their investment decisions
- 56% of investors need human interaction to feel safe about an investment of any sort
- 14.7m people distrust robo advisors with their investable assets as no human interaction is required when using an online service
- 53% of respondents think financial advice from a human is invaluable, as confidence in financial decisions are relationship based just as much as they are figures backed
- Only 9% of respondents intend to use robo-advisors over the next five years

Supplementary Stats

- Women are marginally more distrusting of robo-advisors than men with 92% saying they would not use a robo-advisor versus 87% of men
- Investors in the North West are the most tech-averse with a huge 98% saying they would not consider using robo-investors whilst investors in Scotland are more open to new technologies with 23% being prepared to use digital advisors.
- 20% of 18 to 34 year olds would consider use robo-advisors versus a tiny 5% of investors aged 55+.

Despite AI advancing at a rapid pace and markets becoming increasingly complex, it seems that people power still wins out over processing power when it comes to financial advice. As our research shows, in an increasingly digitised world, investors place critical and significant value on the trust and confidence that can only come from human relationships.

At IW Capital, we place great value on the relationships we build with our clients. We assume a dedicated and bespoke approach to each investment, spending time with you to understand your requirements, ensuring to build a portfolio tailored to match your needs in line with a rapidly evolving UK private sector. Speak to a member of our team today on **0207 015 2250** or email us at **info@iwcapital.co.uk** to discuss the findings of the Investments in 2018 - The Human Factor report or any of our other opportunities further.

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