How to Use Robo-Analysis to Boost Your Value

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Much has been said about how robo-advisors will transform the financial advice industry, but what will truly change investment advice is robo-analysis, **David Trainer** writes on Seeking Alpha.

The tasks typically performed by robo-advisors are actually of low value to a financial practice, according to Trainer, CEO of financial research firm **New Constructs**. Allocating assets based on strategies and communicating them to investors are both such tasks, he writes. Advisors wouldn't even be able to make a living performing these tasks alone — they need to also offer higher-value services, according to Trainer.

Robo-advisors certainly play a major role in cutting costs and letting advisors raise the quality of their services, he writes. Robo-analysis, however, brings far higher-value services to an advisor's repertoire, according to Trainer. That's because applying robo technology to research can yield superior insight than what can be gained by most of today's research analysts, he writes. Robo-analysis can also address the low proportion of investors who parse through such reports. After all, just 8% of investors in 2004 regularly performed a cover-to-cover read of a company's annual and quarterly financial filings — which average more than 200 pages and are written in legalese, according to Trainer. The number of investors reading such filings is even lower today, he writes.

Robo-analysis, on the other hand, can cut through the jargon using natural language processing, according to Trainer. While far from perfect, this technology can be designed by forensic accountants working with programmers and can then learn to parse reports automatically, he writes.

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Human analysts still have the lead in how information is processed and new models built, according to Trainer. But they can also use time previously spent reading financial statements to focus on more nuanced aspects of the reports, he writes. Meanwhile, the ability of robo-analysis to analyze numbers means that when making investment decisions, investors and advisors don't have to rely on headline-grabbing reports, which Trainer says use "management-manipulated" earnings anyway. Therefore, robo-analysis assists advisors with providing longer-term value that's also compliant with the fiduciary standard, he writes.

By Alex Padalka

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