



The Financial and Estate Planning Council of Metropolitan Detroit, Inc.

April 2016

33006 W. Seven Mile Road, #237, Livonia, MI 48152 • (313) 530-9223 • FAX: (248) 479-0350

President's Message

As I write this message, it is finally spring in Michigan.

I know that the thoughts of many are turning to golf. Fortunately, I know that Brad Kreiner and his golf outing committee are working hard to ensure that the FEPCMD golf outing on May 16, 2016 at Wabeek Country Club will be a fun filled day. Our evening program will be about Cybersecurity (a topic that is becoming increasingly more important to all of us), accompanied by a lovely dinner. If you are a golfer or know a golfer, this is an excellent opportunity to enjoy a great day at a wonderful course. The charity partner for this year's golf outing will be the YMCA of Metropolitan Detroit.

We are also looking forward to our next Lunch and Learn on Monday, April 25, 2016 at Pasquale's Restaurant in Royal Oak, Michigan. The topic for that meeting will be "Top Ten Tips From Elder Law Attorneys." Based on my own legal practice, I know that issues concerning elder law planning are increasing in frequency and importance. This luncheon meeting will be an excellent opportunity to network and be introduced to this important topic. Undoubtedly, you will also gain some relevant and valuable insights from the presentation.

We are also planning two more meetings this year for September and November:

September's spouse's night, to be held on September 27, 2016, at Orchard Lake Country Club will focus on some of the psychological impacts of retirement and issues to consider prior to actually retiring. Our presenter will be John Diehl of The Hartford, who has overseen The Hartford Mutual Funds' relationship with the Massachusetts Institute of Technology AgeLab. As a special treat, the Council's own Terry Altman will perform music during the cocktail hour.

November's meeting, to be held on November 1, will be our annual CLE presentation. Our speaker will be Tom Pauloski, a National Managing Director of the Wealth Planning and Analysis Group of Alliance Bernstein. He will make an afternoon presentation about "Advanced Life Insurance Planning" and an evening presentation about "How Basis Can be Shifted Among Assets."

As always, if you are interested in more fully participating in the activities of the Council, please contact our Administrator, Kris Wolfe, so that she can get you involved with the appropriate committee. Not only will you have a chance to meet and work with a fine group of folks, but you will also be in a position to assist in charting the future of our Council.

I wish you all a pleasant spring and look forward to seeing you at our upcoming meetings.

Benson J. Barr, JD, CFP®, AEP®, President 🏠

WELCOME TO OUR NEW MEMBERS

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CR Myers & Associates

Sponsors: Marc Labadie, Eugene LoVasco and Curtis DeRoo

GREG DUFOUR

Oakland University

Sponsors: Jeff Hoenle

LORI OANCEA, JD

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Sponsors: Jeff Hoenle and Aaron Sherbin



OF MICHIGAN



Present



Professional and Continuing Education

“Top Ten Tips From Elder Law Attorneys”

Presented by Sara Rubino and Sara Schimke

Monday, April 25, 2016

PASQUALE’S RESTAURANT
Mediterranean Room

31555 Woodward Avenue, Royal Oak, MI 48073
(Near 12 Mile Road)

The following issues will be presented in an informative manner utilizing “real life” scenarios:

- What documents should be in my estate plan?
- My loved one refuses to talk about estate planning; what can I do?
- Is it too late to plan?
- What is long term care?
- My family can’t agree on the type of care needed – now what?
- How am I going to pay for long term care?
- I want to keep my loved one at home; what are my options?

| | | |
|----------------|-------------------------|---------------------------|
| AGENDA: | 10:45 a.m. | Registration & Networking |
| | 11:20 a.m. | Buffet Dining |
| | 11:30 a.m. – 12:30 p.m. | Presentation – Q&A |

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*Log onto our website by April 19 to make your reservation and pay with VISA or Master Card. [www.metrodetroitfepc.org](http://www.metrodetroitfepc.org)*

OR PLEASE MAIL YOUR RESERVATION AND CHECK BY APRIL 19 TO: **COST: \$10.00 PER PERSON**  
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MEMBER NAME: \_\_\_\_\_ COMPANY NAME: \_\_\_\_\_  
GUEST NAME: \_\_\_\_\_ TOTAL ENCLOSED: \_\_\_\_\_

FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT  
10th ANNUAL CHARITY GOLF OUTING



Net Proceeds and Additional Contributions to  
YMCA of Metropolitan Detroit



**MONDAY, MAY 16, 2016  
GOLF OUTING**

**Wabek Country Club  
4000 Clubgate Drive,  
Bloomfield Hills, MI 48302**  
<http://www.wabekcc.org/>  
(248) 855-0700

**11:15 AM REGISTRATION /11:45 AM: BOX LUNCH/  
SHOTGUN START 12:00 PM**

**\$150 PER GOLFER  
(SINGLE GOLFERS ARE WELCOME)**

**18 HOLES OF GOLF WITH A CART/DRIVING RANGE  
WARM-UP/UNLIMITED COURSE BEVERAGES**

**\$600 PER FOURSOME**

**4-PERSON SCRAMBLE (INCLUDES DINNER)**

**\$700 FOR A FOURSOME AND A HOLE SPONSOR**

**\$150 HOLE SPONSOR ONLY**

**5:30 PM COCKTAILS  
6:30 PM MEETING & GUEST SPEAKER  
7:30 PM DINNER  
(\$60.00 COCKTAILS & DINNER ONLY)**

**DINNER MEETING:  
(see dinner meeting notice for complete details)**

**Adam Moseley  
Managing Director of Technology Consulting for Schwab Advisor Services  
“Cybersecurity -- Current Landscape and Actions You Can Take  
to Protect Your Business and Your Clients”**

Log onto our website by May 6 to make your reservation and pay with VISA or Master Card. [www.metrodetroitfepc.org](http://www.metrodetroitfepc.org)  
OR PLEASE MAIL YOUR RESERVATION AND CHECK BY MAY 6 TO: FEPCMD • 33006 W. Seven Mile Road, #237 •  
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**Golf Registration:**

GROUP NAME: \_\_\_\_\_ GROUP CONTACT INFO: \_\_\_\_\_

PLAYER #1 \_\_\_\_\_  
PLAYER #2 \_\_\_\_\_  
PLAYER #3 \_\_\_\_\_  
PLAYER #4 \_\_\_\_\_

YES I WANT TO SPONSOR A HOLE     PAYMENT ENCLOSED: \_\_\_\_\_

**MEMBER MEETING PRECEDED BY THE 10th ANNUAL GOLF OUTING**  
(Please refer to the additional Golf Outing Notice)

**MONDAY, MAY 16, 2016**

**Wabeek Country Club**  
**4000 Clubgate Drive, Bloomfield Hills, MI 48302**

**Adam Moseley**  
**Managing Director of Technology Consulting for Schwab Advisor Services**

**“Cybersecurity -- Current Landscape and Actions You Can Take  
to Protect Your Business and Your Clients”**

*Presentation Highlights:*  
*Best Practices for Operations Strategy and Efficiencies*  
*Evolving Trends*

In his role, Adam is responsible for a national team that works with Schwab Advisor Services' clients to provide guidance throughout the evolution and implementation of the advisor's technology and operations strategy. This team consults with advisors on workflow process optimization and technology usage by analyzing their business operations and recommending technology and procedural changes that will create operational, firm-wide efficiencies. Additionally, this team monitors new technology and operational strategies within the RIA market and educates advisors on evolving trends and best practices. Adam joined Schwab Advisor Services in 1997. He holds the Series 7 and 63 licenses.

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|                |                  |                                |
|----------------|------------------|--------------------------------|
| <b>AGENDA:</b> | <b>5:30 p.m.</b> | <b>Complimentary Cocktails</b> |
|                | <b>6:30 p.m.</b> | <b>Presentation</b>            |
|                | <b>7:30 p.m.</b> | <b>Dinner</b>                  |

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Log onto our website by May 6, 2016 to make your reservation and pay with VISA or Master Card.
www.metrodetroitfepc.org

RESERVATIONS RECEIVED AFTER MAY 6 WILL COST \$85.00 PER PERSON.

OR PLEASE MAIL YOUR RESERVATION AND CHECK **BY MAY 6, 2016** TO: **COST: \$60.00 PER PERSON**
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MEMBER NAME: _____ GUEST NAME: _____

TOTAL ENCLOSED: _____ SPECIAL MEAL REQUESTS: _____

Can Robo-Advisors Replace Financial Advisors?

Victor S. Levy, J.D., LL.M., CPA, CLU, CFP® and Stephen Gottlieb

Imagine a lunch meeting in a lovely center city restaurant. You sit down, place your napkin on your lap, and then take a sip of cool water. You smile as the waiter greets you and hands over the menu, then asks you if you care to order a drink. Seated across from you is another human being, your client, with whom you are about to have a discussion about financial planning, account performance and new ideas.

Over lunch, it gets emotional, as financial planning can be like that. People think about the past and plan for the future; hence it conjures up powerful feelings. Your client reaches for a napkin and wipes away a tear. You are there as a resource, another person, a human to hold a hand or look into another's eye and say, "it's okay, I am here for you. The job of an advisor is to be there for you and to let you know that we will get through this together."

Lunch ends, you shake hands, smile again, and leave the restaurant. Another end to a successful client review meeting.

Can an online experience replace this kind of interaction when it comes to wealth management?

Over the last several years, there has been much discussion about this question among government agencies, select mutual funds, registered investment advisors, and 401k providers who have drawn focus to the deleterious effect that investment management expenses have upon investment returns. For example, Vanguard investments on their website have a fee calculator that allows you in real time to insert a fee percentage to demonstrate what that means in dollars over time. With a 1.2% fee and an 8% rate of return on a \$10,000 investment, \$17,659 of collective return is eroded over 25 years.

High fees and loss of return is creating a slow and steady movement toward lower cost investing. In 2014, the Wall Street Journal reported that Vanguard Group reached an unprecedented \$3 trillion of assets under management for the first time, making it the largest mutual fund company in the world with enormous, unprecedented inflows of capital.

Economist Joseph Schumpeter coined the phrase "creative destruction" to describe the "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one." The old structure giving way to the

new is a fundamental concept in capitalism and it is being carried out repeatedly today in an age of microchip technology. For example, online retailers like Amazon threaten to destroy traditional retail stores, email has destroyed postal delivery, and digital music has destroyed CDs and cassettes. Now, the wave of creative destruction has its sights set on the wealth management industry by focusing upon the cost of it.

The Boston Consulting Group estimated in 2014 that there was a record \$74 trillion of global assets under management. The wealth management industry when taken on the whole is enormous. It is unlike the brokerage industry where buyers and sellers are simply matched together to execute trades in the market, but rather wealth managers are more like financial life coaches. They bring together assets under management and connect them to people's lives, helping them make sense of what their assets mean while seeking to maximize returns and minimize risk.

Wealth management has always been about more than just investing assets. Rather, it is holistic, comprehensive financial planning. It's about the emotional aspects, not just what you have or what you saved in fees, but the bigger questions like what's it all about? Why are you doing this, building savings, and to what end? Where will it all go when you die?

A wealth management advisor knows that being there for clients is essential. Typically, the work of managing assets is billed through asset management fees assessed as a small percentage of the portfolio assets. This fee is what keeps wealth managers employed, it keeps them engaged in the process, and it moves the entire industry. The performance of the assets is netted out with the fee and good wealth managers try to maintain performance above benchmarks – they demonstrate that their decisions and services justify their fees charged. As the cost of asset management is pressured, the value of the advisor is therefore under scrutiny. This is an economic recipe which creates an opportunity for a newer, more efficient way of doing things.

Wealth management industry say hello to the "Robo-Advisor."

Robo-advising is an online wealth management service that provides automated algorithm based portfolio management advice without human interaction. Its deliverable is really not different than a low cost mutual fund or target date fund, but it has snazzy marketing that conjures up images of Amazon, Expedia, and any other online resource you can think of that has creatively destroyed an industry. Essentially, their services 'advise' (algorithm assembled allocation)

based on a questionnaire that determines your risk preference and automatically allocates your assets and manages your portfolio for you in an online, user friendly, web-based system.

Historically, wealth managers or financial advisors were the province of high net worth individuals, but robo-advising is aiming to unlock this once limited service to provide it to all people regardless of their wealth. By definition, robo-advice eschews the human interaction and goes right to the resource, the investment account. The Robo wants the steak not the sizzle.

It began recently, in 2010, when Jon Stein launched Betterment Inc., the first robo-advising platform. Following Betterment in 2011 was Wealthfront, an extremely similar service. Since the start of these two online advisors, there has been a massive response from the wealth management industry. Charles Schwab has recently released their robo-advising platform named Schwab Intelligent Portfolios and many other firms are either in development or are not too far behind.

Although it may seem that most would be skeptical of an automated allocation of their personal assets, the usage depicts an opposite trend. When Betterment Inc. was launched in 2010, it took the company one year to collect \$10 million under management and now currently it has 85,000 clients and they manage \$2.2 billion in assets. Wealthfront presently has \$2.3 billion in assets under management with 30,000 clients and Schwab Intelligent Portfolios, which launched in May 2015, has \$1.5 billion under management.

Consulting firm A.T. Kearny projects that by 2020 the robo-advisor market will grow 68% and will manage around \$2.2 trillion. Although these numbers seem large, in the context of the industry robo-advisors only manage presently around 0.5% of all American investments and are predicted to control 5.6% in the next five years.

So what's the appeal?

Unlike traditional advisors, robo-advisors attract clients who are mass affluent (\$100,000- \$1 million in assets), mass un-affluent (\$100,000 or less), want an online user-friendly interface, and most importantly, that it reaches the elusive electronic generation - the guys and gals that are attached to their cell phones, AKA the "Millennials." The main marketing focus of robo-advising firms is the tech savvy millennial who may not have enough assets for a traditional human advisor, but needs a higher level of financial assistance. The technological aspect of these services coupled with fees

ranging from free to 0.5% is extremely attractive to the young investor. Of Wealthfront's 30,000 clients, 90% are under the age of 50 and 60% of that chunk are under 30.

Another reason robo-advisors are attracting clients is the changing attitudes of the typical wealth management consumer. Clients are looking for more control and involvement in their investments. Instead of the advisor doing all the work, the client wants hands on approach in managing their funds that gives the ability to personally track their portfolio. Clients are also becoming more digitally proficient and want their information through a technological medium. According to a BCG study, 75% of wealth management clients want more of a digital experience than what they are currently being offered. Overall, the changing client of the traditional wealth advisor is evolving to fit the modern adaptation of an automated advisor.

The bottom line is that robo-advisors offer hands on way for any investor to easily create a portfolio and oversee their investments for a very low fee. But, at the present time that's about all they do. Although some online platforms offer tax loss harvesting and basic college savings tools, robo-advisors are really only capable of managing your investment portfolio based on a short risk questionnaire.

In the context of wealth management, which is focused upon the whole financial picture of a client, robo-advisors cannot, and will likely not ever be able to compete with human beings. All roads to salvation lead back to human interaction and the unconscious mind. Speaking coach and author, Nick Morgan, wrote recently in Forbes that the reason for our need as human beings for human interaction begins in the brain. "The unconscious mind can process something like 11 million bits of information per second... while our paltry conscious minds, those little thinking machines we're so proud of, can only handle like 40 bps."¹ The place where human emotion lives is in the unconscious mind which is where Morgan notes is where decisions and feelings are processed. At this time, it is simply inaccessible by computer or telephone communication; it can only be accessed in the face to face meeting, human to human.

A quality, human advisor should provide truly tailored and holistic financial planning for their clients that assesses a client's personality, their short term goals, long term goals, their wants, their dreams and their needs. A personalized advisor has the capabilities to be the voice of reason to their clients informing them to stay in the market during a down year and can offer compassion to them during times of financial hardship. No computer program can replace the comfort of an actual advisor.

Most importantly, a wealth advisor has the ability to provide or find a whole host of other services for their clients. Investing is only one piece of the puzzle when it comes to wealth management. An advisor may offer services such as tax planning, retirement planning, insurance, estate planning, business planning, debt management, and other helpful services that can provide further management to their client.

Perhaps, rather than be threatened by these computerized forces, wealth managers should be advised to focus on how robo-advising can be a positive force. Looking at this from a client's perspective, the concept of robo-advice will lead to a greater awareness of the services that a wealth management advisor provides. The push should, in the least, provide a metric to gauge the value of an advisor's capabilities and services offering. If the asset management piece is worth x with robotic advice, then the other services are worth y .

Another benefit from the client's perspective is that robo-advising creates more options in the market place. Being able to choose the best option for your needs gives better control over how assets should be managed. Perhaps the asset management is handled inexpensively and the holistic services are broken out separately. This creates a freedom of choice for consumers.

The rise of robo-advisors can also be beneficial to the traditional advisor as well. Given the robo-advisor success, this may have actually opened a once untapped market for wealth management advisors to reach a younger audience. Some wealth managers are beginning to work with the robo-advisor platform and enhance it with live, human services.

By expanding the market, more clients will be exposed to not just online financial guidance, but it will likely lead to other services. The rise of these online applications can also benefit the traditional advisors by streamlining their operations. By embracing this movement to lower cost investing, it is a shift, probably not creative destruction, but more like creative evolution. There is a trend line emerging as advisors can offer their services in new ways. By implementing different forms of technology into business practices, wealth management advisors can deliver advice more efficiently.

The online medical advice business may provide a glimpse into the future of the role of the robo-advisor. A few years ago, there was a fear that the "robo-physician" could replace medical doctors. Websites like WebMD sprang up and provided easy to use information open to all for no charge and available 24 hours a day. What consumers came to learn is that when they are curious about their health, the first place

they often looked for advice was online, but when they have a real health concern, a portal could not replace a human doctor.

For some customers of wealth management, there is an appeal to automated advice which has led to the rise of robo-advising. But for many, like WebMD, robo-advice provides resources and possibly services but this alone will not create an end to human advice.

The robo-advisor programs such as Betterment, Wealthfront, and Schwab are growing and becoming more visible. Their rise should be welcomed by wealth management professionals, not viewed as a threat. There is a place for low cost investing models and these type of accounts can most certainly be used in a way to better improve the wealth management experience. Ultimately, they enhance the work of the human financial advisor.

The American philosopher John Searle argued in 1980 that digital computers won't ever be conscious and it is consciousness that is in the pure and secluded domain of humanity. Computers can be intelligent, no doubt, but without consciousness they will lack qualities of human beings.² It was also said by the futurist, Dan Sullivan, in his famous book the 21st Century Agent, that humans have an advantage over computers – that no matter how powerful computers become they cannot replace a human relationship.

Take heart, wealth managers, you and robo-advisors should be here together for many more years to come. Now, consider a call to your client and make a lunch date.

Victor is Managing Director of Financial Planning for Levy Wealth Management Group in Philadelphia. He has recently completed a book called The Story of the Kitchen Table Financial Plan which is scheduled to be published in early 2016.

Stephen is a sophomore at the University of Wisconsin. He is double majoring in finance and economics and hopes to pursue a career in the banking industry.

1 Why Communicate Face to Face? Why Not Exist Virtually?, Nick Morgan, Forbes Online, Nov 12, 2015.

2 John Searle, www.wikipedia.com



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