Luzerner Zeitung

Economy

No competition from robots

Alessandro Perucchi

Neobanks and investment robots aim to outperform asset managers with user-friendly services. The asset managers themselves, however, are not worried and refer to their unique qualities and expertise.

Asset management has a long tradition in Switzerland. Since the Second World War, business with private clients who do not wish to invest their money on their own has flourished. Asset management companies offer a remedy: For a fee, they invest their clients' capital to generate profits. One reason many people have their money managed professionally is to save time and effort. Clients do not have to deal with complicated stock market processes.

However, there are now products in the Swiss financial industry that are designed to simplify trading for everyone: On the one hand, neobanks allow for very simple investing; on the other hand, robo-advisors offer automated investment strategies. Is there still a need for traditional asset management in this context?

"Asset managers are often no longer needed"

For Markus Schwab, CEO of the neobank Yuh, it is clear: "We want our users to take their financial future into their own hands. As a result, a traditional asset manager is often no longer needed, except for very specific cases or large fortunes." Yuh was created in 2021 by Postfinance and Swissquote with the aim of offering all financial services in one app.

Neobanks are generally on the rise in Switzerland. They have no bank branches and only operate in online banking. They appeal primarily to a young clientele, attracting them with ease of use, multiple transaction options and low fees. Account management is often completely free, and even international payments can be made under favourable conditions.

Neobanks are making particular progress in trading: "With Yuh, our users can invest independently around the clock – with no custody fees and low trading fees of 0.5 per cent for securities," says Yuh CEO Schwab.

Asset management companies score with expertise

The idea that neobanks will displace asset managers is not shared by Pirmin Hotz and Benjamin Fuchs from Baar-based company Dr. Pirmin Hotz Vermögensverwaltungen AG. "Neobanks are interesting for investors because traditional banks have unappealing services", says Fuchs. According to an online survey by the comparison platform Moneyland, high fees for securities trading are indeed a major criticism levelled at conventional banks. For investors who want to invest independently, neobanks are certainly an option, says Pirmin Hotz. However, the investor must have a sound knowledge of the financial sector. With their eye-catching appearance, neobanks make investing look like a piece of cake, but some do not adequately highlight the risks involved in independent trading.

The managing partner of Zug-based asset manager Zugerberg Finanz agrees. For Timo Dainese, it is clear that neobanks cannot supplant asset managers. The perceived simplicity of trading through neobanks can be deceptive, especially if you are uninformed. This is where asset management comes in: "We achieve significant added value through our expertise and personalised advice. Our clients appreciate the opportunity to have their money invested just as the employees and management of Zugerberg Finanz invest theirs. We are all in the same boat, making the best possible decisions at all times."

In recent years, Dainese has witnessed significant changes in the needs of clients in the financial sector. These have also been influenced by neobanks and digitalisation, he says. "Clients are increasingly demanding transparency. They want clear information about fees and services so they can understand what they are paying for". At the same time, many are looking for tailored solutions that meet their individual financial goals and circumstances. "This requires in-depth analysis and personalised advising".

Recently, more and more robo-advisors have presented themselves as low-cost alternatives to asset managers.

Luzerner Zeitung

> “The customer needs trust, and a robot cannot provide it.”

Pirmin Hotz, founder and owner of Dr. Pirmin Hotz Vermögensverwaltungen, based in Baar.

Robo-advisors as an alternative to humans?

These are essentially nothing more than automated, algorithm-based financial services that offer customised investment strategies. Instead of using a personal asset manager, the client uses a robot to decide what to invest in. In Switzerland, there are now many options. One of the biggest is True Wealth. The self-proclaimed “leading online asset manager in Switzerland” advertises its robo-advisor as a low-cost and high-security service. Pirmin Hotz interjects: “The client needs trust, and a robot cannot provide that.” It is well known that trust is among the most important currencies in asset management. Robots may indeed have good technical skills, for example in investing. But they lack social skills, according to Hotz. “Many clients want to talk about personal matters as well as business.” This is not possible with robots.

Another advantage over robo-advisors, according to Fuchs, is the individuality of the asset managers. That is because the machines often offer standard solutions within the chosen investment strategy.

Customisation versus standard solutions

These cannot always be adapted to the specific preferences or circumstances of an individual investor. That is why Pirmin Hotz is convinced that robots will not replace personal asset management.

“We offer expertise, personal attention and a comprehensive analysis of the financial situation to make informed decisions and support long-term goals”, says Dainese. As with Hotz, trust is paramount for Zugerberg Finanz: “Personal contact and individual support are of central importance to us, because trust is built between people, not between automated solutions.” Asset management, says the company, recognises the specific needs of clients and achieves real added value. Zugerberg Finanz is therefore convinced: “Independent asset managers remain indispensable”.