The Australian Finance Podcast Episode Transcript

Episode: The Great Robo-Investing Debate
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Speakers: Kate Campbell & Owen Raszkiewicz
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Episode transcript:

Owen:
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Owen:
Bleep, bloop, bleep, Kate. We are talking robo advice, the great debate amongst you and I. What is a robo-advisor? Is it worth getting one? Who are they? Are they taking over the world? Welcome to this episode of the Australian Finance Podcast?

Kate:
Yeah, so we were having... We got a bit heated in our debate in the office last week about robo-advisors, and Owen and then I realised we had completely opposite opinions, and for very different reasons, our opinions were opposite. So we thought it'd be an interesting episode to have a chat about today. Just a bit about both sides of the coin and what they are, different ones

available in Australia. We've broken down some fees, so we'll give you a few examples of what the costs would be, some of the downsides and what are the other alternatives out there.

Owen:
And if you like this episode and you like us debating something like this, please let us know because we would love to do more of them, because they are a bit of fun. And we know that there are many different ways to invest, and no one of us is necessarily going to be right for the other person. We might change each other's minds, but getting to the bottom of this, I think, as with a lot of things in investing, I think we might conclude with, you can do both.

Kate:
Yeah. Like the good old property and shares debate.

Owen:
Yeah, just do both. It's the tortilla ad. Okay. So bleep, bloop, bleep, robo investing, robo advice. Is there actually a robot sitting behind the keyboard when I go to one of these things?

Kate:
Yeah, totally. They're just sitting there crunching the numbers. Not really. A robo advice often used interchangeably with robo investing, essentially, it's a platform where humans are deciding the... at the moment, it's just exchange traded funds making up these portfolios. They'll say here's five different portfolios. We'll have a conservative, a balanced, a high-growth, et cetera. And humans, usually an investment committee, or hopefully someone with some experience, will put together these portfolios, maybe five to seven ETFs that give you exposure to Australian companies, Australian property and infrastructure, a bit of overseas property and infrastructure, plus overseas companies. Maybe there'll be some exposure to bonds, some exposure to cash. And then some of the robo-advisors may give you exposure to emerging markets. And one of the robo-advisors gives you exposure to gold.

Owen:
Yeah. That's a quite controversial thing. I should probably stray away from that debate today.

Kate:
It's true that if you want to listen to a debate about gold, we did an... Well, not me, Owen did an episode a few months back on the Australian Investors podcast. So we won't talk about gold per se today.

Owen:
It was more like just a general... I would... anyway. Let's not go there. Okay so...

Kate:
And yeah, with these portfolios, they show humans design the portfolios and the aim of the game is the rest of the process is fairly automated. So if you set up an account with them, you may go through a quiz saying, asking, what do you feel about losing some money? And it will try

to ascertain your risk profile. Are you comfortable having your money invested for a longer period of time, or are you a bit risk adverse, and do they think you are more suited for a conservative? So you'll go through this online quiz in some of the-

Owen:
Like a risk profile.

Kate:
Yeah. And then the computer, based on whatever's-

Owen:
Bleep, boop, bleep. Yep.

Kate:
Whatever's been programmed in by humans will spit out and say, we think based on your answers, you're suited to a high growth portfolio. And then you can go, hey, that sounds right, or they'll give you the option to change. And then you can set up the portfolio. They'll open up a brokerage account for you. And most cases, a cash management account too. And then they'll say, hey... They'll do all the ID checks, all of the normal things you have to do to open an account, and usually that, for most of it, it's pretty automated, which helps keep costs down. And then you'll just send them the money to the bank account. And then part of the automated process there is that the system will say, hey, the money's been received. You have set up a high growth portfolio, we'll take the money and we'll buy those ETFs for you on your behalf. So you don't have to go into the brokerage account and hit buy this ETF, buy this ETF, buy this ETF. They just do it all for you.

Kate:
Most of them cover brokerage. And then you can just add money on a regular basis, and they'll keep investing it for you based on that portfolio. So that's kind of the robo side of it, is the automated purchases of the ETFs for you to match that portfolio you're in. And they'll often include some tax reporting too so that just combines all of the ETF tax statements into one document so you can give to your tax agent. And then you usually can call up someone in their team, but they're not, as far as I know in the major ones in Australia, they're not financial advisors. So they can only give you general advice on the product. They can't tell you, oh, we think you should change and do X, Y, and Z with your money.

Owen:
Yep. Okay, wonderful. So I could download the app or go to the website, answer a bunch of questions, and then it's like, beep, boop, bleep, here is Owen. He's a high risk investor. We're going put most of his money in shares versus bonds or cash or whatever the heck they're investing in. And then I go through the process, I give them my bank details. I send the money to them and they set up the account for me. I send $10,000 to them, hypothetically, and then they take my money and they invest it into the ETFs for me. Okay, cool. So this is different than if I was investing with SelfWealth, ComSec, SuperHero, Stake, all these other ones that, where I

do the same application process without the risk profile. So I don't answer questions about this is my goal, blah, blah, blah. I just put the money in and then I do the buying and selling myself.

Kate:
Yeah. So if you're just using your own broker, like ComSec or SelfWealth or Stake, you're having to go, hey, I want to buy this ETF. I'm going to go in and place an order. Whereas with a robo-advisor, they're going to place these orders on your behalf. And so when you sign up through the account process, you give them authorisation to make these purchases on your behalf in your name.

Owen:
So that is your opening argument. I have taken-

Kate:
That wasn't an argument. That was just the summary of what they are and how they work.

Owen:
That's very competitive of you. Okay. Emotional. I'll take that down.

Kate:
Of course, they take a fee for that which is... yeah. I guess, well, to start off, I'll talk about maybe-

Owen:
Do you use... Let's just jump straight to it. Do you use robo-advisors?

Kate:
Yeah. I have for about three and a half years now. I've been using one robo-advisor.

Owen:
Good experience, bad experience?

Kate:
I think, personally, a great experience. It's done well for me. I guess some of the things that I was telling you last week when we talked about it, some of the reasons why I like it is it's very hands-off. It keeps my mitts off my investment. And because I use that core and satellite approach that we've talked about in the past, I can use this as the core of my portfolio. And I don't know, I'm kind of... not emotional, but when I see that my investment's gone up a lot, it's very hard to not touch the account.

Owen:
What would you do with the money if you did? That's just an objection, by the way. Just throwing it in there.

Kate:
Do something else with it. It's more that I know, personally, my experience investing directly in shares. It's very hard as I watch it go up not to touch it.

Owen:
What about when it goes down? How do you feel when it goes down?

Kate:
I don't... that doesn't really bother me.

Owen:
Really? So most people are kind of the opposite. Most people are like money, money, money, keep it in there, watch the thing go to the moon. And then they're very, very scared when it goes down. And so you're the opposite you get, what's it?

Kate:
Yeah. I just... watching it go up I'm like... It's not even like I think it's going to stop going up at some point. It's just that I think it's, yeah I just should sell it. So for me, over the last three and a half years using a robo-advisor, it's kept my hands off it. I've been putting money in on a quarterly basis, so I've been able to regularly contribute to my investment. The robo advising platform has covered the cost of brokerage, so-

Owen:
That's a big one, right?

Kate:
Yeah. Yeah. The management fee of the robo-advisor included the costs of brokerage. So for me, putting money in on a quarterly basis to have to buy these five or six ETFs myself in my ComSec or my brokerage account, that would have cost quite a bit to do on a regular basis, to buy all of these. And I know we've talked about different strategies like buying one, one quarter, buying another the next, but for me, it's really worked and it's helped me avoid decision fatigue.

I'm very much, it's part of what I'm doing for work and the podcast. I'm always researching different financial products and seeing new things come onto the market. I'm getting the emails of new ETFs available. I'm investigating different fund managers on different investment strategies, reading different books. So I've always... new things are popping into my mind. I'm like, hey, I should try that. And that's something I did at the very beginning of my investment journey about five years ago. And it just ended up-

Owen:
A mess.

Kate:

A mess. It was a mess at tax time. I didn't know what I was doing. If you just keep changing, you never actually get anywhere. You don't get ahead.

Owen:
That's the secret to compounding. It's very powerful. Don't interrupt it.

Kate:
Yeah. So for me, it really helped with that decision fatigue. Maybe it might be a little bit different back then because I've had a bit more experience, but it did get me started. So I guess in summary, my argument would be that it's automated and hands-off, it reduces decision fatigue because you're not having to make a new decision of what to buy each time. You just go, hey, I'm happy with this portfolio, I'll just put the money and they'll make the purchases for me. And it makes financial sense for me, including brokerage. Over to you.

Owen:
Over to me. Well, okay. Very good introduction and opening debates, Kate Campbell. So we've got a hands-off. It's keep your mitts off, and I'm just picturing you with mitts from cooking. Hands off it.

Kate:
I thought that was like a mitts-off approach.

Owen:
Yeah. Decision fatigue. I guess analysis paralysis, all these different things. I'd imagine someone going down to the supermarket aisle and there's 250 different versions of baked beans, and you're like, they all look the same to me. Which one do I go with?

Kate:
Yeah.

Owen:
Yeah. Cool. Good reasons. Now I'm going to start off with, this is like a classic. I'm not a racist. No, so-

Kate:
Owen.

Owen:
No. Here we go. I'm going to start off with, I don't hate robo-advisors. I don't hate them. However, I want to just be real and say that if you are more hands on, like me, and you are reasonably engaged with your investing and you have a good temperament. So there's three big hurdles. You're engaged, you've got a good temperament and you have the knowledge. I don't think they're worth the time. I just don't think they're worth the time. Now, so we know from your

opening statement, it does a risk profile for you. So you get to the bottom of what a kind of financial... This is where that robo advice comes from, because they do the risk profile. This is-

Kate:
Yeah. So if you have no idea what your risk profile is, because you've never thought about it before, it does give you a starting point.

Owen:
Yep. Yeah, exactly. So risk profile. That's one thing it does. And this is all under my chicken scratches down here. You can't see this podcast listeners, but I've actually been taking notes and under the headline easy-

Kate:
It's like debating back in high school. Oh my gosh.

Owen:
Yeah. Under easy, I've got number one, risk profile, number two, automated, number three, they give you the app and your ongoing access. So you can see things. It's pretty cool. It's intuitive. It's you know, the UX is great. And number four, which I think is a big one, is tax. It makes tax time easier.

Kate:
Yeah, I didn't mention that, but that is definitely another benefit, especially because I have tried to simplify my tax affairs over time and not try too many platforms, but I've ended up trying a few more in this last year. So having a simplified report that I can give to my accountant is helpful.

Owen:
Yep. And that, if you do your tax yourself, like I do, it's obviously free because you don't pay anyone. But if you have to use something like Share Site or you have to pay someone to do it or whatever, if you're a day trader, well, this is not the conversation for you, but if you were then the tax burden would be enormous. So I understand the tax angle and what really gives me the irrits is how long it takes ETF providers to get your annual tax statement. They're just like... Now, it's a lot more-

Kate:
Yeah, so they have to, the robo-advisors have to wait on those ETFs and tax statements. So usually it can be a few months after the end of financial year to get your consolidated, because they-

Owen:
It's annoying because you want your tax return. You want the tax monies on July 1, and that's... yeah, frustrating. Okay. So let me step through each of those four things. As someone who doesn't use a robo advice platform. Risk profile. There are many different free risk tools that you can get online. A very standard risk profile is 60/40. 60% shares, 40% bonds. Now, I'm not

saying go and invest in that. I'm just saying, that's, historically that's been a balanced fund. You can just go and copy what's inside one of these things, like a super fund or follow your favourite investor, whatever you want to do. So that's the first one. In Australia, you have to have a particular finance licence to do a risk profile. So oftentimes it's always the dot com websites that give you a free risk profile, but you can find them. They're out there.

Owen:
Number two, it's automated. 100% robo-advice is great for this. It's automated, but you can automate other stuff as well. You can automate managed funds, index funds. You can automate money going into your brokerage account, which is great. You can just say, first of every month, 1000 bucks goes in, 500 bucks, whatever you want to do. The problem is you still need to invest it once it's in there in your brokerage account, but you can do it, manage funds. You do it with a managed fund as well.

Kate:
Yeah. I set up a while ago, regular contribution plan of a couple of hundred every month. So, that just happens without me having to think about it. And those approaches have actually... having the robo-advisor and having a regular contribution plan on a managed fund is actually being the most successful, even though arguably the fees are higher. They've been the most successful approaches for me because they have been hands off and they have been consistent. And my approach to all the other areas of my finance has not been consistent.

Owen:
Well.

Kate:
So from my four or five year anecdotal evidence.

Owen:
But you are getting better with this. You actually started to follow, there's an in-house joke that Kate has a big, bold, ambitious plan to buy something, I won't lift the lid on what it is, in quite a few years. And she's using some of our team's recommendations to get her there and there's been a few good ones. So, well done.

Owen:
Okay. Number three was the app and having ongoing access. It's cool. I've seen the apps. I don't use them myself, but I've seen them. You get to see your balance instantly. Some of them even have roundups. You can do all these different things, which is great. It really is. Many of the stockbroking apps are good, but I've deleted all of them from my phone. It's too risky. It's too easy to move money. That's the problem. That's why some of the big robo-advisors in the U.S., I don't know if they do it here in Australia, they actually block you from that. You can set rules to block you from making trades on certain days. So like, if the market's down 3% today and you're freaking out, you can actually set a rule in advance that you're not going to sell on that day.

Kate:
Yeah. My robo-advisor, I have to actually contact them if I want to take money out of the account, or if I want to close it down. There's no button anywhere on the platform that says close this, give me all my money right now. So there is that layer of friction, which has been quite beneficial for me because I find-

Owen:
And for them too.

Kate:
Yeah. It's good for them. It's beneficial for them. But it also is beneficial for me, being that with my brokerage account, since it's still on my phone, it's just a picture of my face away from going in and just hitting sell. Like, there's not even a second level pin, which I know some of the other brokers have. So maybe I do need to add some more friction there and just take it off my phone altogether.

Owen:
Point number four, tax. Tax is a nightmare for a lot of people who don't understand the difference between dividends and what are franking credits, short-term capital gains versus long-term capital gains. It can be a bit of an annoying thing. If you are an investor, like myself, who doesn't do a lot of trading, even though I'm an active investor, don't let that fool you, I don't actually transact that often. I maybe make 10 trades a year. That's buy and sell. Maybe a few more. Maybe say 15, let's say, but most of them are buys. I don't trade that often. So for me, tax is actually pretty easy, but I understand it does get complicated. So I've pretty much gone through here, and I haven't had a debate point. But what I would say, in summary of this thing here for the opening statement, Kate, is, how much does it cost you to make your life convenient?

Kate:
Yeah, so we can talk about fees. You're also going to have to include your ETF management fees, which if you buy your ETF yourself and actively manage it, you're going to pay that as well. It gets-

Owen:
So if you go and buy A200 or VAS or whatever.

Kate:
Yeah. They're going to take the management fee. So VAS management fee of 0.1% per annum. So they take that directly out of the ETF. So you don't get an invoice, you don't get a bill. The robo-advice is not going to send you a notification. It's just going to happen.

Owen:

Yeah, because the robo-advisors, think about a little robot arm on top of the ETFs, picking the ETFs below, like Pinocchio's just kind of moving it below, but they don't actually control what the ETF charges. They only just select the best ones that they think are the best at the time.

Kate:
Yeah, so they pick an assortment. They might have something from Vanguard, something from BetaShares, something from SPDR, whatever it is, these ETF companies are still going to take their management fees. So that's something that you're going to have to factor in. So if we look at, I've just sort of taken the three major options, I'd say, of robo-advisors, one's a little bit different, but anyway, so I've got Six Park, StockSpot and InvestSmart. So the first one I'll go with Six Park. So the fee's inclusive of brokerage. So when you're getting started, that was something that I considered. I mean, in the last three and a half years, there's more brokerage platforms now that offer a lot lower cost brokerage, but...

Owen:
Back in the day it was ComSec or nothing.

Kate:
Back in the day. I was around $20 per purchase regardless.

Owen:
So if you were putting 500 bucks in, that was pretty onerous.

Kate:
Yeah. And some of the brokers now have, like ComSec, have introduced it's cheaper. It's only $9.95 under a thousand dollars, so there's some advantages there and there's SelfWealth with their flat fees. And from $5000... Oh, and that's probably something to note as well with robo-advisors. They have a higher starting amount. So you can't just-

Owen:
So the fees, if you have less, let's say, let's use round figures, 20 grand, the fees are going to be a bit higher.

Kate:
But what I was meaning is if you only have $500 to invest, most of these platforms won't be for you. They have $5,000 minimum.

Owen:
Oh, they have minimums. Right. Okay.

Kate:
Yeah, so that's probably a disadvantage if you're just getting started with investing, you may not even have enough to meet the minimum initial investment. And it could take you quite a bit of

time to accrue that. So that's something to consider, but okay. For fees for Six Park, will go from $5000 to $20,000. It's $9.95 per month.

Owen:
So that's if your balance was 5K to 20K. So if you pop 15 grand in, you're going to pay a flat fee of $9.95 a month, 120 bucks a year so.

Kate:
So in this case, it's actually, the fees are higher for people with lower balances. So they're trying to encourage you to head up. So from $20,000 balance up to 200K, it's 0.5% per year.

Owen:
Okay. So if you had 20K and you're paying 0.5%, it's 100 bucks, so there's a discount for investing more.

Kate:
So if you calculate that-

Owen:
If you had $19,999, put an extra dollar in, then you'll save money. Yeah. Okay. So 100 dollars a year.

Kate:
Because it does cost these companies more for lower balances, because they're still having to pay brokerage fee.

Kate:
They may be able to... These companies can often negotiate wholesale brokerage costs down, well past the $10 or $20 that we're seeing. But at some point, they can't go much lower and there's set fees from that, the ASX charge fees and there's lots of people taking a bit of a cut that there's a point at which, if you're using a holder identification number, so they're giving you your own holder identification number, there's only so low the fees can go. Whereas if you're seeing some of the custodial models, like what are some of the options? Like SuperHero...

Owen:
Does Vanguard do it?

Kate:
Yeah, on their personal investor platform. They can cut the fees down a lot lower if they're putting it on one group HIN using a custodial model, because everyone's sharing the cost of the brokerage.

Owen:
Okay. So the next option is StockSpot.

Kate:
Yep. So Stock Spot have taken a little bit of a different approach with their smaller balanced customers. So if you're investing $10,000 or less, it's only $5.50 per month, but still a flat fee.

Owen:
Okay. Let's say if you got 20 grand to make apples to apples, Six Park was 100 bucks, I think. Yep.

Kate:
Yeah, And so for StockSpot from $10,000 to $50,000 at 0.66% per year. So it is a higher fee on that balance spot. So example, $20,000 portfolio is $132 per year.

Owen:
Okay. Interesting. Okay.

Kate:
But they are different. I mean, Stock Spot actually have a phone app, Six Park don't. Stock Spot use gold in their portfolio, whereas Six Park have a different approach. They both have risk profile quizzes. They both have a whole team building these portfolios and Stock Spot have a bit, some other functionality of larger balances. But it's definitely interesting. And you can compare, if you're putting higher balances, if you like investing over 200K, there's even lower fees. So it's worth having a look at if you are interested. And then both of these include brokerage. So that's something to keep in mind.

Owen:
Yeah. Totally. Now Invest Smart. Invest Smart. So it sounds like a very good name. By the way, speaking of names, I don't know what Six Park actually means, that name. I don't know where that come from. Do you know where that come from?

Kate:
Yeah. I read it was Pat, the founder, he grew up in the U.S. and that was, I think, his home or is this where he lived or his grandparents or his parents lived. I saw an article a few years ago. There was some meaning there.

Owen:
Okay. So number three, InvestSmart, which I can understand why they chose that name.

Kate:
Yeah. So their products a little bit different. I don't know if you'd call it robo-advice, because they don't do the risk profile and they don't allocate say, we recommend you do this. You can mix and match between their portfolios, but they do have a range of different risk profile portfolios. And they're made up with ETFs, so they're slightly similar, but it doesn't include brokerage. So that's something to keep in mind as well, because brokerage-

Owen:
So you would be say, if you got an example here, a 20K portfolio, it's $110 plus brokerage, which might be, say six ETFs at $5.50 brokerage.

Kate:
Yeah. So you might be from $18,000 to $82,000 at 0.55% per year. So in between the other two, but your... So that 2$0,000 portfolio, $110 per year, and then you're paying $5.50 per ETF in brokerage. So if you do, yeah, if you do that six ETFs, you do it four times a year, that's around $132. So you're going to have to, if you want to invest on a regular basis, you're going to have to include the cost of brokerage there.

Owen:
But again, this is where it comes back to knowing the, actually going to the website and looking at it, these are all things you should read. We're just doing a summary here for our debate. But you can actually go online, because they actually cap fees at a certain level too, so you can go and check that out.

Kate:
Yeah. Some of these products can become better or worse as you have a higher or lower balance. And it depends on their business model, some of them are trying to capture the small customers in, or they might be focusing on getting the big fish. It's definitely interesting to compare based on what you want. And you can also even have a look at the, on their website, they publicly put out the ETS they use in their portfolios, which I have recommended in the past. It's a good way to find how a company structures a diversified portfolio if you are getting started doing it yourself, is just having a look at how they build their own portfolio. It's a bit of a cheat strategy to look at what the experts have put together.

Kate:
And then another option is, I don't think I'd call it a... It's a bit different, but something like Raiz Invest that allows you to invest small amounts. They do a similar thing where you can, maybe not the risk profile quiz, but you can choose to invest in a high growth or a conservative portfolio. And it's made up of a diversified mix of ETFs and it changes on your risk profile and you can put the money in and they automatically invest it for you. It's in sort of a more of a fund like structure, having it in your own, it's not under your own holder identification number per se. But I mean-

Owen:
It's very popular for smaller balances.

Kate:
Yeah, and it does a similar thing. So if you have used Raiz Invest, you might be used to seeing the round circle with different parts of the pie called different ETF names.

Owen:
Okay. So we've talked a lot about that. Very convenient. There are the fees from the examples, ranging from say 100 bucks up to say 130 bucks. Now, downsides, we've got some downsides here. You've said, one of them is you can just do it yourself. You can DIY your ETF investing. You said, you can go and check out the portfolios. Now I've got to be careful here, because I don't want to say that I'm against this just because we have something that kind of is a solution to this. But listeners of this podcast are also our members at Rask ETFs, and they know that we've created model portfolios or just very simple, follow it in your own brokerage account style stuff. And I do think that that is a better way to learn when you're actually doing it yourself. It's cutting out the middleman, but it's yeah... there are many different angles to this.

Owen:
But you can just do it yourself, which is another way to learn. You've actually got some great downsides here of robo investing, because it's pretty much my point that I'm going to say further down, you've also got less control. So by going with a robo-advisor, you're at the mercy of whatever ETFs their investment committee chooses, which for the most part is pretty good.

Kate:
Yeah. But if you suddenly decide I want to-

Owen:
Ethical option.

Kate:
Yeah. Well, some of them are introducing that now. So you might be able to change portfolios. There may be tax events caused though, but if you decide you don't like one particular, one of the ETFs in the portfolio, but you're happy with the rest, you can't just change one particular bit of the portfolio.

Owen:
Like, you could in a brokerage account. You can just sell one.

Kate:
Yeah. So there's less control and maybe you might want to invest on a more regular basis. Some of them have caps or you might have to pay if you exceed a certain amount of regular contributions in a year. So really, yeah, it comes down to how much control do you want to have, and also one of the other things is it can be more expensive. So based off the fees we talked about before, if you're looking at something like the, I know Owen's mentioned on the podcast before.

Owen:
VDHG, the Vanguard High Growth Diversified ETF.

Kate:

Or even another option now, which is-

Owen:
The BetaShare's ethical.

Kate:
DZZF. Yeah, BetaShares Ethical Diversified High Growth ETF, a bit of a mouthful.

Owen:
I'm not sure if it's diversified because it's only shares. But hey, I mean, now we're just poking.

Kate:
But even just something like VDHG, the management fee's 0.27%. So you're paying, if you've got $10,000 invested, you're paying $27 each year in management fees. And let's say you've had your flat fee brokerage, you're $9.50 and you're purchasing some more VDHG four times a year. That's about $38 in brokerage.

Owen:
If we're comparing apples to apples for a good brokerage account, there's no ongoing account fees. So zero as opposed to the 0.5% or 0.66%, or whatever it was from the robo-advisors. But you still have to pay brokerage to get the ETFs into your account, which might be, say $38 a year, if you make four of those at once every three months. Yep. Okay. That's for both of the ETFs. They're both the same price. Well, they're about, aren't they? No, I'm sorry, the ETFs are a bit more expensive. Sorry. If you didn't have the management fees on top. So this is kind of like a pre-mixed solution. So this would be like you buy straight into the ETF and it's already got the diversified aspect for you. So if I go back to my four easy point of a robo-advisor, if you just skip the risk profile part, you can just jump straight to, this is the ready-made portfolio for you. You just got to know which one you want. And if you know which one you want, then you'd save money by doing this.

Kate:
And you could just say simple strategy, I'm going to put a thing in my calendar each quarter to invest another thousand dollars in this diversified ETF. And I'm just going to stick with one simple strategy and do it on a quarterly basis. And then, I mean, if you're just comparing them like that, it does become cheaper to use the ones called the single solution. But then is that what you want? I mean, I think you talked about a question similar along these lines a few weeks ago about thinking about tax considerations and changing risk profiles, and you have a lot, I would say, maybe even less control if you're in a single ETF

Owen:
Back when we had the first of our ETF subscriptions at Rask, we had three ETFs in there. This was back in the time, so this has changed now, keep this in mind, that's the disclaimer. We had VTS, which is the Vanguard US Total Shares. We had the VAF ETF, which was the bond ETF. And we had the A200 ETF from BetaShares, so they've changed. So just get their mind. But

when we had that, the reason why we said to people to have those three was because you could invest in one this month, one next month and one the month after. And you could just do that, right? Because that would still give you control because then you would, if you wanted to get rid of one of the ETFs in a few months, because it was no longer up to standard, you can just get rid of one and there's no kind of real big tax implications.

Owen:
But with the Vanguard, with these diversified funds, they're called diversified ETFs, just FYI, these ready-made ETFs. You can still incur tax when you get dividends or distributions, or if they do some adjustments like rebalancing. But the thing that gets me, Kate, is this the thing with finance, as your balance gets bigger, some of that robo-advisors, or what we've termed as robo-advisors, do get cheaper. But if you have a bigger balance, so maybe you've got 20 grand a day, but in three years, that grows and you've put more in, you've got 40 grand, then what happens to the economics? And so that's when, I'm going to say economics. What happens to the fees? It's the finance jargon.

Owen:
What happens to the fees then? So if you go with one of these today, you've got the 20K balance, you're doing your modelling, you're like, I'm willing to pay the extra 70 bucks for that convenience around tax time and whatever. But then if that grows to a lot in the future, then you're still going to be paying that management fee, but a higher management fee. You're going to be paying more and you're still in it. Whereas with these, some of these ETF providers are actually going down in fees. They're going the opposite way and there's no ongoing fees from the brokerage account. So, that's something that I think about a lot.

Kate:
I'll just point out one option there. If your balance does, like in five years time, you've got over $100,000 and you're saying, hey, it's not worth it to pay the management fee of the robo-advisor, in most circumstances, because those securities are in your own name, you can request and do an in-specie transfer and you can put it... You can move all these ETFs that you've built up over five years into your own brokerage account. And suddenly you're responsible for managing them and you're not paying the management fee. And that's something that you could do over time as you build your confidence, as you know what you want. You can then, yeah, transfer them out and then manage them yourself.

Owen:
I think this is, we're coming to the end of the show, but one of the things, this is recap the options here. You can DIY your portfolio. You can get a robo-advisor, which I've got it under my list. And the headline is easy. It's simple, it's easy. You can just go into the app or you can go online and you can create one of these accounts, kind of like do-it-for-me approach. You could also do the same thing through a financial advisor, but it is going to cost you more. They have full advice fees and they have to pay people and stuff like... They're really good. Financial advisors are great if you have a larger balance, you got a complicated tax situation, all those types of wonderful things. That is another alternative.

Owen:
But basically we have, you can DIY it, which is more along the lines of what I do. You can use a robo-advisor, which is what... kind of Kate's camp. You can see a financial advisor. Now there are pros and cons to each of them. As Kate laid out, there are certain pros, there are certain cons to robo-advisors. There are pros and cons to being an individual stock investor, to being an ETF investor, whatever. There are certain pros and cons to investing via super. They've all got pros and cons. One of the things I will say, if I can say one of the negatives that you probably don't think about if you want to invest similar to the way that I do is that most people probably don't have the temperament for it. Even though it's ETFs and even though you do your research into shares and all that, a lot of people just simply don't.

Owen:
Now we do a lot to educate people around that. I still think it's the best way to create wealth is to be hands-on. Absolutely. I believe that. But at the same time, if you're the type of person that couldn't give a rats about investing, like you listen to this podcast because you kind of have to, you set yourself a goal, then probably a robo-advisor or your super fund is probably a good option. Yeah, by the way, you can just put it into Super if you really wanted to.

Kate:
Yeah, but then you have even less control on getting it back out, except during Covid.

Owen:
You do. You do, except when you do. Yeah, a bit of shenanigans.

Kate:
Yes. So I think there's some really strong points on either side. And it really comes down to how hands-on you want to be at the end of the day and thinking about your own behaviour and your psychology and your approach to your investments, and whether you're someone who in the past has been able to set up a solution and commit to it. And you know that you're not going to be tempted to touch it or get distracted by the next shiny object. And I'm probably definitely the person who gets distracted by the next shiny object. So for me, for the core of my portfolio, a robo-advisor has made sense over the last few years. But you can change your mind and things can change in the future. So if in the next five years, my balance keeps growing and fingers crossed and it suddenly becomes more sensible for me to manage it myself, well, that's an option as well.

Kate:
And I can change that in the future if I want to. Yeah, it really depends. And I think it's, as with everything in finance, it's an individual decision, but yeah. Think about how you behave, think about the fees, make sure you do the research and understand the products and look at the alternatives. Always look at the different sides to the picture. What are the arguments against robo investing? What are your alternatives? Such as building it yourself, just copying them,

getting inspired by them, or just buying a premixed ETF is another option that's popped up in the last few years.

Owen:
Yes, it is. I'm just going to get some numbers up here, Kate, because I think we have two ways that we can help people. The first way is if you want to get out there and learn about ETFs, you should know that our most popular course of all time, and I'm just trying to get the numbers up while I'm talking to you. But our most popular course on our Rask Education site by far, by the longest way ever, is our ETF course. It is-

Kate:
Yeah, which is free. It's one of the OG courses on Rask Education.

Owen:
Yep. It certainly is. And it's yeah, and this is the thing. It teaches you all the essentials. So you need to understand what ETFs are, the fees, where to find certain things. I can't find the numbers off the top of my head. It's got to be well over 2000, maybe 3000, I'd say, well, over 3000, 4000 students have enrolled in this course, because there's a lot of reviews on the course.

Kate:
And it will give you the confidence to manage your own portfolio, or if you choose to use another service, it'll give you the knowledge of the right questions to ask, which I think is really important. Because if you don't understand the fundamentals, even if you do use another provider, you might not know the right things to ask, the right information to look for. So I think it's really important to understand the basics before you do anything.

Owen:
And so that's our ETF beginner's course. You can find it on Rask Education. You can see all the reviews from people there. You'll get a heap of different... Like, one of the videos that we have in there is how to build a portfolio from scratch. So if you want to know the bare bones of how to DIY it, you can go there. If you want to join our membership service, you can. It's called Rask ETFs. You can find the four model portfolios that I've created, but we'll also have links in the show notes to all of the different ETF providers so you can, not ETF providers, robo-advisors, so you can go and find out more about them too. If you have a good or bad experience with any of these, we would love to know what you think. Just let us know in the Facebook community.

Owen:
Yeah. Again, we don't, other than the service that we own, we don't get any money or any type of perk or incentive from recommending or talking about or mentioning products. That's a fundamental difference between The Australian Finance Podcast and many others, which we won't name, even those that aren't podcasts. You're just getting the straight up what we think. And if you have an opinion, that you agree or disagree, let us know in the Facebook community.

We'd love to hear what you have to say. It's as simple as that. And I think we can all say that I did win this debate.

Kate:
Absolutely. Of course he did.

Owen:
You did all the heavy lifting.

Kate:
Just because you wrote down some dot points.

Owen:
You definitely did very, very well with this, Kate. If you like this episode where we take two competing perspectives, we might even call them devil's advocate episode.

Kate:
I think we were very softly competing. It was a very nice debate. Nothing like American politics, but...

Owen:
We'll let the people speak. So you guys let us know who won. I think you're going to say Kate, but that's okay. Thanks as always, Kate. A very special thank you for this episode because it was so much fun. And thanks for joining me on this episode of the Australian Finance Podcast.

Kate:
Thanks for listening everyone.

Kate:
Thanks for tuning in to this episode of the Australian Finance Podcast, where our mission is to improve the financial futures of all Australians. If you'd like to learn more, create a free account at rask.com.au/account to download free episode workbooks, bonus resources and take our amazing free personal finance courses.

Owen:
You can also join our online community by following the link in the description. If you enjoyed the show, what we'd love is for you to leave us a snappy review on iTunes, and you can follow us on Twitter and Instagram at Rask Australia. Kate and I are also on both of those channels. Finally, if you have any feedback, suggestions for episodes or guests to come on the show, or you just have a question for us, shoot us an email at podcasts.rask.com.au.