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A robo-advisor is a digital platform or mobile app that uses computerized algorithms to provide automated investment advice and portfolio management services with little to no human supervision. As these types of tools become increasingly common and popular, it is important to understand how their services may differ from those provided by a human financial advisor.

If you're considering working with an advisor to help you manage your personal finances, you might be wondering whether to use a robo-advisor or a human advisor. Here are a few things to know so you can make an informed decision. Traditionally, a financial advisor is a person or firm that provides expert guidance on financial matters such as tax planning, Debt management, investment portfolios, and retirement income strategies.

Some advisors are also licensed to sell financial products like stocks, bonds, and insurance policies. One important difference between a traditional advisor and a robo advisor is how they select investment strategies. Typically, your relationship with a robo-advisor will begin with a get to know you quiz to assess your goals, risk tolerance, and time horizon.

Some robo advisors may let you skip this quiz to self-select your investment strategy. With a traditional advisor, your relationship will begin with an open-ended conversation about who you are, what you enjoy, what you want for your future, and what obstacles you think may get in the way. Then, the advisor can help you make a financial plan and select an investment strategy that is customized to you.

If you need or want to make changes to your plan, you can. You have someone to call and discuss options with, instead of having to make a decision on your own about when to change your approach and how to do it. Some of the biggest benefits of robo-advisors are that they're available on demand and they're usually less expensive than traditional advisors because they have lower overhead costs.

However, robo-advisors also present potential challenges. For example, they may not be able to account for the nuances of your personal financial situation.

Also, robo-advisors typically offer only a limited set of investment options. Generally, a human advisor can access a wider range of investment vehicles.

In terms of services, a robo-advisor can provide data driven analysis, personalized portfolio construction, automatic rebalancing, tax loss harvesting, and low cost investment products. A human advisor can provide these things as well. The difference is that a human advisor applies their human judgment on top of these computer driven calculations to build a unique financial strategy just for you.

They can also help you stay focused and grounded during times of economic uncertainty or market volatility by providing expert perspective and emotional support. To decide between the two, first, you should identify your financial goals and what you want from an advisor.

Next, consider how much support you need in managing your investments and your financial planning needs. If you prefer a more hands off approach, A robo-advisor may be a good fit for you. And if you want more personalized guidance from a financial professional, a human advisor could be the right decision.

Ultimately, the answer depends on your individual preferences. Need help deciding? Call CAPTRUST.

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