WealthTech Insights with Andrew Rudd: Few Digital Advice Products Come Near what Individuals can Provide

This time we are talking about Andrew Rudd, CEO and chairman at Advisor Software (ASI), and our wonderful meeting with him. ASI is a long-standing financial advisory platform with a rich history and an extensive line of products. Andrew was kind enough to share his thoughts on up-to-date WealthTech trends, as well as how historical processes have shaped the current market conditions.

[Andrew Rudd](#), **CEO and chairman at** [Advisor Software (ASI)](#)

*Andrew is not just a businessman. He graduated from UC Berkeley, where he got two master's degrees and a PhD in applied math operations research. His dissertation was on option valuation and the portfolio effects of options. While pursuing the career of a scientist he met Professor Barr Rosenberg, and together they started their first company in wealth management—**Barra, Inc**.*

Notably, it was in the '70s that Barra became one of the first such tools ever and the first WealthTech solution in Andrew's career. Currently, he runs another wealth-management platform, ASI, and a sister company, Advisor Partners, with nearly $1 billion under management. During our interview, we focused on the modern problems of running a business in the WealthTech domain, evidenced by these two companies, as well as future trends.

The historical impact on digital advisory

Andrew and his team stood at the roots of modern technology, so it is likely they influenced its path to some degree. They came to the digital advisor platform model in an evolutionary manner, in the same way that the market develops naturally, and went through several stages to get where they are now.

Barra Inc.

At Barra, they were doing a good mixture of theory analytics and practice. They built a global company and effectively sold a variety of analytic products ranging from risk to some fairly innovative performance-measurement applications. They had a pretty intricate set of tools and sold a wide variety of different applications around the world.

Quantamental consulting projects

After working for almost 30 years at Barra, Andrew made an exit and set off to explore the world. He did a number of interesting consulting projects in areas such as real estate, as well as one for a quantitative group who wanted to build a diversified portfolio for movies (previously considered an impossible task). Finally, Andrew realized that he wanted to build interesting things through his own efforts, and ASI was his way to achieve that.

ASI

The first client of ASI was a small brokerage firm located close to Seattle. For 18 years (since 2000) they followed the company and it became one of the first real B2C robo-advisory platforms. It made great strides and was sold to Fortis, then Capital One, and then E-Trade. The system included a portfolio model and ETFs.

> "They've been [our] clients since the beginning and it was a pretty complete robo in terms of the way people think about it now."

The next important stage in ASI's establishment was in 2007, when they did development for Citibank:

> "We built what I consider [to be] the first complete true digital advice offering so it had tax considerations. It had a complete goal structure [and] so one of the things that's unique about what we have done is that we typically use goals as a very important motivator in the solution."

At present, Andrew is working on systems that automate advisors' activities and that provide new developments to facilitate business using science.

Behavioral task is underrated

Andrew is upset that today there is not much interest in the behavioral task. The behavioral model can reveal which of the other models works best and, for example, whether a state of market turbulence is going to cause people to sell up. Andrew says that at ASI they have built a couple of tools on top of the behavioral model, but they struggle to sell them:

> "The trouble is it's quite hard to sell right now because everybody says, 'I've got my own risk-tolerance questionnaire. I've been using it for 20 years. Why should I pay you $100,000 to get something [that] you say [is] better, but maybe it's not going to get me enough clients to pay the bills.'"

Meanwhile, Andrew says that it is hard if you are only providing a risk-tolerance substitute without adding any other valuable features. This is why he thinks it is vital to provide multiple-feature solutions, like digital advisory platforms, as well as trying to implement additional tools that make it possible to get answers to questions that regular risk-tolerance practices cannot provide.

Predictive analytics and behavior

According to Andrew, behavioral models can also realize the idea of using predictive analytics. He admits that using some modern data methods—such as the chimera, snipers, random forest, etc.—can enable similar patterns to be found in behavioral profiles and, thus, predict actions. In addition, there are some AI machine-learning techniques that try to identify behavior:

> "Searching for patterns amongst the behavioral profiles that […] relate to that behavior is enormously valuable to clients. [This is what] I would call advanced techniques that one can use given that you have a behavioral model."

Trends swept under the carpet

In Andrew's opinion, most digital advice models have important omissions that prevent customers from seeing the full picture of their assets and making solid decisions. For that reason, among other things, he claims that comparatively few such models can achieve anything close to what an individual can actually do:

> "Very few of these digital advice models do anything close to having your house, your vacation home, trading your mortgage, having the debt that is accrued on your credit cards and other similar aspects. They take the investment from typical advice and bring it closer to families and households. They don't essentially [get] to see what they look like in bright lights."

Over the last 20+ years of building apps for financial planning, portfolio construction, performance analysis, and so forth, Andrew has came to the conclusion that trying to integrate debt and inflation modeling along with investment modeling is a really interesting problem. In his mind, it is one of the issues that, more often than not, gets swept under the carpet.

Takeaways

Based on the above, there are numerous opportunities for innovations in the wealth-management industry. However, budgeting restrictions can sometimes prevent companies from seeking more sophisticated solutions. Andrew encourages us to keep experimenting and searching for new ways of providing services, because this is how we all got to where we are now, and will drive our future.

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