



TRANSFORMING WEALTH MANAGEMENT WITH ROBO-ADVISORS

Abstract

Robo-advisors are revolutionising wealth management by offering automated, cost-effective, and personalised investment solutions. These platforms use AI and machine learning to create tailored portfolios, monitor investments, and adjust strategies based on market conditions. They provide a comprehensive, scalable, and user-friendly alternative to traditional wealth management, democratising financial planning for all.

For decades, wealth management was an exclusive club. High fees, complex products, and a heavy reliance on human advisors made investing a privilege for the wealthy. The rise of robo-advisory services is democratising this space, making professional-grade investment strategies accessible to a broader audience — including retail investors and small business owners.

And the numbers don't lie. The robo-advisory market has been rising for nine consecutive years and is projected to surpass \$2 trillion in Assets Under Management (AUM) by 2028. That's a clear signal: investors are looking for wealth management technology that's intelligent, cost-effective, and, most importantly, easy to use.

For financial firms, this presents both

a challenge and an opportunity. As we trace the insufficiencies of the traditional investment model, we will see why robo-advisors are growing in popularity. Embracing automated investment management means reducing operational costs, scaling services, and providing better outcomes for clients.



The traditional investment model is broken — and robo-advisors are fixing it

Financial stress is increasing globally, with individuals facing challenges in managing expenses and preparing for emergencies. The traditional banking model no longer suffices, as consumers demand more proactive guidance. Financial literacy remains a global challenge, especially in

risk management and retirement planning. Many consumers, particularly younger generations, feel that financial institutions fall short in supporting their well-being, and they seek greater control over their financial data. As financial complexity grows, individuals struggle with

budgeting, saving, and investing, making it harder to achieve their financial goals. Robo-advisors offer solutions by simplifying financial management and providing personalised tools. Here's what consumers want and how robo-advisors can solve their needs:



**A 360-degree financial
view and digital access**

Consumers want to link all financial accounts on one platform for a comprehensive overview and quick access to features like virtual cards.

The fix:

Robo-advisors allow users to link multiple financial accounts, providing a holistic view of their assets, liabilities, and overall financial health. This helps consumers track investments, spending, and savings in one place.



Greater security and control

People demand strong protections like multi-factor authentication, biometric logins, and full control over who accesses their financial data. Individuals believe they own their financial data and should have control over who can access it.

The fix:

Robo-advisors implement robust security measures, including multi-factor authentication and data encryption, addressing concerns about account protection. They also offer transparent fee structures and reinforce trust in data ownership.



Personalisation and financial wellness tools

Consumers prioritise personalised banking experiences, such as the option to design their own debit or credit card. Consumers seek customised financial wellness tools for budgeting, saving, debt management, and proactive financial alerts.

The fix:

Robo-advisors create personalised investment portfolios based on individual risk tolerance, goals, and time horizon. They also provide financial literacy resources and goal-based investing to empower consumers in making informed decisions.



One-stop financial solution

Consumers prefer platforms that offer a full range of services, including investment management, retirement planning, and insurance.

The fix:

Many robo-advisors integrate retirement planning, insurance recommendations, and tax-efficient strategies, providing a comprehensive, all-in-one financial service that simplifies money management.

What makes robo-advisors irresistible?

Robo-advisors offer consumers confidence in managing their finances while minimising costs and effort.

They appeal to consumers in several ways:



Enhanced efficiency and cost reduction

Traditional wealth management incurs high costs, from advisor salaries to compliance and administration. Robo-advisory services automate key processes, cutting expenses while maintaining

quality. What sets robo-advisors apart, however, is their ability to deliver services at a fraction of the cost of traditional financial advisors. Unlike traditional advisors, who charge 1% to 3% of assets

under management, robo-advisors slash this down to as little as 0.25%, making professional-grade financial advice accessible to millions who were previously excluded.



They're always on

Robo-advisors don't clock out at 5 PM. They're available 24/7, constantly monitoring market trends and rebalancing portfolios in real time. For businesses aiming to provide seamless client experiences, this level of availability

is invaluable. With digital wealth management platforms providing round-the-clock access, investors can track portfolios, adjust, and receive insights at any time, enhancing customer satisfaction and retention. This always-on

approach ensures that investors never miss opportunities, even in volatile markets, fostering trust and long-term engagement.



They speak your language

Gone are the days when financial advice felt like decoding a foreign language. Robo-advisors simplify complex concepts like tax-loss harvesting and portfolio diversification, making financial literacy accessible. More than just money

managers, they act as personal finance tutors, offering tailored guidance, recommending resources, and adapting as your knowledge grows. By integrating blogs, podcasts, and interactive tools, they transform investment strategies

into engaging learning experiences, empowering individuals to make informed financial decisions with confidence.



They're scalable and expandable

Whether you're managing \$10,000 or \$10 million, robo-advisors scale effortlessly. This makes them ideal for enterprises looking to serve diverse client segments without ballooning operational costs. The

digital-first nature of robo-advisors allows financial firms to scale their investment services without proportionally increasing costs. Unlike human advisors who can serve only a limited number of clients,

AI-driven platforms handle thousands of accounts simultaneously, making wealth management accessible to mass-market investors.



They adapt

Today's investors are more conscious than ever about where their money goes. Robo-advisors cater to this by offering customisable portfolios that align with individual values — be it ESG

(Environmental, Social, and Governance) investing or sector-specific strategies. Wealth management technology leverages AI-driven analytics to provide highly personalised investment

recommendations, improving customer satisfaction and engagement. This level of personalisation was previously reserved for high-net-worth individuals but is now available to all investors.

How robo-advisors work

Robo-advisors range from fully automated platforms to hybrid models offering human advice. Some focus on socially responsible investing, retirement, tax optimisation, or micro-investing. Complex

portfolio robo-advisors provide broader diversification through various asset classes, catering to various investor needs and preferences.

At their core, robo-advisors use AI and

machine learning to create and manage investment portfolios. A breakdown of their functionalities includes:





Client profiling and onboarding

Investors answer a series of questions regarding their financial goals, risk tolerance, and investment preferences. AI algorithms analyse this data to build an optimised portfolio.



Portfolio construction

Based on client input, robo-advisors construct diversified portfolios using Exchange-Traded Funds (ETFs), mutual funds, and other asset classes, optimising asset allocation for risk-adjusted returns.



Automated rebalancing

Market fluctuations cause asset allocations to drift over time. Robo-advisors continuously monitor portfolios and execute trades automatically to maintain the desired allocation.



Tax optimisation

Advanced robo-advisors incorporate tax-loss harvesting strategies, minimising capital gains tax burdens and improving net returns.



AI-driven insights

Some platforms use predictive analytics to recommend adjustments based on macroeconomic trends, helping clients make informed decisions.

Robo-advisors in action: Transforming real-world investing

Real-life examples highlight how digital advisory firms have lowered minimum investments, integrated automated portfolio management, and provided additional services like Certified Financial Planner (CFP) access, all while reducing fees and increasing client engagement.



A digital advisory firm lowered its minimum investment to \$100, offering customised portfolios based on age, goals, and risk tolerance, with fees as low as 0.20%. Clients with higher balances can access CFPs and additional investment options.



A global investment firm simplified investing by offering automated portfolio management tailored to individual goals and risk tolerance. With no advisory fees for its base service, it provided features like automatic rebalancing, tax-loss harvesting, and access to a wide range of ETFs across diverse asset classes.



An international digital financial service company has seen success with its low-cost and simple approach to robo-advising, particularly for accounts up to \$25,000, which are managed for free. Using a risk-tolerance questionnaire, the platform directs investors into portfolios across eight risk levels, focusing on core asset classes and avoiding complex options. Clients receive updates on their progress through text alerts, enhancing their engagement and experience.

By 2028, North America is expected to dominate the robo-advisor market, with AUM reaching \$1.9 trillion. Around 34 million users could be utilising robo-advisor services globally, managing an average of \$61.9k per user.

Implementation strategies for enterprises

To maximise the benefits of robo-advisory services, financial firms should consider the following strategies:



Partnering with fintech and leveraging AI infrastructure

Fintech collaborations are crucial for banks and asset managers lacking in-house AI expertise, accelerating deployment and enhancing services. Cloud-based AI infrastructure enables seamless scalability, better risk assessment, and stronger market predictions. Robo-advisory services use AI and data analytics to automate investment management, offering personalised, cost-effective portfolios with continuous market monitoring and automated rebalancing.



Hybrid models and customer education

A balanced approach that integrates robo-advisors with human expertise enhances efficiency while maintaining personalised financial planning for high-net-worth clients. Educating investors, particularly older populations, on digital wealth management tools through seamless onboarding fosters adoption and trust.



Regulatory compliance and cybersecurity

With sensitive financial data at stake, firms must prioritise cybersecurity and adhere to financial regulations (e.g., MiFID II, SEC guidelines). Robust encryption, multi-factor authentication, and compliance measures build trust and credibility in robo-advisory services.

End note

The financial industry is shifting, and [robo-advisory services](#) are leading the charge. Whether you're a bank, a wealth management firm, or a fintech startup, the time to embrace automated investment management is now.

Firms that invest in digital wealth management today will gain a competitive edge, future-proof their business, and meet the rising demand for intelligent, accessible investing solutions.

For more information, contact infosysbpm@infosys.com

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