

Which Is The Best Robo Advisor? (A Detailed Comparison)

So right here on our site we've reviewed 5 of the most popular robo-advisors around: Wealthfront, Betterment, WiseBanyan, TradeKing Advisors, and FutureAdvisor. We've done a two-way showdown between the two most popular ones, Wealthfront and Betterment in our Wealthfront vs. Betterment review. And now it's time for the final showdown; a 5 way Mexican standoff of the robo-advisors.

Dramatism aside, we have to once again clarify that the definition of 'best' in this case will be what turns out to be the best for you, given your specific situation and circumstances. We will go over each aspect and determine which type of investor it would be best suited for. So it will actually be a nuanced evaluation as opposed to the last robo-advisor standing in the Thunderdome. But still, that's a pretty great mental image isn't it?

Let's get started.

Accounts Available

Wealthfront	Traditional IRA, Roth IRA, Rollover IRA, SEP IRA, trusts, non-profit, individual, joint, and 529 College Savings Plan.
Betterment	Traditional IRA, Roth IRA, Rollover IRA, SEP IRA, trusts, non-profit, individual, joint, and 401(k)
WiseBanyan	Traditional IRA, Roth IRA, SEP IRA, and individual.
TradeKing Advisors	Individual, Joint, Traditional IRA, Roth IRA, Rollover IRA, SEP IRA, SIMPLE IRA, Beneficiary IRA, Beneficiary Roth IRA, Custodial and Coverdell, Trusts, Corporate, LLC, Partnership and Sole Proprietorship.
FutureAdvisor	Traditional, Roth, Rollover, and SEP IRAs, Coverdell, 529, UTMA, as well as individual and joint taxable accounts, and 401(k) (accounts on the Fidelity platform enabled with BrokerageLink only)

Verdict: Most robo-advisors have the standard list of accounts available which will satisfy most typical investors. WiseBanyan clearly has the most limited choices, however. If you wish to fund a college savings account then Wealthfront and FutureAdvisor, with their 529 plans will probably be the best option for you.

On the other hand, if you wish to open a business account then TradeKing Advisors is really the only choice. For 401(k)s; Betterment is the only robo-advisor that can meet your needs unless you meet the criteria for FutureAdvisor's 401(k) accounts.

Minimum Account Balances

Wealthfront	Minimum balance of \$500.
Betterment	No minimum balances.
WiseBanyan	No minimum balances.
TradeKing Advisors	No account minimum balances, however a \$500 minimum balance is required in order to begin building a Core portfolio. Momentum portfolios have a minimum balance of \$5,000.
FutureAdvisor	\$10,000 minimum balance to use its direct management premium services.

Verdict: Only Betterment and WiseBanyan will allow you to start building a portfolio with no minimum balance. For FutureAdvisor, if you are a DIY investor and just using its free advice and recommendations, there is also no minimum balance. The others have a minimum balance of \$500.

Nevertheless minimum account balances aren't really much of an important point when choosing robo-advisors. After all, it is almost pointless to build an investment portfolio with under \$500; we would go even further and suggest that you would need at least several thousand in your portfolio for it to start making a difference.

Account Fees

Wealthfront	First \$10,000 free. 0.25% p.a. on amounts over \$10,000. Referral program gives \$5,000 of free management per referral.
Betterment	0.35% p.a. on amounts under \$10,000 (with monthly deposit of \$100, absent which fees are \$3/month) 0.25% p.a. on amounts between \$10,000 and \$99,999. 0.15% on amounts of \$100,000 and up. Referral program gives 30 days free management with every 3 rd referral getting 1 year free
WiseBanyan	No management fees. 0.25% p.a. for its premium WiseHarvesting service; capped at \$20/month (this

	translates to a minimum account balance of \$96,000 for rates to be under 0.25% p.a.) Referral program gives you \$20 to your account per referral.
TradeKing Advisors	0.25% p.a. for its Core portfolios if balance is \$5,000 and up: \$1/month for amounts below that (translating to a minimum rate of 0.24% p.a.). 0.50% p.a. for its Momentum portfolios. No referral program.
FutureAdvisor	0.50% p.a. for its direct management accounts. No referral program.

Account fees are probably one of the biggest, if not the biggest factor when it comes to selecting a robo-advisor. Right off the bat, it appears that FutureAdvisor is the most expensive of them all. While it is true that this is only for its direct management services, since the others all have direct management as a default, we have to make an apples-to-apples comparison.

After FutureAdvisor, Betterment, if your account balances is under \$10,000, is the second most expensive. After that the remaining advisors all charge 0.25% p.a., the middle tier, and the lowest is Betterment's 0.15% p.a. for balances over \$100,000. However, even among the middle 0.25% p.a. tier, Wealthfront comes out slightly cheaper because it only applies to balances above \$10,000.

Further, WiseBanyan is actually the cheapest if you don't use their WiseHarvesting services e.g. if you only have non-taxable accounts. And to complicate things for one last time, even though Betterment has the lowest fees for accounts over \$100,000, if those are in taxable accounts, then the extra return generated from Wealthfront's Tax-Optimized Direct Indexing Service (refer to 'Account Features' section below) would likely more than make up for Betterment's lower fees.

If all that's got your head spinning; we totally understand. That's why we've summarized all of the above into a handy table below.

Account Balances	Taxable	Non-Taxable
Under \$10,000	Wealthfront is the clear winner since it's free.	Both Wealthfront and WiseBanyan are at the top since these accounts cannot benefit from WiseBanyan's WiseHarvesting premium feature anyways; hence they are both free.
\$10,000 to \$99,999	Wealthfront comes out slightly ahead since the 0.25% p.a. fee is only	WiseBanyan is the cheapest option since these accounts will be managed

	charged on balances over \$10,000.	for free; Wealthfront comes in second.
Over \$100,000	Betterment is technically the cheapest option, however Wealthfront's Wealthfront's Tax-Optimized Direct Indexing Service would likely more than compensate for Betterment's lower fees.	WiseBanyan is the cheapest option again, being free, with Betterment coming at second place.

Now obviously the table above is a bit simplified; for example we assume that you would want to use WiseBanyan's premium WiseHarvesting service for any taxable accounts, since only then would it be a true apples-to-apples comparison as the other robo-advisors all offer tax-loss harvesting for free, with the exception of TradeKing Advisors which does not have this feature.

Further, we did not take into account the referral programs in the table. Wealthfront's referral program is obviously better if you have moderate account balances, whereas Betterment's referral program which gives free management to the entire account based on time, would be better if you have very large account balances. And if your account balances are really low, such as if you are a beginning investor, then WiseBanyan's referral program which directly gives you \$20 cash in your account might be the best for you.

Verdict: When it comes to taxable accounts, Wealthfront is the clear winner in this case. In terms of non-taxable accounts then WiseBanyan which will be totally free, emerges as the cheapest. For large accounts of over \$100,000 Betterment is also a good choice, especially if they're non-taxable.

Account Features

Investment Portfolio

All the robo-advisors use many of the same ETFs as these are the lowest cost available. However some portfolios are more diversified than others. All of the robo-advisors, with the exception of Betterment, invest in real estate via REITs as Betterment views that real estate exposure is sufficient through its equity investments. Further, Wealthfront is the only one that invests in commodities. However, Wealthfront does not invest in US Corporate bonds, although it does invest in municipal bonds.

Verdict: In terms of diversification, Wealthfront still comes out ahead with the most broadly diversified portfolio, followed by the middle three, and Betterment coming in at the least diversified portfolio. Notwithstanding the above, you may have a personal view that you don't want to be invested in commodities and/or real estate; in which case the order may be reversed for you.

Automated Portfolio Rebalancing

All the robo-advisors' algorithms will rebalance your portfolio automatically whenever there is an inflow or outflow as well as based on portfolio drift, which refers to the degree that your portfolio drifts away from your target allocation. Typically this threshold is around 3 – 5%. Nevertheless, there are some differences between each of the robo-advisors, mainly whether or not they are able to purchase fractional shares. Fractional shares means that the robo-advisor would be able to precisely allocate all the cash in your portfolio, making it more efficient.

	Fractional Shares?	Others
Wealthfront	No	-
Betterment	Yes	Tax Impact Preview allows you to see potential tax impact of any allocation changes. You can keep track of level of portfolio drift and Betterment gives you the option of making a deposit to reduce said drift.
WiseBanyan	Yes	-
TradeKing Advisors	No	You have to call their customer support desk in order to change your portfolio's allocation; cannot be performed online unlike the others.
FutureAdvisor	No	Automated portfolio rebalancing only for its directly managed accounts.

Verdict: Betterment is the clear winner in this instance, followed by WiseBanyan, and Wealthfront, and FutureAdvisor in the middle of the pack. TradeKing Advisors stands at the last place due to the lack of convenience from having to call their customer support desk to change your portfolio allocation.

Tax Efficiency

Wealthfront	Free daily tax-loss harvesting. Tax-Optimized Direct Indexing service for accounts of \$100,000 and up. Wealthfront estimates that this service can add as much as 1.77% to 2.03% to your annual returns (depending on level of direct indexing, which is based on
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	account balances).
Betterment	Free daily tax-loss harvesting. Tax-Coordinated Portfolio service if you have a mixture of taxable and non-taxable accounts. Betterment estimates that this service can add as much as 0.48% in annualized benefit over a 30-year period.
WiseBanyan	Daily tax-loss harvesting services offered at 0.25% p.a.
TradeKing Advisors	No tax-harvesting services offered at all.
FutureAdvisor	Free daily tax-loss harvesting for its directly managed accounts.

Verdict: When it comes to maximizing the tax efficiency of your investments, Wealthfront and Betterment clearly lead the pack. If you have over \$100,000 in taxable accounts then Wealthfront would be the better choice. However if you have under \$100,000 spread between taxable and non-taxable accounts, then Betterment looks more appropriate.

Retirement Planning

Because of the long term investment horizon that most robo-advisors recommend, many people look to robo-advisors to set up an easy to manage fund for their retirement. As such, most of the robo-advisors offer some sort of retirement planning function. However, some are ahead of the others and we have summarized their respective retirement planning functions in the table below.

Wealthfront	Standard retirement goal in initial risk tolerance questionnaire.
Betterment	Standard retirement goal in initial risk tolerance questionnaire. RetireGuide feature which allows you to monitor how on-track or off-track you are with your retirement goals and gives you a probability percentage of your portfolio being able to achieve said goals. You can link up your external accounts to this feature for a complete analysis picture.
WiseBanyan	Milestones goal setting and tracking feature, which has Retirement has one of a selectable goal.
TradeKing Advisors	Standard retirement goal in initial risk tolerance questionnaire.
FutureAdvisor	Based on your retirement goals in your initial risk tolerance questionnaire;

	FutureAdvisor will give free portfolio recommendations to help you achieve said goal.
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Verdict: When it comes to retirement planning, Betterment leads the pack with its RetireGuide feature being the most comprehensive of them all. Behind Betterment we have WiseBanyan with its Milestones feature, while everybody can try out FutureAdvisor’s free retirement planning advice.

Other Features

In this section, we will go over some of the more unique features that each robo-advisor has. While these features will probably not be a prominent factor in selecting the best robo-advisor, maybe some of them might sway your decision a little bit!

Wealthfront	<p>Single Stock Diversification Service which creates a personalized selling plan for employees with stock options in select publicly listed companies. If you are an employee in one of those companies (see our Wealthfront review for the list of companies) and have significant stock options in those companies, this may be a major selling point.</p> <p>Portfolio Review, is Wealthfront’s portfolio analysis tool which will analyze your non-Wealthfront accounts based on 4 factors: fees, taxes, cash drag, and diversification and gives you a recommendation based on that. Obviously it’s a promotion tool for Wealthfront however it can definitely give you a new viewpoint on your current portfolio as well.</p>
Betterment	<p>SmartDeposit, which is an automated deposit feature. It allows you to set a maximum amount for your checking account and a maximum amount per deposit. Each week or month, Betterment will automatically deposit the difference between the balance in your checking account up to the maximum amount per deposit. This is basically a ‘forced investment’ tool and can be a very useful if you are less than financially disciplined.</p>
WiseBanyan	<p>AutoDeposit is the most basic form of an automated deposit feature. A standard weekly or monthly deposit that you can choose right at the account setup process.</p>
TradeKing Advisors	<p>Momentum Portfolios is a premium type of portfolio that it offers in addition its Core portfolios for 0.50% p.a. It is called as such because it aims to capture the momentum of the markets. A Momentum portfolio is rebalanced more frequently; on a monthly basis and also according to the movements of the markets.</p>

	<p>Risk Assist is a feature available to its Core Portfolios with balances over \$5,000 for an additional 0.50% p.a. (total annual fee of 0.75% p.a.). In times of market distress, your portfolio will automatically shift toward the safer asset classes such as bonds and Treasuries. As markets recover, it will gradually shift back toward equities. While it might be useful for shorter-term investors, over a long term horizon it may not be worth the extra fee. It is also worth considering how useful it will be as market distress situations are typically unpredictable.</p>
FutureAdvisor	<p>Human Advisors are what sets it apart from the rest. For those looking for a more personal touch, you can speak to FutureAdvisor’s financial advisory team via chat, email, or phone, Monday to Friday, from 1130 AM to 8 PM Eastern. In addition, said team also monitors all managed trades like an extra layer on top of its algorithm. You can also contact this team to ‘lock in’ certain investments in your portfolio, for example your favorite stock or bond, that you may have had in your previous external portfolios.</p>

Final Conclusion

Most robo-advisors share many things in common and generally appeal to the same crowd: long-term passive investors who want a ‘set it and forget it’ broadly diversified portfolio. They all use many of the same ETFs and focus strongly on convenience for the customer. As such, they are mainly differentiated by their fee structure and excess returns generated by their tax-efficiency options. Based primarily on the main factors we have analyzed in this article, here are our conclusions on each of the 5 robo-advisors.

Wealthfront	<p>If you have mostly taxable accounts, Wealthfront is simply the best choice. With the first \$10,000 and managed for free and 2 tax efficiency features, no matter what your account balance is, Wealthfront is the clear leader when it comes to investing your taxable accounts.</p>
Betterment	<p>Betterment is suitable for those with large account balances, particularly if they are not in taxable accounts. This is due to their low fee structure for amounts over \$100,000. Betterment’s retirement planning tool is also the most comprehensive of them all and could be a major factor if your main investment goal is saving for retirement.</p>
WiseBanyan	<p>The most basic and low-cost option. It only charges for its tax-harvesting feature, so if you are adamant about not paying any management fees and if you have non-taxable accounts, then WiseBanyan may be the lowest cost option. That said, questions regarding the sustainability of its business model</p>

	remain, and you should take this into consideration given the long term nature of your investment.
TradeKing Advisors	TradeKing Advisors' lack of tax-efficiency options are a major drawback while its fees place it squarely in the middle of the pack. The major advantage that TradeKing Advisors has is its wide variety of business accounts offered. As such, business owners would be best served by this robo-advisor.
FutureAdvisor	FutureAdvisor and WiseBanyan both operate on a 'freemium' business model; however WiseBanyan is clearly the cheaper option. Further, WiseBanyan will directly manage your accounts for free. As such, FutureAdvisor is best for DIY investors who want to link up their external accounts and manage it according to FutureAdvisor's recommendations.

Verdict: While we have tried to present a balanced picture of all the 5 robo-advisors, and to be sure, each of them has its own pros and cons, it is quite clear that for the majority of investors, Wealthfront, Betterment, and to a certain extent, WiseBanyan are best robo-advisors.



SHOULD YOU USE A ROBO-ADVISOR?

9 Questions to Ask Yourself

Am I eligible?

At this point in time, robo-advisors are still very US-centric. Hence, they all require that you have a US Social Security number or US Tax ID number and reside at a permanent US mailing address in order to open an account with them.

#1

Do I want a broadly diversified investment portfolio?

All robo-advisors will create for you a diversified investment portfolio. They do this by investing in ETFs, meaning that you will not be able to select individual stocks or bonds in your portfolio.

#3

Do I want to spend a minimal amount of time in managing my investments?

Convenience is one of the major selling points of robo-advisors. If you don't want to spend a lot of time managing your portfolio, then a robo-advisor would be a great fit for you.

#5

Am I comfortable with my money being entirely managed by algorithms?

They're called robo-advisors for a reason; your portfolio will be managed by software algorithms, and in most cases there won't be any humans looking over each trade. Some people may not be comfortable with that; but if you are, then great!

#7

Are low fees in managing my investment portfolio a major priority?

Another major draw of robo-advisors are the low fees compared to traditional financial advisors. Most robo-advisors have management fees in the 0.25% - 0.50% range with many even lower than that. If low management

#9

Do I think that it would be extremely difficult for me to beat the market?

If you fancy yourself being able to beat the market through careful stock picking a la Warren Buffett, then a robo-advisor is not for you. Robo-advisory algorithms are based on Modern Portfolio Theory, which states a broadly diversified investment portfolio gives the highest level of return for the lowest level of risk.

#2

Am I investing for the long term?

If you are investing for short-term gain, you shouldn't use a robo-advisor. Even the shortest time horizons that robo-advisors recommend in their goal setting features are typically still more than 5 years.

#4

Am I okay with not receiving personalized investment advice?

Unlike personal financial advisors, you will not be receiving any personalized advice. Sure, robo-advisors will allow you to set some financial goals based on your risk tolerance, but it is not the same thing. If you are okay with this, then go ahead and consider a robo-advisor.

#6

If my investments drop significantly in value in a certain period, am I comfortable in waiting it out?

This goes hand-in-hand with the investment time horizon question above as well as the algorithm question. In periods of market distress, you must be willing to 'ride it out' with a long term outlook in mind. Further, the algorithm would likely still keep you at your previous allocation even during such periods.

#8