Investment News: Boston-based Cambridge Savings Bank partners with robo-adviser SigFig

More and more, banks are picking up digital wealth management tools for its customers

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By **Alessandra Malito**

Boston-based Cambridge Savings Bank is partnering with San Francisco-based robo-adviser SigFig to offer clients an investment management tool, called Connect Invest, alongside their bank products.

Clients will be able to open, fund and manage their goals-based investments on Connect Invest beside their current accounts on the bank's dashboard. The platform also aggregates data on clients' other investment portfolios.

"There are a lot of banks that have checking accounts, but investment accounts are not usually a part of the default," said Mike Sha, chief executive of SigFig. "Ten years ago the idea of banks partnering with fintech companies was almost like a joke that would never happen, and these days you see that happen more and more."

Technology vendors allow traditional firms to compete better, with a faster route to innovation, as seen by BlackRock's FutureAdvisor, which has since partnered with banks BBVA Compass and **RBC Wealth Management** since being acquired last year.

Still, the trend is playing out mostly with the larger banks — Ally Financial **acquired TradeKing's online brokerage and robo-adviser services** last week, and a few others **have raised their hands to the robo call.**

Historically speaking, savings banks have focused on the very type of financial service in their name — savings. But as technology evolves, consumer demands push glass ceilings and competition heats up, larger banks are rolling out their own robos or partnering with technology companies as a defense mechanism, said Jeff Davis, managing director of Mercer Capital's Financial Institutions Group in Nashville, Tenn.

Now even the smaller banks are doing something about it.

When Cambridge Savings saw a hole in its services for investment management, it sought out a partner and found a fitting opportunity with SigFig to create an integrated offering for clients, said Dan Mercurio, head of consumer banking at the bank.

"It became a no-brainer," Mr. Mercurio said.

What sets a smaller firm like Cambridge Savings Bank apart is also the fact that it did not already have a unit of wealth management-focused financial advisers, which in turn could cause a sense of in-house cannibalization.

"That is one thing we did not have to worry about," Mr. Mercurio said. "We didn't have a program at all. We built it from the ground up for today's environment rather than what's worked in the past."

True, there is some tension stemming from the rise in technological advancements in the financial services industry. A Citigroup report called **“Digital Disruption”** expects disruptors to shift 13% of the wealth management industry to a digital landscape by 2020.

On the other hand, robos are positioning themselves well when working with financial institutions such as banks, especially for the younger generation, said Laura Varas, principal of Hearts & Wallet. The pair can serve a substantially larger audience than if the robos were to go this alone. According to Hearts & Wallet research, banks reach 82% of emerging clients ages 21-27 while self-service models, or online brokerages, reach 32% and full service models, or traditional brokerages, reach 12%.

"Robos are mostly products in our view," Ms. Varas said. "They aren't a place you would go and buy products."

It's different when they're ensuring a sense of trust by working with already established brands.

"It is a trust-driven business — you won't hire a company or adviser you don't trust," Mr. Sha said. "Part of the benefit of working with these institutions is they have been around for a really long time and as a result of being successful, they have large existing customer bases."