Democratization of investing: what is your financial service provider actually worth?

Investing has become cheaper than ever. I notice that in my daily practice as investment professional. What used to be the exclusive domain of institutional investors and private banks, such as global wide spread and exposure to virtually each asset class is within reach today reach of every private investor. The rise of an infinite amount cheap index trackers has the investment- the gorse landscape has changed drastically. And This raises the question for me: what does on- deliver Is the investment services still filling up?

I am not asking that question as a provocation, but from an analytical perspective. Because What strikes me is that large parts of the 'investment toolbox' the private banks traditionally deploy action now increasingly have become widely accessible via cheap products, online platforms and analysis tools. On top of that, AI is has developed into a surprisingly good sparring partner for wealth management and advice. AI applications can a investment portfolio accurately analyze seren, calculate scenarios and concrete help formulate proposals. These un- Winding goes lightning fast.

Let's make this democratization concrete make. For this, I like to use the classic 60/40 portfolio as a reference point: sixty percent globally diversified shares, forty percent low-risk fixed income. Not because it is optimal or innovative, but precisely because of its simplicity and transparency. Numerous academic studies confirm that such a portfolio over longer performs robustly for periods. Whoever is a world-class wide stock tracker combines with a eurobond fund essentially already has a well-thought-out, diversified portfolio in hand, at minimal cost.

That is exactly why I use the 60/40 porte- sheet also as a benchmark to the added added value of private banks, wealth managers and the new fintech investors to assess. Execution-only investing essentially limits itself to the market yield ment minus minimal frictions. As soon as a provider an additional fee calculates, the question arises as to what that compensation yields on top of what a private individual which the investor can already realize cheaply himself.

That question is not trivial. In an investment- a twenty-year horizon can the cumulative effect of management fees, assuming of a starting capital of one million euros and an identical market exposure, increase up to several hundred thousand euros. A difference that does not arise from smart allo- cation choices or timing, but exclusively from costs.

Additional services certainly have value, but the question is where exactly. AI is now taking a lot from the classical investment toolbox about: portfolio- analyses, scenarios, cost comparisons, rebalancing and structuring goals are largely automatable. What remains- remains the core of true added value behavioral guidance, tax alignment and wealth planning, as well as areas where AI is legally not allowed to make decisions. Formal risk profile assessment and suitability reliability tests are not arithmetic exercises but responsibilities with legal and supervisory implications. It is precisely there that additional services are needed. a different status than a smart analysis- tool. The relevant question is therefore not whether a service provider adds something, but whether that added value outweighs what a party private investor already cheaply today can realize.

The democratization of investing has changed the rules of the game and the bar for financial service providers is higher than ever. The 60/40 portfolio is in that light not a normative ideal, but an analytical one reference point that makes visible what for years remained hidden behind complexity and opaque cost structures. The market asset management stands for a fun- damned reorientation. Private banks, wealth managers and fintech banks who their those who wish to prove their right to exist will not can suffice with offering for longer of standard solutions. They will their added value must be measurable and transparent create: in returns, risk management, saved costs and demonstrable behavioral effects. Not in marketing language, but in transparent results. The particular The lesser investor has the means, the infor- matter and by now also the AI applications to to hold them accountable for that. If the sector this does not do it themselves, the supervisor will carry it out. finally demand.

Finally, one important note. The following always applies to financial products disclaimers, and this column forms that basis no exception. The starting point in this Moreover, the document assumes that the siege- ger possesses knowledge of investing, sufficient to find one's way in the wide range of investment products and in the use of AI applications. That is also necessary to be able to critically evaluate the outcomes of AI assess. Whoever lacks that knowledge fails to do so. wise to seek professional advice win and certainly not rely blindly on what an AI application suggests. Also for that investor offers a financial service provider clear added value, although that is accompanied by a suitable and explainable price.

Michel Wetser
Editorial board member of the VBA Journal