

## Online Investing Really Is For Everyone

Silvio Stroescu, President of BMO InvestorLine, is on a mission to ensure that everyone feels like online investing is for them. In this podcast, Silvio takes the time to dispel myths about online investing, share how the process actually works (hint, there are humans behind the scenes), and why online investing makes sense for investors of all types – regardless of gender, age, and investing knowledge.

**Kathleen Burns-Kingsbury:** In the United States in 2017, the number of people who lived in a household that used an online investing service totalled almost 16 million, up from 13 million just three years prior. And in Canada, 68% of Canadian households use online banking. Our guest today is one of the pioneers in digital banking in Canada. Silvio Stroescu is the president of BMO InvestorLine. He is accountable for driving the strategy, client experience and performance of BMO's self-directed and digital advice broker business. Silvio has experience with developing new lines of business, introducing new products to the Canadian market, and leading business lines in transition. He credits his progress to a relentless focus on personal development, great mentors, and being part of organizations with environments conducive to growth opportunities. He is a Fellow of the Canadian Securities Institute, a Fellow of the Institute of Canadian Bankers, and a chartered investment manager. Silvio studied mathematics and psychology at the University of Toronto, and completed several executive leadership programs. Welcome, Silvio, to the podcast.

**Silvio Stroescu:** Thank you Kathleen, and thank you for inviting me to engage in the podcast and very excited to connect with you.

**Kathleen:** Yeah, I'm REALLY excited because this whole field of online investing has had such rapid growth over the last several years, that I'm really excited to kind of pick your brain and find out a little bit more from you. So, tell me a little about how this technology has actually impacted the average investor both in the United States, as well as in Canada.

**Silvio:** I think it's an interesting observation right off the bat. You know, technology has enabled many changes in our lives, period. How we interact with each other, transform phones into smart gadgets that run our lives, frankly; it's no different for investing, although I'd say we're probably earlier in terms of the ramp-up curve for the adoption, and we're still seeing quite exponential growth, despite being at an early stage. If you think about what online investing used to be in the past, it was really just designed for people that would trade their own portfolios, that would buy and sell their own stock, rebalance their portfolios. They needed to have a sense of expertise when it came to investing, the fortitude, frankly, to make their own investment decisions, and stay on top of their investments, tracking how their investments are progressing. That's who online investing was for, was for a particular segment of investors that were more hands-on. What technology has done is allowed us to transform digital investing now to make it available for everybody. So regardless of your investment knowledge, regardless of how you choose to engage with your investments, or whether you want to be hands-on, or fully hands-off, or even somewhere in the middle – there are solutions now available for all types of investors. You know, we use the analogy of flying a plane. And in the past, the only people that could fly the plane – as in those who could invest digitally – would be people that would pilot the plane

themselves. You really had to be a strong pilot, understand how to read the gauges of the plane, understand how to move the levers and control the plane yourself. If you're not a pilot, you couldn't fly; you couldn't invest online, you couldn't invest digitally. What we've done now is transform that to make flying on a plane available for everybody. We also have a solution that's designed for people that choose to fly on auto-pilot, for example, where the expert pilot does all the investing, and makes all the decisions for them. The client, the investor themselves, just has to say what their destination is, and the pilot takes them there. We call that flying on auto-pilot which is the other end of the spectrum of just flying the plane yourself. And we also have a hybrid solution in the middle where you're flying together with a co-pilot. That's where you're making the decisions yourself, but you have a co-pilot available for advice and to act as a sounding board. So, in all, it's really transformed, and made online investing accessible to all types of investors.

**Kathleen:** You know, one of the things I talk about a lot, is I talk about how online investing and technology in the banking industry really can complement what you're doing with your live advisor or banker, or your human advisor or banker, for lack of a better word. I was really intrigued because you wrote an article where you talked about the word robo-advisor, which is something that's used a lot in the field these days. And you wrote that you really hate that word, robo-advisor. I think it ties in a little bit to what I'm talking about. So tell the audience, what is it about that particular term that rubs you the wrong way, Silvio, and how should we be thinking of it?

**Silvio:** Well, I use the word 'hate' deliberately because it does rub the wrong way. And I'll tell you why. The essence of it, I would say, the term 'robo' just undermines, it absolutely diminishes the value proposition of what this new digital investing service can bring to investors. There's nothing robotic about it. As a matter of fact, as an investor, you tell a human being; you tell us through a digital service which then gets reviewed and acknowledged by a human being as well, what your investment goals are. So there's definitely engagement there, and there's a human being that actually takes that information, and matches it up to a portfolio which is aligned with how you choose to invest, and what your goals are. There are humans that are available to make those portfolio management decisions; they are the experts, frankly. Those same portfolio managers manage all other types of investments, with extensive experience and the right credentials. So, the humans actually make the investment decisions. And in addition to that, the humans – not a robot – the humans are actually available for you to speak to as well, if you choose to talk to somebody over the phone, or if you choose to use a chat service, at the other end, there's actually a human being. So you're right in saying there's not a different spectrum when it comes to digital investing whether one is fully robotic, or all online, there's nobody to speak to. The other one is a traditional service where you have human engagement. There's human engagement in both channels. I'd say the difference is if you're more digitally inclined, and you choose to invest online, you have another layer of convenience, frankly, to be able to do that from your smartphone. And you have greater tools, greater transparency to be able to see what's been bought, what's been sold in your portfolio. To see that yourself, directly, as opposed to engaging an advisor to give you that information, and, if you're ever in doubt about how you're tracking towards your goals, or you have anxiety about the market's ups and downs, there's also a human advisor there to connect with directly.

**Kathleen:** So really, it's a myth that somehow it's just these robots or technology unsupervised making investments for you. And I know there's a lot of myths around online investing. What are kind of the top three in your mind, and what are, actually, the realities?

**Silvio:** The top three, or the theme if I could put the overall myths around online investing, is who online investing is for, and how it actually benefits. If I was to rank the top three myths, I'll say maybe the first one is that online investing is for people who are just starting out; new investors with low balances. That's not true. The reality is that people that actually engage digitally tend to be over-indexed towards the more affluent investors. They have significant balances. The only difference between them and people that invest traditionally is simply their preference. For them to engage, in some cases, more hands-on, or for them to engage through digital channels. So, the hands-on example would be the reference we made to people flying their own plane, and making their own trades. The people that are investing through that solution actually have significant net worth as well. So it's definitely not just for people starting out. A second myth would be in terms of the generations that engage with digital investing. The myth is that it's really for younger investors – whether that be millennials or Gen X'ers. The reality is that we're actually over-indexed towards the older generations. Even the latest solution that we have, Smartfolio, which is more hands-off – you don't have to be an expert – hands-off digital investing; the average age there is 45. We've had clients that are actually in retirement plans, that have actually asked us to launch retirement funds, RRIFs in our case, as a type of account in order for them to be able to invest digitally. And these are clients that are over the age of 71. So it gives you the sense that the spectrum is quite wide. It's not just for young investors. And the third myth is around this notion that investing online means you have to navigate everything on your own. When you're investing online, there's nobody else to support you there. And the reality is, investing online does not mean you're investing alone. As a matter of fact, as we talked about earlier, there are human advisors that are there to help you as needed, and human portfolio managers that make all the expert management, investment management, decisions on your behalf as well. I think these are the main myths that I'll highlight, and the reality again being that investing online now is actually accessible, and available, to all types of investors.

**Kathleen:** You know, the biggest shock for me is hearing how investing online is something that is desirable for people in their 70s, and people in their 50s, as well as newer investors, or millennials who are just newer to the whole process. That's certainly a myth that I would have bought into. So it's surprising information, but it's useful to know that it can be really helpful to use some of these online tools no matter what generation you're from. Now, I'm wondering, Silvio, is there, are there any other things that impact the type of person who is likely to use technology to invest. Maybe, is there a gender difference, or is there a different type of investor personality that might make you more likely to use these online tools?

**Silvio:** I would highlight here maybe an element of social engagement. To give you a bit of context first, when we first introduced our SmartFolio solution, we really focused on the functional elements of how it works, and the technical elements. We referred to the solution as a portfolio of ETFs which folks on Bay Street and Wall Street would understand what that means, but a typical investor may not necessarily have a good grasp of all the different technical terms. And we shifted our positioning, and

our conversations, and how we talked about the solution to zoom in on the emotional aspect. And also, in particular, we hosted a few Twitter Chats. We had a few social influencers as co-hosts with us on Twitter to talk about, not the product, not our solution, and definitely not the technical aspects of investing, but rather the emotional aspects of investing. And what we found is, first of all, ninety percent of the folks that engaged in the Twitter Chat were women. So women were readily available to talk about the emotional aspects of investing. They were also very open to share frankly some of the anxiety that comes with investing, and some of the fear that comes with online investing. And then we had other folks who had already adopted digital investing talk about how they overcame those same fears and those same anxieties, and why they embraced online investing. So what we learned from that was a shift to focusing on the emotional aspects of investing tends to draw more people in and builds more trust around the adoption of digital investing. Now, I mentioned ninety percent of the audience happened to be women in those cases. What we saw, since we shifted our approach with our positioning, and focused more on the emotional aspects, our client base is also closer now to gender parity. So before we made the shift towards the emotional aspects of investing, our client base was two-thirds male, and one third female. And since the shift, we're actually very close to parity right now when it comes to the gender of our client base – which is extremely great news.

**Kathleen:** Well, and what's interesting to me, Silvio, is we had a previous conversation where you indicated that, while women are interested in the emotional aspects of investing, and have anxiety around investing, that some of your focus groups also discovered that men have that anxiety, and interest in the emotional aspects as well. Can you speak to that for a minute?

**Silvio:** Yes, definitely. We actually took a more analytical, a more scientific approach, if I could call it that, to our research. So, when we did our focus groups with existing digital investors, as well as people who are still investing traditionally. And we talked about investing in general, but we did, in addition to just have a facilitator run the session and ask the questions, we also had cameras that were tracking the body language and the facial expressions of all the participants. What we noticed happening was, when we asked the questions about how comfortable are you with investing, the verbal response was, 'comfortable.' You wouldn't hear a lot of anxiety in their voice, yet, when we looked at the body language and the facial expressions, if you could picture people cringing as they say the word comfortable, it showed us that verbally, we didn't get a high degree of confidence, we didn't get a high degree of anxiety. It was somewhere in the middle. But the facial expression and the body language actually showed a greater tilt towards people being anxious about investing, period. And then we asked the question, "How comfortable are you with online investing?" And the responses, even the verbal responses were not as comfortable. But when we looked at the analytics of the body language, there was fear. Fear was coming through. And people were just absolutely afraid of online investing, and that seemed to escalate. You know, it's interesting because it was consistent with men, with women, but it was also consistent with people that were new to investing, and people that had invested for a very long time. I use the analogy of, I've been driving a car for well, for a few decades now (not to date myself), but let's say it's more than 30 years, and the reality is if you ask me about how to build an engine or how the engine works, I have no idea, even though I've been driving a car. And this notion of existing investors, people who have done this for a very long time being afraid of online investing – they almost

felt like they had to be the mechanic for the car. They had to build all the connective systems in the car in order for them to drive the car themselves. The reality is that we talk about that myth about investing online it doesn't mean you're investing alone. You do have experts there to help you with these decisions. And as soon as we introduced that topic, the comfort level increased, and again, we saw that both in terms of verbal responses as well as the body language – the sense of calm and people becoming more comfortable with embracing the idea of investing online.

**Kathleen:** That's fascinating research and so enlightening to know that if you're someone out there listening right now, and you're afraid to invest online, know that you're not alone, first of all; that it may be a normal experience, but also it's an experience that isn't one where you'll be alone doing it. That there's actually human beings and a lot of professionals out there to help. So time always goes so quickly on these podcasts, Silvio. So, for somebody who's listening in, that's been intrigued in terms of the myths about online investing and the realities, what's the best way for someone to start this process – to face their fears and maybe start to get involved in digital investing?

**Silvio:** The best way, well, probably not a surprise, would be to start online. And for us, the best site to start off with would be [bmo.com/smartfolio](https://www.bmo.com/smartfolio). Or simply Google BMO Smartfolio and you'll be able to click on our landing page. And we have some information. Some of the things that we've talked about – this concept of investing online doesn't mean investing alone. We illustrate that on our webpages as well. You're able to engage in the actual process and set up an account. You're able to get more information about how it works, experience it, and if it works for you, then go beyond just dabbling with it, and go all in.

**Kathleen:** Excellent. Well, you are such a wealth of information – so fun to talk to. So, thank you so much for your expertise, and your time, and your insights today on the BMOforWomen podcast.

**Silvio:** Thank you for inviting me again. It was a pleasure.