Investors gain from tech disruption

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A major hurdle for new investors is where to begin, because there are so many different options and opinions.

Fintech start-up Stockspot is using technology to bring investment expertise to investors with a limited budget and is an example of the impact fintechs are having on the investment industry.

Stockspot founder and CEO Chris Brycki says fintechs have made investing easier.

The site starts by asking potential investors a range of online questions to determine first whether they should be investing or doing something else like paying off debt, and if they should be investing, then determining what's appropriate for their life stage.

"The broad benefit is that a lot of people who weren't investors in the past who thought it was too hard or they didn't have enough money to do it can now invest in a pretty sensible way and in a pretty easy way. They don't have to really do anything and get access to market returns," founder Chris Brycki [https://www.afr.com/link/follow-20180101-p5akz5] says.

The start-up builds a portfolio of exchange-traded funds, or ETFs, based on the client's needs. Then as the market moves, it automatically buys and sells assets to rebalance the portfolio to the target asset allocation.
"Someone that's not in finance and not paying attention to markets really can do nothing and be hands-off and get access to markets and get actually access to a return that's as good as they could get from seeing an adviser," Brycki says.

Fintechs have a role to play in improving access to investments to people who haven't previously had access, he says.

It is also a lot cheaper. A traditional statement of advice from an adviser might cost $3000 to $5000, while Stockpot charges $60 to $100 a year, Brycki says.

Also, a lot of younger investors don't want to go and sit with an adviser and want to invest online instead.

In a speech earlier this year, Eric J Pan of the Investment Company Institute, which represents the global funds management industry, said fintechs can lower the cost of investing for both asset management firms and investors.

"That matters because a lower bar for entry to invest means a higher rate of individual involvement in the financial markets. As fintech advances, it can ensure that people have more money to invest and that more people overall can invest," he said.

The implications of fintechs are stretching beyond investment and into how businesses are run generally.

For instance, Melbourne-based Parakeet is helping businesses get paid on time.

"What we're trying to do is disrupt that whole bottleneck of getting an invoice paid," co-founder Charles Wong says.

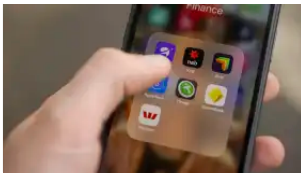
Parakeet approaches the problem from both the payer and payee side.

On the payer side, the company has partnered with BPAY and cloud accounting provider Xero to allow businesses to approve and then schedule the payment of invoices, with Xero and BPAY automatically taking care of the payments on the due date.

On the payee side, companies can build a discount into their invoice for prompt payment, and have the discount automatically reduce the more the payer delays.

"Everyone seems to think 5 per cent on the 30-day invoice works pretty well," he says.

Wong says fintechs like his are providing solutions to small and medium enterprises which can't afford to build their own solutions in the way that larger enterprises can.



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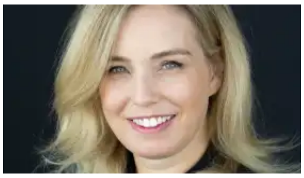

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"Businesses need to embrace that they need to disrupt their own business processes. They need to say 'look, I can do better here'," he says.

Daniel Teper, head of FinTech at KMPG Australia, says fintechs have proved they can create lasting and sustainable change [https://www.afr.com/link/follow-20180101-p5atkl] in the way businesses operate and the way business is done.

"They are creating and will continue to create operational efficiencies, lower cost solutions and better service levels," he says.

For instance, FinTechs have stepped into the business lending space and are providing access to finance for businesses which can't obtain loans from a bank or which want the money sooner than the banks' loan approval processes will allow.

But for businesses, adopting fintech solutions isn't without risk, particularly if the fintech is at an early stage in its development and there are question marks over its financial viability and how they're going to deliver their products.

"It's like when any new technology or solution presents itself," he says.

"You want to get in early to benefit from that technology, but at the same time you then have to wait for the market to catch up to see if this is going to be the direction where the market's going to go long term and does it give me a sustainable advantage over time."