



Difference Between Wealthfront and Betterment

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Key Difference - Wealthfront vs Betterment

With the number of investing opportunities increasing day by day, it is often difficult to select the most suitable option for independent [investors](#). Robo-advisers are a relatively new development which substitutes human investment advisors. Robo-advisers are also cost effective as they usually cost only around one-third of the cost of human investment advisors. Wealthfront and Betterment are two relatively modern online platforms that gained fast popularity. The key difference between Wealthfront and Betterment is the options offered by each platform; **Wealthfront does not offer goal based savings whereas Betterment offers goal based savings. In contrast, Betterment does not offer direct indexing while Wealthfront offers direct indexing accounts balances that exceed \$100,000.**

What is Wealthfront?

Wealthfront is an online investment service firm located in Redwood City, California, founded by Andy Rachleff and Dan Carroll in 2008. As of January 26, 2017, Wealthfront had more than \$5 billion worth of assets under management. Wealthfront is a pioneer in robo-investing and provides a suitable platform for both apprentice and established investors by providing a well-balanced portfolio customized for individual goals. This investment platform offers a wide range of investment account types such as [trusts](#), individual and joint non-retirement accounts, traditional, [Roth and Rollover IRAs](#).

Wealthfront charges a management fee of 0.25% from clients, however for account balances below \$15,000, management fees are not applicable. The advisory fee varies depending on the account balance. If the balance is between \$500- \$10,000 Wealthfront waives off the advisory fee. For account balances greater than \$10,000, a monthly charge of 0.25% is incurred. A number of asset classes are also available with Wealthfront portfolios such as U.S. stocks, foreign stocks, emerging

markets, [dividend stocks](#), real estate and natural resources. Wealthfront also offers portfolio rebalancing and tax loss harvesting.

Portfolio Rebalancing

This is done in order to minimize risk through effective diversification of the asset allocation. Investor funds should be allocated to a number of assets as opposed to a few. It will insulate the possibility of negative market conditions wiping out the overall returns.

Tax Loss Harvesting

Tax loss harvesting is the practice of selling a loss-making security in order to offset taxes. The sold security is replaced by a similar one, maintaining the optimal asset allocation and expected returns.

For account balances over \$100,000, Wealthfront offers direct indexing, which is a service that uses individual securities to single out tax-loss harvesting opportunities. The company was also the first to offer the facility of direct indexing to investors.

What is Betterment?

Betterment is also an online investment company located in New York City and has assets under management of \$9 billion. Betterment is registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The company was founded by John Stein in 2008. A robo-advising platform, Betterment offers goal-based savings - an investment methodology where performance is measured by the success of investments in meeting an investor's personal and lifestyle goals.



Management fees charged by Betterment range from 0.25%-0.50%, however for account balances exceeding \$2,000,000 management fee is waived off. As a result, Betterment is an attractive option to high net worth individuals. Similar to Wealthfront, Betterment also offers a number of investment options such as traditional and Roth IRAs, passive index-tracking equity exchange-traded funds (ETF). Betterment also offers portfolio rebalancing and tax loss harvesting.

What are the similarities between Wealthfront and Betterment?

- Both Wealthfront and Betterment are robo-adviser platforms that offer investment advice.
- Both Wealthfront and Betterment offer portfolio rebalancing and tax loss.

What is the difference between Wealthfront and Betterment?

Wealthfront vs Betterment	
Wealthfront is an online investment service who is a pioneer in robo-investing that provide investors with a wide range of investment options.	Betterment is also a similar online investment platform that offers goal based savings.
Management Fees	
Wealthfront charges management fees between 0% – 0.25%.	Betterment charges management fees between 0.25% – 0.50%.
Directing Indexing	
For Wealthfront, direct indexing is available for accounts balances that exceed \$100,000.	Betterment does not offer direct indexing.
Goal Based Savings	
Wealthfront does not offer goal based savings.	Investment strategy of Betterment is formed to incorporate goal based savings.

Summary - Wealthfront vs Betterment

The difference between Wealthfront and Betterment depends on a number of factors such as the fee structure, availability of goal based savings and direct indexing. Nevertheless, both companies are strong choices for a robo-advisor that offer time and cost effective, investment choices. Which online platform is suitable for each investor depends on the investment goals and size of the account balance. For high net worth investors, Betterment is more attractive while Wealthfront is more suitable for average investors.

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