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Problems with Older Adults' Adoption of Robo Advisors: an Empirical Study

TREO Talk Paper

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Abstract

Robo Advisor has increasingly received attention from users of different demographics. Many users have taken advantage of its features to automate their saving and investing activities. However, users in an older age group, specifically, those aged fifty or above (referred as “older adults” hereafter), have been seen with low adoption of the robo-advisory services. Financial planning and management for adults in this age group need to be thought carefully through as they are a vulnerable group that hardly recovers if significant financial loss occurs due to poor money management strategies. Due to the financial expertise integrated in the application and enabled automation, robo advisors appear to be a viable solution to assist older adults in financial activities. Yet, the process of learning to use a new technology is a steep learning curve for these adults. This is especially true for those having mental health conditions (i.e. anxiety, cognitive decline, and depression). Therefore, this empirical study intends to examine whether mental health of older adults affects their intention to use robo advisors. In addition, we hypothesize that perceived usefulness may mediate the effect of mental health on this behavioral intention, such that it serves to explain why various levels of mental health would result in differences in intention to use (i.e. approach or avoid robo advisors).

Our literature review shows three external factors that may enable older adults to overcome negative effect of mental health conditions on robo advisor adoption. These are social influence, accessibility, and learning support. Social influence refers to the situation in which people change their behaviors to be the same as those of a larger social group. For instance, older adults view using technology as a way of “keeping up with the society”. Thus, we hypothesize that social influence moderates the relationship between mental health and intention to use robo advisors, such that when social influence is strong, older adults will likely adopt even when they undergo at least one of mental health conditions listed above. Accessibility and learning support, on the other hand, we hypothesize them to moderate the relationship between mental health and perceived usefulness. Accessibility is the quality of being used by a specific age group. When robo advisor interface is designed in a way that older adults can utilize functionalities and features smoothly, it is possible that, negative effect of mental condition will be reduced and usefulness prevails. Learning support is the context in which instruction and guidance are adequately given so that older adults can learn effectively how to use a technology. When adequate learning support is provided, mental health conditions may be less influential on older adults' beliefs that robo advisors are useful.

Comparing to a younger demographic, older adults have a very different attitude and learning culture when it comes to technology. The results of this research study will provide insights for financial advisory services, brokerage firms, financial institutions, as well as their technology providers to develop and configure robo advisors that are elder-friendly. Especially, for those with mental health conditions, enabling them to overcome the impact of mental problems to utilize new technology and build wealth as they are aging. Theoretically, by focusing on the adoption of an emerging technology by a unique age group and for a specific purpose. This research sheds additional light on the technology adoption theory.