AI's Impact on Financial Advisors: Evolution Versus Extinction

Artificial intelligence (AI) has been part of the tech world since the middle of the 1900s. However, it was in the early 2020s that the latest iterations of AI began to emerge as a market-shifting force in the financial sector and beyond. From agriculture to artistic ventures to higher education, AI has shown its ability to be a supportive entity in virtually every profession in which it is used alongside human beings. And while some may believe that the use of AI spells disaster, there's more evidence to suggest that the integration of AI tools into everyday business operations for financial professionals is a boon.

What is AI?

As popular as AI has become, there are still those who don't have a clear understanding of what AI does now and what it could do in the future. A simplistic way of thinking of AI is that it is software that can learn. For example, a basic calculator program just adds whatever numbers are put into it (i.e., 2 + 2 = 4, 34 - 3 = 31, etc.). But an accounting AI can help dynamically calculate taxes for a business based on the most current tax code and the area the business operates within, all with the click of a button and within seconds. This is because it learns and eventually allows the user to tell it what to manage so that people don't have to give it new orders every time they want something done. As it reviews a business' banking statements, point-of-sale transactions, and incoming invoices, it starts to learn the business in order to intuit what reports are needed, when inventory needs to be reordered, when to follow up with prospects, and more.

AI in the Financial Industry

As with fields like publishing, photography, and advertising, AI is taking the finance industry to new heights in new ways. Understanding how AI is being used to further the interests of financial institutions can provide insight into how the power of AI can be leveraged for financial advising roles.

- **Reducing Human Error**

Though human beings are still in control using AI-powered recommendations, AI can virtually eliminate the common errors that human beings make when it comes to finance. These issues often stem from various aspects of human behavior that generally go unnoticed such as reactively buying or selling stocks instead of doing a rational analysis of the data or consistently overloading a portfolio with a certain kind of stock due to a bias and not based on the past performance of that investment. In a matter of seconds, AI can analyze a multitude of financial options and project how they are likely to impact a particular individual or company so that sound fiduciary decisions can be made.

- **Speeding Up Operations**

One of the major benefits of AI in most fields is its ability to condense tasks that people might spend hours on into a process that can be accomplished in a few minutes. This might include steps like gathering and processing basic client information for onboarding, scanning articles online for world news that could impact economies that influence client portfolios, or following up with prospective clients after initial contact. This leaves more time each week for other activities that may take more time or aren’t as well suited for AI processing, such as in-person meetings with clients or detailed explanations of financial products to new investors.

By allowing financial advisor functions to be done more quickly and with a higher level of accuracy, incorporating AI into a current advising business can be a low-cost way to exponentially increase productivity.

Adapting to Survive

Adapting to changing conditions in order to survive is not a new concept. And the financial sector can experience vast, quick changes due to the numerous variables that influence currency value, employment rates, government stability, and other key factors. With the growth of AI increasing year after year, the principle of adjusting to a changing environment in order to thrive still holds true.

Various technological advances in the past have led to innovations and shifts in the way financial planning and transactions are handled. Instead of seeing the proliferation of AI as harmful to the profession, see it as a way for financial advisors to distinguish themselves from their competitors. By being collaborative with AI technology instead of combative, financial advisors can provide a wider range of services to their clientele more accurately and quickly. This means that financial advisors who won't be using AI as a supportive part of their business model risk seeing their business shrink quarter after quarter as clients seek professionals who can help them with cutting-edge technology that gives the client the same quality results they're looking for with lower fees and less waiting.

Robo Advisors is an example of how AI is assisting firms and individuals with financial planning by assessing an investor's circumstances and risk tolerance so that the AI can then construct a portfolio to help the client reach their financial goals.

Partnering with AI

Integrating AI into current financial advising businesses is the path toward a more stable and sophisticated business. AI-assisted financial advising allows for:

- -Enhanced ability to spot and project trends in the market.
- -The reduction of the time it takes to do tasks related to advising clients.

Partnering with AI

- The provision of deeper insights for clients so that they have a more thorough understanding of their assets and investments.
- The ability to solve a client query within seconds instead of hours.
- Personalization options that may normally take a human weeks to configure to be done in seconds.
- The option to spend less time and money on finding, recruiting, and training human beings to do menial tasks that support financial advising operations.
- For any firm or professional considering using AI as the sole means of advising their clientele, some challenges come with that decision, including:
  - A lack of human interaction, which can make transactions seem more clinical and less appealing to clients.
  - Lowered trust due to people not necessarily wanting AI involved, but being more willing to incorporate it when a human being is supervising it.
  - Problems with empathy and nuance since AI is code, not a human brain.
- Unsupervised AI creates risks of system disruptions and IT vulnerabilities.

Financial Advising and AI

Financial advisors can greatly benefit from using AI as a supportive tool for their business, but like any technology, it comes with challenges. However, when AI is used collaboratively, with human oversight and management, the benefits far outweigh the drawbacks. Ultimately, the best way to adapt to the rise of AI in finance is to integrate it into your business model, allowing it to both impress and serve your current and future clientele.