Quick Answer: How Will Generative AI Impact Wealth Management?

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The wealth management industry is investing heavily in AI, and now CIOs are incorporating strategies to include GenAI that will unleash increased potential to transform. GenAI provides the basis for new services that unlock improved customer experiences and productivity-enhancing capabilities.

Quick Answer

How will generative AI (GenAI) impact wealth management?

- Wealth management firms have been investing heavily in AI, and now this focus is quickly transitioning to GenAI due to its transformative potential.

- GenAI introduces capabilities that offer wealth management firms new ways of getting work done and creating value for customers. This will supercharge productivity and introduce hyperpersonalized investor experiences.

- GenAI offers small and midsize wealth management firms an opportunity to innovate quickly, leveling the playing field with larger firms where the latter have traditionally used scale and larger resource pools to advance a technological advantage in deploying new emerging technologies.

- Unknowns and uncertainties around questions of security and privacy have caused some hesitations around adoption of the technology, but the unprecedented level of investment in GenAI makes it likely these concerns will be addressed in the short- to midterm.

More Detail

Wealth management leaders and CIOs are looking at where to start with GenAI given the rich potential environment for innovating around the customer experience and gaining new efficiencies. For example, wealth advisors will be able to generate and visualize a wide range of potential scenarios to share with clients in the financial planning process. Similarly, GenAI will enable advisors to more quickly curate or develop content for individual clients based on their goals and investments. However, wealth management CIOs are taking a measured approach to deploying GenAI because they may not understand the technology and potential implications for the business.

Wealth Management Firms Are Increasing Investment in AI

AI has been on the radar of wealth management CIOs and IT leaders for some time, with 80% of leaders indicating they plan on increasing investment in AI over the next two years. [1] More recently, Gartner data suggests that industry leaders at large are moving their focus to GenAI, and based on our conversations with wealth management leaders, this is the case in this industry as well. An overwhelming 79% of banking and investment services leaders suggested that GenAI would have at least a moderate impact in their industry, with 31% indicating it would have a significant or transformative impact. [2]

GenAI Capabilities Introduce Supercharged Productivity Growth and Hyperpersonalized Service

GenAI brings about interesting new capabilities in four distinct areas:

- Content creation

- Content discovery

- Simulation

- Conversational AI

The following are some examples of the transformational potential resulting from the introduction of GenAI.

Content Creation

GenAI can help in designing and creating new financial plans for customers and investors, creating performance visuals of portfolio models and designing new personalized marketing content to creating new portfolio management models. In particular, content creation capabilities offer opportunities for wealth management firms to increase productivity.

For example, Public has introduced a service called Alpha, an investment assistant powered by OpenAI's ChatGPT 4.0. Alpha helps clients improve investment strategies as well as summarizing investment results. [3]

Content Discovery

Features, such as sophisticated search capabilities, make it possible to pull complex information more effectively than traditional services. Customized services that can quickly provide digestible content for wealth advisors to support them in becoming the most knowledgeable in the marketplace in areas of interest (e.g., markets, industries, products), among other productivity and time-saving advantages, help firms dramatically improve the customer experience. From faster employee training to deep industry-specific research, content discovery can prove very useful and raise the quality of advice provided to clients.

As an example, J.P. Morgan has been quick to announce the creation of IndexGPT with this goal in mind. [4] Others have also announced plans to implement in-house tools to support the advancement and expertise of staff. [5, 6]

Simulation

Through the production of synthetic data made possible with GenAI, firms can design alternate investment strategies, predict market possibilities under various scenarios and explore realistic possible outcomes to global and geopolitical events and their impact on stock markets (see Emerging Tech Roundup: Navigating Confusion Around Synthetic Data). The implications are broad, including on portfolio managers who have to digest incredible amounts of data to inform decisions on the fly in rapidly changing conditions. Synthetic data can also provide wealth management CIOs and IT leaders with new modeling to more quickly adapt to emerging market scenarios, creating better returns and results. [7]

Conversational AI

Through more lifelike virtual assistants and natural language interfaces, the customer experience will be enhanced by providing real-time answers to questions about investments, market strategies and their own plans to supplement time constraints with available wealth advisors (see The Impact of Generative AI on the Conversational AI Market). Whereas existing chatbot and conversational AI offerings seemed limited to simplistic levels of responses, leading and emerging services utilizing GenAI can break through with meaningful responses to client requests that will appear humanlike by using techniques such as sentiment analysis.

Collectively, and in conjunction with other established technologies, these GenAI-specific capabilities will help improve financial advisor productivity and augment the customer experience.

GenAI Offers Small and Midsize Firms the Opportunity to Innovate Faster

When assessing the early developments of GenAI in wealth management, based on our conversations with product leaders and wealth management firms alike, firm size does not provide an overweight advantage in achieving progress with this technology. Due to the possibility of wealth management firms deploying simple value-creating solutions, and the rapidly growing market of products in this space, small and midsize firms have a unique opportunity to exploit the technology as fast as, or potentially faster, than larger firms.

This runs counter to general historical trends in which larger firms traditionally deployed resource advantages to enable accelerated development. Multiple product leaders have even stated that their target customers are smaller wealth firms that are eager to progress and that, perhaps, have fewer bureaucratic hurdles to overcome.

There are numerous vendors offering potentially high-value and productivity-enhancing solutions. One representative vendor is Daizy AI, which generates financial content and analysis on stocks and ETFs from curated market data by using GenAI large language models (LLMs) to present complex analysis rapidly (written, verbal and/or graphic visualizations). [8] Another vendor is Parthean, which uses various AI techniques to develop financial plans; LLMs use these insights to generate personalized content and visualizations for consumers based on their specific considerations. [9]

Small and midsize firms can jump on vendor partnerships to quickly achieve parity with their larger competitors, but large firms still can exploit proprietary data sources and in-house resources to build unique and custom-made solutions for their clients.

The Unknowns Causing Hesitation in Using GenAI and Services Like ChatGPT

Wealth management firms seeking to utilize GenAI-based services in their business need to recognize unknowns and potential constraints with regard to the utilization of this technology. The 2023 Gartner Generative AI Survey suggests that challenges come from the quality of outcomes (errors and hallucinations), privacy concerns and use of the technology by bad actors, all of which are significant concerns of executives. [10]

Vendors in most technology domains are moving quickly to embed GenAI into their technology portfolios. As these technology advancements mature, it will become more transparent about the role of GenAI alongside other AI technologies to drive value for wealth management firms. Most often, wealth management firms will not be in a stand-alone state but in conjunction with other technologies that deliver on business outcomes.

Further, the unprecedented level of investment in GenAI, and the incredible attention brought to this technology, suggests that efforts to resolve these concerns are underway and adoption intentions as indicated by industry leaders are very high. [3] Given the momentum the technology has gained, ignoring this trend could result in future challenges in competitiveness.

Evidence

[1] **2022 Gartner Financial Services Technology Survey.** This survey sought insights into the life cycle, utility and spending behavior associated with specific technologies for financial services enterprises. This survey was conducted online from October through December 2022. The respondents included senior leaders who were primary decision makers for their organizations' or business units' technology strategies or had a high level of influence in those decisions. The total sample was 794, with representation from all geographies and both banking and investment services and insurance industry sectors, among enterprises with over $50 million or equivalent in annual revenue. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

[2] **Gartner Financial Services Research Panel Survey, August 2023**. The survey aims to understand respondents' opinions on GenAI products. For the purposes of this survey, GenAI refers to AI techniques that learn a representation of artifacts from data and models, and use it to generate brand-new, completely original artifacts that preserve a likeness to original data or models. This online survey was fielded from 19 April through 2 May 2023. The survey includes 75 respondents who are senior business and technology leaders from financial services organizations.

[3] Public Launches Alpha, Powered by OpenAI's GPT-4 for Investment Research, PR Newswire.

[4.] JPMorgan Is Developing a ChatGPT-like A.I. Service That Gives Investment Advice, CNBC.

[5] Morgan Stanley Wealth Management Announces Key Milestone in Innovation Journey With OpenAI, Morgan Stanley.

[6] Vanguard CEO Says AI Will Revolutionize Asset Management, Pensions & Investments.

[7] FedSyn: A Framework by J.P. Morgan's Onyx Team to Generate Synthetic Data While Preserving Privacy, J.P. Morgan.

[8] Daizy

[9] Parthean

[10] **2023 Gartner Generative AI Survey.** This survey was conducted online from 16 May through 15 June 2023 to get a baseline on how CIOs are thinking about GenAI and what they think their role will be. In total, 80 CIOs participated. Seventy-six were members of Gartner's CIO Research Circle, a Gartner-managed panel, and four were from an external survey link shared via social channels and analyst contacts. Research Circle participants were from North America (n = 41), EMEA (n = 21), APAC (n = 8) and Latin America (n = 4).

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