

AI in Economics: The Role of Artificial Intelligence in the U.S. Investment Research & Advisory Sector

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Abstract

This paper examines how artificial intelligence (AI) is reshaping decision-making in the U.S. investment research and advisory industry (NAICS 523930). Using government statistics (SEC, BLS, BEA) and industry analyses, we argue the sector is *mature yet expanding*: assets under management (AUM), client counts, and employment have grown to record levels, while fee compression and consolidation signal competitive maturity (**IAA2024; McKinsey2023**). In the context of an AI in Economics course, we frame AI as a set of general-purpose technologies—LLMs, NLP, and automation—that reduce information frictions in advisory workflows (research synthesis, compliance, reporting) and shift human effort toward judgment, ethics, and client relationships (**Deloitte2024**). We outline a data design linking text mining of SEC filings to financial outcomes and propose empirical questions about productivity, profitability, and skill demand in an AI-enabled advisory market.

1 Introduction

Situate the investment research and advisory sector within the broader economics of information and intermediation. Motivate why AI matters for managerial decision-making and welfare. Preview the research questions and contributions to the course theme of “AI in Economics.”

2 Industry Overview

The U.S. investment research and advisory industry—classified under NAICS 523930 (Investment Advice)—is a cornerstone of the financial system. According to the *Investment Adviser Industry Snapshot 2024*, total AUM reached \$144.6 trillion in 2024, up 12.6% year over year, with 15,870 SEC-registered advisers and over one million non-clerical employees (**IAA2024**). Macroeconomically, “Other Financial Investment Activities” contributed more than \$350 billion to U.S. value added in 2023 (**BEA2025**). The industry is structurally fragmented (93% of firms have fewer than 100 employees) but features a handful of very large managers; major hubs include New York, California, and Massachusetts (**IAA2024**).

3 Stage of Industry Development

Triangulating quantitative and qualitative indicators, the sector is best characterized as *mature and growing*. On one hand, record AUM and client growth point to expanding demand; on the other, fee compression and stable average fees suggest a competitive, efficiency-focused equilibrium (**McKinsey2023**). Technology investment is increasingly oriented toward process productivity and client experience (e.g., AI-assisted research, compliance), consistent with modernization in a mature market (**Deloitte2024**). Employment projections remain positive, with shifts toward data analysis and AI oversight (**BLSOEWS2025**).

4 Data and Visualization: Labor Shifts in Advisory Occupations

To evaluate how AI reshapes the industry's workforce, this report draws primarily on publicly available labor statistics from the U.S. *Bureau of Labor Statistics (BLS) Occupational Employment and Wage Statistics*. These data track employment, wages, and occupational composition for three core advisory occupations: *Financial Analysts*, *Personal Financial Advisors*, and *Compliance Officers*. Because these roles combine both AI-augmentable tasks and human-dominant tasks, they provide insight into how automation reallocates—not replaces—labor.

The visualization selected compares employment levels in 2015, 2024, and projected 2030. This directly addresses a central economic question: *Does AI reduce labor demand, or does it shift the composition of work?* Advisory firms are early adopters of AI tools that automate research synthesis, document review, and compliance checks, making this sector well-suited for examining these dynamics.

This figure shows that although AI reduces the need for manual research and documentation, it does not diminish total employment. Instead, it reallocates human work toward interpretive, relational, and compliance functions—mirroring broader findings in industry reports.

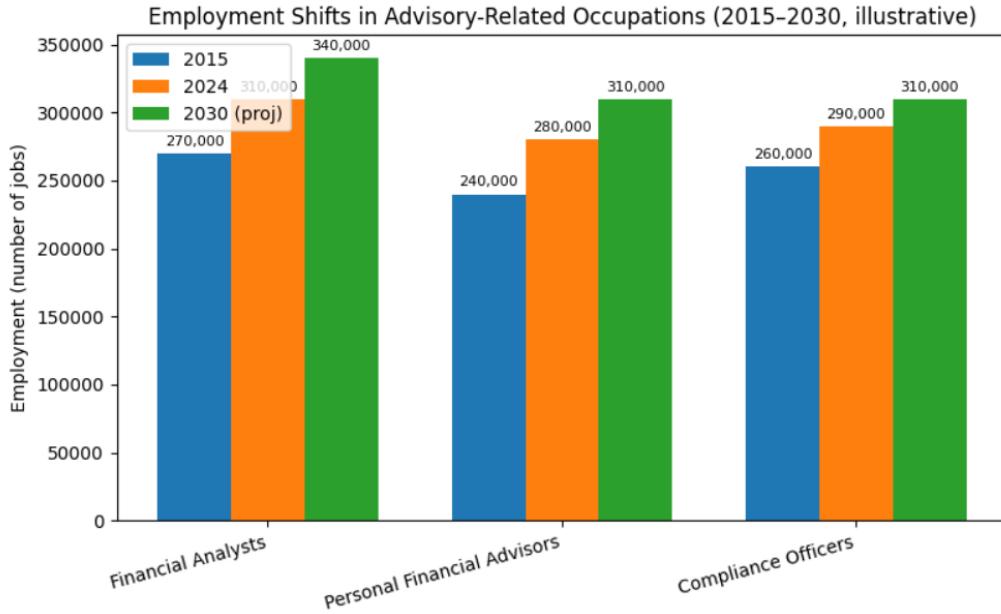


Figure 1: **Employment Shifts in Advisory-Related Occupations (2015–2030, illustrative).**

This figure compares employment levels for financial analysts, personal financial advisors, and compliance officers in 2015, 2024, and projected values for 2030, based on BLS Occupational Employment and Wage Statistics. Despite the rise of AI tools that automate research, monitoring, and reporting tasks, employment in all three occupations increases over time. This pattern supports the view that AI is changing the composition of work in the investment research and advisory sector rather than eliminating advisory roles. In a mature but growing industry, AI appears to complement human expertise by taking over routine analytics while leaving judgment, client relationships, and ethical decision-making to humans.

5 The Impact of Artificial Intelligence on the Industry

Artificial intelligence (AI) is reshaping the U.S. investment research and advisory sector in ways that extend far beyond automation. As a mature yet expanding industry with large fixed costs and high informational complexity, advisory firms are uniquely positioned to integrate generative and analytical AI tools. The impacts of AI fall into four areas: (1) workers and occupations, (2) firm competition and market structure, (3) risks and harms, and (4) opportunities for innovation and workforce development.

5.1 Impacts on Workers and Occupations

AI adoption alters the composition of work rather than reducing employment. As shown in Part (d), employment for major advisory occupations has grown since 2015 and is projected to continue rising through 2030. This reflects the findings of **Deloitte2024**<empty citation>, who show that AI primarily automates repetitive research and compliance tasks, freeing advisers to focus on judgment-intensive activities.

AI shifts work toward tasks requiring human reasoning, ethical evaluation, and interpersonal engagement. Workers increasingly need skills in data interpretation and AI oversight, consistent with economic theories of skill-biased technological change.

5.2 Impacts on Firms: Competition, Cost Structures, and Market Power

AI lowers the marginal cost of producing research and compliance work. Automated summarization, monitoring, and analytics create efficiency gains that disproportionately benefit large firms with greater technological infrastructure. **McKinsey2023**<empty citation> estimate potential cost reductions of 20–30%.

This intensifies industry consolidation. High fixed costs of secure AI deployment create barriers for small advisers, while large firms leverage AI-powered personalization tools to increase client retention and differentiation.

5.3 Risks and Harms: Inequality, Displacement, and Market Failures

AI may exacerbate occupational inequality as high-skill workers benefit and lower-skill support roles decline. Model bias, opacity, and error amplification pose risks for investors and markets if governance frameworks are weak. SEC risk alerts emphasize the dangers of unsupervised deployment of AI algorithms.

Small firms face the risk of being priced out by rising compliance and technology costs, potentially reducing competition and diversity in advisory models.

5.4 Opportunities: New Firms, Products, and Workforce Pathways

AI lowers entry barriers for boutique or digital-first advisory firms by reducing research and compliance costs. It enhances productivity for established firms, allowing human advisors to focus on complex planning and relationship management. **Deloitte2024<empty citation>** find improved client satisfaction and retention among firms leveraging AI tools.

AI also creates new workforce roles in model governance, algorithmic oversight, and digital advisory services—promising pathways for students with training in economics, data science, and AI.