Financial Planning in an AI World

I have been involved in the investment and financial planning environment since the late 1990s, witnessing firsthand the early development of the internet and its transformative impact on financial services over the past few decades. Today, the focus has shifted to artificial intelligence (AI), a technology that, like the internet before it, has the potential to profoundly reshape the financial services industry.

The Internet Revolution and Financial Services

The internet age revolutionised a wide range of financial services - many of which we now consider essential. These include online and mobile banking, digital brokerage platforms, real-time financial news and data services, and communication tools such as email, WhatsApp and Microsoft Teams.

AI: The Next Frontier

Today, we are seeing a strong global push toward AI adoption. Much like the so-called "dotcom" era, I believe the short-term impact of AI may be overhyped, but its medium to long-term influence is likely being underestimated. AI is set to significantly alter the delivery and scope of financial planning services.

A few real-world examples of how AI is currently being applied ...

1) Personalised Robo-Advisors

> Platforms such as Wealthfront, Betterment, Nutmeg, Moneyfarm and Scalable Capital use AI to build and manage diversified portfolios tailored to individual risk profiles. Many of these platforms can monitor markets around the clock and make portfolio adjustments automatically.

2) AI-Powered Financial Planning Platforms Tendi

> **- Trained on Certified Financial Planner (CFP)** exam content, Tendi analyses a client's income, expenses, debts, and other financial details to create personalised budgets, financial health scores and coaching.
> **- FP Alpha** is a tool that reviews documents such as wills and tax returns, not just to summarise key data but also to identify actionable financial planning opportunities.

3) Portfolio Management Tools

> **- EidoSearch** uses AI to analyse historical patterns and forecast market behavior, assisting investment managers in decision-making.

4) Risk Management and Compliance Tools

> **- MindBridge** utilises AI to detect anomalies in financial data and escalate them to management, helping improve oversight and reduce fraud or error.

Looking forward, there is little doubt that AI will continue to reshape the financial planning industry. Some of the potential developments we foresee include:

1) A Shift Toward Strategic Communication : As AI improves immensely in the area of data analysis and even presentation, financial planners will be forced to focus more on high-level strategy, behavioral coaching, and deepening personal client relationships.

2) A Focus on Specialised, Complex Planning : While AI can handle basic financial advice efficiently, human advisors will likely pivot to delivering more nuanced and complex financial planning services.

3) More Personalised and Transparent Advice : With the support of AI tools, clients should start to expect more tailored financial plans and a greater degree of transparency in the advice they receive.

Conclusion

It is clear that AI is going to become increasingly important in the financial planning profession/process. Financial advisors will remain an important cog in the system as clients still require a human connection, but advisors will increasingly need to use AI to enhance their process.

At Seed, our intention is to keep a keen eye on developments, look for opportunities to use and engage with the technology, and continue to be focused on the ultimate end goal: **satisfied clients that are invested in inflation beating portfolios.**

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If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

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