



Although seen by some as futuristic, the transformative potential of AI is already in reach and already being used by Australian advisers.

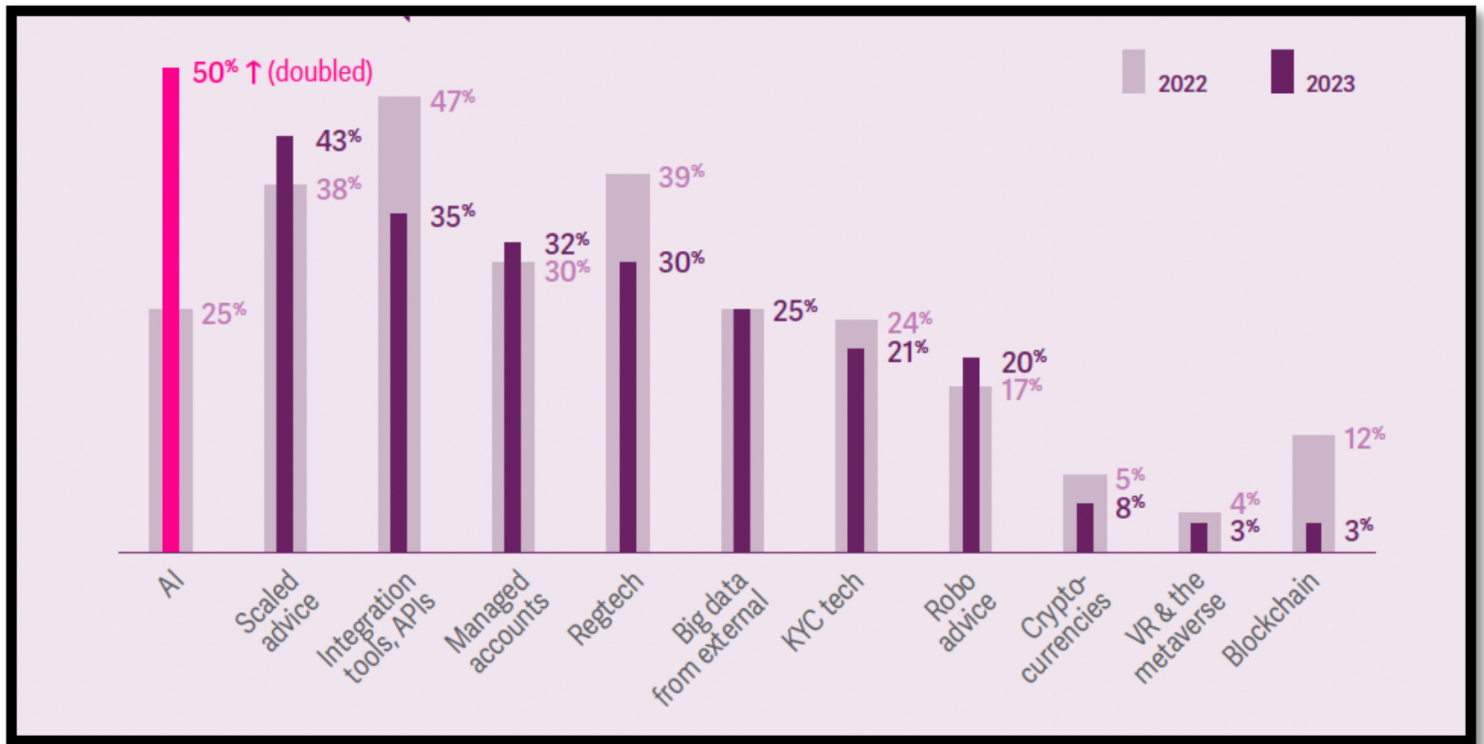
Unless you have been living on another planet recently, it has been hard to avoid the topic of artificial intelligence. While ‘AI’ has actually been around for a long time, it was really the release of ChatGPT at the end of November 2022 that sent the whole world crazy for AI.

A little like the industrial revolution, there are two perspectives from which to view the AI ‘revolution’. There’s the pessimistic perspective of which jobs are most at risk of being replaced by AI (the good news for you as the reader is that financial advisers aren’t high on that list, the bad news for me as the author is that copywriters are!), and then there’s the excitement about the endless possibilities for AI to revolutionise our lives and indeed just about every field of human endeavour. This is the perspective that sees the share price of Nvidia runway ahead of its actual current earnings.

But regardless of which perspective you take, and how futuristic you may think AI is, the reality is that AI is already here, and is already being used by financial advisers in Australia, to deliver better customer experiences, to make better decisions, and to operate more efficiently.

Reinforcing this point, a recent study^[1] of Australian advisers found that most believed AI would be the technology that had the greatest impact on advice practices over the next five years.

Figure 1: Technologies expected to most impact advice practices in next five years



Source: Netwealth

In this article, we will examine AI through a practical lens, exploring the ways it can be used in conjunction with existing technologies to improve adviser and advice practice performance across portfolio construction, the advice process, the client experience, administration, compliance, and marketing.

First – a recap

Before we begin our exploration, it is worth briefly recapping some of the common language used in conversations about AI.

Glossary of AI terms

Artificial Intelligence (AI) in simple terms is the ability for a computer to think and learn. With AI, computers can perform tasks that are typically done by people, including processing language, problem-solving, and learning (that last bit is crucial). One of the most ubiquitous examples of AI is the growth of virtual assistants like Siri and Alexa.

Machine learning is a branch of AI and computer science which focuses on the use of data and algorithms to imitate the way that humans learn, gradually evolving and improving its accuracy. IBM's Watson - which learned how to play chess and defeated several grandmasters along the way - is one of the best-known examples of machine learning.

ChatGPT is an online tool that uses natural language processing to create humanlike conversational dialogue. ChatGPT can respond to questions and compose various written content, including articles, social media posts, essays, code, and emails. ChatGPT was created by Open AI – a company backed by many high-profile entrepreneurs including Elon Musk – and launched in November 2022.

When ChatGPT was first launched, it was done so on the basis of a static database, however in September 2023, Open AI announced that ChatGPT would be able to browse the internet in order to give premium users current and authoritative information and links to sources, effectively ending the knowledge cut-off which had previously restricted its data universe to information dated prior to September 2021.

Generative AI is a form of AI that can be used to create new content, including audio, code, images, text, simulations, and videos. ChatGPT is an example of Generative AI.

AI will replace jobs – but advisers shouldn't be worried

Much has been made of the likelihood of AI cutting a swathe through the job market. Certainly, as with any technological advance, an impact on the workforce is to be expected. But AI promises quite the disruption. A report^[2] published by the World Economic Forum in 2020, for example, predicted 85 million jobs will be replaced by AI by the year 2025. McKinsey's more conservative 2021 estimate^[3], on the other hand, is 45 million by 2030.

One recent list of roles most likely to be impacted showed the power of AI to generate content, with the top 10 list including copywriters, graphic designers, and even software coders.

Table 1: Top 10 roles to be impacted by AI

1	Entry-level admin roles
2	Data entry clerks
3	Software engineers and coders
4	Customer service reps
5	Paralegals
6	Copywriters and content roles
7	Graphic designers
8	Bankers and accountants
9	Traders
10	Fact-checkers and Proof-readers

Source: Tech.co⁴

It may or may not come as a surprise that 'financial adviser' doesn't feature in such lists. Despite the predicted surge of interest in pure robo-advice (which AI is well positioned to support), the real-life market experience, and countless research studies, show that people still want the human touch in their advice, partly because they don't fully trust machines to get it right.

The latest survey to reinforce this point was conducted by CNBC, which found that the vast majority of adults – 63% – aren't interested in using generative AI tools specifically for financial advice^[5].

A further survey^[6] by the CFP Board, found that, of the 4% who are already using AI tools for financial advice, more than half (51%) are verifying the information and recommendations they receive with a real – human – financial adviser.

Big picture applications for AI

The vast potential for AI to be a 'game changer' for financial advice becomes obvious when we consider how much of advice is reliant on data, and the use of that data to drive insights, then create rules and make decisions based on those insights. At a high level, aspects of advice that will be revolutionised by AI include:

Data analysis and decision-making

AI can rapidly process large volumes of data, including historic and current market information and client specific data, to identify trends and produce insights. The power of AI lies in its ability to process complex, unstructured data and create actionable intelligence, in effect providing answers to questions which we didn't even know to ask. Decisions and recommendations based on these insights will be grounded in more evidence, and will be more robust, leading to better client outcomes.

Automated portfolio management

AI-powered algorithms are transforming portfolio management by automating key processes, including algorithmic trading based on predefined rules, scanning a wide range of sources (including news and social media coverage) to develop more robust research on specific stocks, automatic real-time portfolio rebalancing at a more personalised level, and more efficient (cost effective) trading.

Back office/administration

Integrating AI into existing systems can allow automation of tasks such as document production, client data gathering, onboarding, and reporting.

Personalised recommendations

By analysing individual client data such as, risk preferences, time horizon, financial goals, and even past investment decisions, AI can generate truly tailored investment recommendations far quicker, and to a far more granular level, than humans can do alone. AI makes it viable to genuinely start with a clean piece of paper, rather than relying on a cookie cutter approach,

Customer service and chatbots

AI-powered chatbots and virtual assistants are revolutionizing customer service in financial advice. Indeed, research by Netwealth^[7] suggests that, of those Australian advice firms who are 'dipping their toes' into the AI water, the majority (65%) are experimenting with the use of chatbots.

These chatbots can handle routine customer inquiries, provide basic financial information, and assist with account management. By automating repetitive tasks, financial advisors can focus on more complex and high-value activities.

AI-driven customer service solutions improve response times, provide 24/7 support, and enhance overall customer experience. Clients can access relevant information, obtain assistance, and feel more engaged with their financial advisors, strengthening the adviser-client relationship.

Risk assessment, fraud detection and cyber security

AI can play a crucial role in risk assessment and mitigation for financial advisors. Furthermore, AI algorithms can detect patterns and anomalies in financial transactions, aiding in fraud detection and prevention, and even monitoring cyber security breaches.

Compliance and regulatory adherence

AI powered RegTech can monitor transaction data and communications and alert advisers to potential compliance issues, faster, more comprehensively, and far cheaper than the equivalent human system.

Client communication and marketing

For many advisers, writing is not a core strength, and generative AI can be used to craft client facing communication, such as document templates, newsletters, articles, and even personal emails. Google already uses the power of AI to help advertisers become more effective in their selection of keywords and target audiences when implementing SEO strategies.

At the coalface, how are Australian advisers using AI?

As mentioned above, of those advisers already experimenting with AI, most are focused on trialling chatbots.

When we further expand the universe to also include areas where advisers are interested in exploring the potential for AI, we can see a strong focus on communication, content, and document production:

Table 2: Areas where Australian advisers want to explore the potential use of AI

Areas	% of respondents
Content marketing	57
Back-office automation	50
Client reviews	43
Customer service	35
Summarise meetings	30
SOA production	30
Identify clients in need	28
Digital advertising	24
Market research	17
Business reporting and forecasting	15
Internal knowledge sharing	15
Identify fraud and cyber breaches	11
Identify compliance breaches	11
Portfolio construction	11

Source: Netwealth⁸

Practical examples of how to use ChatGPT now

Using ChatGPT to create written content may well be the easiest and quickest way for advisers to start on their AI journey.

Specific examples can include:

- writing emails on specific topics
- writing blog posts for LinkedIn or your website
- creation of educational materials, such as 'how to guides'
- summarising meeting notes into a more professional format
- summarising and simplifying long-form content, for your own benefit, or for clients'
- conducting research (notwithstanding the free version of ChatGPT is still limited to data from September 2021 or earlier).

Of course, ChatGPT isn't perfect, indeed it frequently makes fact-based errors, but in terms of crafting the written word, it is very, very good (which is why copywriters are under so much threat!). For this reason, most observers, including US advice guru Michael Kitces, encourage users to think of ChatGPT as providing drafts of materials, which advisers then need to edit, fact check, and, if needed, personalise. As Kitces says, it is far easier to edit than create something from scratch.

A couple of real-life examples below show the prompts typed in to ChatGPT by Kitces, and the actual response from ChatGPT.

Example 1

ChatGPT is asked to 'write an email to calm my investment client who is worried that mass adoption of ChatGPT and other AI tools will cause mass unemployment and trigger a stock market crash in the next few years.'



Write an email to calm my investment client who is worried that mass adoption of ChatGPT and other AI tools will cause mass unemployment and trigger a stock market crash in the next few years.



Dear [Client],



I understand that you are feeling concerned about the potential impact of mass adoption of AI tools like ChatGPT on employment and the stock market. While it is true that technological advancements can cause disruptions in the job market and financial systems, it's important to take a closer look at the situation and consider the broader picture.

Firstly, it's important to note that technological advancements have been happening for centuries, and while they may displace some jobs, they also create new opportunities and industries that weren't previously possible. In fact, the adoption of AI tools can lead to increased productivity, efficiency, and innovation, which can ultimately drive economic growth and job creation.

Secondly, it's worth noting that AI tools like ChatGPT are still in the early stages of development and adoption. While they have shown great promise in certain areas, they are still far from being able to replace human workers entirely. Additionally, there will always be a need for human skills and expertise, particularly in areas that require creativity, critical thinking, and interpersonal communication.

Finally, it's important to remember that the stock market is a complex system that is influenced by many factors beyond the adoption of AI tools. While it's true that technological advancements can have an impact on market trends, there are many other factors that also play a role, including government policies, global economic conditions, and geopolitical events.

In conclusion, while it's natural to feel concerned about the potential impact of technological advancements on the job market and the stock market, it's important to take a broader view and consider the potential benefits and opportunities that AI tools like ChatGPT can bring. As always, it's important to diversify your portfolio and invest in a range of industries and sectors to mitigate risks and maximize returns.

Please don't hesitate to reach out if you have any further questions or concerns.

Best regards,
[Your Name]

Source: Kitces⁹

Example 2

In this example, ChatGPT is asked to create three social media posts, based on a longer article the adviser had previously written (perhaps with the help of ChatGPT!).



Write 3 versions of a social media post for LinkedIn that explains the focus of the following article in one sentence, and then highlights the most important takeaways or planning ideas in 3 bullet points: <https://www.kitces.com/blog/flexible-estate-planning-strategies-that-adapt-to-a-constantly-changing-political-landscape-irc-ab-trust/>



Post 1:



Flexible estate planning strategies are critical for adapting to changing political landscapes. Check out this article for some tips to help you plan for the future. Key takeaways include:

- Understanding the current political climate and how it may impact your estate plan
- Considering flexible strategies, such as AB Trusts, to help protect your assets
- Working with a qualified estate planning attorney to ensure your plan is up to date

Post 2:

When it comes to estate planning, a constantly changing political landscape can make things tricky. Luckily, there are flexible strategies that can help you adapt. Some key ideas to keep in mind:

- Stay informed about changes to tax laws and other regulations that could impact your estate plan
- Consider setting up an AB Trust to help protect your assets and minimize estate taxes
- Work with a knowledgeable estate planning attorney to ensure your plan is tailored to your unique needs

Post 3:

If you're concerned about how political changes could impact your estate plan, it's important to have a strategy in place that can adapt to these shifts. This article offers some helpful insights, including:

- The benefits of using a flexible estate planning strategy like an AB Trust
- How to work with an estate planning attorney to ensure your plan stays up to date
- Tips for staying on top of changes to tax laws and other regulations that could affect your estate planning goals

Source: Kitces¹⁰

Example 3

In this example, ChatGPT is asked to generate headline ideas for a previously written article.



Write a half dozen alternative titles for the following article:

<https://www.kitces.com/blog/hsa-tax-benefits-withdrawal-qualified-medical-expense-irs-records/>



1. Maximizing Your HSA: How to Benefit from Tax Savings and Withdrawals for Medical Expenses
2. Tax-Saving Strategies: Making the Most of Your HSA with Qualified Medical Expenses
3. The Ultimate Guide to HSA Withdrawals: How to Stay IRA-Compliant and Save Money
4. HSA Withdrawals: A Comprehensive Overview of Qualified Medical Expenses and Tax Benefits
5. Planning Your HSA Withdrawals: Tips for Maximizing Your Savings and Staying IRS-Compliance
6. Navigating the Complexities of HSA Withdrawals: A Guide to Qualified Medical Expenses and Tax Savings



Source Kitces¹¹

Tools that can work with ChatGPT

As an open-source platform, many companies are taking ChatGPT as a base, and then tailoring around their own needs and systems. While in the long run ChatGPT is likely to be integrated directly into advisers' core systems, in the meantime, there is a growing range of third party add-ons and plugins that can help advisers be specific in their use cases.

Advisers can sign up for ChatGPT free of charge, and immediately start prompting it for content. At this stage, content which requires data after September 2021 is only available through the premium ChatGPT Plus service.

At present, ChatGPT cannot accept document loads, it can only summarise pasted-in text, which is subject to word limits. However, Microsoft is already trialling a product called 'Copilot', which will integrate ChatGPT directly into Microsoft's Word, Excel, PowerPoint, and Outlook applications^[12].

Merlin^[13] is a Chrome extension that, when added to a browser, can give ready access to ChatGPT, enabling users to summarise content they are viewing online, or generate emails through a browser-based email service (e.g., Gmail).

If anything is certain, it is that the rapid pace of adoption of ChatGPT and similar AI systems (such as Google Bard^[14]) is likely to be matched by the rapid roll out of innovative tools to help leverage their power.

Summary

The article has shed light on the multifaceted landscape of AI, offering both a glimpse of its potential and the practical ways it can be harnessed by financial advisers in Australia.

The practical applications of AI, exemplified by ChatGPT and similar systems, are vast, with the potential to revolutionise various aspects of financial advice. From data analysis and automated portfolio management to back-office administration, personalised recommendations, and enhanced customer service, AI stands as a valuable ally to advisers, streamlining tasks and enhancing client experiences.

Content, customer communication, and document production is arguably the easiest area for advisers to start their AI journey.

The rapid development and roll-out of new tools designed to leverage the capabilities of AI should make the power of AI more accessible, to even small practices, enabling a revolution in practice efficiency and client experience.

As evolutionary as AI may be however, it is clear that the 'human touch' will remain a cornerstone of financial advice, ensuring trust, understanding, and a personal connection in a world increasingly driven by technology.

Take the FAAA accredited quiz to earn 0.75 CPD hour:

CPD Quiz

The following CPD quiz is accredited by the FAAA at 0.75 hour.

Legislated CPD Area: Client Care & Practice (0.75 hrs)

ASIC Knowledge Requirements: Skill Requirements (0.75 hrs)

[please log in to start this quiz](#)