



Institutional Insights

The Incredible Potential of Artificial Intelligence in Wealth Management

Inside

- AI Isn't New, But New AI Is Better
- How Generative AI Fits In
- Early Use Cases to Explore
- Considering Risks and Opportunities
- What to Do Now

KEY TAKEAWAYS

- **AI Has Evolved to Reach New Heights:** The field of artificial intelligence (AI) has produced applications with a range of human-like capabilities. More recent releases are especially powerful.
- **Generative AI Holds Unique Promise and Peril:** ChatGPT and similar solutions have shown that they can be very effective and useful, but they have yet to demonstrate that they can be consistently credible.
- **Firms Could Start Using These Tools Today:** There are at least several ways that wealth management firms may be able to use *generative AI* today, to realize benefits while mitigating risks.
- **Consider the Potential, in Both Directions:** Firms may eventually have to adopt these tools to compete, but healthy skepticism and effective risk management are essential, especially within an evolving regulatory environment.
- **How to Get Started:** Consider a phased approach: understand these solutions and how they could help, start small in testing, set and evolve policies, envision the possibilities, and invest in your data.

Artificial Intelligence in Wealth Management

This paper is the first in a new series of thought leadership exploring the role of artificial intelligence in wealth management

The release of OpenAI's chatbot application, ChatGPT, has been widely seen as the arrival of a higher tier of AI—one with the power to transform how things get done, at work and at home. It took this trailblazing *generative AI* application just two months to acquire 100 million users, breaking an apparent record for a consumer internet application.¹ This tremendous growth has helped fuel the buzz and make AI a topic of everyday conversation. This tool and others like it have captured our collective attention and inspired us to wonder about the different ways in which it could alter and improve our lives.

For those within the wealth management industry, this includes consideration of the impact that this technology may have on our work and the value we deliver to our clients. This impact may be significant, and these tools may convey an enormous advantage for their users. To understand how and why, it is helpful to consider what sets this new wave of AI apart from previous applications, as well as how these tools could be used to elevate and scale wealth management services.

AI Isn't New, But New AI Is Better

The field of AI is nearly 70 years old, and its powerful applications have become important business tools, including within wealth management. Each significant advance in AI seems to redefine the term in the minds of many, and debate continues today about what we mean when we use it. Are we only talking about *generative AI*? Or, only about systems with *machine learning*?

AI is widely understood as the branch of computer science dedicated to creating systems that imitate human cognition and intelligence across one or many tasks. In those terms, the field is inclusive of a wide range of human-like capabilities, and indeed, many experts and commentators cast a wide net in identifying AI capabilities, including many in use within wealth management.

Objections to this view often seem to reflect concerns around conflating very different capabilities under the same umbrella, along with a belief that it is crucial to consider *how well* a given AI system imitates human intelligence. These are important points. AI has grown much more sophisticated and powerful in recent years, especially as it relates to two skills: [1] learning from "experience" through *machine learning* and [2] speaking human, for the many humans who don't speak computer. New *generative AI* applications are taking these skills, and the overall power and potential of AI, to a whole new level.

Please note that references to ChatGPT within this article are not intended as an endorsement of this product, but as an acknowledgment that the widespread adoption of this solution has largely defined the emerging capabilities that have inspired so much of the recent interest in generative AI. Over time, we expect references to generative AI to more broadly replace specific references to ChatGPT and other OpenAI applications.

Various AI Capabilities Are Used in Wealth Management Today

Consider the following examples of AI systems in wealth management:

1. Process Automation

Process automation has been around a long time. Early iterations worked much like Excel macros, automating simple, manual tasks—such as processing a transaction—to free up human capacity. This category has grown to include a range of more sophisticated, algorithm-driven and *rules-based systems*, including those at the heart of many of the early content personalization engines.

2. Content Recommendation

Recommendation systems rose to prominence with media streaming services and online retailers. More recently, wealth management providers have employed these systems to enhance or replace previous capabilities around personalizing web content to individuals. In recent years, Fidelity has used a *machine learning* algorithm to predict the best fit thought leadership content for different visitors to our websites, based on a variety of data.

How Generative AI Fits In

These two skills—learning and communication—are essential to the success of ChatGPT. They're even represented in the name:

- **GPT:** The *generative pretrained transformer* (GPT) models that this application is based on are *large language models* that use a particularly powerful form of *machine learning*, called *deep learning*, to absorb and “consider” the vast amounts of data that it’s been “trained” on when responding to prompts. The result is that, when fed various prompts across a wide range of topics, these models often generate responses that could plausibly be attributed to an intelligent human expert.
- **Chat:** The second factor that distinguishes ChatGPT is its fluency in several forms of human language, enabling easy access to these powerful models through a simple chatbot interface. *Natural language processing* and *computer vision* allow AI to interpret text and images, but *generative AI* is unique in adding the ability to generate new content in different formats—from text and images to videos—in response to user prompts.

More than anything, what differentiates ChatGPT and its peers from previous AI applications is their ability to effectively provide good, accurate information in response to a variety of prompts. However, significant failures of these tools—instances of providing “hallucinated” misinformation or biased information—have also been widely publicized. As a frame of reference to understand the potential of this technology, consider some of its notable wins and losses:

- **Wins:** In the win column, ChatGPT and GPT-4 have demonstrated a wide range of expertise in passing a number of academic and professional exams, including the Uniform Bar Exam and the United States Medical Licensing Exam.² Perhaps, then, it is unsurprising that this technology is showing early promise in use cases within the medical field, including interpreting test results, providing patients and caretakers with second opinions, and offering an avenue for fruitful research.³
- **Losses:** On the other side, ChatGPT has demonstrated that it can indeed be wrong—often, confidently so—causing many to question the extent to which we can trust the responses that it generates. While these errors include benign and amusing fails, they also include the fabrication of plausible but false facts. Many have also raised concerns about potential bias in AI systems and how that bias could manifest within the institutions that use them. And, ChatGPT itself will tell you that its knowledge of the world hasn’t been updated since September 2021. The effect of these shortfalls has been a pervasive belief that this technology isn’t entirely credible and can’t be relied upon in important matters.

3. Anomaly Detection

Long the purview of cybersecurity and fraud prevention teams, *anomaly detection* identifies unusual events in contrast to historical data, typically in sensitive areas such as money movement. Many of these systems use *machine learning*, and recently, Fidelity began offering this capability to client firms through Wealthescape AnalyticsSM, to help them identify potential assets and relationships at risk, based on client activities.

4. Virtual Assistance

Virtual assistance applications have also been around a long time and have improved significantly. Consider early web applications that seemed to recite limited FAQ docs in response to varied questions, or the automated phone systems that often caused frustration more than they helped. In contrast, even before ChatGPT, today’s chatbots can meaningfully supplement human expertise and support. Today, these applications are major enablers of holistic digital experiences, including providing continuity between digital channels and phone interactions.

Early Use Cases to Explore

We see potential in several early use cases for *generative AI* in wealth management:

- 1. Intelligent Virtual Assistance ... for Advisors:** While many may wonder whether we'll one day see a *generative AI* application serve as a sufficient substitute for a financial advisor, the more likely outcome in the near term is the development of a chatbot for advisors to use to enhance the way they work. Such a solution could draft communications—either proactively or in response to client inquiries—and present those drafts to advisors for review, collaborative revision, and approval to send. This could include emails and social media posts, or even full financial plans. Fidelity Labs' CatchlightSM is using *generative AI* to create first drafts of personalized emails for advisors to use when crafting these communications for prospective clients.
- 2. Financial Education:** Financial literacy remains a focus for most firms within our industry. This foundational education empowers people, informs their decisions, and sets the stage for better financial health and advisor relationships. While we may not yet want *generative AI* to directly respond to client inquiries regarding their personal situations, these tools could be used to curate and deliver more general educational programs that are personalized for each user. This could be tremendously valuable for advisory clients, and it could also be used by advisors and staff for ongoing learning and talent development.
- 3. Meeting Summary and Implementation:** While many firms use proposal generation and financial planning software to summarize key takeaways and implementation steps from client meetings, a *generative AI* tool could be used more broadly, as well as for internal meetings. This includes listening into and transcribing meetings, summarizing key points, and potentially even determining and executing next steps, with prompts for appropriate parties to take action.
- 4. Brainstorming and Creative Solutioning:** The same reasons why we don't yet trust today's *generative AI* applications with direct lines to our clients are actually reasons to consider using these tools for creative tasks. The fact that these systems don't know all of the rules in which we operate and don't necessarily follow the same norms makes them extremely valuable in brainstorming, generating new ideas, and finding creative solutions to problems. Just make sure to vet those new ideas rigorously before taking action!

5. Natural Language Processing

While *natural language processing* (NLP) is increasingly included as a component of broader AI applications, it is also used as a standalone capability. This includes call transcription and sentiment extraction, as well as newer use cases such as risk analysis. In 2022, Fidelity Labs introduced Saifr[®], an NLP-driven application that reviews drafts of public communications and identifies potential brand, reputational, and regulatory risks.

6. Predictive Modeling

With more and more data in the world, the ability to harvest insights from that data is extremely valuable. *Predictive modeling* uses machine learning to produce predictions and insights—even from unstructured data such as call audio files and email records. Fidelity offers some of these capabilities through Wealthscape AnalyticsSM, and Fidelity Labs recently launched CatchlightSM, a *predictive modeling* system that aggregates prospect data and predicts each prospect's probability of seeking paid financial advice, to help advisors prioritize their best leads and optimize their time.

Considering Risks and Opportunities

Across these use cases, or any others, it is imperative that we take steps to manage the risk involved in using these systems. Between hallucinations and potential biases, this technology is not without risk, and robust controls and human oversight are critical. This would be the case in any field where the veracity of information matters; it is even more important within a highly regulated field like wealth management. For this reason, it is extremely important to always keep a *human in the loop*, to remain skeptical, and to limit how you use these tools to avoid direct and unfiltered interactions with the public, unless and until they earn your trust. Firms must also keep an eye on the evolving regulatory environment and evolve their AI governance programs to match. It's within these guardrails that we expect this technology to realize its near- and intermediate-term potential.

The development of no-code enterprise solutions—with strong central controls and data privacy protections—could change the equation quickly, pave the way for more solutions and broader adoption, and constitute a strong first step in shifting focus from risks to opportunities. In spite of its shortcomings, AI's potential to simplify and improve experiences and outcomes across a wide range of tasks holds promise for the future of wealth management. Today's investors expect more than ever from advisors—from new types of products, services, and digital experiences, to help reach new kinds of goals. In this environment, technology is a critical tool for advisors to compete and differentiate at scale, and AI may be one of the most powerful technologies available today, with the greatest potential impact. If so, then the advantages enjoyed by an AI-enabled advisor may be very difficult for otherwise competing advisors to overcome.

What to Do Now

The idea of incorporating this new wave of AI applications into your business may seem daunting until we remember that AI isn't new to wealth management. We've seen a range of AI applications used to drive efficiency and better user experiences, and firms can approach today's tools in much the same way. Here are a few initial steps to consider taking now to explore these technologies and how they may help firms compete and grow in today's environment:

1. Invest in understanding what these capabilities are and how they work. Even if you don't plan to use them soon, some competitors will. Leaders, advisors, and staff should have a working understanding of this evolving technology, competitive landscape, and regulatory environment.
2. Explore how these capabilities could help your practice. Get demos, consult trusted partners, and start small in testing. For *generative AI*, try it out for a personal use case first. For other capabilities, consider what data you might apply these tools to and how you could get started.
3. Establish policies and procedures for usage of AI tools that clearly define which and/or how specific types of solutions can be used. Evolve these guidelines as new capabilities arrive in market and/or within your firm, and prioritize human oversight and responsible use.
4. Consider the possibilities for a firm with data science resources that fully embraces these tools. Even today, businesses can have their own instances of ChatGPT, trained on their own data. Such *fine-tuned* models could personalize content across channels, and much more.
5. Be strategic about data. As AI advances and becomes more common, maximizing its utility within your business will require it to have knowledge of your business—i.e., access to good data and metadata. Consider prioritizing data aggregation and integration across your firm.

For additional information, please contact your Fidelity relationship manager.



For investment professional use.

Endnotes

¹ ChatGPT sets record for fastest-growing user base - analyst note, Reuters, February 2023.

² GPT-4 Technical Report, OpenAI, <https://arxiv.org/abs/2303.08774v3>, March 2023.

³ Generative AI is Making Inroads in Healthcare, Fidelity Center for Applied Technology, July 2023.

Unless otherwise expressly disclosed to you in writing, the information provided in this material is for educational purposes only. Any viewpoints expressed by Fidelity are not intended to be used as a primary basis for your investment decisions and are based on facts and circumstances at the point in time they are made and are not particular to you. Accordingly, nothing in this material constitutes impartial investment advice or advice in a fiduciary capacity, as defined or under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986, both as amended. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in the products or services and may receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services. Before making any investment decisions, you should take into account all of the particular facts and circumstances of your or your client's individual situation and reach out to an investment professional, if applicable.

The information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Fidelity makes no warranties with regard to such information or results obtained by its use. Fidelity disclaims any liability arising out of your use of, or reliance on, such information. Always consult an attorney regarding your specific legal situation.

Third-party marks are the property of their respective owners; all other marks are the property of FMR LLC.

Fidelity Investments® provides investment products through Fidelity Distributors Company LLC; clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC (Members NYSE, SIPC); and institutional advisory services through Fidelity Institutional Wealth Adviser LLC.

© 2025 FMR LLC. All rights reserved.

1099846.2.0

1.9910441.101