

Robo-advisors, Chatbots and Artificial Intelligence Are Changing the Face of Wealth Management - However, Personal Relationships Remain Key

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With the insurgence of technological advancements in the world of wealth management, such as online financial and estate planning software, you may ask: Will artificial intelligence (AI) replace your wealth manager's role in providing financial advice including investment, retirement and estate planning? Will the digital generation migrate to machines for guidance to secure their wealth for themselves and their loved ones? The answer is: not yet.

According to Forbes Insights, people want both high tech and human touch. The majority of High Net Worth Individuals ("HNWI") say that the digitization of wealth management is good overall, but they still want to meet often with an advisor. In fact, per a recent report by Wealth-X for PWCStrategy, "Among HNWI, the rapport with their advisor is cited as the second most valued aspect of a wealth management service after investment performance." Further, over two-thirds of HNWI are seeking non-financial advice including health, career and family life.

Successful individuals and families are by their very nature unique. Most do not fit into an algorithmic box. They want personal and knowledgeable opinions, human opinions, to validate proposals generated by AI platforms.

Writing for Wealth Management.com, David Lyon, CEO of Oranj, a wealth management software company, put it nicely: "Traditional advisors bring to wealth management and investing what robo-advisory platforms don't - a personal relationship based on trust and market insights formed by years of experience."

While AI systems are great at analyzing what they know, they are not so great at recognizing what they don't know. How does a robo-advisor engaged with

literally thousands of individuals deal with divorce, siblings battling over inheritance, parental care, or a host of events that call for unique and thoughtful advice? How is true concern built into software? How do you program a smile?

Therein lies the value of the human touch. Your wealth manager has perspective, compassion and skills to look at the big picture in ways no AI program can.

As your net worth and family grows, your life inevitably becomes more complicated. To accommodate busy schedules and guard against information overload, your wealth manager can initiate needed conversations, listen and assess your situation, and guide you through countless life events. The birth of a child, purchase of a home, death of a family member, or career change are a few examples that may affect your goals. Your wealth manager is with you to review and modify your plan accordingly. Remember the stock market crash of 2008? Your wealth manager - not a computer - was the one keeping you on track with your investment plan. Studies have shown that due to fear many self-directed investors sold out at the wrong time.

Take a situation where you have a dying parent. With personal knowledge of the estate plan and family dynamics, your wealth manager can assist in the transition of wealth during this emotional time.

Your wealth manager may incorporate AI for efficiency. Specifically, as you plan for retirement, they may use software which will consider a myriad of factors and provide numerous outcomes. They will then apply personal knowledge of your family to validate a suitable savings and spending plan for your unique circumstances. And, they will work with you

to ensure that you implement and abide by your plan. Many need a coach with steady hands and guidance to help make wise decisions during difficult times.

Let's assume you're considering gifting some of your assets to your child. AI can show you the tax benefits of gifting during your life versus upon your death. But it may not answer more important subjective questions: How much is appropriate to give? Should your child receive assets outright or should the assets be held in trust? Does your child need to be protected from creditors? Who is best suited to act as trustee?

What if your child wants to buy his or her first home? AI can run scenarios on ways to fund a down-payment through a conventional loan, a loan

from you at possibly a lower interest rate, or a gift from you. Only your wealth manager will have insight into your overall financial picture and family dynamics to guide you to the best solution.

Artificial Intelligence will continue to be an efficient and comprehensive tool increasingly used by more wealth managers. But as yet, only a human being can engender the personal trust and empathy so necessary for successful wealth management. Your wealth manager not only has the ability to understand your goals and risk tolerance, but, more importantly, your family dynamics and values. Wealth managers will continue to be an integral part in helping you plan for your future. Not even the most advanced software can tell you when that will change.



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