



## THE FUTURE OF WEALTH MANAGEMENT IS AI-FIRST

Wealth Management firms are financial advisors to their clients, offering a suite of services including financial planning, investment advice, portfolio management, trust and estate planning, and tax optimization. Personalized client experience, deep advice capabilities, timely data and analytics, and flexible technology have been the cornerstones of success in this industry.

The wealth management landscape is changing on many fronts. Goal-based investing is on the rise. A significant generational wealth transfer is underway in the United States and other developed markets to Millennials and Gen Z who expect digital-first, personalized experiences. The Asian market is experiencing significant growth, driven by first-time entrepreneurs who are accumulating wealth and have a higher risk appetite. In many markets, women are taking a more active role in investment decisions, prompting wealth managers to develop tailored offerings.



The products and services offered by Wealth Managers are evolving beyond traditional equities, fixed income and funds. Unified/Separately Managed Accounts, Structured products, Alternative Investments, Cryptocurrencies and Digital Assets are finding their place in client portfolios. Clients are seeking comprehensive financial wellness solutions including goal based investments, retirement planning, banking, lending, insurance and tax and estate planning. This desire for a holistic approach is leading to integrated offerings, blurring the lines between banking, wealth management, insurance, and retirement solutions.

Wealth managers are required to address rising digital expectations, those related to, simple, on-demand experiences. Fintech firms and challenger banks are seizing the opportunity to offer slick experience at attractive costs to wealth managers' traditional customer base. In response, the wealth managers are adopting digital and hybrid advice models to broaden the funnel and serve price-sensitive customers at one end, while continuing to offer highly personalized services to high net-worth clients at the other. The challenge then is to run multiple models catering to different client segments without linearly increasing cost-to-serve.

## From digital-first to AI-first

Wealth management firms have been actively embracing digital technologies with initiatives focused on client onboarding and reporting, advisor workstation, analytics and cloud adoption to improve client experience, improve advisor productivity and optimize operating costs. However, with the rapid evolution and democratization of Artificial Intelligence (AI), wealth managers have an opportunity to transition to an AI-first approach.

This shift to an AI-first approach unlocks hyper-personalized offering by tailoring investment strategies and recommendations based on individual client goals, risk tolerance, and evolving life-events. AI can address the needs of

Advisors and Operations in their quest to offer differentiated service to Clients. AI can enable improved decisions by drawing insights from large amount of structured, unstructured and alternate data thereby enhancing trust and deepening the relationship.

A successful transition to AI-first requires a robust foundation that enables embedding AI within the operating model, underpinned by strong and responsible governance framework. Prioritizing regulatory compliance as well as clients' interests is extremely important. By ensuring responsible AI development, firms can retain their clients' trust and achieve strategic goals.

# Myriad possibilities

AI has immense potential across the advice value chain. Here are some of the potential use cases.

**Use Case 1: Advisor Training and Onboarding:** Effective training and onboarding of new advisors is crucial for maintaining ethical standards while advising clients. The process should align with the wealth manager’s culture and work ethics. An AI based advisor onboarding assistant can provide simulated client interactions, product knowledge, and compliance training. It can also assess new advisor performance in real-time and tailor training accordingly. Additionally, the AI assistant can provide leaders with metrics to improve onboarding and training programs.

**Use Case 2: Enhanced Productivity of Research:** Investment Research teams spend significant time compiling investment recommendations for Advisors. GenAI can expedite creation of such reports by synthesizing structured and unstructured internal, external and alternate data. AI-generated summaries can improve front-office experience and productivity while enabling advisors to craft tailored investment narratives and recommendations, ultimately enhancing client engagement and satisfaction.

**Use Case 3: Tailored Financial Advice:** AI-powered platforms can deliver personalized financial advice and insights by considering client goals, risk profile, life events, product data,

and investment research. Such platforms can recommend changes to financial plans in response to evolving life circumstances and market conditions.

**Use Case 4: AI Assistant for Advisors:** AI based virtual assistants can transcribe client conversations and analyze sentiment in real time while automating tasks like drafting client communication. This enables advisors to focus on strategic client interactions boosting overall productivity.

**Use Case 5: Enhanced Client Experience:** Exceptional client experience is crucial for growing a wealth management firm’s client base. By embedding analytics and AI into client-facing channels and advisor tools, firms can analyze client interactions to uncover insights on client sentiment and expectations. Such insights can enable personalized communication, targeted advice, and improved client trust and satisfaction.

**Use Case 6: Optimized Wealth Operations and improved Operations Experience:** AI can significantly enhance operations efficiency in middle and back-office by automating routine tasks within reconciliation, margin management, asset servicing and trade settlement. Additionally, Conversational AI can quickly generate a response for queries raised by Operations by synthesizing operations data, policies and procedures thereby improving Operations experience and reducing cost to serve.

Wealth managers weighing the multiplicity of options will find an AI-first framework useful for deciding where to deploy AI – to build the foundation, to strengthen the core of the business, or to spur growth.



## Be Mindful of the Risks

Reputation of a Wealth Manager is built on client's trust and, therefore, adoption of a responsible AI framework is critical. Wealth Managers should use data that is accurate, fair, unbiased, and compliant with security and privacy laws to train algorithms in order to produce the right outcomes. Transparent and explainable AI models are critical for garnering customer trust. Robust risk management frameworks prevent algorithmic bias and facilitate Responsible AI. In a rapidly evolving AI regulatory landscape, wealth managers must remain vigilant in order to comply with emerging data privacy laws, while being prepared to explain their AI models to regulators in the context of wealth management regulations like Reg BI (Best Interest) and suitability standards.

## The Road Ahead: Responsible AI in Wealth Management

Artificial Intelligence presents exciting opportunities to the wealth management industry. However, to realize those opportunities, firms must have an AI-first approach with a strong foundation. This means embedding AI throughout their operating model, fostering a culture of Responsible AI, and establishing robust governance frameworks. Critical questions around explainability, data security, and fairness require careful consideration to ensure AI models are aligned with best interest and suitability standards. Here at Infosys Consulting, we have extensive experience collaborating with wealth management firms on Responsible AI implementation. Our deep understanding of the industry, combined with proven AI use cases, technology capabilities, and a robust framework, empowers us to help clients navigate the evolving regulatory landscape and unlock the full potential of AI to deliver superior client service.



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