The potential of artificial intelligence in wealth management is huge. But do wealthy clients really want to do without personal advice?

By Gery Dachlan, Managing Director for South Asia and Australia at Avaloq

In a study commissioned by Avaloq, only 17 percent of affluent-to UHNW investors claimed to use a financial adviser, with 22 percent planning to work with one in the future. The study also found that 26 percent of respondents who have a financial advisor would be happy for an AI-only service to make product recommendations based on behaviours or changes in their situation.

The same number (26 percent) would be fine for an AI-only platform to answer portfolio questions while a third would be happy for AI-only analysis of portfolio performance. In each
case, a higher number of these respondents preferred a wholly run AI service versus one without AI.

**Leveraging New Technologies**

So, the obvious choice would then be for financial advisers to turn to technology, right? After all, Avaloq’s study revealed that 30 percent of those surveyed state that an adviser’s perceived lack of modernization or reluctance to adopt new technology is a deal-breaker. However, this does not mean that not harnessing technology is frowned upon – it only serves to reinforce the fact that clients care less about the technologies themselves, and more about how their day-to-day will improve when advisers leverage them.

There is a desire amongst investors for their advisers to incorporate the likes of cryptocurrency, robo-advisory and mobile touchpoints into the suite of offerings. An adviser should not adopt new technologies for the sake of appearing modern and keeping pace with the digital offerings in the market, but rather leverage them to be more intuitive towards client needs.

**More Tailored Suite of Services**

With the right technological tools at their disposal, advisers can reduce costs through greater scalability, increase transparency, adapt to the ever-changing market and economic conditions, and offer a more tailored suite of services.

Avaloq’s research, part of an extensive international study looking into investment behaviors and market sentiment of wealthy investors, also found that the majority of those surveyed, regardless of whether they have a financial advisor or not, said they would prefer a hybrid model – one in which AI supports their relationship managers and financial advisors.

**Hybrid Approach in High Demand**

Between 47 percent and 56 percent of respondents with and without a financial advisor said they would prefer a hybrid approach when it comes to the management of their personal details, answering portfolio questions, performance analysis, and the receiving of product recommendations and investment advice.

So, how can wealth managers and financial advisers better utilize AI when working with their clients? Just as Rome wasn’t built in a day, financial advisers should start small. Use bite-sized solutions to test their efficacy and investor comfort levels, as these would help to better control...
governance, security, compliance, and ethics. Have scale at top of mind when adopting a solution to solve a pain point.

Anything adopted now should be able to be applied to solve other pain points down the line, which can help to make a stronger business case and help to move the needle in terms of ROI.

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