AI in Wealth Management:
Navigating an Evolving Data-Driven Landscape

September 2024

Foreword

The Next Phase of AI Acceleration

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With AI, as with any new technology, business leaders find themselves asking two fundamental questions: "How can this technology help my company do what we're already doing faster/better/cheaper?" And perhaps more importantly: **"How can this technology equip our enterprise to do fundamentally new things?"**

Our recent scan of North American wealth management firms demonstrates that industry leaders have concrete answers to the first question. More than 75% of the firms we surveyed report that AI is already driving operational efficiencies and improved decision-making.

The next step is to build on that foundation in a way that's logical and yet open to fundamentally new capabilities. It's not a complete leap of faith, but it will require money, risk, and time — often multi-year commitments. This is where the truly transformative opportunities exist: 70% of AI early adopters, for example, see great potential in AI-driven personalization for clients.

The first phase of AI mostly involved dedicated AI experts making technical upgrades. This second phase will require the entire firm to get involved: Business leaders driving novel AI strategies and talent across the firm embracing new AI-powered roles. A few leaders are already going full speed ahead: 44% of our respondents reported using AI extensively, and 28% of those AI early adopters also have robust usage policies in place.
**For the rest, it's go-time.** AI isn't an all-or-nothing proposition — even moderate users are reporting significant benefits. The real killer will be stasis. Firms that aren't rapidly advancing along the AI learning curve will quickly be left behind.

As you explore our survey of 100 US-based capital markets leaders, I invite you to consider how imperatives like strong AI governance, data integrity, and talent development can open the door to truly transformational AI programs.

Executive Summary

The introduction of artificial intelligence (AI) in wealth management marks the beginning of a transformation in the industry.

This rapidly evolving technology will reshape the delivery of wealth management services, offering new ways to enhance client experiences and improve operational efficiencies. As AI continues to develop, it presents wealth management firms with opportunities to achieve higher levels of personalization, generate deeper insights, and create more value for clients.
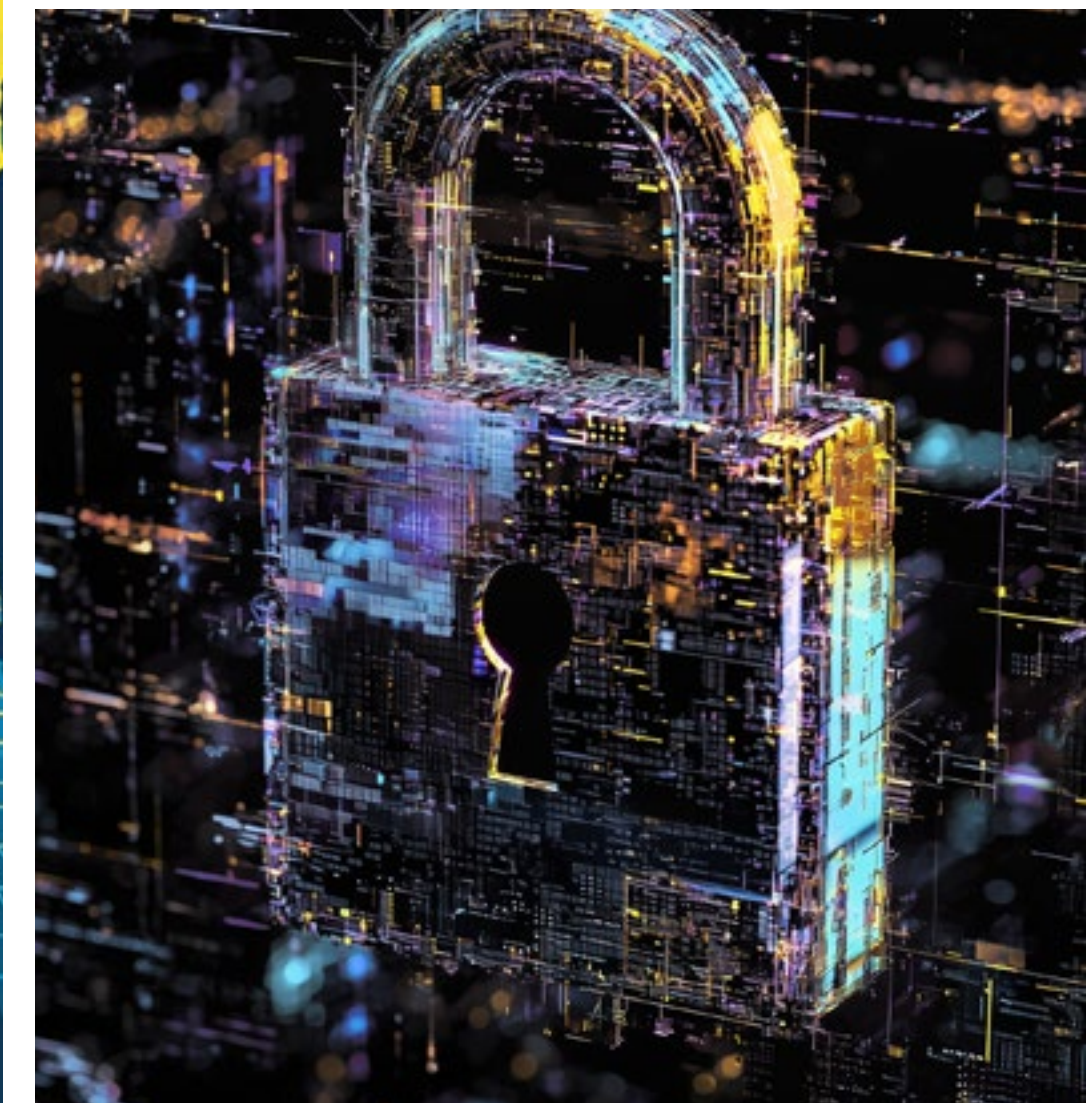
Executive Summary

Our research, drawing on insights from 100 CXOs and their direct and indirect reports in US-based wealth management firms, reveals how the industry is actively engaging with AI.

The data indicates the sector is poised for substantial change, with early adopters already seeing significant benefits:
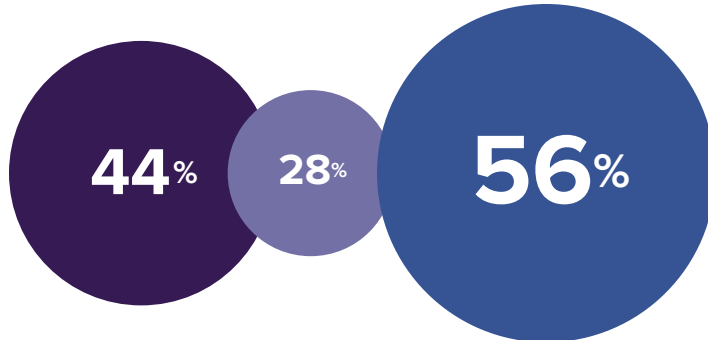
44% of firms are already using AI extensively, with robust usage policies in place at **28%** of these firms; **56%** report moderate usage, predominantly with some policies in place.

73% of extensive AI users believe AI can provide their organization with significant competive advantage.
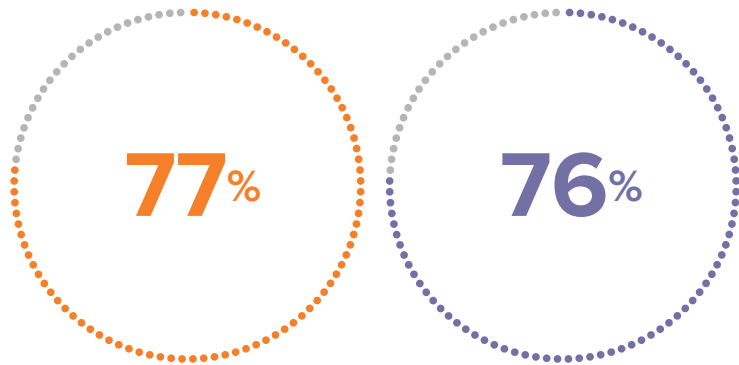
77% of firms see improved decision-making with AI-driven predictive analytics; **76%** note overall operational efficiency improvements.
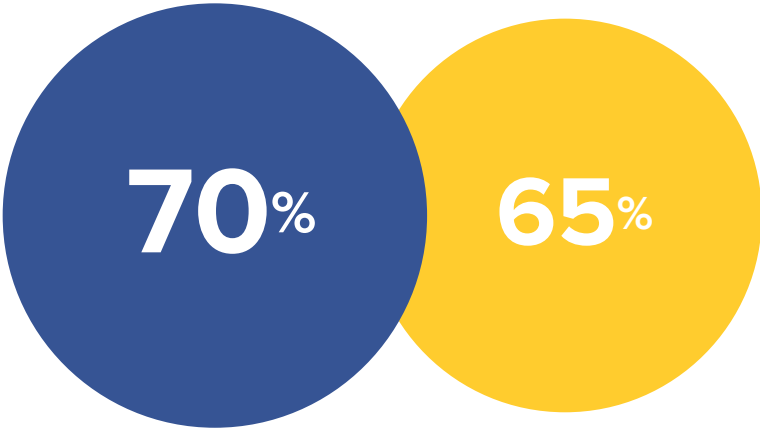
70% of extensive AI users recognize the importance of AI in enhancing client engagement, with **65%** expecting significant AI-driven changes in client relationship management over the next one to two years.

Executive Summary

These findings underline the scale of the opportunity: AI offers wealth management firms a chance to innovate, stand out and succeed in an increasingly competitive market. And critically, this technological shift comes at a time when the industry faces several challenges, including pressures on assets under management (AUM), fluctuating revenues, rising operational costs, and more demanding client expectations. In this context, AI emerges as a powerful tool to address these challenges and drive future growth in the wealth management sector.

About Wipro

Wipro Limited is a leading technology services and consulting company focused on building innovative solutions that address clients' most complex digital transformation needs. Leveraging our holistic portfolio of capabilities in consulting, design, engineering, and operations, we help clients realize their boldest ambitions and build future-ready, sustainable businesses. With about 230,000 employees and business partners across more than 60 countries, we deliver on the promise of helping our clients, colleagues, and communities thrive in an ever-changing world.

The Evolving Landscape of Wealth Management

The wealth management industry is undergoing profound change, driven by the accelerating adoption of artificial intelligence (AI) and other emerging technologies.

As we move through 2024, wealth management firms are increasingly integrating AI into strategy and operations to remain competitive and meet evolving client expectations.

More personalized, data-driven services are rapidly becoming the norm. With AI playing a central role, firms that adopt these technologies early are positioning themselves to capture significant market share and drive client loyalty in an increasingly crowded marketplace.

The Evolving Landscape of Wealth Management

Our research reveals that the adoption of AI
in wealth management is already widespread:

44%

28%

56%

44% of firms are using AI extensively, with robust usage
policies in place for **28%** of these firms; **56%** report moderate
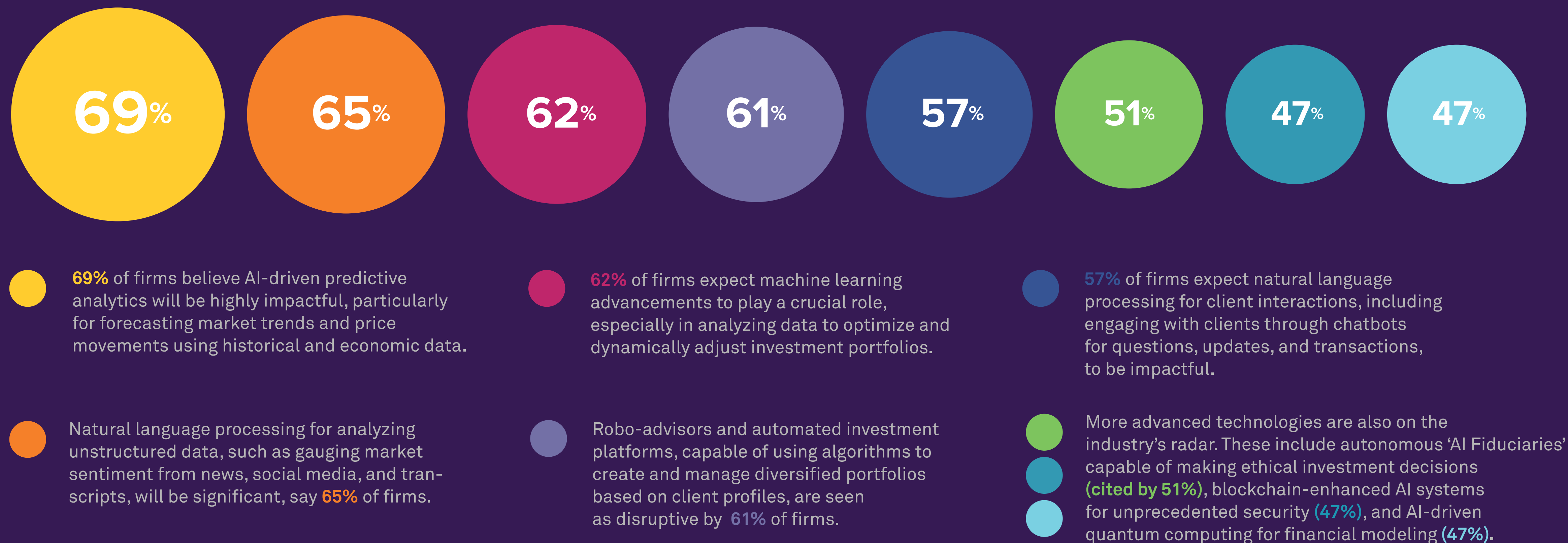usage, predominantly with some policies in place.

45% of firms have integrated AI into research
and analysis; **43%** anticipate additional disruption
in this area within the next one to two years.

45%

43%

29%

49%

29% of firms are currently implementing AI in portfolio
management; **49%** expect to make further AI-driven
changes in the next one to two years.

The Evolving Landscape of Wealth Management

Our research identifies the key AI technologies and trends that
wealth managers expect to be most disruptive in the next five years:

69%   **65**%   **62**%   **61**%   **57**%   **51**%   **47**%   **47**%

69% of firms believe AI-driven predictive analytics will be highly impactful, particularly for forecasting market trends and price movements using historical and economic data.

Natural language processing for analyzing unstructured data, such as gauging market sentiment from news, social media, and transcripts, will be significant, say **65%** of firms.

62% of firms expect machine learning advancements to play a crucial role, especially in analyzing data to optimize and dynamically adjust investment portfolios.

Robo-advisors and automated investment platforms, capable of using algorithms to create and manage diversified portfolios based on client profiles, are seen as disruptive by **61%** of firms.

57% of firms expect natural language processing for client interactions, including engaging with clients through chatbots for questions, updates, and transactions, to be impactful.

More advanced technologies are also on the industry's radar. These include autonomous 'AI Fiduciaries' capable of making ethical investment decisions **(cited by 51%)**, blockchain-enhanced AI systems for unprecedented security **(47%)**, and AI-driven quantum computing for financial modeling **(47%)**.

The Evolving Landscape of Wealth Management

These findings underscore the industry's recognition of AI's transformative potential across various aspects of wealth management.

The high expectations for predictive analytics and natural language processing highlight a growing focus on data-driven decision-making and sentiment analysis. The interest in more advanced technologies suggests that firms are already looking beyond current applications to the next wave of AI innovation.

However, Wipro industry experts caution that firms may be overestimating their readiness, as well as the effectiveness of their AI usage policies, potentially leading to operational and compliance challenges.

The Evolving Landscape of Wealth Management

The heightened scrutiny of AI by regulators, especially over the past 12 to 18 months, underscores the need for firms to reassess their preparedness. While many institutions may believe their policies are robust, but they may not prove adequate for the evolving regulatory standards.

Still, as wealth management firms increasingly integrate AI, the potential for AI to revolutionize the industry becomes evident. Early adopters that have invested in AI infrastructure and training are already reaping the benefits, particularly in terms of competitive advantage and client satisfaction.

Enhancing Client Experience through AI

In an era of increasing client expectations, the demand for personalized and responsive services is greater than ever.

Wealth management firms are leveraging AI to deliver tailored solutions at scale, transforming the client experience.

Through AI, firms can offer highly personalized investment strategies and advice, ensuring they meet each client's unique needs and financial goals with precision. This trend reflects a broader industry shift towards hyper-personalization, where AI's ability to analyze vast amounts of client data in real-time enables firms to provide more relevant and timely advice.

Enhancing Client Experience through AI

Our research indicates that:

65% of firms anticipate that AI will transform client relationship management within the next one to two years, particularly in the areas of client engagement and personalized advice.

65%

61% **60**%

61% of firms foresee significant impacts from AI in marketing and communications, **60%** expecting AI to drive substantial changes in investor communications in the next one to two years.

63% **70**% **57**%

63% of firms report AI enhances their ability to customize client experiences. Notably, **70%** of extensive AI users recognize the benefits of AI in personalizing client interactions, compared to **57%** of moderate users.

Enhancing Client Experience through AI

These high percentages across multiple client-facing areas indicate that firms expect AI to transform a broad spectrum of their client interactions in the near future. However, it is crucial that AI tools are seen as enhancements to the advisory experience rather than replacements.

"Wealth management fundamentally relies on the trust between clients and their advisors. If AI is perceived as enhancing the value that advisors provide, clients are more likely to embrace its use. Therefore, the goal should be to ensure that AI tools complement and enhance the advisory process, rather than replace the personal touch that clients expect from their advisors."

(Sandeep Shivgopal, Portfolio Executive
Wealth Management Cluster, Wipro)

Driving Operational Efficiency with AI

Operational efficiency is critical to wealth managers as margins come under pressure and competition intensifies.

Firms are investing heavily in AI-driven solutions to streamline processes, reduce costs and improve decision-making.

In 2024, the integration of AI into wealth management operations is expected to deepen, with technologies such as predictive analytics, automated compliance management and risk assessment tools becoming more prevalent. These tools not only enhance efficiency but also enable firms to respond more swiftly to market changes and regulatory demands.

Driving Operational Efficiency with AI

Our research shows:

45%   **44**%

45% of firms have noted substantial impacts from AI in research and analysis, with **44%** seeing significant AI-driven changes in compliance processes as well.

76%   **80**%   **73**%

76% have secured overall operational efficiency improvements, with **80%** of extensive users and **73%** of moderate users recognizing these gains.

53%   **42**%
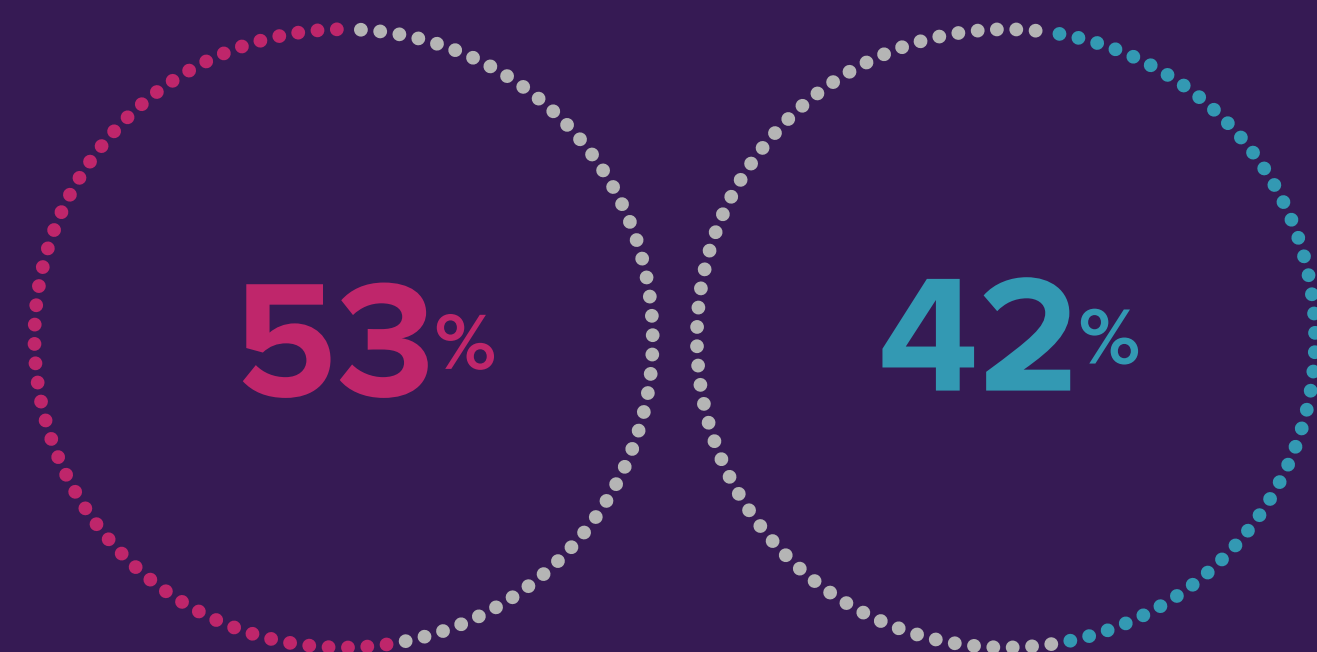
53% of firms say risk management is a key area where AI has already driven significant disruption, with **42%** anticipating further changes in the next one to two years.
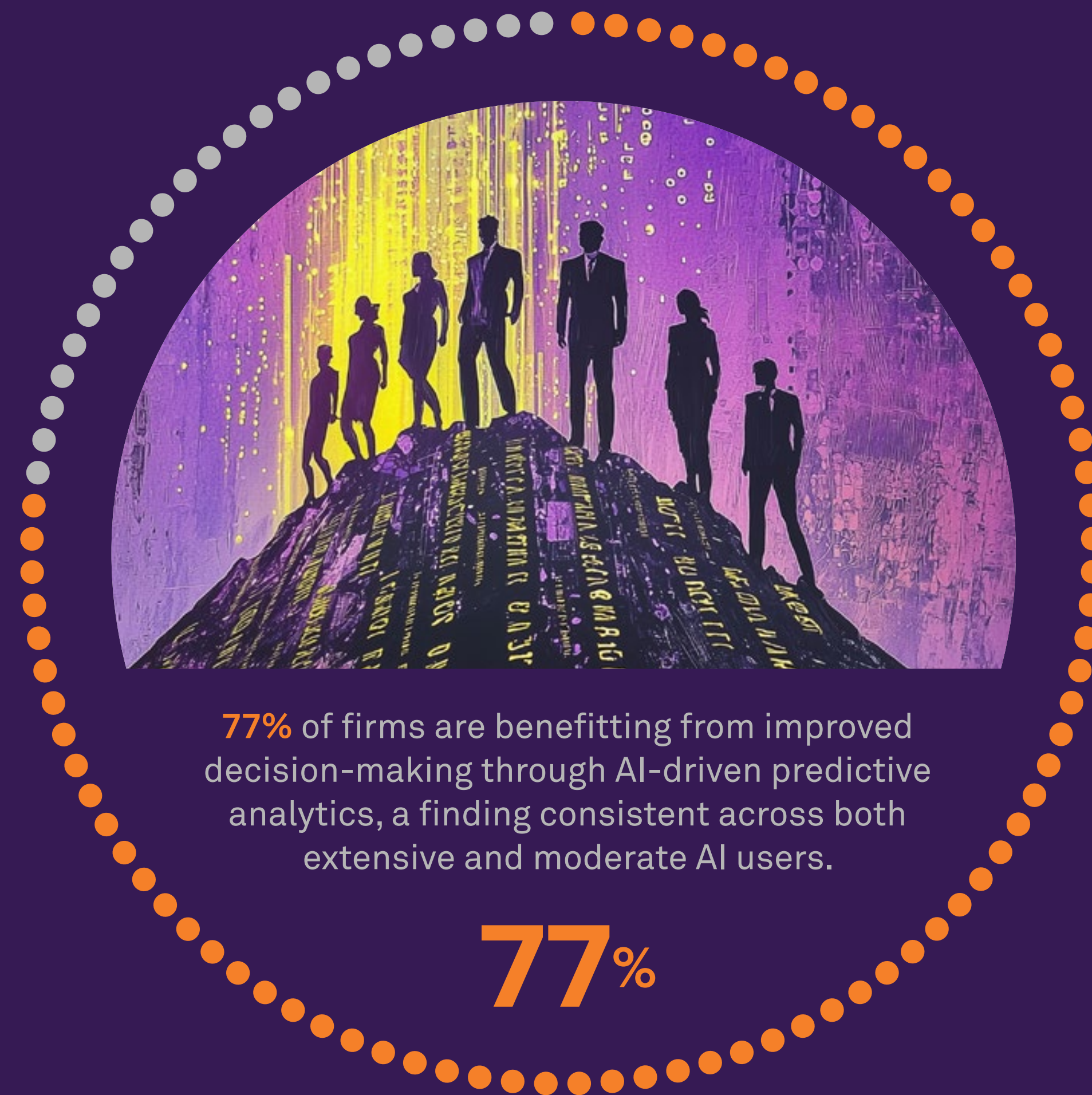
77% of firms are benefitting from improved decision-making through AI-driven predictive analytics, a finding consistent across both extensive and moderate AI users.

77%

Driving Operational Efficiency with AI

In other words, AI is already having a broad and positive impact on operational aspects of wealth management, from strategic decision-making to day-to-day operations.

However, the effectiveness of these AI tools is closely tied to the firms' ability to manage data quality and privacy concerns—these are issues that require continuous attention and adaptation.

"As firms increasingly rely on AI for critical operations, the need for transparency in AI decision-making becomes paramount. Ensuring that AI systems are explainable and trustworthy is essential for maintaining both regulatory compliance and client confidence."

(Satish Avhad, Consulting Partner, Global Practice Head Wealth Management – D&C, Wipro)

Navigating Regulatory Challenges with AI

The rapid adoption of AI in wealth management brings a complex set of regulatory challenges.

As firms continue to integrate AI into their operations, ensuring compliance with evolving regulations becomes increasingly crucial.

In 2024, the focus on regulatory technology (RegTech) is intensifying, with AI playing a key role in automating compliance tasks and reducing the risk of non-compliance.

AI's ability to provide real-time monitoring and automated decision-making is helping firms navigate the intricate regulatory landscape more efficiently, reducing the burden on human advisors.
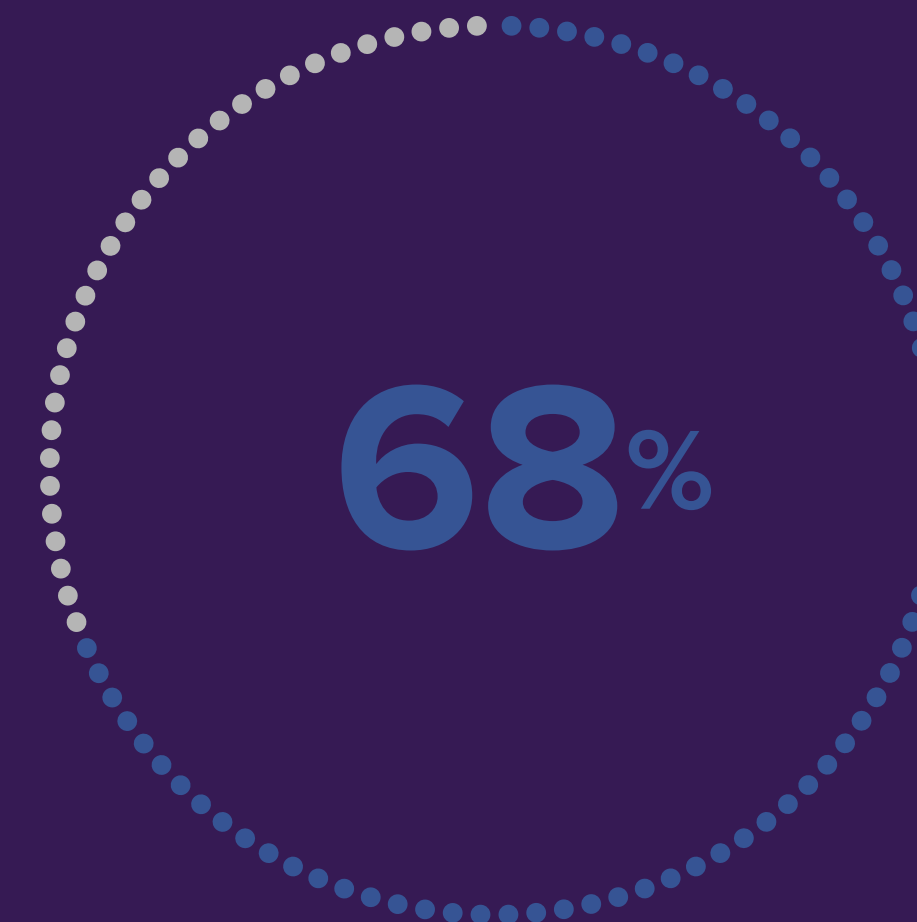
Navigating Regulatory Challenges with AI

Our research indicates:

62% of firms regard the lack of regulatory guidelines as a top challenge in AI adoption.

62%

55%

54%

55% of firms regard regulatory and compliance challenges as a significant barrier to AI adoption; **54%** say the same of biased and discriminatory outputs.

68%

68% of firms are focusing on ethical and regulatory considerations in their AI implementations, reflecting a proactive approach to managing these evolving challenges.

Navigating Regulatory Challenges with AI

To address these challenges, firms are increasingly investing in robust data governance frameworks and developing AI systems that can provide clear explanations of their decision-making processes. However, the regulatory landscape remains fluid, and many firms are still grappling with how to align their AI initiatives with evolving compliance requirements.

"Regulatory scrutiny around AI has intensified significantly, particularly in the last 12 to 18 months, making it a growing challenge for companies to ensure their AI implementations are not only innovative but also fully compliant with the latest regulatory standards."

(Sridhar Byreddy, Vice President and CTO for Capital Markets and Insurance, Wipro)

The Human Element: Empowering Wealth Managers with AI

While AI is transforming many aspects of wealth management, the role of human advisors remains pivotal.
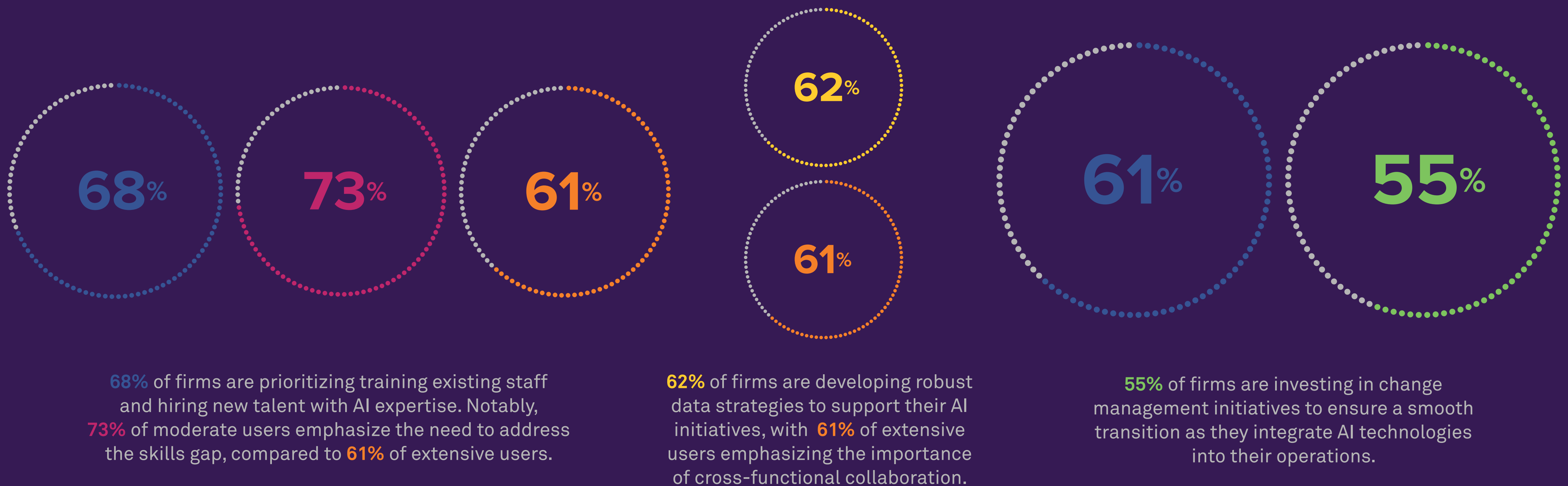
Rather than replacing human expertise, AI is increasingly being used to augment the capabilities of wealth managers, enabling them to offer more personalized and informed advice.

As we move through 2024, the emphasis on AI as a tool for empowerment, rather than substitution, is growing. Wealth managers who can effectively integrate AI into their practice will be better equipped to meet the diverse and evolving needs of their clients.

The Human Element:
Empowering Wealth Managers with AI

Our research shows:

61% of firms are promoting cross-functional collaboration to maximize the benefits of AI, highlighting the importance of bringing together different departments to work seamlessly with AI-driven tools.

68%

73%

61%

62%

61%

61%

55%

68% of firms are prioritizing training existing staff and hiring new talent with AI expertise. Notably, 73% of moderate users emphasize the need to address the skills gap, compared to 61% of extensive users.

62% of firms are developing robust data strategies to support their AI initiatives, with 61% of extensive users emphasizing the importance of cross-functional collaboration.

55% of firms are investing in change management initiatives to ensure a smooth transition as they integrate AI technologies into their operations.

The Human Element:
Empowering Wealth Managers with AI

The data highlights the significant skills gap that exists in the industry when it comes to AI implementation and usage.

Closing this gap is essential if firms are to leverage AI effectively and maintain competitive edge. Importantly, the success of integration depends not only on the technology itself but also on how clients perceive and trust AI.

"There is an openness among wealth management clients towards the use of AI, but they care most about the results and the value added to their relationship with their advisor. AI should be seen as a tool that enhances this relationship and delivers tangible benefits, rather than being the central focus of the service."

(Madhusudan Ponnuveetil, US Head Capital Markets, Domain and Consulting, Wipro)

Recommendations:

Recommendations:

1. Establish Comprehensive AI Governance and Compliance Protocols

As regulatory scrutiny around AI continues to intensify, with 62% of firms citing the lack of regulatory guidelines as a top challenge, it is essential to build robust AI governance structures.

Firms should develop and regularly update internal policies that align with the latest regulatory standards and ethical guidelines, ensuring that AI implementations are not only innovative but also compliant and secure.

Recommendations:

2. Leverage AI to Unlock New Revenue Streams and Enhance Client Offerings

In addition to operational efficiencies, AI presents opportunities for wealth management firms to create new, data-driven revenue streams.

By using AI to develop personalized financial products and services, firms can cater to the evolving needs of their clients.

For instance, 63% of firms say AI enhances their ability to customize client experiences, indicating potential for tailored offerings that drive client engagement and satisfaction.

Recommendations:

3. Focus on Data Integrity and AI Transparency

The success of AI-driven initiatives depends
heavily on the quality and transparency of data.

With 76% of firms noting overall operational efficiency
improvements tied to AI, it is crucial to invest
in robust data governance frameworks.

Ensuring data integrity and adopting technologies that
enhance the transparency of AI decision-making processes
will help firms maintain client trust and regulatory compliance.

Recommendations:

4. Develop a Client-Centric AI Strategy

AI should be part of a broader strategy that goes beyond operations to center on client needs.

With 70% of extensive AI users recognizing the technology's role in enhancing client interactions, firms should focus on how AI can deliver tangible value to clients.

For example, this might involve using AI to provide deeper insights, more personalized advice, or new digital services that enhance the client experience.

Recommendations:

**5. Invest in Cross-Functional Collaboration
  and Talent Development**

With 61% of firms promoting cross-functional collaboration, breaking down silos within the organization is key to maximizing AI's potential.

Firms should encourage collaboration between data scientists, financial advisors, compliance officers, and IT professionals to ensure AI initiatives align with both business objectives and client needs.

Additionally, targeted training and talent acquisition strategies will be essential to close the skills gap and support the successful integration of AI across all functions.

Conclusion

The wealth management industry stands at a critical juncture, facing significant challenges and opportunities.

As firms grapple with profitability headwinds such as increased competition and the rise of self-directed accounts, AI emerges as a powerful tool to mitigate margin pressure and reshape the industry landscape. Our research clearly shows the potential benefits:

73% of extensive AI users report a potential and significant competitive advantage.

77%

76%

55%

52%

77% see improved decision-making with AI-driven predictive analytics.

76% report overall operational efficiency improvements.

55% identify regulatory compliance as a key challenge, emphasizing the need for firms to stay ahead of evolving standards.

52% highlight the need for robust data governance to manage AI-driven initiatives effectively.

Conclusion

AI offers unprecedented opportunities to enhance client experiences, drive operational efficiencies, navigate complex regulatory landscapes, and empower human advisors.

By leveraging AI technologies, wealth managers can streamline operations, provide more personalized services, and identify new revenue streams – all of which can help relieve the pressure on profit margins.

However, successful integration of AI goes beyond technological implementation. It requires a fundamental reimagining of how wealth management services are delivered and experienced. Firms need to cultivate a culture that not only accepts AI technology but actively embraces change and innovation. Early AI adopters in wealth management have the potential to establish a significant lead.

Those who invest now and successfully navigate both the technological and cultural challenges of AI integration will thrive in the rapidly evolving wealth management landscape.

By harnessing the power of AI, wealth management firms will not only maintain advantage in an increasingly competitive environment but also unlock new avenues for growth and profitability.

Wipro SMEs

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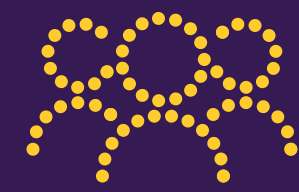
Vice President and CTO
for Capital Markets
and Insurance

Study Detail

**North America
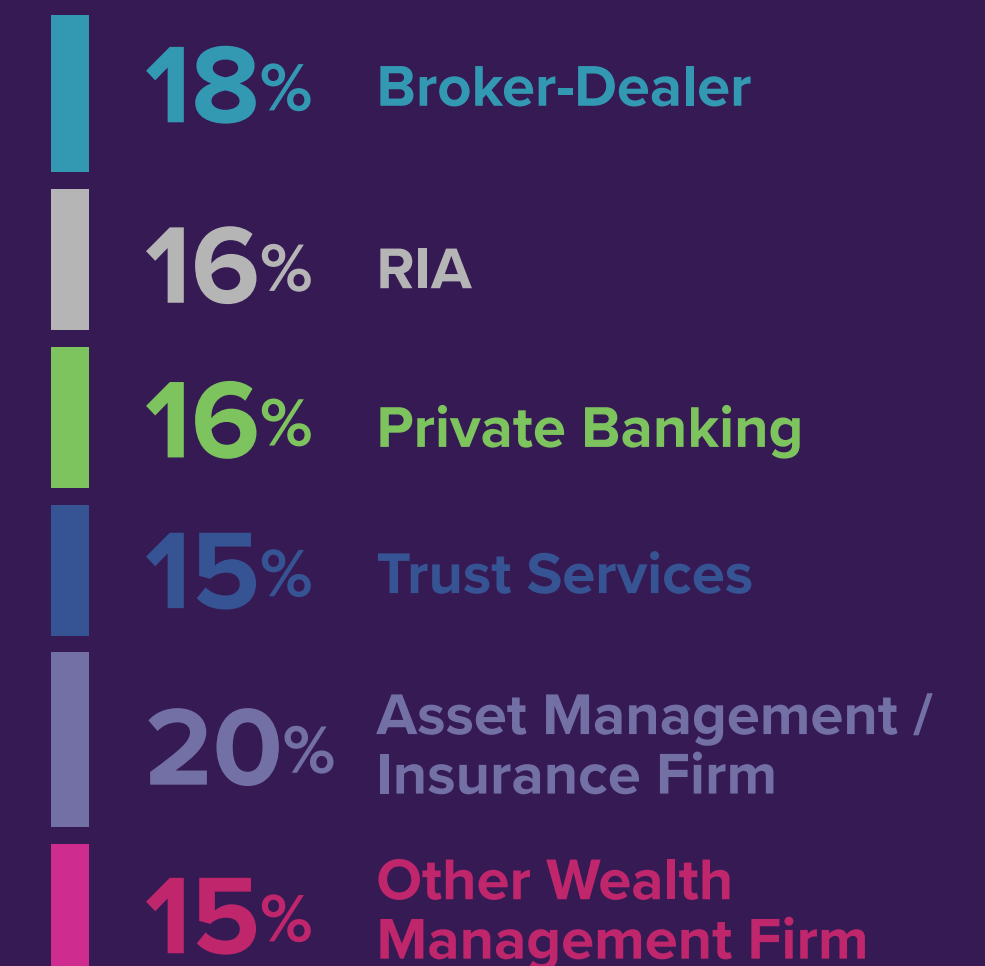100 Total Respondents**

Methodology
Online Survey

Audience Profile
CXOs and their direct
and indirect reports
in companies with
500+ employees.

Fieldwork Dates
June-July 2024

Primary business

18% Broker-Dealer

16% RIA

16% Private Banking

15% Trust Services

20% Asset Management /
Insurance Firm

15% Other Wealth
Management Firm

The research has been conducted by Coleman Parkes Research.

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