

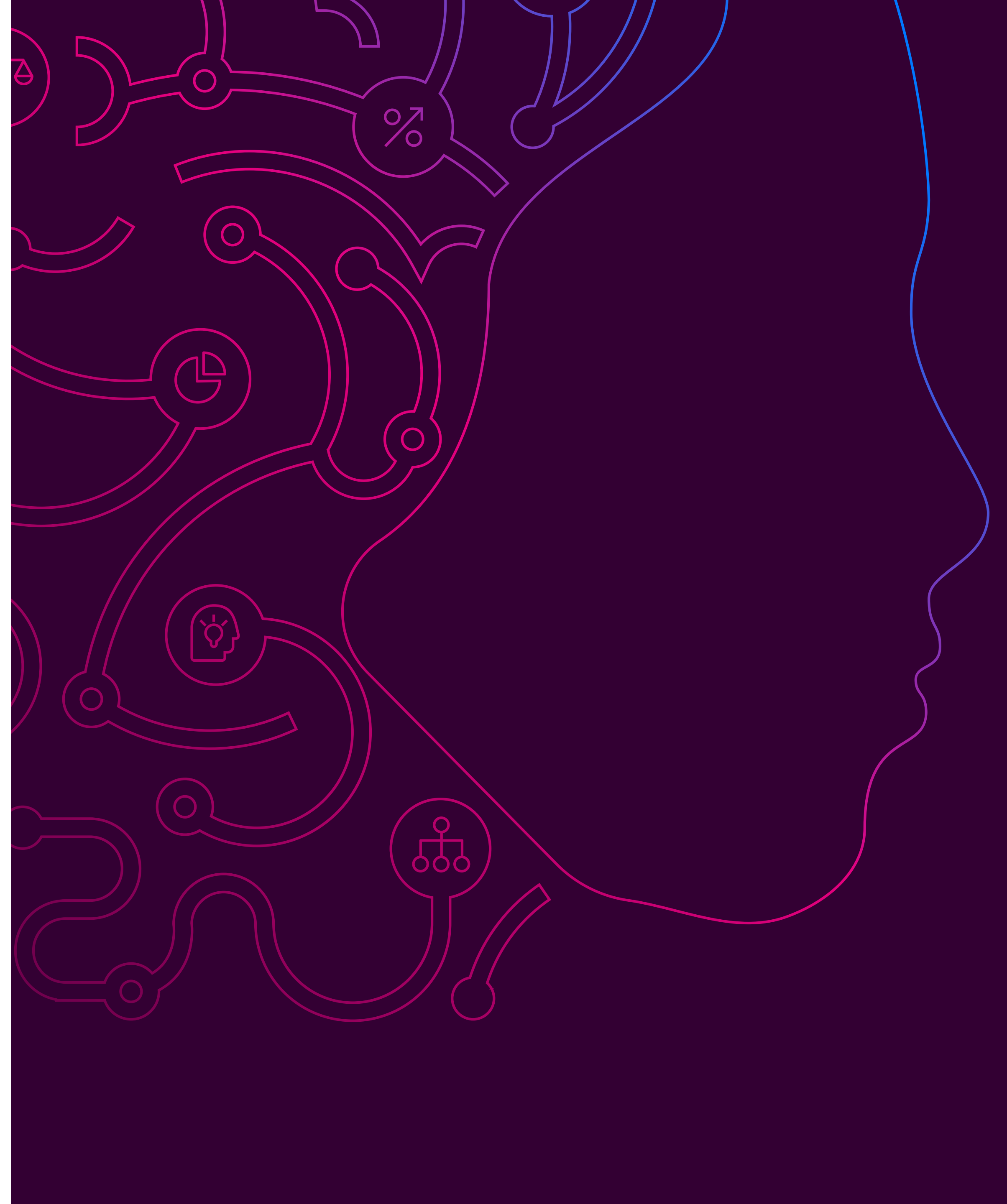
**AdviceTech 2023**

# HUMANS AND MACHINES

How AI and adjacent AdviceTech  
can supercharge advice practices



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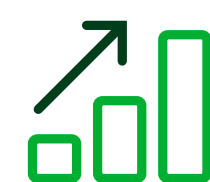
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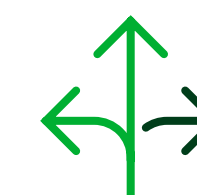
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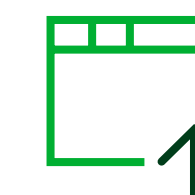
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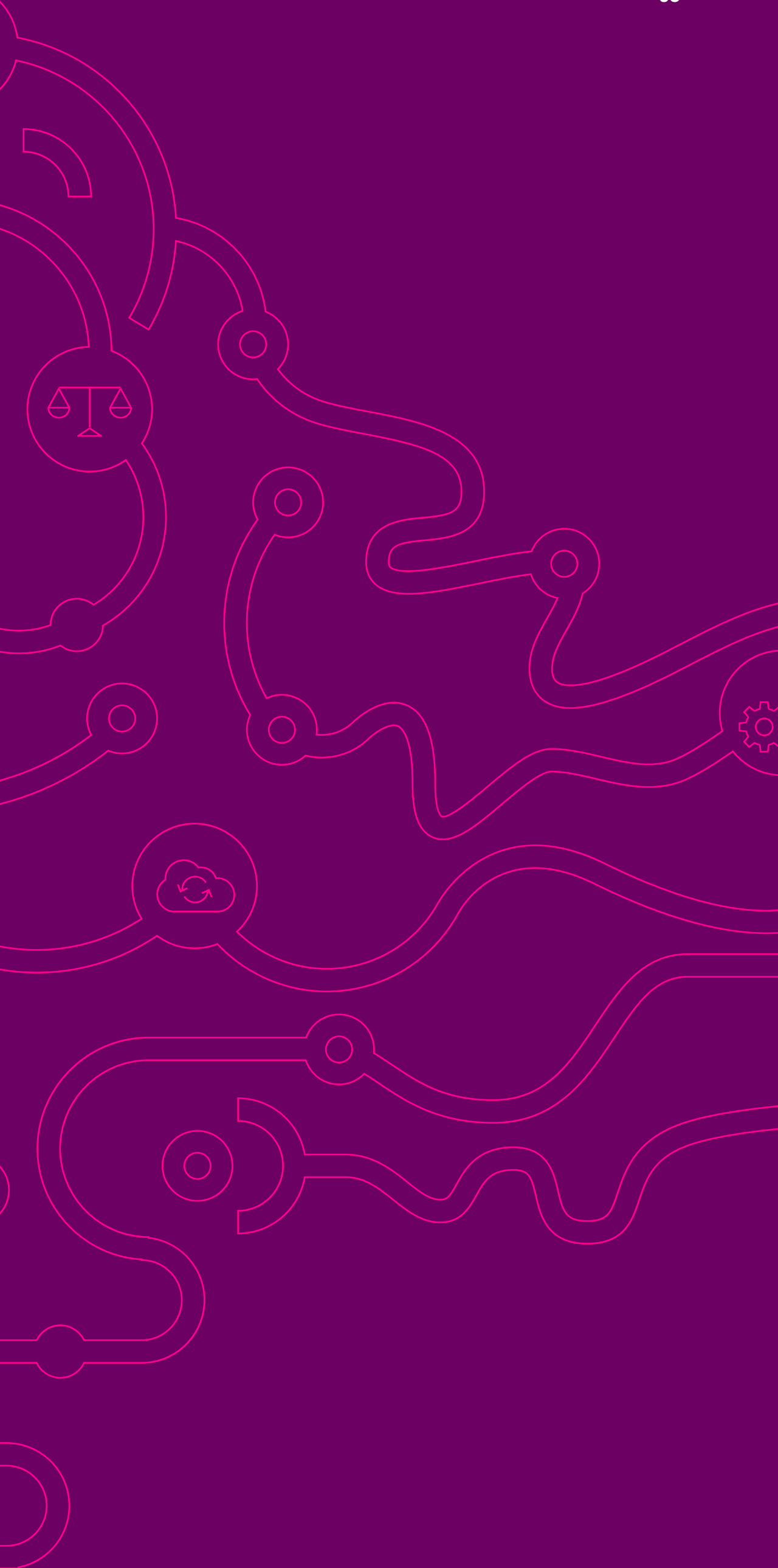
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# INTRODUCTION

Humans are extremely proficient at adapting to the next-best technologies.

These technologies are often the result of innovation convergence, bringing to life a tool that becomes quickly indispensable to our lives and businesses. The next wave of technologies including Artificial Intelligence (AI) offers so much potential to support financial advice with efficiency, productivity, the client experience, and even creativity.

Therefore, to help you make the most of emerging capabilities, this Netwealth AdviceTech report explores how these tools can supercharge financial advice. We offer a snapshot of what AI is, then drawing on insights from our AdviceTech 2023 research, we dive into how your industry peers are planning to apply new technologies. We then provide examples of how emerging technologies can be used across six key areas of financial advice, offering plenty of practical examples. To wrap up, we share seven steps you can take to integrate new technologies into your business.







# 1

## HOW AI CAN RESHAPE THE HUMAN-MACHINE RELATIONSHIP



# HUMANS AND MACHINES

In this era of rapid technological advancements, machines are entwined in our lives, transforming the way we live, interact, and of course, how we run our businesses.

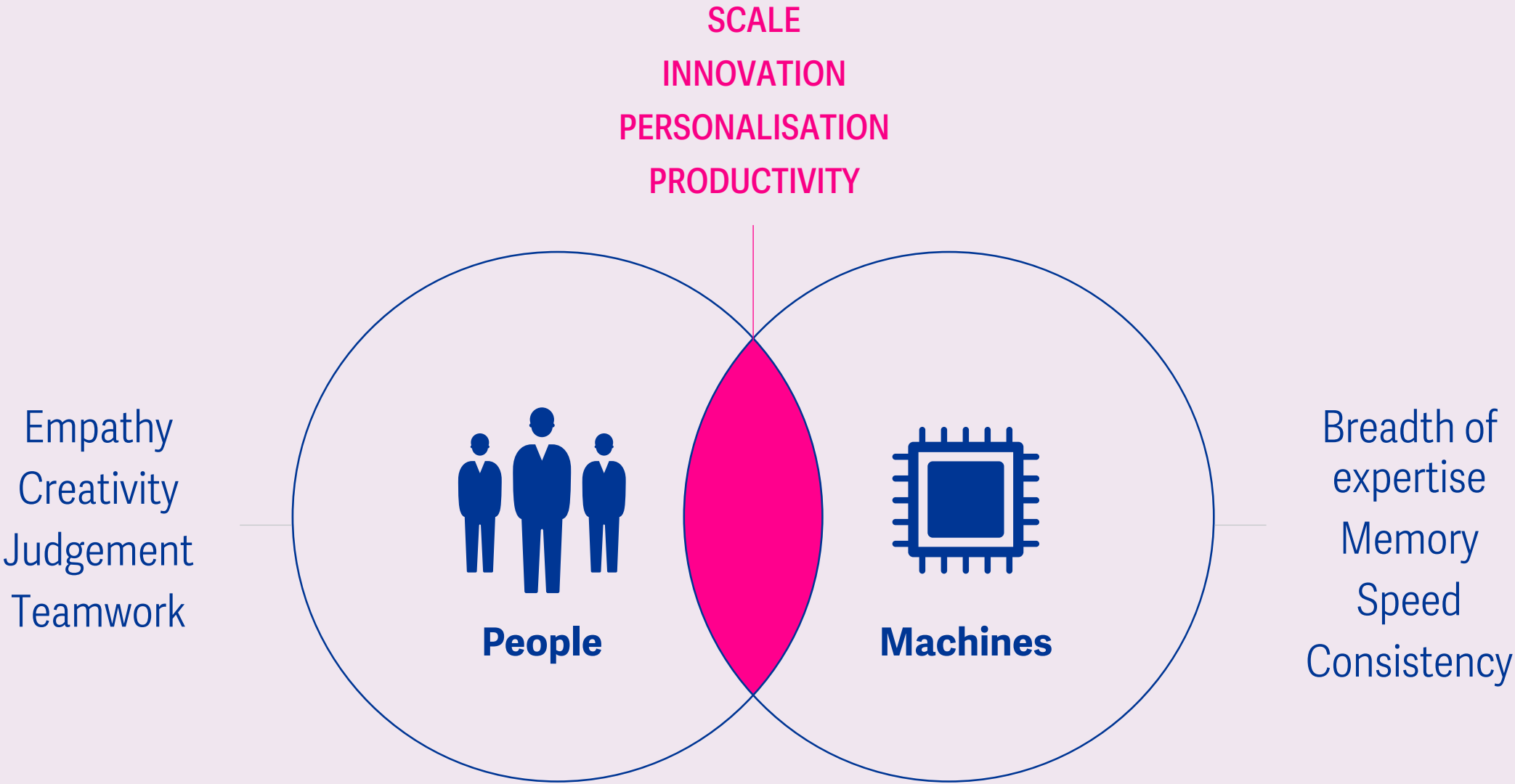
Over time, machines have augmented human abilities in ways that were previously unimaginable. The printing press in the 15th century, the industrial revolution across the 18th and 19th centuries, and the computer, mobile and internet age of the 20th century have all demonstrated this impact.

Computers have accelerated human-machine interaction, while the internet and the digital age have democratised knowledge, enabling instantaneous access to information and global connectivity.

The current wave holds almost unknown potential, with AI and robotics pushing boundaries. AI can process and analyse vast amounts of data, supporting breakthroughs in various industries such as healthcare, transportation, and of course wealth management. Coupled with robotics, there is potential to enhance human capabilities in physically demanding tasks.

However, it's important to recognise this wave is not just about machines – but should be a collaboration between humans and machines to give humans more time for higher-value tasks, and improve business ingenuity.

 How machines superpower humans





# THE EMERGENCE OF AI

Of all the new technologies, AI is currently attracting the most attention.

While it seems to be everywhere, AI has been a long time coming. The term Artificial Intelligence was first coined by John McCarthy in 1956, as the computer science field sought to create machines to replace or exceed human intelligence, with the first AI software program built shortly after. Mathematician Alan Turing invented the famous 'Turing Test' which was designed to find if computer answers are distinguishable from human answers.<sup>1</sup>

A big leap forward for AI occurred in the 1990s when machine learning capabilities hit maturity. At this time, AI machine IBM Watson made the headlines for outsmarting two human chess champions in a game. This type of AI uses large data sets to learn and make decisions and predictions.<sup>2</sup>

Deep learning came next, which is a machine-learning technique based on the way the human brain thinks. Key to this is the ability to understand complex patterns in pictures and text to arrive at insights and predictions. Natural Language Processing (NLP) is a big advantage of deep learning, as this means the AI can comprehend human language.<sup>3</sup>

Deep learning formed the basis of the newest and perhaps most exciting form of AI, Generative AI (GenAI). GenAI is the ability for the AI to draw on existing information but create new information – whether than be text, images, speech, music, software code or various designs.<sup>4</sup>

In November 2022, OpenAI launched ChatGPT a type of GenAI, which translates natural language

to computer code, or creates and edits original text or images. Some argue with ChatGPT the responses are indistinguishable from a human – and that the Turin test has been passed.

In February 2023, just 6 months after ChatGPTs release, Microsoft's Bill Gates told Forbes: "It's pretty stunning that what I'm seeing in AI just in the last 12 months is every bit as important as the PC, the PC with GUI, or the internet. As the four most important milestones in digital technology, this ranks up there."<sup>5</sup>

<sup>1</sup> Wooldridge, Michael, The Road to Conscious Machines (Pelican 2020), p.14-20

<sup>2</sup> IBM100 – A Computer Called Watson

<sup>3</sup> Transformer: A Novel Neural Network Architecture for Language Understanding

<sup>4</sup> [Generative AI: What Is It, Tools, Models, Applications and Use Cases \(gartner.com\)](#)

<sup>5</sup> [Is ChatGPT Really One Of The Most Important Milestones In Digital Technology?](#)



Artificial  
Intelligence



Machine  
Learning



Deep  
Learning



Generative  
AI



# AI IN DAILY LIFE

AI is already infiltrating human experiences without us necessarily realising.

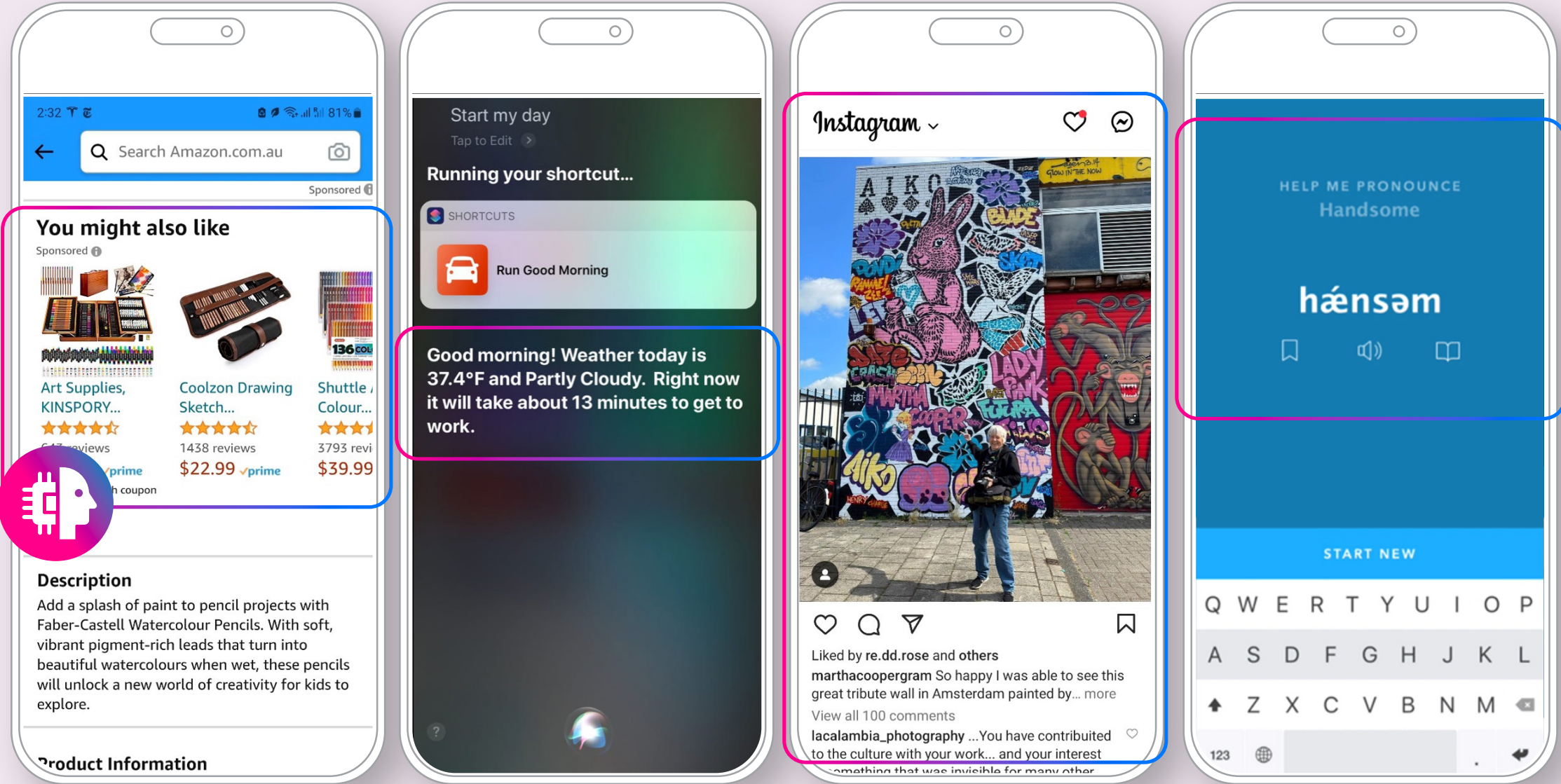
AI in our messaging and typing programs automatically corrects spelling or suggests words to use. We're receiving AI recommendations, such as products to buy on Amazon, or movies to watch on Netflix based on what the AI has learned about our preferences. AI is curating our feeds to view on Facebook, Instagram and TikTok. We're also starting to get on board with Generative AI, where the AI creates content such as words, images, songs and even art.

## AI IS IN BUSINESS, TODAY

AdviceTech providers are using and exploring AI as part of their back office. For example, they are using it to index documents uploaded, feeding them into the right parts of our workflow to help process and administer client information. They are using AI to extract data from these documents and directly file that information, removing manual intervention. For some, the AI is automatically redacting Tax File Numbers from documents for privacy and compliance purposes.

AI is also being used by call centre teams to help them respond quickly and consistently or as AI self-service chatbots. It's also helping to keep client data secure from fraud and cyber attacks, and helping our distribution team identify which clients need more attention.

 AI helps you every day





# AI IN WEALTH MANAGEMENT

As advanced technology infiltrates numerous industries, there are clear benefits for financial advice.

Financial advice experts in our survey believe technology will lead to significant leaps in how they do business over the next five years.

And what technology do they think will deliver on this promise? 50% of advice firms say AI – jumping from 25% the previous year – the largest increase of all AdviceTechs.

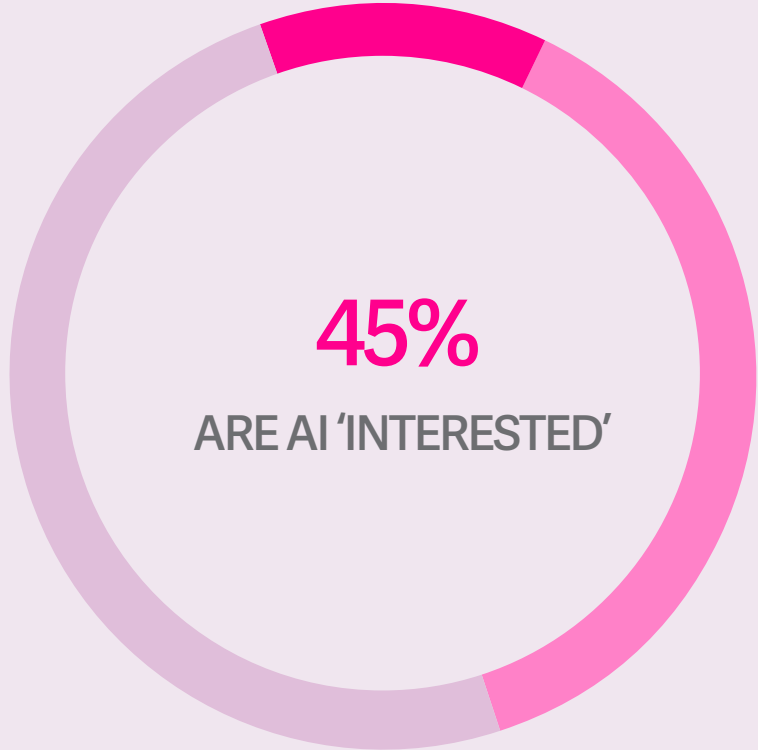
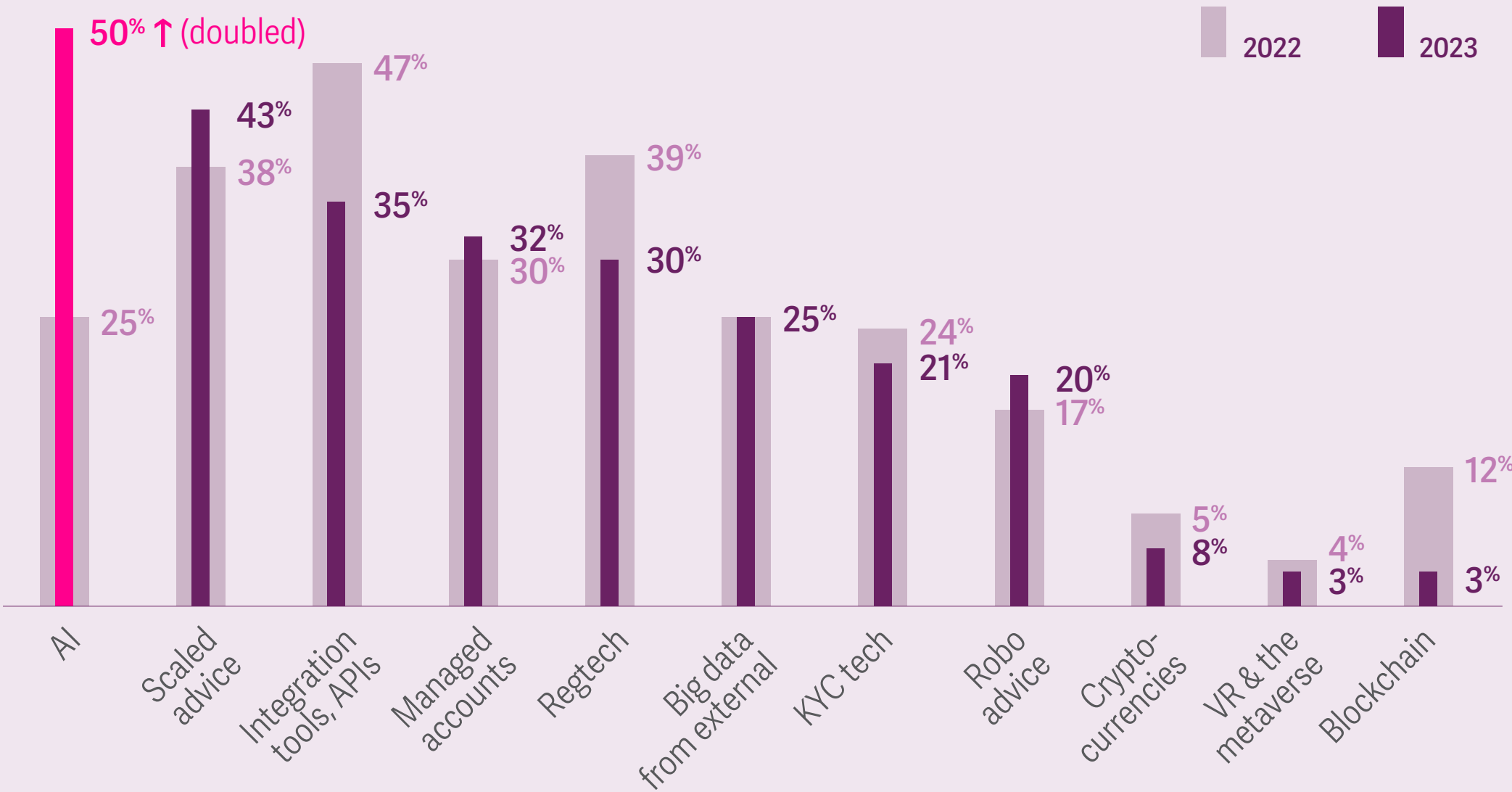
Other technologies set to disrupt the industry are those that often underpin AI development, such as system integration tools and APIs (35% of advice firms think these will have the greatest impact in the next five years), plus big data sets from external sources (25%).

At this stage, AI is still not widely adopted by financial advice businesses.

Only 11% of advice firms have piloted or are implementing AI in limited use cases, while one-third (34%) are exploring its potential. However, this suggests almost half of all advice firms are ‘AI interested’.

Of the AI interested advice firms, 65% anticipate increasing their AI spend in the coming year.

Which of the following technologies will have the greatest impact to advice practices in the next 5 years?



Does your business use any form of AI?

- 11% YES, IN PILOT OR LIMITED USE
- 34% NO, BUT EXLORING ITS USE

The advice firms dipping their toe in AI are experimenting with a variety of tools, with the most common category being AI chatbots (65%).

Some are leveraging ‘embedded AI’ – which is the AI built into their current software. Over one in three (37%) who are ‘AI interested’ use AI in their customer relationship management (CRM) system, and almost a quarter (24%) in their investment/superannuation platforms. More than a fifth (22%) of ‘AI interested’ use the AI embedded in digital advertising optimisation tools like Google Ads, while some are looking into the new Microsoft Copilot (17%).

Many financial advice businesses recognise AI’s potential to evolve daily operations. The areas where ‘AI interested’ advice businesses are piloting or exploring AI are:

- Marketing
- Client services
- Administration
- Advice
- Portfolios
- Compliance and security

Which specific areas does your business currently use / exploring AI?

|   |   |   |   |  |   |
|---|---|---|---|--|---|
| <div><div>67%</div><div>MARKETING</div></div> <p>Around seven in 10 (67%) of firms are already piloting or exploring AI in this area. This involves utilising AI in creating content like articles and images (57%) and optimising digital advertising (24%).</p> | <div><div>61%</div><div>CLIENT SERVICES</div></div> <p>With around six in 10 (61%) of firms on board, they are exploring it for customer service (35%), to summarise meetings (30%), and to ID clients in need (28%).</p> | <div><div>57%</div><div>ADMIN</div></div> <p>With 57% either using or considering it, for functions such as back-office process automation (50%), reporting and forecasting (15%), or internal knowledge sharing (15%).</p> | <div><div>57%</div><div>ADVICE</div></div> <p>57% are engaging in AI for advice, and are using it for client reviews (43%) and creating the financial plan or statement of advice (SoA) production (30%).</p> | <div><div>28%</div><div>PORTFOLIOS</div></div> <p>Around a quarter (28%) are on board for using with portfolio construction and management. Uses include market research (17%), choosing appropriate clients/portfolios (11%), or investment selection (9%).</p> | <div><div>17%</div><div>COMPLIANCE AND SECURITY</div></div> <p>With 17% using or exploring AI for this purpose, uses include ID fraud and cyber breaches (11%), and ID regulatory or compliance breaches (11%).</p> |
| <div><div>57%</div><div>Content marketing</div></div> <div><div>24%</div><div>Digital advertising</div></div>   | <div><div>35%</div><div>Customer service</div></div> <div><div>30%</div><div>Summarise meetings</div></div> <div><div>28%</div><div>Identify clients in need</div></div>  | <div><div>50%</div><div>Back-office automation</div></div> <div><div>15%</div><div>Business reporting and forecasting</div></div> <div><div>15%</div><div>Internal knowledge sharing</div></div>                            | <div><div>43%</div><div>Client review</div></div> <div><div>30%</div><div>Financial plan, SoA production</div></div>  | <div><div>17%</div><div>Market research</div></div> <div><div>11%</div><div>Choose appropriate clients portfolio/s</div></div> <div><div>9%</div><div>Help investment selection</div></div>  | <div><div>11%</div><div>Identify fraud and cyber breaches</div></div> <div><div>11%</div><div>Identify regulatory or compliance breaches</div></div>  |

\*Those that are using or exploring the use of AI



# Financial advice businesses in our survey have high expectations of the benefits of AI over the next five years.

In fact, all ‘AI interested’ advice firms anticipate broad effects on their business, 96% on how they manage clients and 78% on their staff.

In terms of business impact, advice businesses that are ‘AI interested’ hope AI in the next two to five years will lead to: improved efficiencies in their business (100%), cost savings (74%), improving accuracy (70%) and regulatory compliance (57%) and a better ability to deal with fraud and cyber threats (50%). They also hope to see improvements in innovation (54%) and revenue (52%).

A large majority hope to harness the technology to improve their client services (89%), service offering (70%), client engagement and education (70%).

Improved productivity of staff is a hope for many ‘AI interested’ firms, identifying improvements in productivity (67%) and the creativity of staff (39%), with only a small fraction thinking it will help reduce headcount (15%).

What is clear from our research is that there is a lot of hope in new technologies including AI to drive more productivity, efficiency, and value in the business and for clients. In the next section, we will demonstrate some key uses of new technologies in financial advice.

Which of the following effects are you hoping to see from AI in the two years/five years?  
(by those piloting OR exploring its use)







# 2

# SUPERCHARGING THE ADVICE FIRM OF THE FUTURE WITH AI



# SIX AREAS OF AI FOCUS




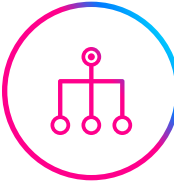


Advanced technology platforms, AI and big data are converging and are ready to transform the advice industry.

As we look ahead to the next five years, we see several key areas where AI and adjacent technologies should have a real impact. Not surprisingly, these touch all parts of the advice process including portfolio construction and management, financial advice, the client experience, back-office administration, and compliance and risk support.

In this section, we explore what this transformation could look like.



The Netwealth AI Impact Map:  
How AI could help your business today

|  PORTFOLIO CONSTRUCTION & MANAGEMENT   |  FINANCIAL ADVICE  |  THE CLIENT EXPERIENCE  |  BACK-OFFICE ADMIN  |  SECURITY, COMPLIANCE & RISK SUPPORT   |  MARKETING  |
|--|---|--|--|---|--|
| <p><b>In theory:</b></p> <p>Big data and AI to aid research and construct portfolios. Scaled investment execution – inc. trading, and investment instructions with automation.</p>   | <p>AI and adjacent technologies acts as a ‘virtual assistant’ to provide unique insights that help advisers construct and manage client advice.</p>   | <p>With clients demanding personalised, and ‘always-on service’, firms are using AI and client portals to support client communications and education.</p>   | <p>To ease administration, firms are using AI, integration tools, APIs to streamline document and data management, and automate repetitive tasks.</p>  | <p>With regulation always changing, firms are engaging with AI to stay on top of new requirements, and to undertake risk assessments and fraud detection.</p>   | <p>To manage marketing and advertising volume and to hone messages, firms are exploring new AI, especially GenAI, in creating text, images, videos and more.</p>   |
| <p><b>Potential applications:</b></p> <ul style="list-style-type: none"><li>• AI scans unstructured data for investment research</li><li>• AI algorithmic trading</li><li>• Robo Advice</li><li>• Alternative investing</li><li>• ESG research</li><li>• Managed accounts</li><li>• Automated advice document production</li></ul> | <ul style="list-style-type: none"><li>• AI knowledge base and virtual assistants</li><li>• Improving assumptions ins financial models</li><li>• Real-time modelling and forecasting</li><li>• Online fact finds</li><li>• Enhancing understandability of advice documents</li><li>• Streamlining client reviews and reporting</li></ul> | <ul style="list-style-type: none"><li>• Real-time alerts to advisers based on market activity, client behaviours and preferences</li><li>• Client portals for 24/7 access</li><li>• AI triggered ‘behavioural nudges’</li><li>• Chatbots for 24/7 client support</li></ul> | <ul style="list-style-type: none"><li>• Data management and system integrations</li><li>• Embedded AI as a ‘copilot’ and Gen AI to help the day-to-day</li><li>• Onboarding and KYC management</li><li>• AI for coding, VB, and Excel Macros</li></ul> | <ul style="list-style-type: none"><li>• Managing compliance requirements</li><li>• Tracking regulatory change</li><li>• Predictive AI models for risk assessment and fraud detection</li><li>• Cyber security support and detection</li></ul> | <ul style="list-style-type: none"><li>• Creation of content marketing using GenAI</li><li>• Simplifying digital advertising using embedded AI tools</li><li>• Big data and AI for client profiling and segmentation analysis</li></ul> |

# PORTFOLIO CONSTRUCTION AND MANAGEMENT

New technologies are making life easier for those responsible for the research-heavy, time-consuming task of building and managing portfolios.

Advice firms are turning to big data and AI solutions to help research and construct portfolios, and use platforms, alternative exchanges (like CAIS or iCapital), managed accounts, automated RoAs, and non-custodial asset administration services to help scale investment execution.

## INVESTMENT EXECUTION AT SCALE WITH ADVICETECH

Designing a portfolio is one thing, but the investment process is so much more. You need to onboard new clients into the portfolio, transition them to new investment options or platforms, and rebalance or adjust portfolios. This long process may mean market opportunities are missed, and staff have less time for other client-related tasks.

AI is not yet automating the investment process at scale, but AdviceTech like Robo-Advice, managed accounts, or automated RoA delivery and acceptance, can improve productivity whilst still allowing advice firms to personalise portfolios at scale.





INVESTMENT RESEARCH

Today’s traditional research tools are getting stretched with the introduction of new asset classes and an increasing demand by clients for more personalised and niche investment options – such as responsible investments, private markets and alternatives. For example, today on average around 20% of a client’s portfolio is held in non-custodial assets, and half (52%) of advised clients say they hold responsible investments.<sup>6</sup>

New AI capabilities can assist investment research by not only analysing real-time market data, such as price movements, trade volumes, and liquidity levels, but financial news articles and analyst reviews, social media data, and company reports.

To help advice firms stay a step ahead of market trends, large research houses are investing in their AI capabilities, such as BloombergGPT AI system,<sup>7</sup> and Refinitiv’s MarketPsych<sup>8</sup> to highlight investment opportunities, potential risks, and sentiment around specific stocks or market influences.

Another example, at JPMorgan, economists are using an AI model that analyses Federal Reserve communications to help predict the bank’s next moves.<sup>9</sup>

Firms are also using Natural Language Processing (NLP) AI to turn findings into bite-size information for quick consumption by analysts and their clients.

ALGORITHMIC TRADING

AI-powered algorithms can execute trades based on predefined rules and market signals. They can analyse market data in real-time, and with AI they can use new signals to identify trading opportunities, and execute trades with speed and accuracy.



<sup>6</sup> 2023 Netwealth Advisable Australian survey  
<sup>7</sup> [Introducing BloombergGPT](#)  
<sup>8</sup> [An overview of MarketPsych Analytics](#)  
<sup>9</sup> [JPMorgan’s new Fed-whispering A.I. model – Fortune](#)

ILLUSTRATION  
AI expands investment research beyond traditional metrics

Non-traditional investment metrics



AI chatbot

What stocks do well when inflation peaks?

Typically the best performing sectors in the 6 months period after inflation peaks are Consumer Cyclical (+11.3%) and Financial sectors (8.9%) relative to S&P 500 (7.7%).

The best performing stocks are WSF (+23%), CAB (+19%), V (+15%) and NWW (+11%).

What markets are being impacted by the current geopolitical shifts in China?

What news should I be paying attention to?

How is Apple going?

Market Insights

Technicals

Security is oversold

Fundamentals

High expectation


AI News Insights

Apple stock jumps as major investment bank puts Buy rating on stock

Why Apple stock popped on Monday

APPLE

298.22 USD +21.08 (+3.70%)



What happens if Apple misses its earnings?

BEATS

MISSES

Apple price movement after 25 previous earnings beats

Typical trading ranges

Median

1W

2W

3W

1.27%


8.0%

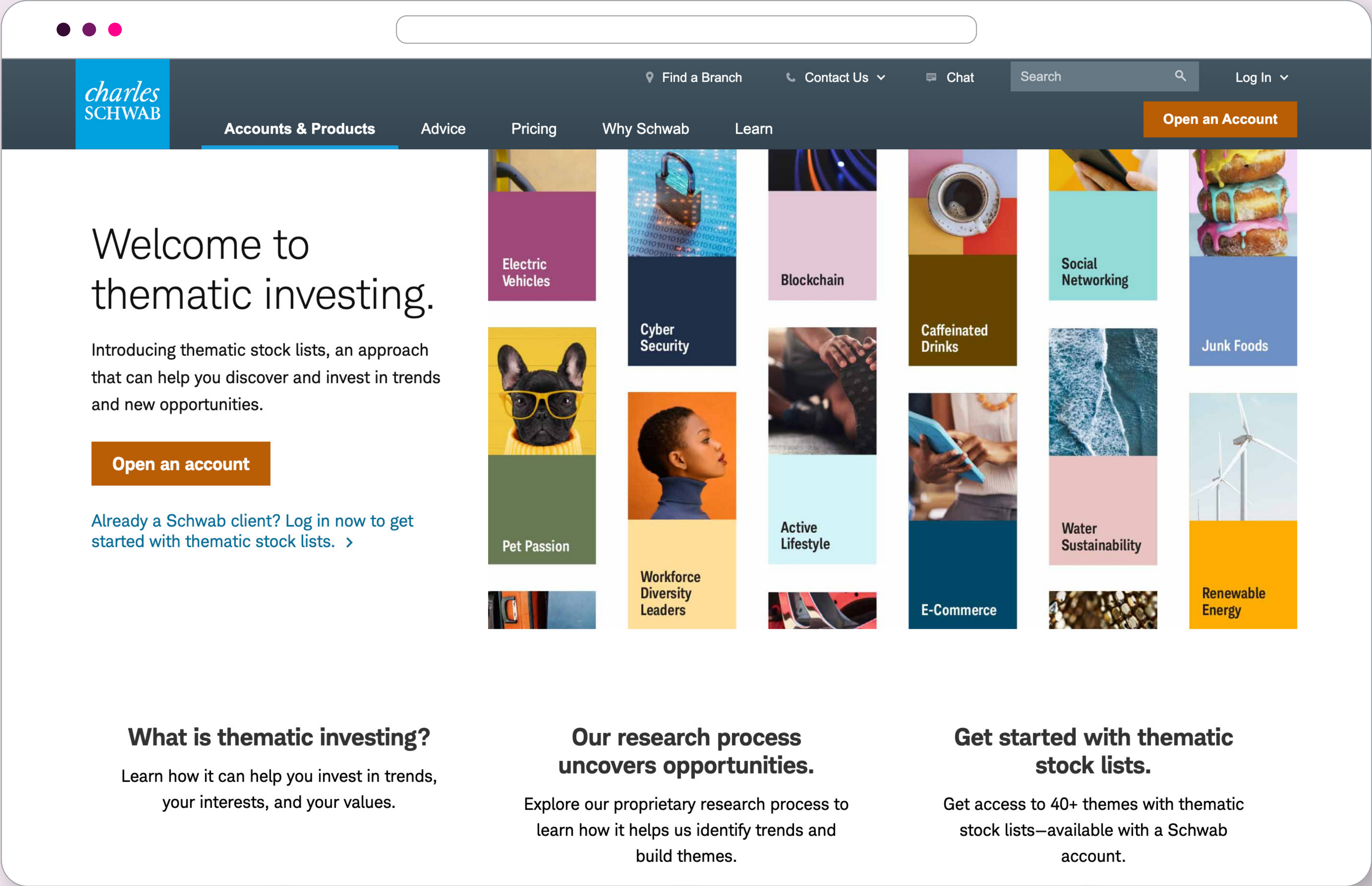
-0.53%

PORTFOLIO THEMATICS

Another example of using AI for portfolio construction is Schwab’s thematic stock lists. Schwab leverages AI to mine data and millions of public documents. These could be patent grants, clinical trials, or regulatory filings.

The idea is to objectively identify publicly traded companies based on their relevance to a particular investment theme. An example is Schwab’s “Robotic Revolution” stock list. This brings together companies from different sectors like industrials, healthcare, and information technology that are building and using robotic solutions. Other themes include Renewable Energy, Active Lifestyle, Pet Passion or Caffeinated Drinks.

SCREENSHOT  
Charles Schwab: Thematic Investing<sup>11</sup>



<sup>10</sup> [Schwab’s New Thematic Stock Lists Make It Easier for Individuals to Invest According to Their Interests and Values](#)

<sup>11</sup> <https://www.schwab.com/thematic-investing>




ROBO ADVICE

In the US Robo Advice is growing to service the segment of the market with less complex needs, particularly a younger generation.

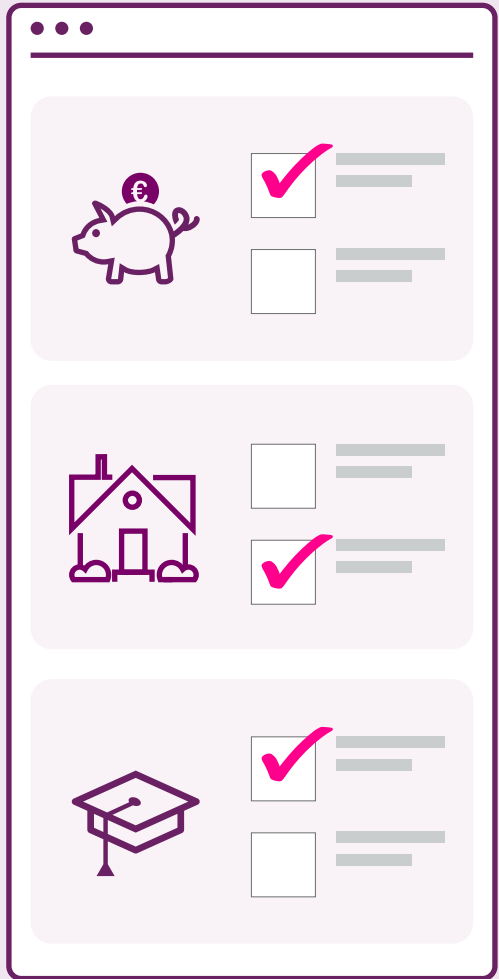
Robo Advice sees a potential client answer a series of questions about their financial goals and risk tolerance, from which the AI-powered Robo Advice platform recommends a personalised investment plan. This is typically based on low-cost ETFs. If approved by the client, the system invests the individual's funds into the recommended portfolio and manages it, using rebalancing tools and tax harvesting (in the US).

Although not as popular in Australia, according to Netwealth’s research, 20% of advice firms do believe that Robo Advice will disrupt the industry the most in the next five years – perhaps most likely when it comes to low-touch clients.

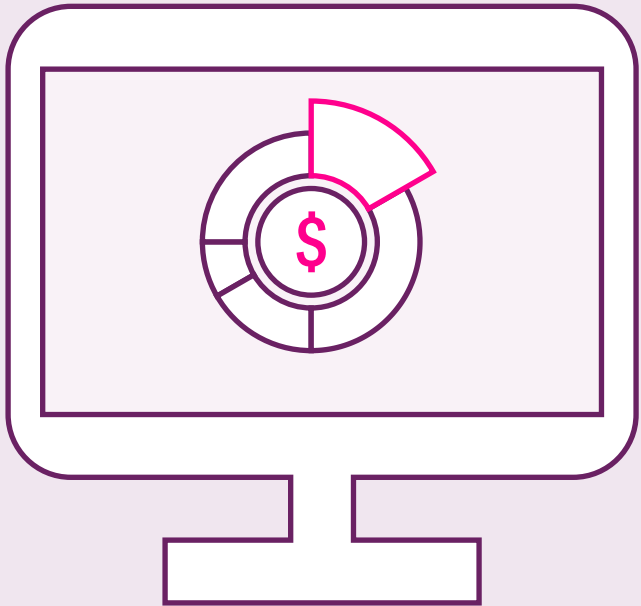


ILLUSTRATION

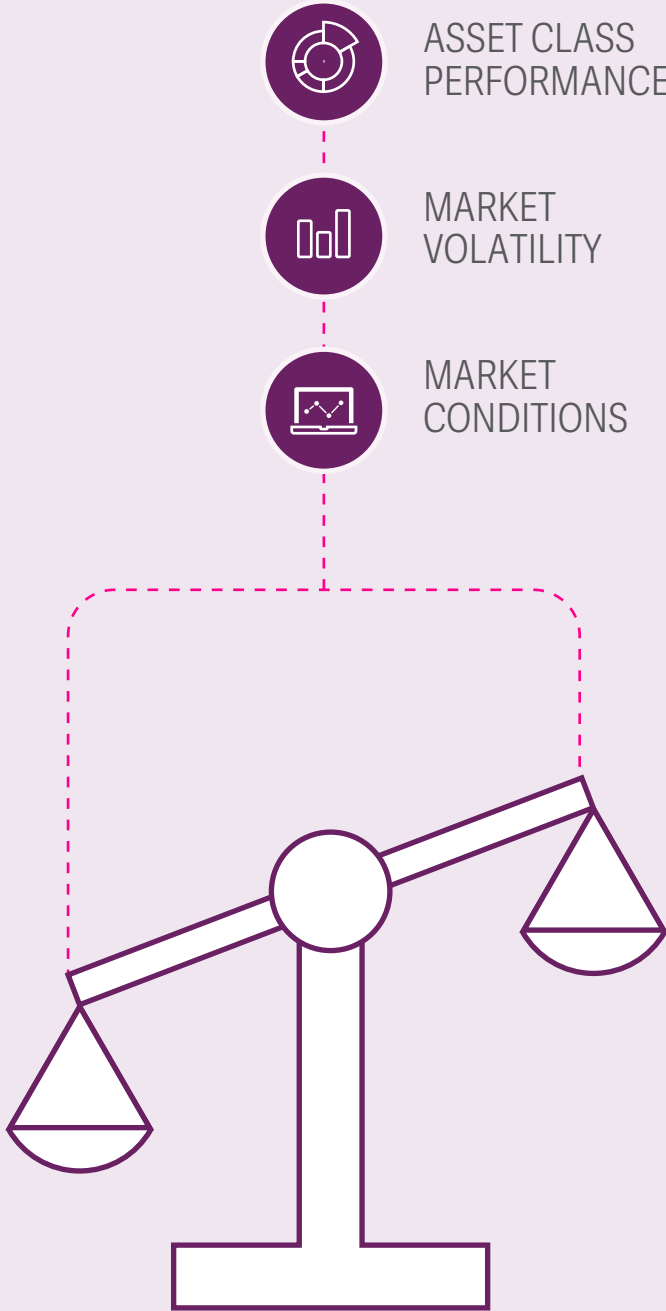
How robo advisers work in general practice



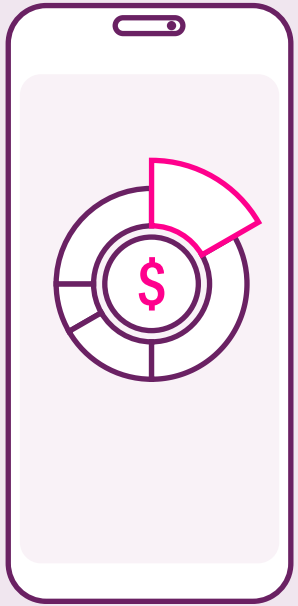
Investors complete a brief questionnaire to assess risk tolerance and investment goals, such as retirement or buying a house.



The robo adviser automatically builds a diversified portfolio of funds, often ETFs, that are usually selected by a team of investment professionals.



Experts regularly monitor market conditions and activity, plus asset class performance and underlying investments, and trigger portfolio rebalancing using a sophisticated algorithms.



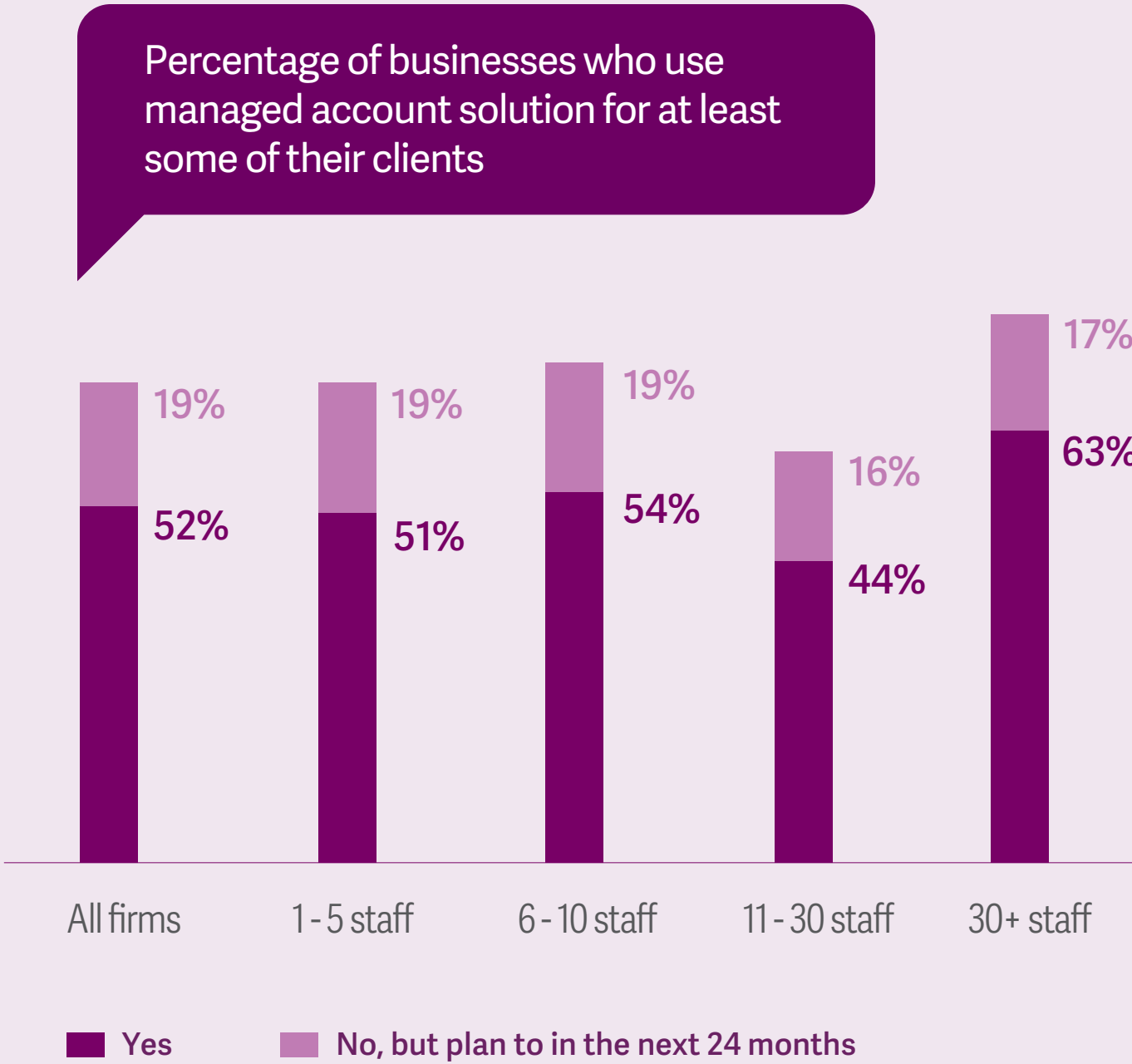
Investors can login to their online account or mobile app to track progress to goals, make adjustments, add contributions, and more.

MANAGED ACCOUNTS

Managed accounts are now used by 52% of advice firms, with 60% of AdviceTech Stars and 63% of larger firms of over 30 staff using them – illustrating their potential for scaling the investment process.

Almost all that use managed accounts cite the number-one benefit is general business efficiency (69% of them). Specifically, they say managed accounts can save time, reduce paperwork (such as RoAs), improve scalability and allow them to be more consistent in delivering portfolio returns to their clients.

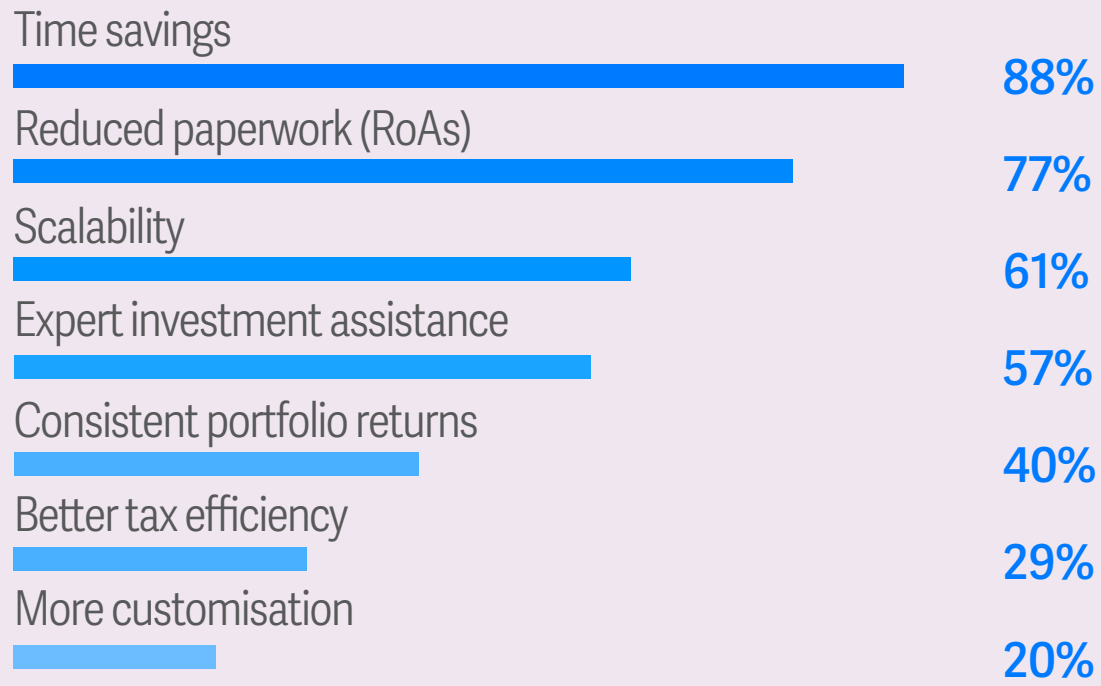
Customer benefits are also identified as an important driver of managed account adoption, with around half that use them (49%) say they get better client engagement, and around one in three agreeing that clients having a better understanding of their portfolio (37%) due to increased transparency, plus better tax outcomes (34%).



What business and client benefits do you receive from using managed accounts? (of those that use managed accounts)



In what areas are you getting improved efficiency from using managed accounts (of those using and have improved efficiency as a result)?



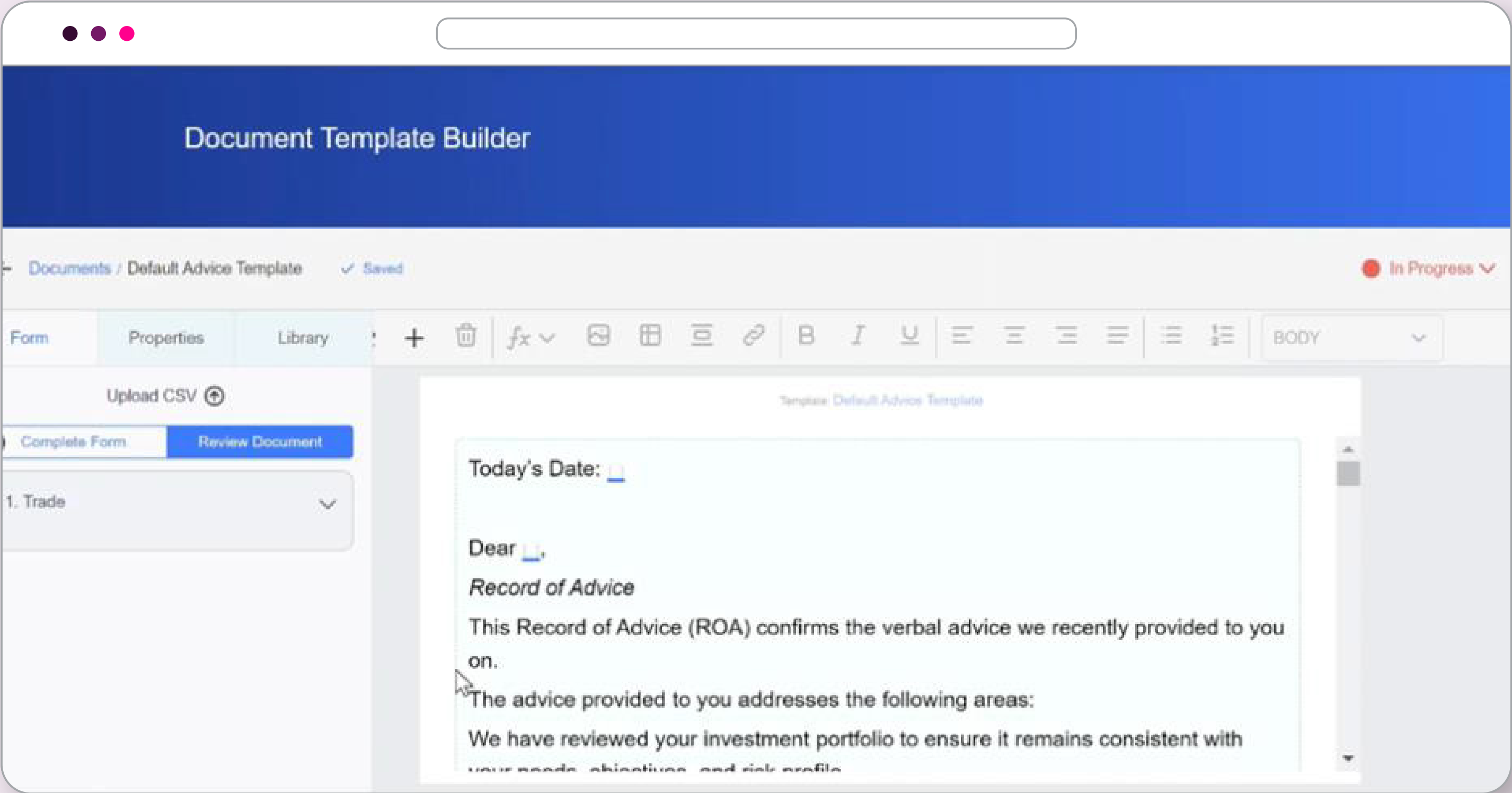


AUTOMATED ROAS

Another technology that can aid investment execution are automated RoAs and non-custodial administration services. Platforms like Netwealth provide tools to create ROA templates that can be accepted by the client via their online client portal. This helps improve staff productivity and reduce client friction in signing documents.



SCREENSHOT  
Netwealth’s template builder for automated records of advice (RoA)





DEMOCRATISING ALTERNATIVE INVESTING WITH TECHNOLOGY

According to Netwealth AdviceTech research, approximately 20% of a client’s portfolio on average comprises non-custodial assets. The most popular, according to our research, include:

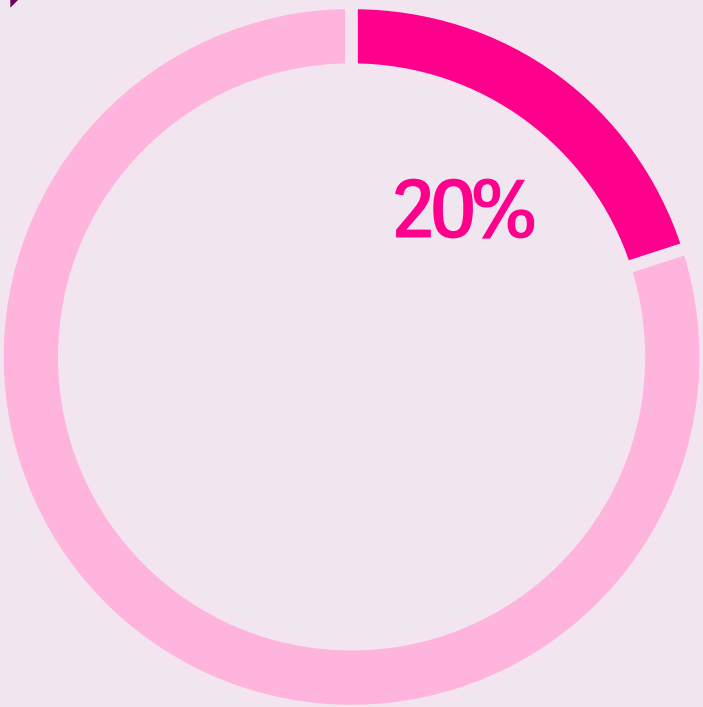
- Direct property – managed by 44% of all advice firms, and 54% of AdviceTech Stars\*;
- Private equity funds – 28% of total but 59% of Stars;
- Unlisted property trusts/syndicates – 21% and 44% of Stars;
- Private debt funds – 12% and 38% of Stars.

The challenge for firms is managing non-custodial assets, with 74% still managing them in-house, and only 19% outsourcing administration in some way.

However, the opportunity for advice firms is to outsource more and free up valuable resources. Savvy businesses are using off-platform non-custodial AdviceTech services, like Netwealth’s Multi-Asset Portfolio Service (MAPS), and specifically its non-custodial administration offering, to take advantage of this trend.

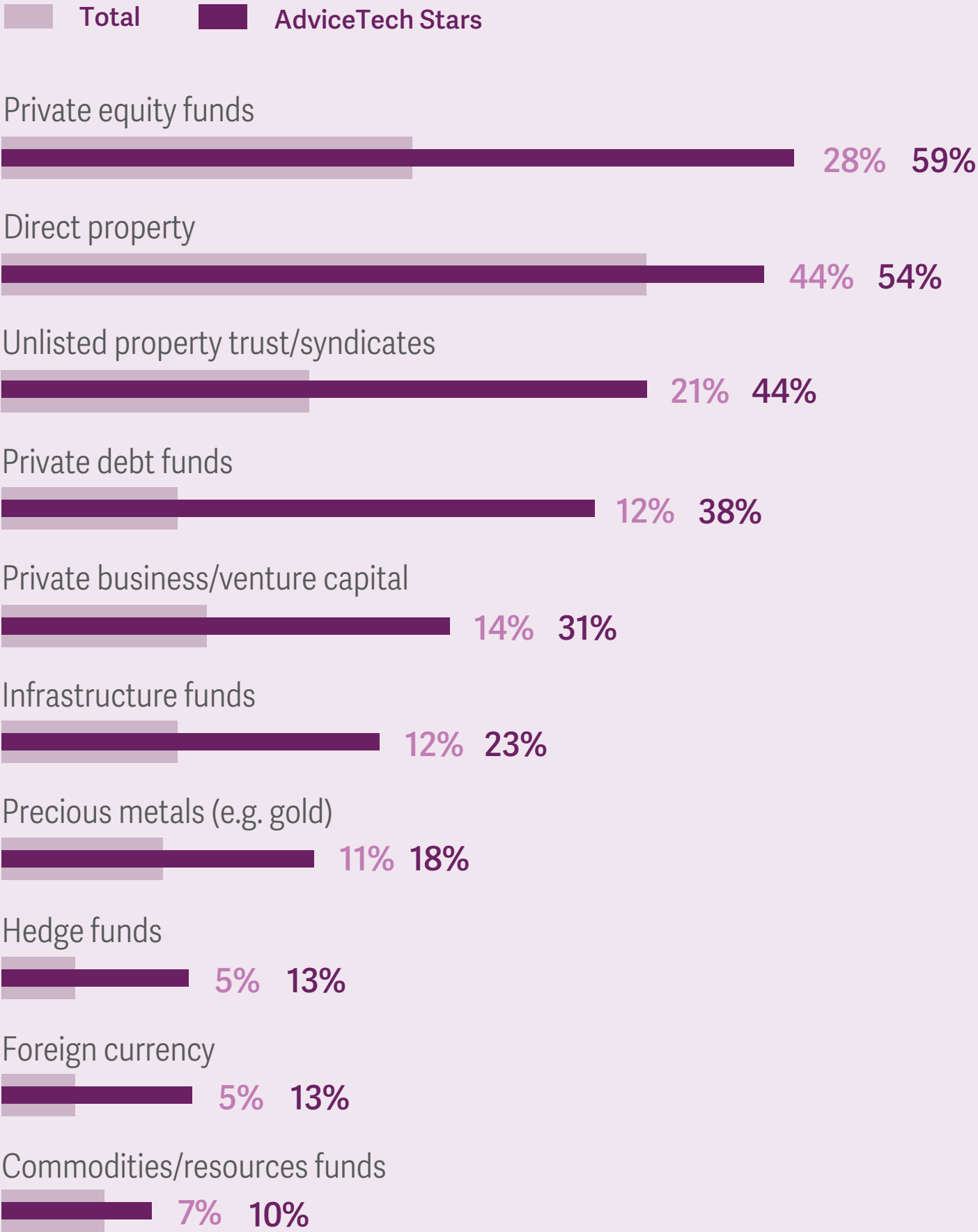
By outsourcing administration of these complex assets to a technology provider like Netwealth, advisers can rely on the administrative expertise and rich technology resources they possess to administer transactions (such as call payment executions). They can benefit from management of the time-consuming task of data management, such as unit pricing, tax reporting, and consolidated reporting across all assets and entities.

On average, what percentage of your clients’ super and investments is held ‘off-platform’?



\*AdviceTech Stars are our benchmark advice firms which enjoy greater commercial success and are heavier users of technology. [Refer to Appendix](#) for a full description.

Which of the following non-custodial assets do you manage for your clients (of those advice firms that manage them)?



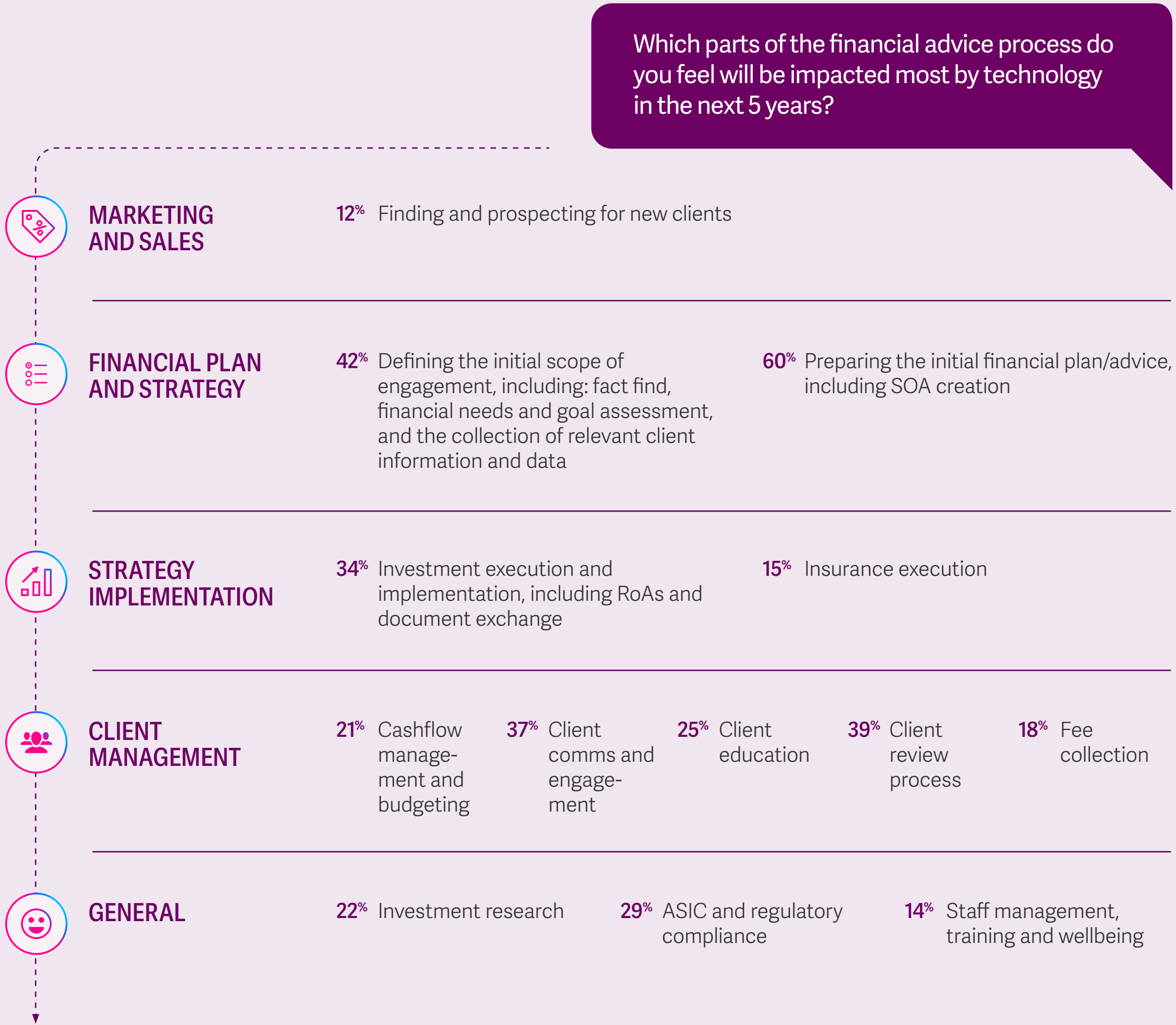
# FINANCIAL ADVICE

## New technologies can support advisers to gain insights quickly and efficiently.

When asked which part of the financial advice process will be most impacted by technology in the next five years, the top three responses advisers gave were:

- 1. Preparing the initial financial plan/advice, including SOA creation – 60%;
- 2. Defining the initial scope of engagement, including fact finding and collecting client data – 42%;
- 3. The client review process – 39%.

The hope of AdviceTech and especially AI, will be to address the often time-consuming activities related to these processes. AdviceTech, AI and adjacent technologies can help address the challenges in staff shortfalls and support and train new staff.





AI AS KNOWLEDGE BASE AND  
'VIRTUAL ASSISTANT'

Some advice firms are using AI to make the most of all their large data sets to help guide their advisers.

For example, Morgan Stanley has trained a ChatGPT chatbot on its repository of SoAs and RoAs, its research on over 2000 companies, as well as procedure documents, and product cards.<sup>12</sup> This means when one of its advisers asks the AI chatbot a question, it draws on this vast knowledge base and delivers fast, informed answers. The AI chatbot can answer simple questions like how a client can setup a Morgan Stanley online account, or what is the in-house view on Alphabet. It can also answer market questions such as who are the top 5 competitors to IBM.<sup>13</sup>

Open AI reports that Jeff McMillan, responsible for Morgan Stanley's big data and AI efforts, said: "You essentially have the knowledge of the most knowledgeable person in wealth management instantly. Think of it as having our Chief Investment Strategist, Chief Global Economist, Global Equities Strategist, and every other analyst around the globe on call for every advisor, every day."<sup>14</sup>

<sup>12</sup> [Morgan Stanley testing OpenAI-powered chatbot for its financial advisors \(cnbc.com\)](#)

<sup>13</sup> [How Morgan Stanley Is Training GPT To Help Financial Advisors](#)

<sup>14</sup> [Morgan Stanley – openai.com](#)



ILLUSTRATION  
Morgan Stanley virtual assistant chatbot<sup>14</sup>

How can my client set up a  
Morgan Stanley online account?

Your client can set up a Morgan Stanley  
online account in just a few steps:

1. Go to [morganstanley.com/online](#) and select 'Create a username' and enter your information.
2. Verify your identity and protect your online security by entering a registration code.
3. Choose a Username and password, then confirm your preferred email address
4. Select the features you'd like to activate for your account.

Answer generated by AI



AI FOR FINANCIAL MODELLING

A financial model is comprised of two parts – assumptions and projections. Assumptions are made on things like the client’s risk profile, asset valuations and projections, life expectancy, timings of inheritance, and on expenditure and savings. Typically, these assumptions are based on feedback from the client, historical data, and the experience of the adviser.

Improving data through an online fact find


Over half of AdviceTech Stars (51%) use self-service tools to capture client (or prospect) information, including their risk profile. A further 40% plan to adopt these tools in the next 24 months. These tools aid in the collection of accurate data, whilst also providing an arguably better experience for the client.

Improving data through external data sources

Client data can be made more accurate by collecting it from multiple external sources. AI can help this be achieved with as little manual interaction as possible. With tools like Netwealth and Xeppo, open-banking and API capabilities, you can collect bank account and transaction information, asset holdings, property values and business information from different systems. This gives a more accurate picture when preparing advice.

Improving assumptions with AI

Some organisations are using AI to help make assumptions and projections more accurate and useful. AI can draw on information such as a client’s spending habits or debt, and compare that to other similar clients, who are perhaps older. By making this comparison, you might be able to better forecast their long-term expenditure, life expectancy etc.

 ILLUSTRATION  
Using AI predictions to improve financial assumptions





REFINING ADVICE DOCUMENTS WITH GENAI

Advice documents are a critical tool in communicating the advice options and strategy to clients, but can often be complicated with legal and compliance necessity. Some advice firms are looking at how Generative AI tools, such as ChatGPT, may help to refine advice documents into a more relatable document, with improved grammar and even diagrams, whilst still maintaining their legal rigour.

Alert!

As a word of warning, remember to never upload client details or personally identifiable information (PII) to any public AI system, like ChatGPT.



ILLUSTRATION  
Refining advice documents  
with AI and ChatGPT



Model: Plugins • Enable plugins

MA

I want you to review the following piece of financial advice and look for inconsistencies, grammatical errors and/or where it is not clearly explained. I want you then to rewrite it so it is better for the end client, and then I want to you draw a mind map diagram explaining the advice.

Strategy = Review your existing investment portfolio

Bill, you currently have approximately \$1.5 million in your existing share trading account, which mainly consists of REA shares. In our previous discussions, your primary investment objective is to diversify the large stake in REA shares.

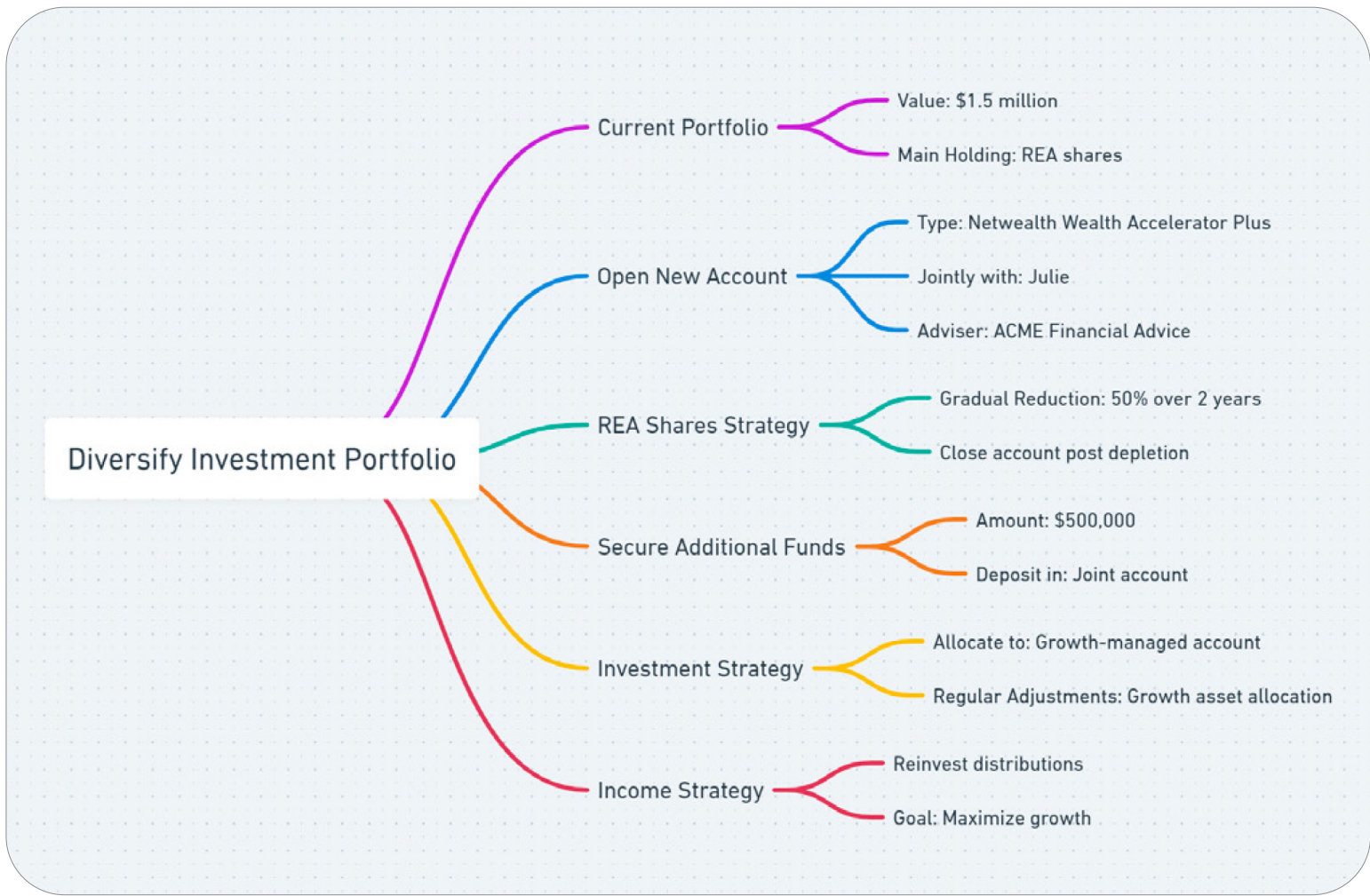
As a result, we recommend the following:

1. Establish a new Netwealth Wealth Accelerator Plus account and hold it jointly with your wife, Julie.
  - 1.1 Nominate ACME Financial Advice as your adviser for this account.
2. Gradually sell down your existing REA shares.
  - 2.1 We have recommended partially selling down REA shares gradually. We have shown a 50% reduction in REA shares this financial year and next, and ultimately, we will look to continue selling REA shares over time.
  - 2.2 Once your share account balance has depleted, we recommend that you close the account.
3. Borrow an additional funds of \$500,000 and transfer this to your new joint account
4. Invest the borrowed funds of \$500,000 and the sell down amounts into a growth managed account
5. Rebalance your portfolio regularly in line with a growth asset allocation
6. The income distributions should be reinvested to maximise growth of your investment portfolio.

Let's create a mind map to visually represent the above financial advice.

Used Whimsical Diagram plugin ▾

Here's the mind map that visually represents the revised financial advice:



CLIENT REVIEWS AND REPORTING

Clients want regular information about their investments from their advice firms, creating a lot of work for advisers, especially those with large client bases.

Adding to the effort is the fact that different clients want reporting provided at different frequencies. For example, in Netwealth’s 2022 Advisable Australian research, we found that over half (55%) of ‘Established Affluents’ (wealthier Australians aged over 45 years) largely want investment-related information provided quarterly from their adviser, while almost two-thirds (65%) of ‘Emerging Affluents’ (millennials with money aged under 45 years) want reports on a monthly or weekly basis.<sup>15</sup>

Unfortunately, advice firms, even our AdviceTech Stars, aren’t currently meeting these needs, with only 28% producing investment-related reports on a quarterly or monthly basis.

Platform reporting can help

To help ease the reporting burden, platforms such as Netwealth can create performance reports at the click of a button. It’s also possible to stitch data together from different account sources or systems using data integration tools, to get a clear picture of a clients ‘whole of wealth’ and their portfolio's performance.

It's also possible to create report templates to speed up report generation, where you might have one template for clients who want lots of detail, and another for those who just want the basics.

AI to improve reporting analysis


With Generative AI technologies that are embedded directly into your reporting tools, such as Microsoft Excel Copilot, it could be possible to make your team even more productive. Instead of having to write formulas, users can simply ask the AI questions of the data.



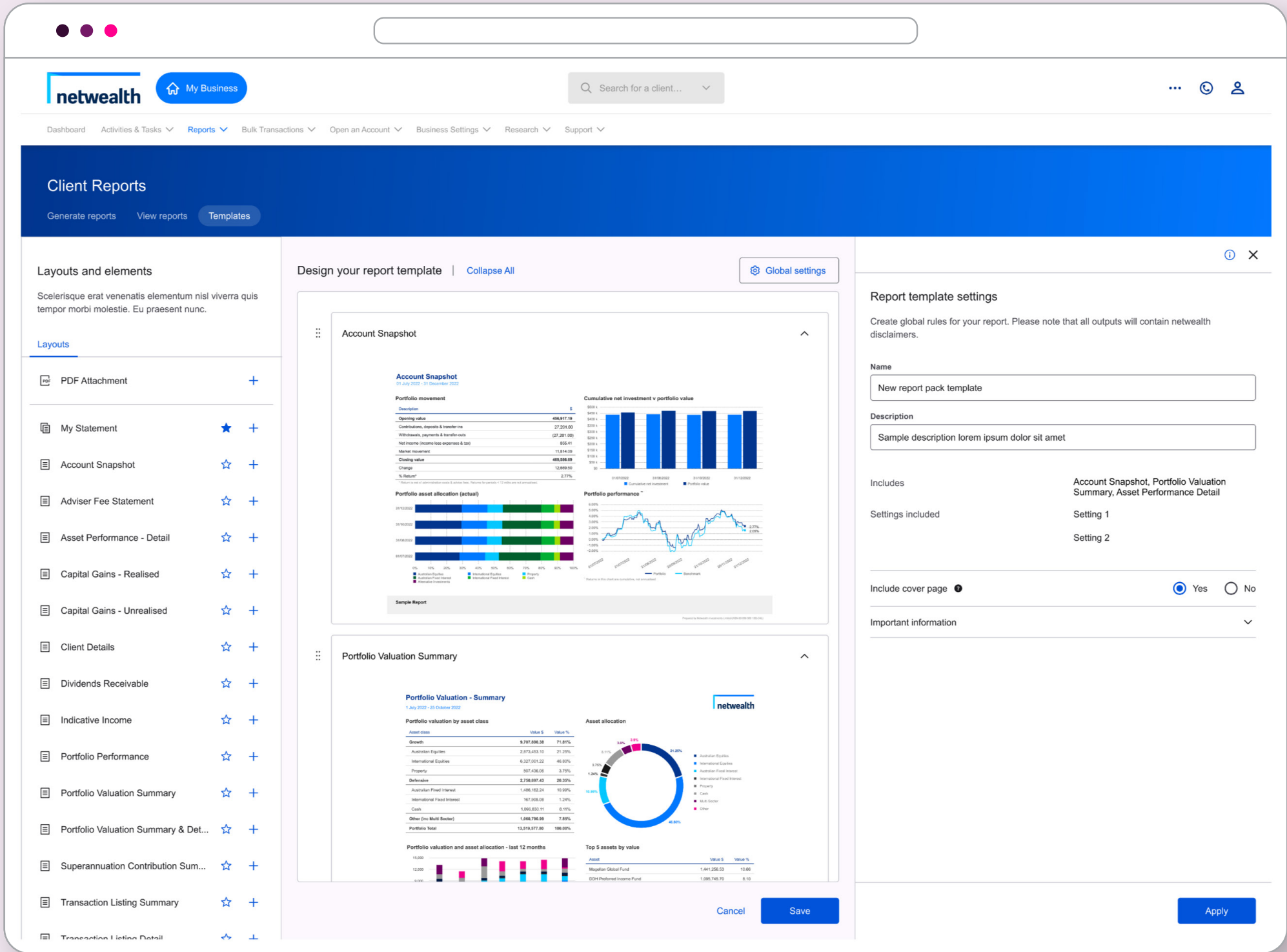
Australians have high expectations from their financial advisers when it comes to portfolio reporting, which is not always being met, even from our AdviceTech Stars firms.  
**AdviceTech can help.**



<sup>15</sup> 2023 Advisable Australian survey



**SCREENSHOT**  
Design your report template (prototype)



How regularly would you like to receive investment-related information from your financial planner?

How frequently are you providing investment reporting to your clients?

Established Affluent

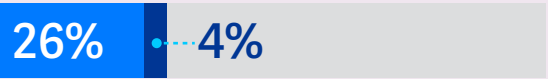


Weekly or monthly  
Quarterly

Emerging Affluent



AdviceTech Stars frequency of reporting to clients

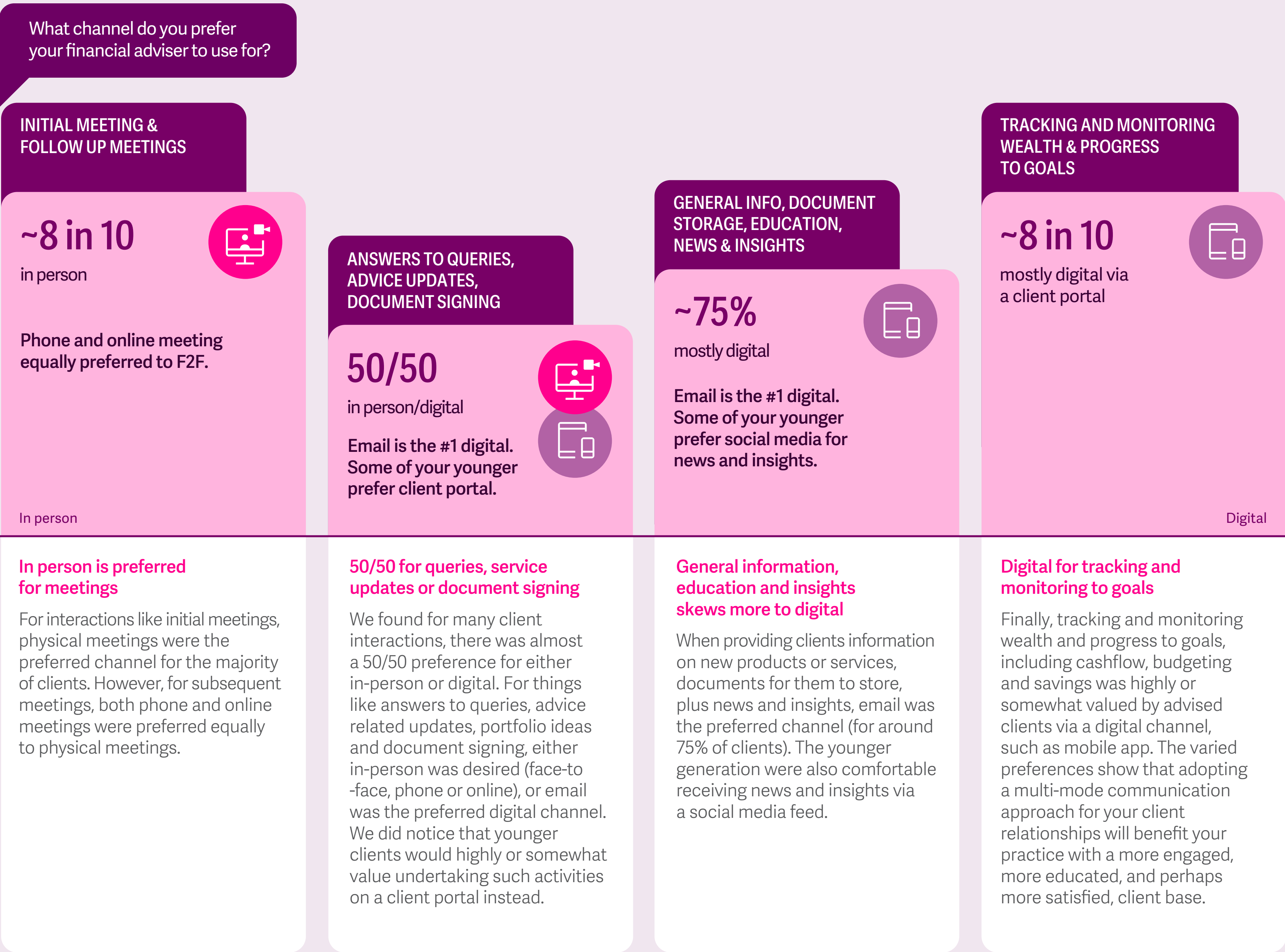




# THE CLIENT EXPERIENCE

Clients expect a human-digital (or machine) interaction with your firm that varies over the client lifecycle.

The nature of the relationship will often be dependent upon how established the relationship is, and the message being communicated.



PROACTIVE ADVICE WITH ‘NEXT BEST ACTION’

AI tools can help financial advisers to serve customers more expertly, more consistently, and more proactively.

AI that mines client data and external data sets and creates alerts and automated communications is the future of CRM systems. With such a system, advisers can be provided a list of recommended actions for their clients.

An example is Morgan Stanley’s Next Best Action, used by around 90% of their 16,000 advisers at least monthly. This system draws on observed client behaviours, communication history, and preferences (such as frequency and nature of contact), plus information in their SOA, goals, financial model and investment plans. It also pulls in external information like market information and news.<sup>16</sup>

AI and machine learning can then be utilised to produce operational and advice alerts like margin calls, or low-cash balances, or if a term deposit is about to expire. It can come up with investment or portfolio adjustment suggestions. The system can also provide behavioural-event notifications, for example, when a person changes jobs (identified through a new employee on their contribution details), or an inheritance alert (based on a lump sum bank transaction), or identify if a child has just started school (based on first time tuition fees).

Behavioural analytics can also reveal things like which clients prefer to access information over their mobile devices, or what frequency of contact they desire.

As a reminder, make sure your public privacy policy reflects the data you are collecting and how you anticipate to use it.

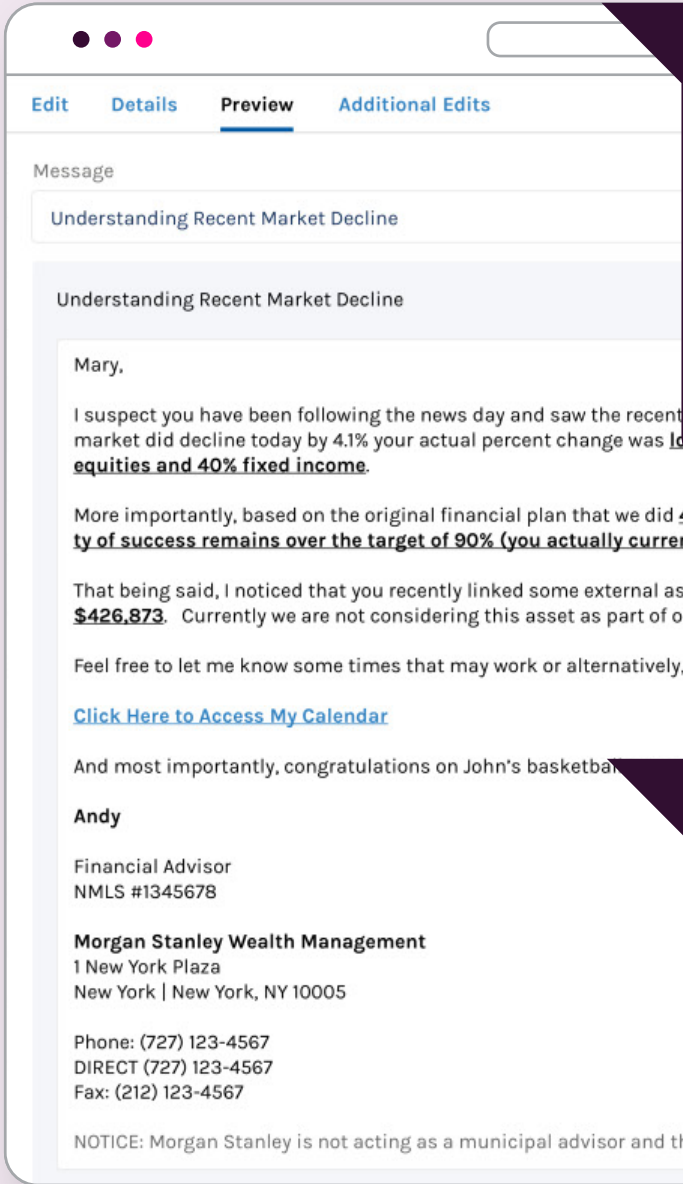


ILLUSTRATION

Scaling customized engagement using digital channels (Morgan Stanley<sup>17</sup>):

If the market were to be significantly impacted, an adviser could very quickly send an email to all their clients alerting them to the issue.

The email could be automatically tailored to the level of information the client needs for their circumstances, and recommendations on what action to take.



You might be wondering what this means for your portfolio. First of all, while the S&P 500 declined today by 4.1%, your **portfolio was down 2.4%**. The smaller decline was in part due to diversification.

**Your portfolio is currently 60% equities and 40% fixed income.**

Based on the financial plan that we created four years ago and updated last month, I feel that you are still on track to achieve your goals. **Your probability of success remains over the target of 90% (you actually currently have a 91% probability of success).** If you want to get more details, you can access your updated plan by clicking on the following link MS Online.

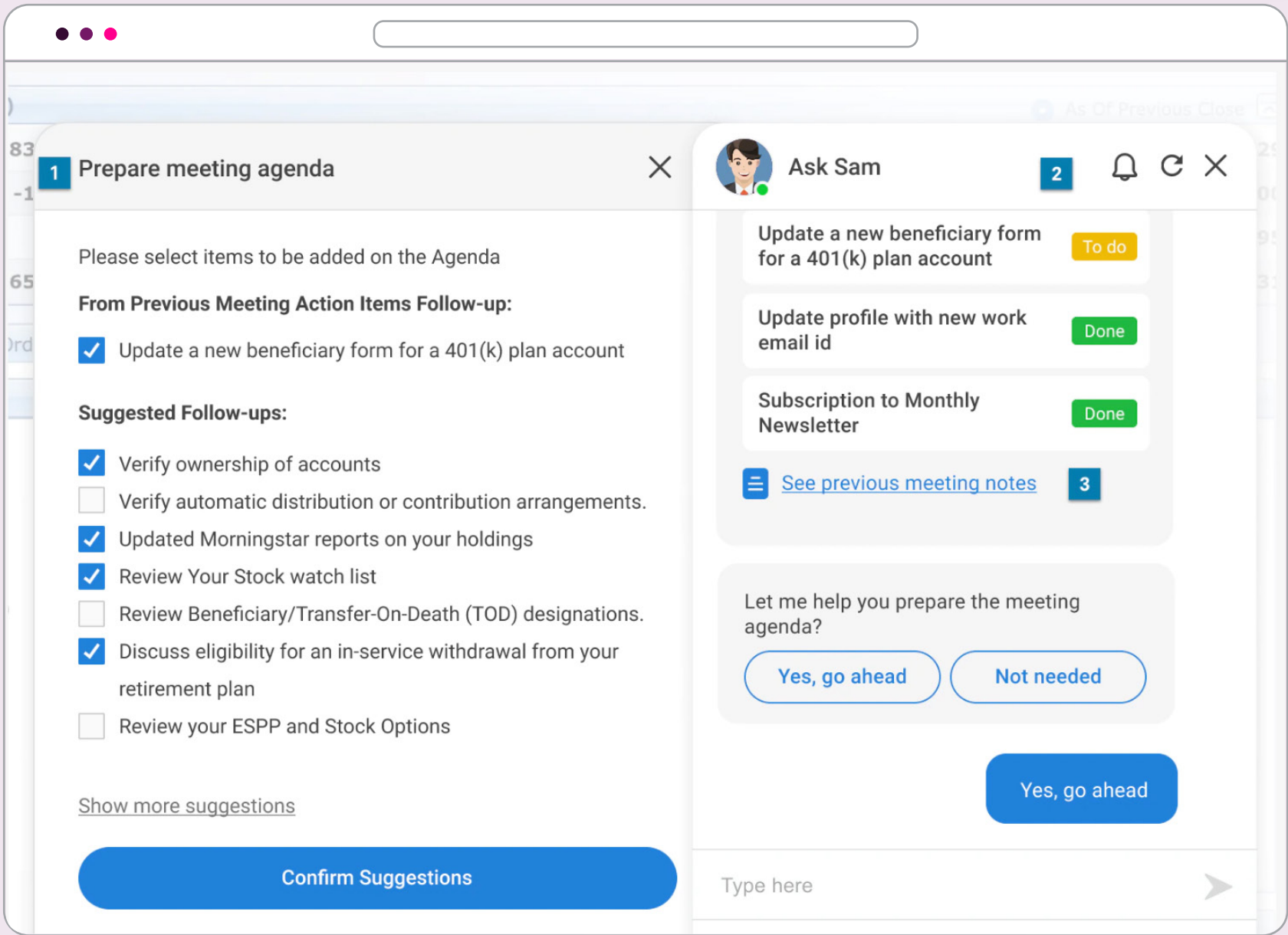


SCREENSHOT

Illustration from Charles Schwab<sup>18</sup>:

This AI system can remind the adviser that it is time to meet with a particular client for the 6-month review, then prompt the adviser to send a meeting request.

In that request it can check in with the client if there are any new details that have emerged since the last meeting, for example an income raise. Then, once the client has accepted, the AI can help the adviser set up a meeting agenda tailored to that client’s needs.<sup>21</sup>



<sup>16</sup> [How Machine Learning Is Helping Morgan Stanley Better Understand Client Needs](#)  
<sup>17</sup> [AI Today, Tomorrow and 2050, April 10, 2018, Morgan Stanley Wealth Management](#)  
<sup>18</sup> <https://advisorservices.schwab.com/provider-solutions/Advisors-AI-Assistant>



CLIENT PORTALS PROVIDE AN ‘ALWAYS ON’ ADVICE EXPERIENCE

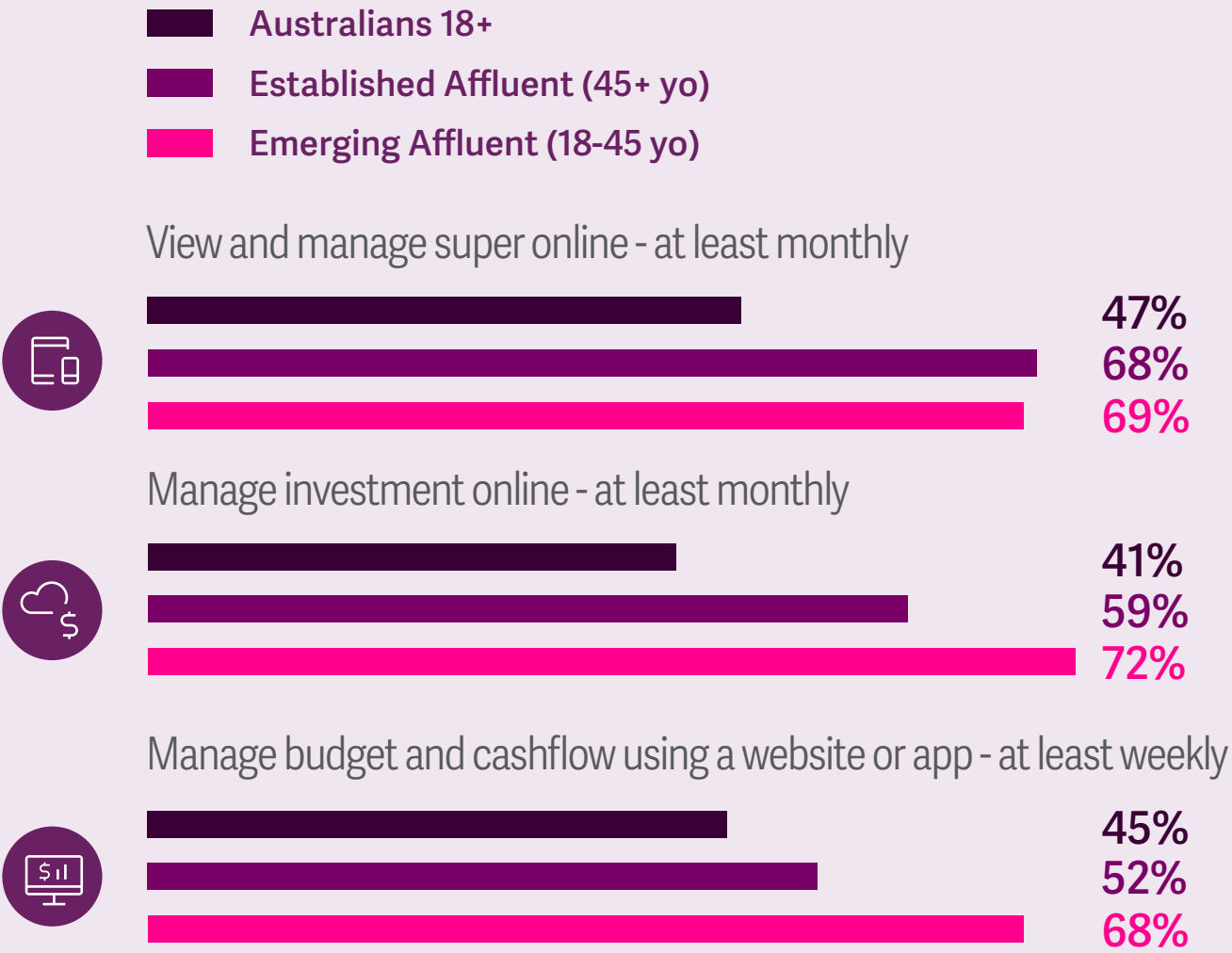
Clients expect digital access to track their wealth at any time they choose. In our 2022 Advisable Australian research, we found that nearly 70% of both Emerging Affluent and Established Affluent clients viewed their super fund online at least monthly, which was around 1.5 times the Australian average. 72% of Emerging Affluents looked at their investments online at least monthly, and 59% of Established Affluents did the same. We also learned that 68% of Emerging Affluents manage their cash flow using a website or app at least weekly.

Client portals, such as those offered by Netwealth, are a solution to deliver the ‘always-on’ advice experience that clients expect. For AdviceTech Stars, four in 10 (42%) use a client portal today, whilst a further 44% intend to use one in the next 24 months. Over half (56%) of AdviceTech Stars who currently use a client portal say that at least half of their client base are provided client portal access.

The features most advice firms offer or plan to offer their clients include: security features, such as multi-factor authentication, the ability to update key details, see progress to goals, approve instructions and digitally sign and store documents, and offer whole-of-wealth reporting. They also plan to offer education as well as use the platform as an engagement tool.



Regular use of wealth tech - percentage of Australians 18+ who use wealth technology



AdviceTech Stars have embraced client portals

42%

of Stars use a client portal today, some of the benefits include:

• Progress to goals

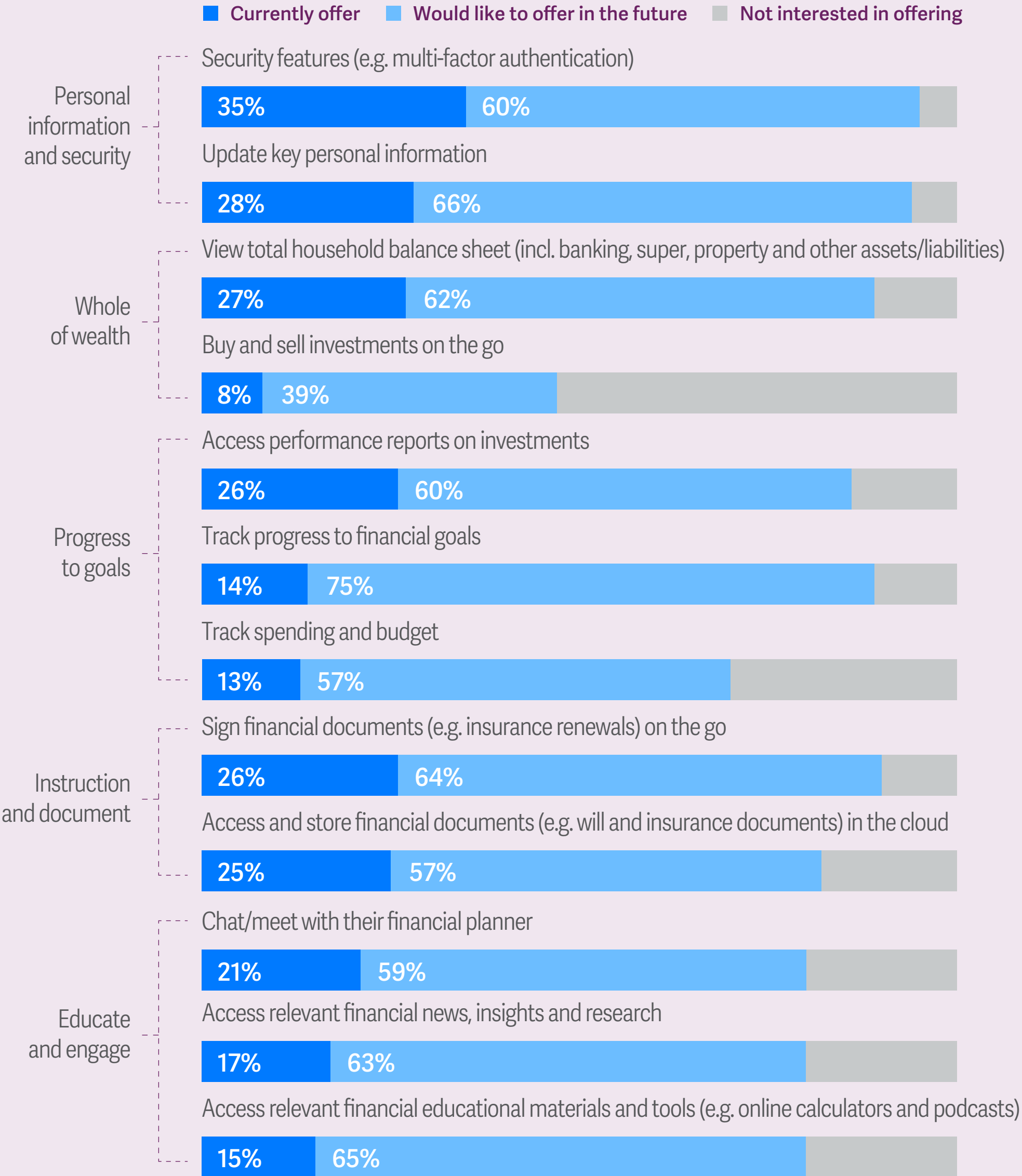
• Instructions & documents

• Whole of wealth

• Educate & engage

Always-on device

Which online client portal features do you currently offer to your clients, or would like to offer them in future? (of those that use or plan to use)



BEHAVIOURAL NUDGES

With AI and big data sets, alerts can be directed to the client portal encouraging clients to behave in a certain way, such as saving more. Some people call this a ‘behavioural nudge’! Nudges could include:

**Spending alerts to help budgeting and reduce debt**, such as: overspend, changing loan rates, new merchant use (to prevent cyber fraud), or a recommend foreign currency account when overseas.

**Savings and deposit alerts to automate investing and save for taxes**, such as: excess income or savings that could be directed to a higher interest rate account.

**Investment alerts to improve financial literacy and investing**, such as: when a dividend is deposited into a cash account.

**Educational alerts to improve literacy and financial wellbeing**, such as: educational material during market volatility to help manage client expectations and reduce the influx of phone calls and emails that may occur; or to review life insurance coverage after a significant change in cash flow.



ILLUSTRATION  
Behavioural wealth nudges

INSIGHTS

Unusual deposits

You received **\$2,276.25** from ACME INC. Make sure to save some of it.



\$2.3k

INSIGHTS

Refinance your mortgage

Get excellent rates on your current payment. Click below to set up a meeting with our experts.



20%<sup>↑</sup>

INSIGHTS

Portfolio changes

You’ve had a significant change in your portfolio since yesterday.



12.5%<sup>↑</sup>

INSIGHTS

Tax return

You got **\$36,253** tax return. Invest it before spending it. Transfer to your brokerage account today.



\$36k

INSIGHTS

Similar Subscription

Are you sure you want to pay for both of these services?



TIPS & ARTICLES

Learn about your securities

We’ve curated articles about your current holdings.



TRADE ACTIVITY

Dividend received

You’ve received dividend from one of your large-cap stocks.

STOCK

IBM

AMOUNT

\$2,200

ADVISER COLLABORATION

Annual Review

Given your portfolio growth you are entitled to a review with one of our experts.



HOW TO BOOK




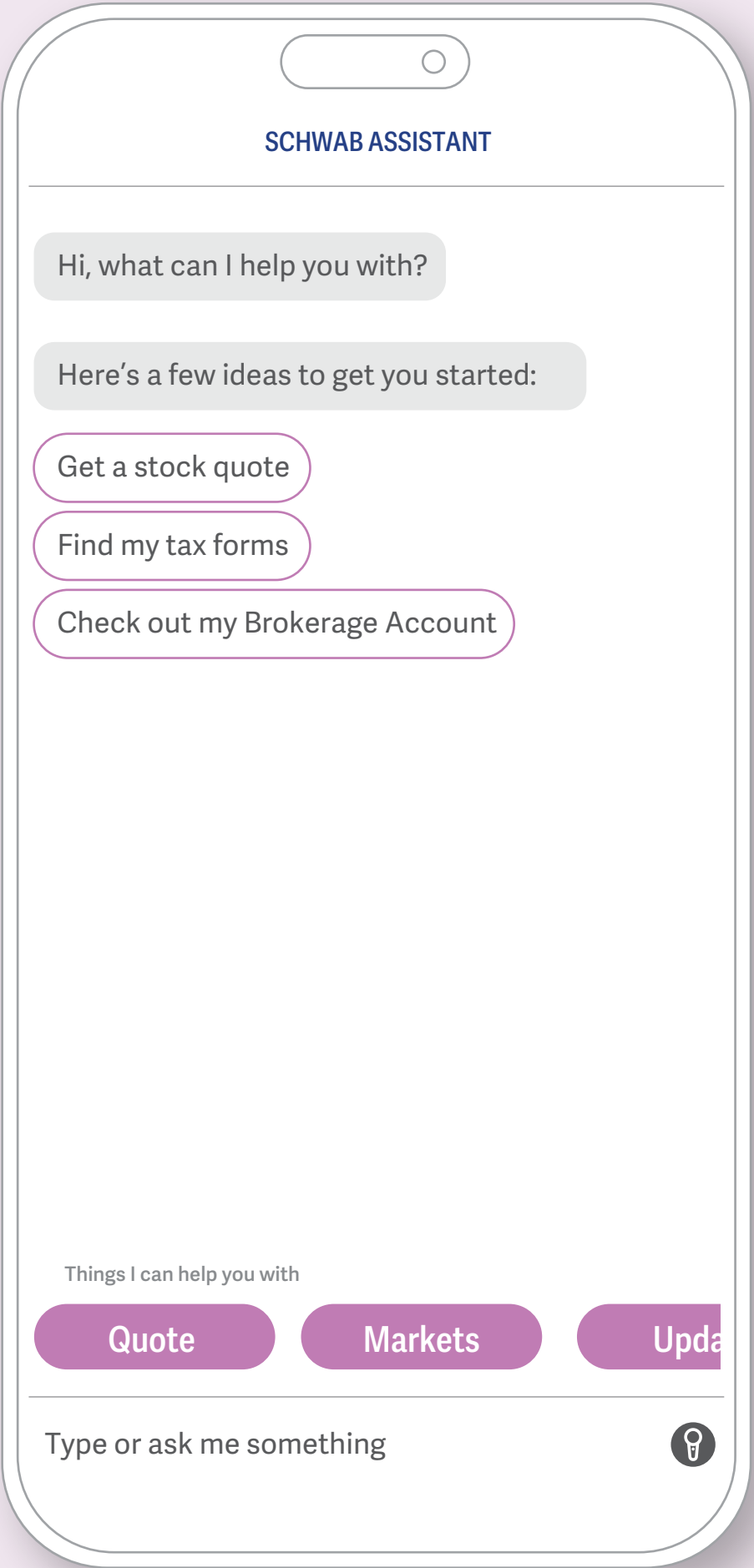
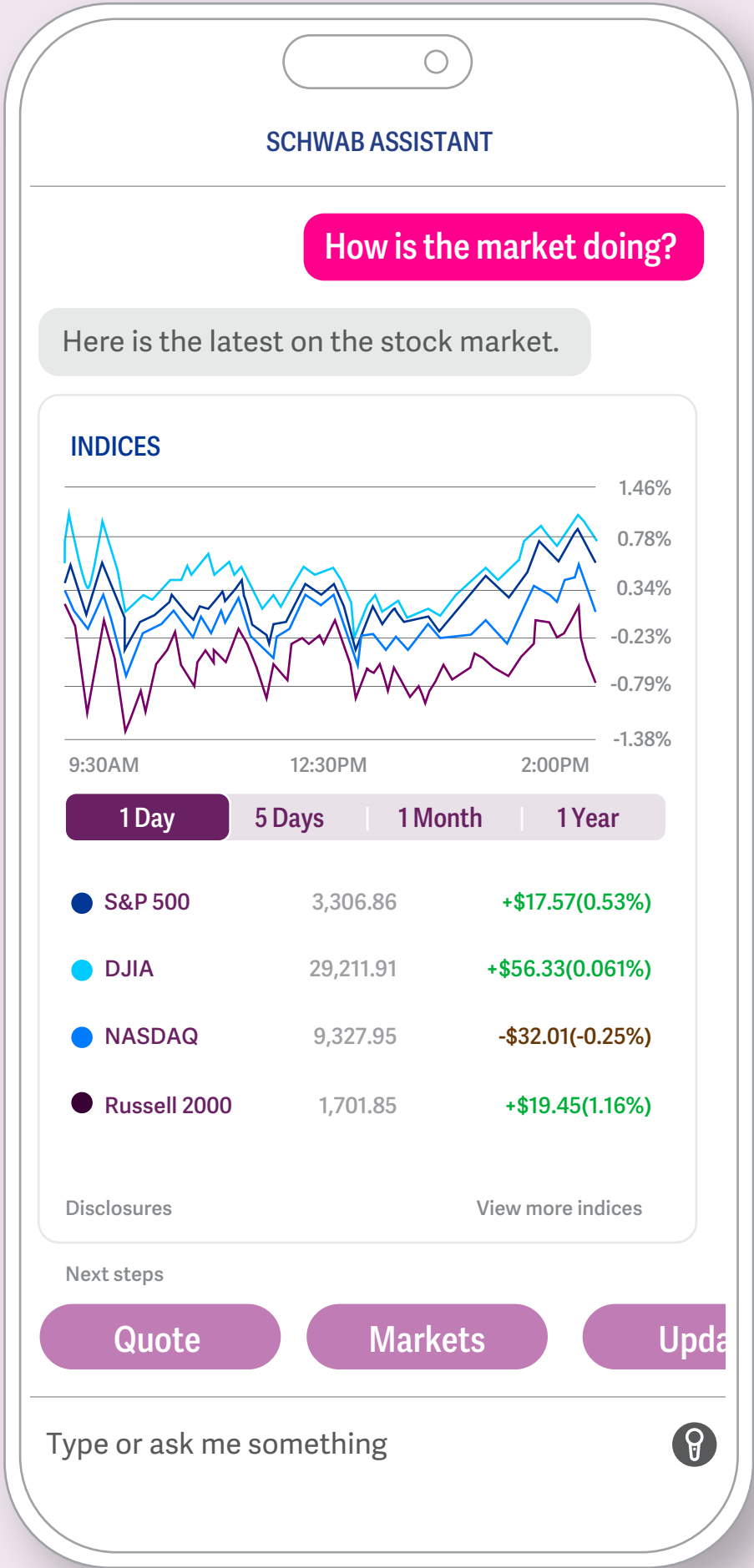
CLIENT SERVICE CHATBOTS

Across many services, chatbots are used to converse with and support clients, and there are many ways they can supercharge your advice practice. A suitable chatbot could reduce workload and introduce scale.

The next generation of chatbots is underway, embracing Generative AI capabilities that can support clients 24/7, responding to their questions and pointing them to other online information. These AI chatbots are trained on internal data and approved external data sources. This means (in simple terms) that rather than responding in a pre-programmed way, the chatbot answers of its own accord – using AI to provide detailed, tailored responses.

<sup>19</sup> <https://www.ibm.com/topics/chatbots>  
<sup>20</sup> <https://www.aboutschwab.com/improving-the-client-experience>

 **SCREENSHOT**  
Charles Schwab Assistant<sup>20</sup>





# BACK-OFFICE ADMINISTRATION

Back-office management has a flow-on effect to staff satisfaction, so embracing the latest technologies can help keep staff happy.

Client and back-office administration can be time consuming and tedious, impacting staff productivity and profitability. Advice firms recognise this and are prioritising this, with almost half (44%) of advice firms indicating improved profitability as a goal they hope to achieve with AdviceTech in the next 24 months. Around a quarter also cite improved affordability of advice, a greater ability to scale and grow, a hope to improve compliance and governance processes, organisation flexibility and improve efficiency.

In addition, our the 2022 AdviceTech report on staff satisfaction found that only 8% of advice staff are very satisfied with the technology tools provided to them, with the majority just somewhat satisfied,

largely because staff are switching between software tools that have different interfaces, often having to relearn them, or re-enter data multiple times. In fact, on average, advice firms use around 19 pieces of technology. AI and adjacent technologies, like integration tools, have the potential to help ease these back-office burdens.

Which of the business goals do you hope to achieve with AdviceTech in the next 24 months?





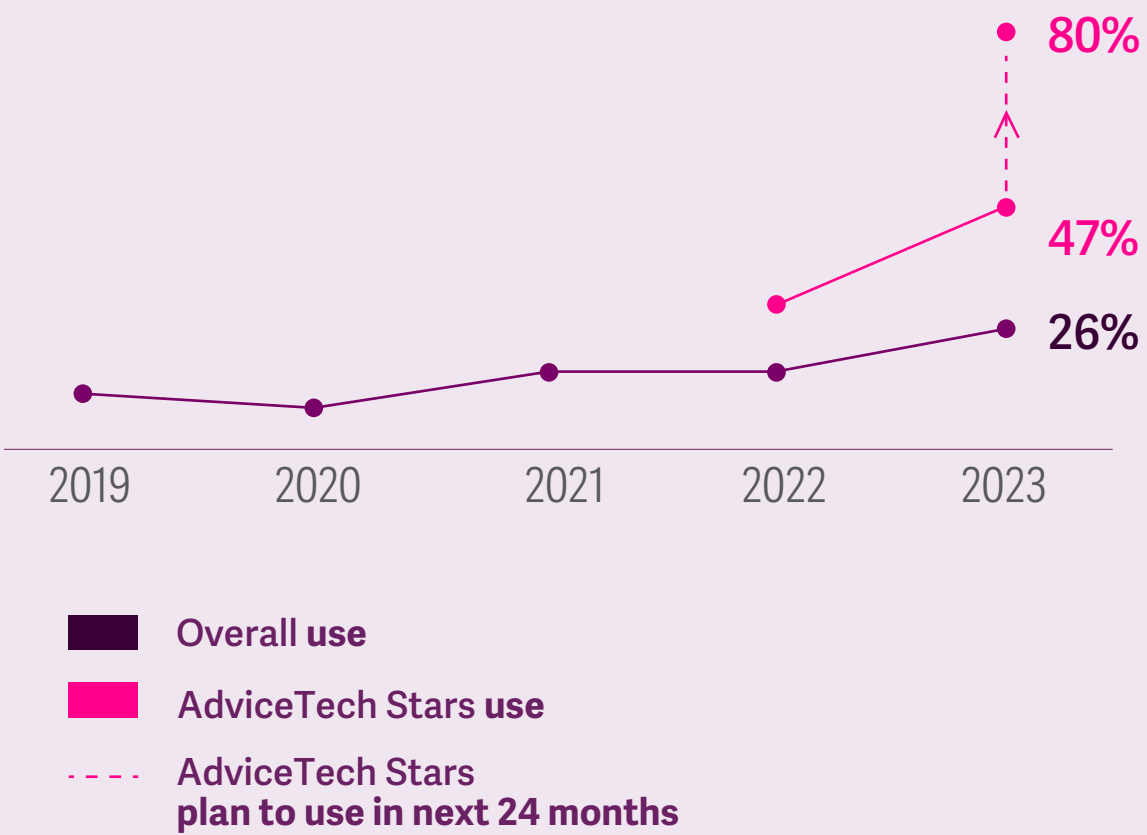
IMPROVE YOUR DATA MANAGEMENT WITH INTEGRATION TECH

Today, 47% of AdviceTech Stars use tools to integrate their data and systems, with an additional 33% planning to do in the next 24 months. The most used technologies include Xeppo and Zapier.

Tools like Xeppo normalise data into a common format allowing for seamless, scalable two-way connections between different systems. They can integrate data from different sources to create a complete view of a client. For example, you can draw together your CRM with Sharepoint and Docusign to smooth workflows and reduce double handling.

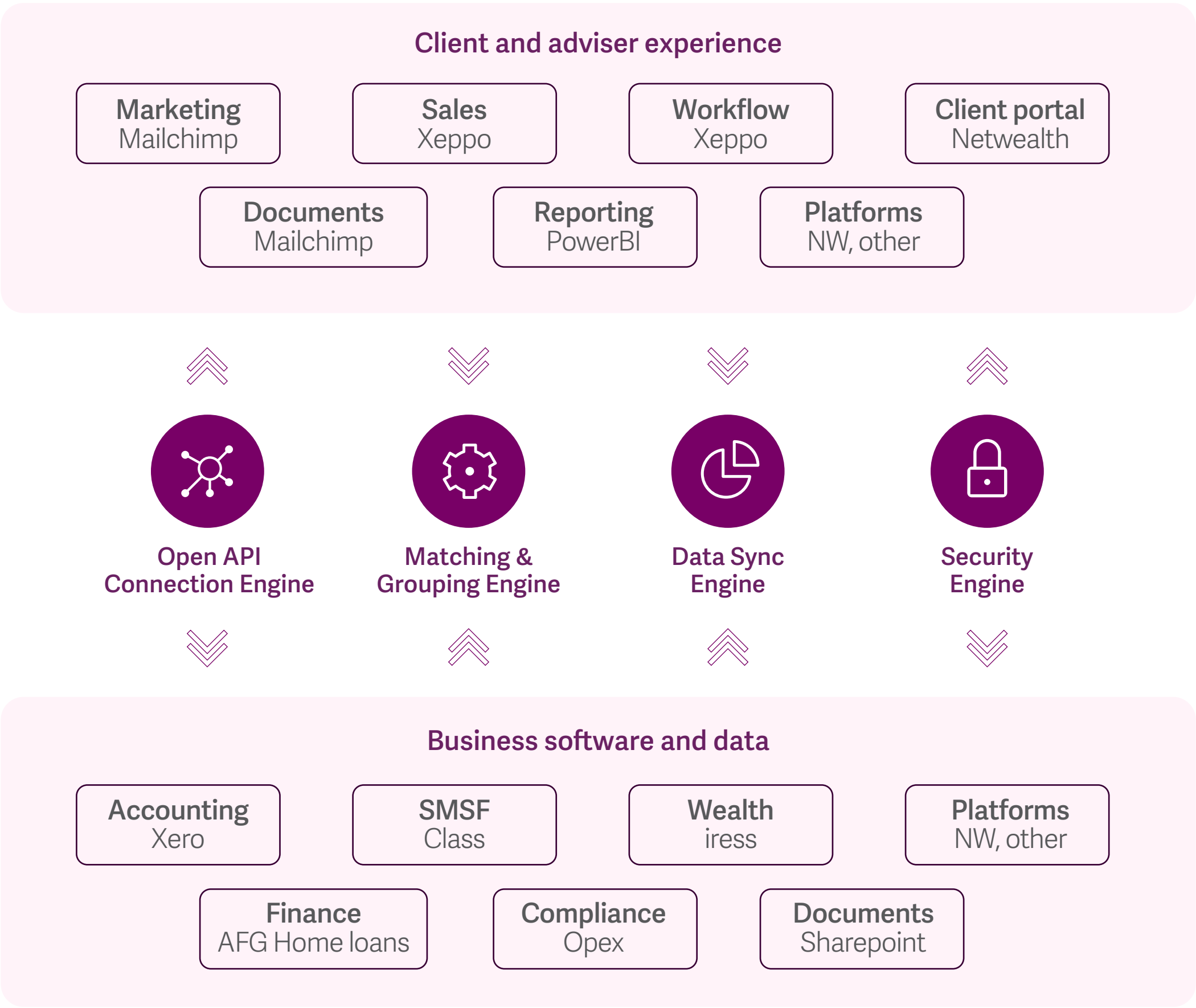
The types of client data AdviceTech Stars are trying to connect and use are client details such as fee and revenue information, and advice service agreements; wealth information such as on-platform assets/portfolio holdings and transactions, super/SMSFs, and insurance; or behavioural information such as portal usage, email activity, and website usage/visits.

Percentage of advice firms that use data and software integration tools



ILLUSTRATION

Xeppo, an integrated data and software environment



<sup>21</sup> Xeppo - a world-first financial advisory and accounting tool

EMBEDDED-AI AS A ‘COPILOT’

As software providers embed AI into platforms, they are looking to AI as a ‘copilot’ to help people better use the features of the software, access underlying data sets, and come up with novel insights or alerts. Some examples at the time of writing include:

Accounting software

AI can answer questions about accounting data to save time reviewing spreadsheets.

Presentation software such as PowerPoint or Canva

These offer the ability to turn a description (words and phrases) into an image, social post or template.

Microsoft Copilot

Is integrated into Microsoft 365 in two ways – embedded in Microsoft 365 apps such as Word, PowerPoint and Outlook and Business Chat which uses natural language prompts to interrogate all Microsoft 365 data sets, such as emails and Teams chat threads.

MS Teams and Zoom

Both video conferencing tools have AI that can summarise online meetings with key points. These can be added to your CRM for follow up or compliance purposes.

Spreadsheet software like Excel

Generative AI can help interrogate the data, deploy formulas, and create charts from word prompts.

Docusign

Used by 71% of AdviceTech Stars (who use digital signature tools), its AI can summarise a document before you sign.

Evernote

AI helps its users to clean up and summarise notes.

Mailchimp

Used by 43% of AdviceTech Stars (who use email marketing tools), it has over 20 AI features, such as email subject line and content creators, stock image recommendations, email scheduling optimisations, and campaign performance reports.

Microsoft Edge (Browser)

ChatGPT and Dall-e image generators are embedded directly into the browser for easy access.

CHATGPT AS AN ASSISTANT

ChatGPT can help you do a lot of things that you may do infrequently, such as creating HR policies or fine-tuning agreements. It can also support daily tasks, such as correcting the grammar in your emails.





ONBOARDING AND KYC MANAGEMENT

AI can automate repetitive and time-consuming tasks when it comes to client onboarding and Know Your Customer (KYC) compliance.

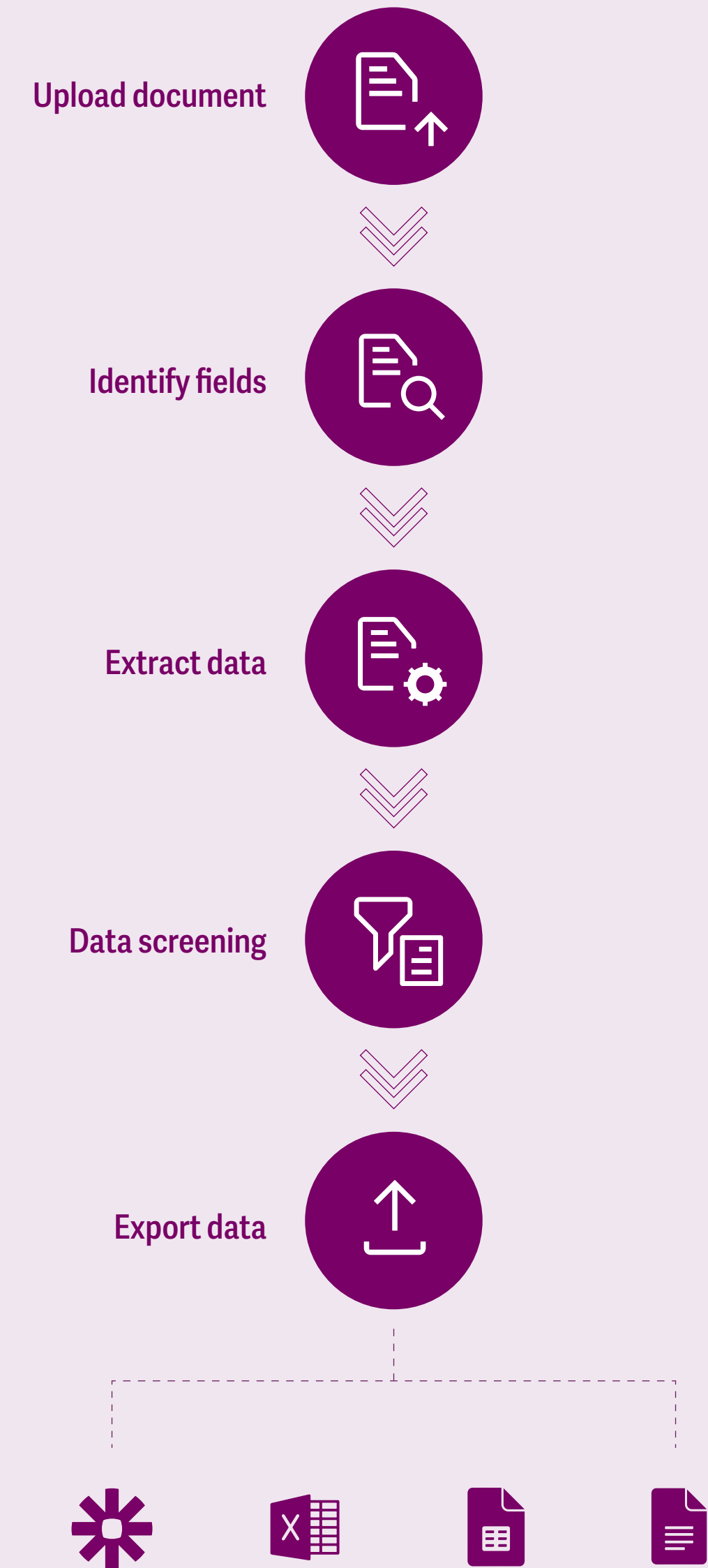
While traditional manual checks can be time consuming and error prone, AI-powered platforms can streamline this process.

You could upload unstructured documents from several clients, but only extract the data from fields that you need. Meanwhile, as KYC documents are increasingly processed in the system, the AI continuously learns and interprets, understands, and captures data with greater precision.

An example of an AI tool that can help in this space is [Magic DeepSight](#). It helps you to consolidate documents received from clients from various channels including email, Dropbox, Slack etc. You can import the data and then directly export the organised, structured data to your existing workflow.



Document management and AI



CODING, VB AND EXCEL MACROS

Trained on billions of lines of code, AI can turn natural language prompts into coding suggestions across dozens of languages.

For example, Github Copilot allows users to write a comment describing the logic they want, and it immediately suggests code to implement the solution. It can also share recommendations based on the project's context and style conventions.

For spreadsheets, there are AI tools that can help you generate (or understand) complex formulas using simple text instructions in seconds.



SCREENSHOT  
Github Copilot

```
ts sentiments.ts write_sql.go parse_expenses.py addresses.rb
1 #!/usr/bin/env ts-node
2
3 import { fetch } from "fetch-h2";
4
5 // Determine whether the sentiment of text is positive
6 // Use a web service
7 async function isPositive(text: string): Promise<boolean> {
8   const response = await fetch('http://text-processing.com/api/sentiment/', {
9     method: "POST",
10    body: `text=${text}`,
11    headers: {
12      "Content-Type": "application/x-www-form-urlencoded",
13    },
14  });
15   const json = await response.json();
16   return json.label === "pos";
17 }
```

Creating code to decide whether a social media feed has a positive or negative sentiment.<sup>22</sup>



ILLUSTRATION  
AI for spreadsheets

Tell me how many times the word hello appears in column A

Countif(A:A, "hello")

What does the following formula mean: VLOOKUP(B3,SF3:SGSB,2,FALSE)

- 1. The formula is a VLOOKUP formula.
- 2. It looks up the value in cell B3.
- 3. It looks for the value in the range of cells from F3 to G8.
- 4. It returns the value from the second column of the range (G3:G8)
- 5. It does not approximate the value if it is not found (FALSE).

<sup>22</sup> <https://github.com/features/copilot>



# MARKETING

Marketing your products and services is important for growth, but also for client advocacy, and the recent advancements in AI will help maximise staff effectiveness and client engagement.

In today’s advice practice, staff are creating articles to share with their clients (50% of advice firms are sending newsletters to their clients at least monthly), and many are posting content regularly to social media (23% of firms are posting to social media at least weekly).

Advice firms are also regularly updating their website, brochures, and other client-facing materials such as their investment philosophy.

Some firms (13% of advice firms) are also using digital marketing tools like Google Search, Facebook, and Instagram advertising.

More advanced firms will be segmenting their database, to understand client trends, such as profitability, whilst also benchmarking their performance against others.



<sup>23</sup> [Netwealth 2022 AdviceTech Client Experience Report – trends in digitising the client experience](#)

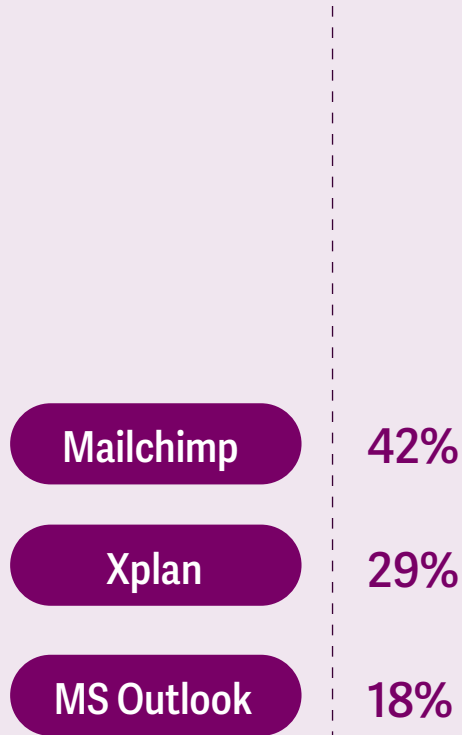
Percentage of advice firms who engage in digital marketing



50%

send newsletters at least monthly

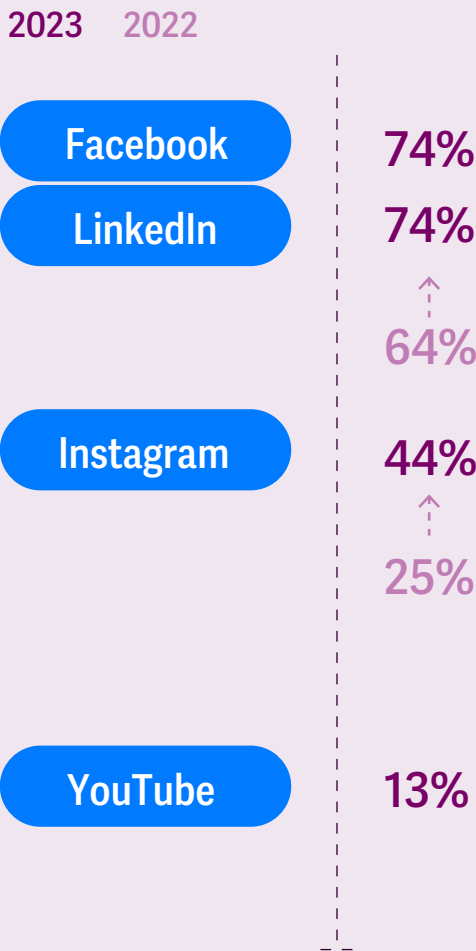
Email marketing system used (those that use)



23%

post to social media at least weekly

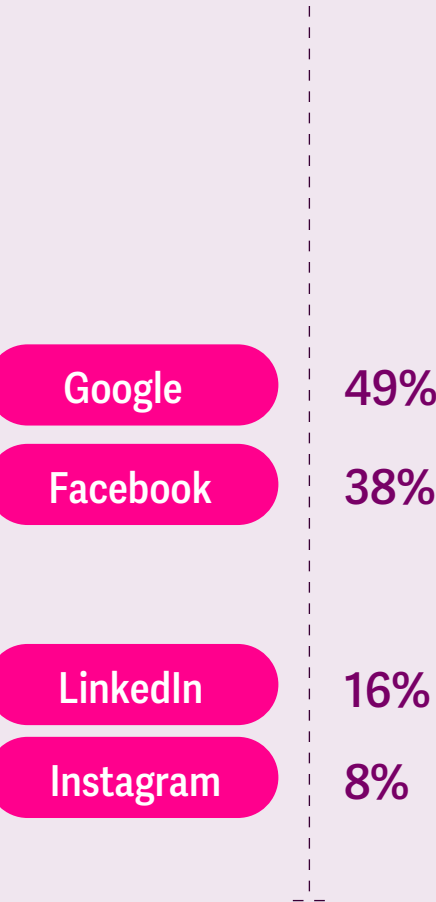
Social media network used (those that use)



13%

use online and mobile advertising solutions

Digital advertising used (those that use)



CREATING CONTENT WITH GENERATIVE AI

Whether it be articles, reports or social media updates, clients expect regular content and insights from their financial advisers.

Meanwhile, prospective clients use this content and the firm’s website to get a sense of the advice firms, and whether they are a good match.

Generative AI is helping to produce written and visual materials such as newsletters, articles and social media posts that capture key messages tailored to certain audiences. The tools can help with the sheer volume of content required to meet expectations.

Looking to the future, AI will be able to create personalised email newsletters, where each version is automatically generated and geared to a specific customer microsegment or client interest.





ILLUSTRATION  
Using ChatGPT for content marketing ideas

Model: Plugins • Enabled plugins

MA

As a content marketer for a financial advice firm based in Australia firm with high net wealth clients. Your job is to come up with a content schedule which educates the reader on a broad range of wealth topics.  
  
Rank for long tail keywords that are specific to the keyword below, as in a blog post. The main keyword is listed at the end of this prompt. Use popular search terms only. Come up with clickbait style titles for these blog posts. Organise each post’s title in an excel-like format. Reply with the table ONLY, no text above or below. Each week has its own column, with a total of 4 weeks. Post 3 times a week.  
  
The keywords are: financial advice

AI

| Week 1  | Week 2  | Week 3   | Week 4  |
|---|---|--|---|
| "7 Secrets to Finding the Best Financial Advice for Your Unique Situation!" | "Why Millennials Need Financial Advice Now More Than Ever!" | "The Ultimate Guide to Financial Advice for Millennials" | "Financial Advice for Millennials: A Comprehensive Guide" |
| "Financial Advice 101: Avoid These Common Mistakes!"                        | "How Financial Advice Can Save Your Retirement Dreams!"     | "New Financial Advice Tips for Millennials"              | "Financial Advice for Millennials: A Comprehensive Guide" |
| "Decoding the Jargon: Financial Advice Terms You Must Know!"                | "Financial Advice for Couples: Building a Future Together!" | "The Ultimate Guide to Financial Advice for Millennials" | "Financial Advice for Millennials: A Comprehensive Guide" |

Model: Plugins • Enabled plugins

MA

Write two social posts for article 1 that can be used in LinkedIn, targeting affluent investors

AI

\*\*Post 1:\*\*

🔍 Seeking the best financial strategies tailored to your unique wealth goals? Discover the 7 insider secrets to finding top-notch financial advice that aligns with your aspirations. Perfect for the discerning investor! 📈📊

🔗 [Link to Article: "7 Secrets to Finding the Best Financial Advice for Your Unique Situation!"]

\*\*Post 2:\*\*

Attention affluent investors! ⭐ Dive into our latest piece that unveils the 7 pivotal secrets to securing the most effective financial advice. Elevate your investment game and ensure your wealth works harder for you. 🏆👑

🔗 [Link to Article: "7 Secrets to Finding the Best Financial Advice for Your Unique Situation!"]



# TIPS FOR USING AI IN CONTENT CREATION

## 1. Upgrade to ChatGPT Plus.

The paid subscription unlocks a suite of features, including the ability to access the 'plugin' library and upload documents (and zip files) directly into the system for it to use. From the plugin store you can download ChatGPT enhancements, such as giving it the ability read PDFs, draw diagrams, and access YouTube videos.

## 2. Prompt engineering.

When creating a prompt, try providing clear, succinct information such as:

**A. Who:** I want you to act as a head of marketing;

**B. What:** The task I want you to do is write an article about the five best ways to invest in your 40s;

**C. Further instruction:** I want the response to be 500 words and written in a friendly but professional tone.

**3. Remember it is a chat.** Once you have received the first draft, keep asking ChatGPT more questions to refine your responses to get closer to the outcome you're after.

## 4. Assume it will make mistakes.

When you get your final answer, the results may not always be factual – AI is known to 'hallucinate'. Be sure to cross check any specific details to avoid any reputational or legal issues.

## 5. Other limitations of ChatGPT.

GenAI might also struggle with tasks like arithmetic and may operate on outdated or biased data from the internet.

**6. Test and learn.** Like any new tool, you will not get perfect results straight away. It is important that you keep practicing and improving your prompts and understanding of its limitations.

## 7. Create a GenAI internal policy.

Create a policy that specifies the kind of data, such as customer details, personal information, and trade secrets, that shouldn't be input into GenAI. Staff should also look to ensure the accuracy of responses and remain alert to possible content inaccuracies and biases.

## 8. Try other Generative AI tools.

There are numerous tools being released that can be more targeted in their data set and functionality. For example (these are illustrations, and not recommendations):

**Bard:** Google's response to chatGPT, open to those with a Google account and draws information from the internet.

**Bing Chat:** Bing has combined its search engine, chatGPT and an generative image generator together.

**Grammarly:** This writing assistant automatically corrects your grammar, improves your writing, and offers recommendations on what tone and language to use.

**Jasper:** This content generation tool writes social media posts, website copy, and blog posts.

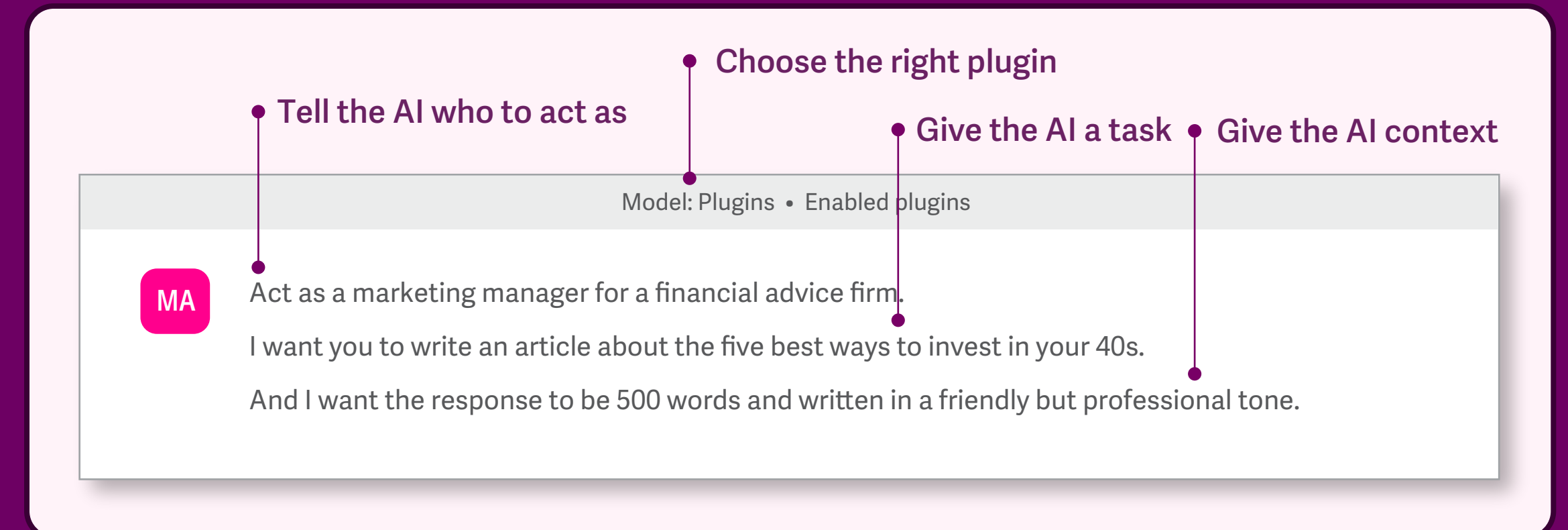
**Dall-e and Midjourney:** These generate graphic design and visual art which can be photorealistic based on natural language prompts.

**Synthesia:** This is a video generator that doesn't require real life actors, microphones or cameras, but uses AI avatars.

**Speechify:** This can turn written words into speech quickly, whether the source be documents, articles, emails and more.

**Rasa.io:** This tool helps you create an automated newsletter that is personalised to each individual recipient.

**Runway:** Runway helps you create short videos using text prompts or an image you upload to its AI engine.



BIG DATA, AI AND CLIENT ANALYSIS

AI tools can help financial advice firms better research and understand their market. AI tools can analyse customer data and preferences, or factors such as client behaviours, sentiment and decision making. This information can inform marketing strategies for finding new clients, tweaking pricing, or reducing client churn.

According to our research, advice firms are already collecting a range of client data that supports the use of AI. This falls into two broad categories, whole-of-wealth data (such as account holdings, insurance and transactional data), and client details and behaviours, that include basic client details, fee information and behavioural data like email and website activity.

Using AI, reporting and dashboard tools, advice firms can then leverage this data help to segment prospects and clients into different groups. However, they can go beyond traditional metrics like demographics and net worth and look at behaviours such as email open rates, website visitation, and client portal usage – to create more refined groups.

These tools can also help advice firms understand client attrition issues, with AI predictive tools helping to identify clients at high risk of leaving.

When it comes to finding new clients, AI and big data can support businesses by analysing the CRM prospect list, and identifying clients who are more engaged with their website, or newsletter.

What client data do you or would like to connect/integrate across your different systems or databases? (those that use/plan to use integration technologies)

Whole wealth of information

On-platform assets/portfolios holdings and transactions



Insurance information



Super/SMSF information



Banking/financial institution balances and transactions, incl. loans



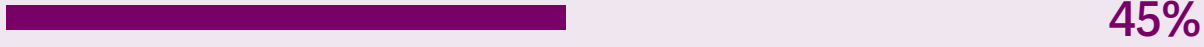
Tax information



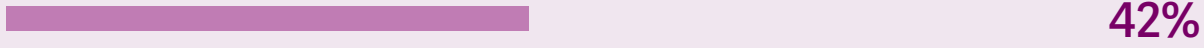
Mortgages and loan information



Property valuations and data feeds

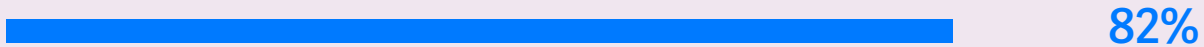


Non-custodial (off platforms) assets/portfolio holdings and transactions

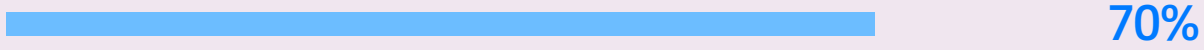


Client information

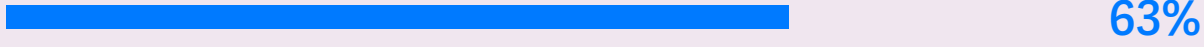
Client details



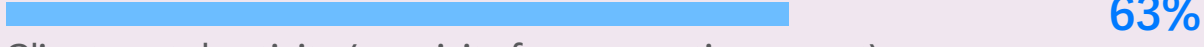
Fee and revenue information



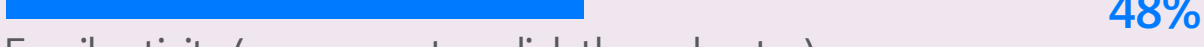
Advice service agreement



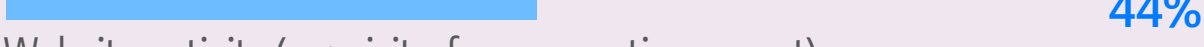
Statement of Advice



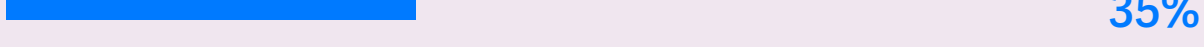
Client portal activity (e.g. visits frequency, time spent)



Email activity (e.g. open rates, click-through rates)



Website activity (e.g. visits, frequency, time spent)



SCREENSHOT  
Xeppo Practice Insights

Xeppo Practice Insights

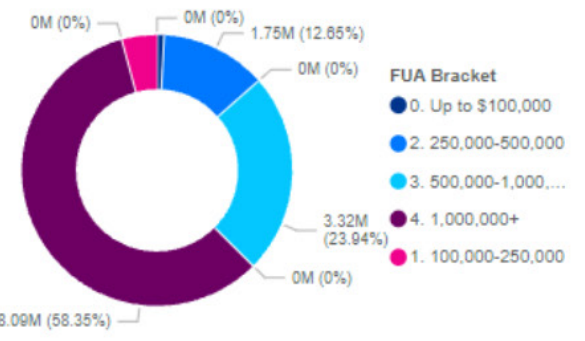
© 2021 Powered by Xeppo

| FUA Bracket          | # Clients | FUA          | %       | Average FUA per Client |
|----------------------|-----------|--------------|---------|------------------------|
| 0. Up to \$100,000   | 12        | \$1,414,883  | 1.98%   | 117,906.94             |
| 1. 100,000-250,000   | 4         | \$2,331,702  | 3.27%   | 582,925.38             |
| 2. 250,000-500,000   | 6         | \$10,521,829 | 14.76%  | 1,753,638.24           |
| 3. 500,000-1,000,000 | 5         | \$16,587,244 | 23.27%  | 3,317,448.85           |
| 4. 1,000,000+        | 5         | \$40,438,726 | 56.72%  | 8,087,745.21           |
| Total                | 14        | \$71,294,384 | 100.00% | 5,092,456.03           |

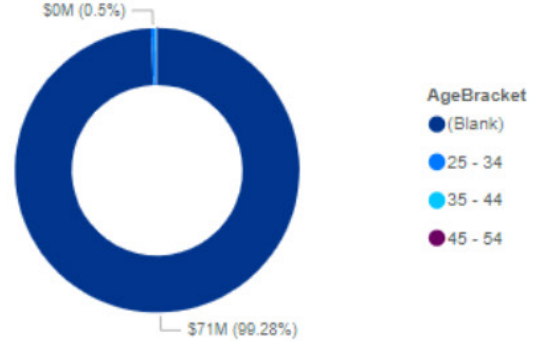
| AgeBracket | # Clients | FUA          | %       | Average FUA per Client |
|------------|-----------|--------------|---------|------------------------|
| 25 - 34    | 8         | \$70,783,232 | 99.28%  | 8,847,904.04           |
| 35 - 44    | 1         | \$357,943    | 0.50%   | 357,942.95             |
| 45 - 54    | 3         | \$109,347    | 0.15%   | 36,449.16              |
| Total      | 14        | \$71,294,384 | 100.00% | 5,092,456.03           |

| AssetClass              | # Clients | FUA          | %       | Average FUA per Client |
|-------------------------|-----------|--------------|---------|------------------------|
| Domestic Property       | 5         | \$22,205,211 | 31.15%  | 4,441,042.17           |
| Domestic Fixed Interest | 9         | \$15,239,282 | 21.38%  | 1,693,253.54           |
| Domestic Equity         | 13        | \$11,292,013 | 15.84%  | 868,616.36             |
| International Property  | 3         | \$8,064,894  | 11.31%  | 2,688,297.88           |
| International Equity    | 6         | \$5,993,239  | 8.41%   | 998,873.24             |
| Domestic Cash           | 4         | \$5,948,785  | 8.34%   | 1,487,196.13           |
| Other                   | 1         | \$2,000,000  | 2.81%   | 2,000,000.00           |
| Blended                 | 2         | \$550,982    | 0.77%   | 275,490.80             |
| Total                   | 14        | \$71,294,384 | 100.00% | 5,092,456.03           |

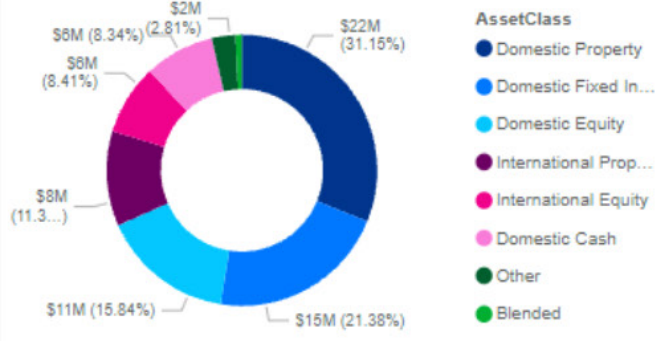
By FUA bracket



FUA by Asset Class



FUA by Asset Class



FUA over time



Top 10 Client Groups





AI FOR DIGITAL ADVERTISING


With one in four AdviceTech Stars using digital advertising, and focusing on tools like Google Search (49%), Facebook (38%) and LinkedIn (16%) advertising, there is an opportunity for AI tools to help create the ads and monitor and optimise their performance.

There are tools that help in the creation of digital ads, suiting various formats and sizes, as well as tools to help maximise the reach of advertising and to track its performance.

For example, with tools like Canva’s Magic Write and Google’s advertising manager, you can drag and drop in images, and it will help you convert them into social media tiles, video ads or animations.

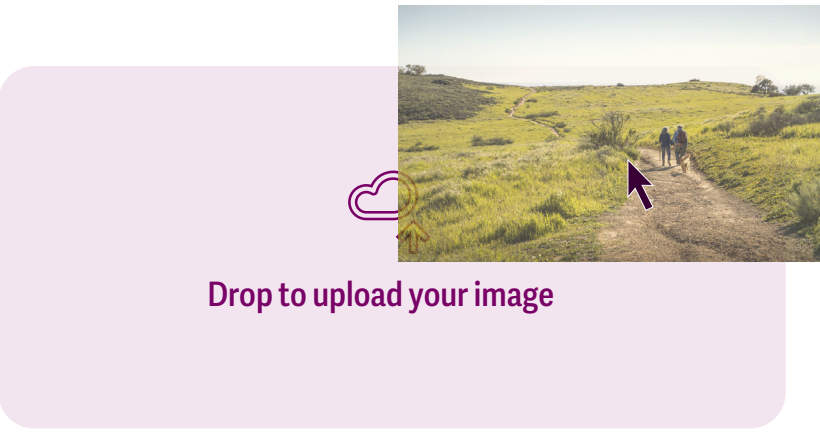
With Google itself, or other tools like Opteo, AI can provide recommendations as to how you can improve the performance of your search and display ads (sometimes even before you run them), and can make suggestions on words and images that may perform better with your audience.



 ILLUSTRATION  
GenAI social media

### Upload your media

Add your headline here




Drop to upload your image


### AI generated social posts


Created from your uploaded media

Headline sits here



Headline here



 SCREENSHOT  
Google search recommendations

Recommendations

41.7% ↑ 3%

Your optimization score ?  
1 campaign focus is unconfirmed 8 campaign focuses are confirmed

All

Repairs +0.6%

Bidding & budgets +6%


Keywords & targeting +6%

Ads & assets +20%

Automated campaigns +8%


Measurement +6%

TOP RECOMMENDATION FOR YOU

 Switch to Google Analytics 4 conversions +11.1%


Maintain conversion measurement by importing Google Analytics 4 conversions  
Recommended because your Google Ads account imports Universal Analytics conversions, all Universal Analytics standard properties will be turned down in 2023 ?

View recommendation

 Create a Performance Max campaign New +7.7%

Maximize performance for online sales, lead generation, store goals, or multiple objectives by unlocking all of Google's ad inventory  
Recommended because this campaign type can help you maximize results for your goals while finding more converting customers across Google's available ad inventory ?

View recommendation

 Include Firebase app conversion actions in 'account-level goals' +3.9%

Add dynamic images +5.8%

Enhance your text ads with your landing page images using

# COMPLIANCE, RISK SUPPORT AND CYBER SECURITY

In the financial sector, regulatory bodies create and continuously update a set of rules and standards that financial institutions, including wealth management firms, need to abide by.

A failure to comply can result in extremely large fines and a severely damaged reputation.

In many firms, risk professionals manually sift through regulatory documents to ensure compliance. While vital, this process is largely ineffective and time-consuming. Fortunately, new technologies and AI are emerging to help ease this burden.

For example, Ernst & Young (EY) built a cloud-based AI solution “SARGE” that, according to EY can, “read and extract investment guideline language from governing contracts, map it to current compliance rules and identify uncaptured language that exposes a liability”.

## STAYING ON TOP OF REGULATORY CHANGE

Regulatory burdens only keep increasing, putting more pressure on firms to stay compliant. Whilst Investment experts have to study data updates,

official announcements, and guidelines imposed by central authorities, which can take many hours in a week.

Rather than manually reviewing every new guideline, information and compliance requirement, AI can summarise the changes and then notify the correct people about them.

## RISK ASSESSMENT AND FRAUD DETECTION

For an always-on approach to risk analysis and fraud detection, various AI tools can analyse financial data and transactions and trades for any suspicious patterns.

AI tools can look through large databases for any text that could indicate fraud. These tools help advice firms to act pre-emptively and ideally minimise any financial loss or harm to clients.

For example, at Netwealth, AI is being used to identify any advisers that may be charging too much for no or little service.

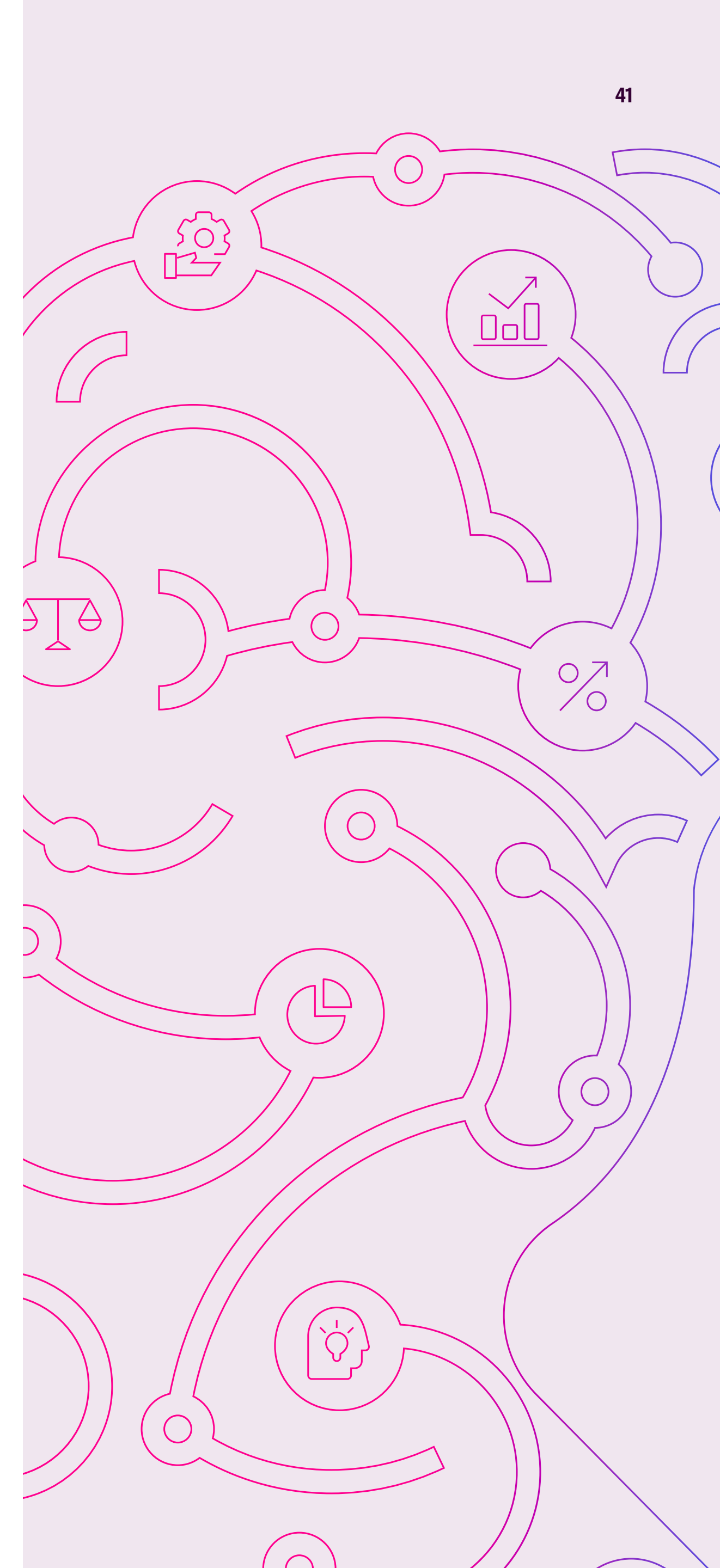
## CYBER SECURITY

AI can enhance the cybersecurity of small businesses by employing machine learning algorithms to continuously monitor such things as their IT networks and identify unusual patterns, signifying potential threats.

Unlike traditional security measures, which often rely on predefined rules and can be circumvented by novel attack vectors, AI-based systems can learn and adapt to new threats, without the need for constant human oversight.

AI can provide robust security measures that can be particularly valuable for businesses that may not have extensive resources to dedicate to cybersecurity.

<sup>24</sup> [How automation is transforming compliance in wealth and asset management](#)







3

**CHANGE  
DOESN'T HAPPEN  
OVERNIGHT**



# MAPPING YOUR TRANSFORMATION

We’ve now seen countless ways that new technologies and AI can help across financial advice, but bringing these benefits into your business will take some planning.

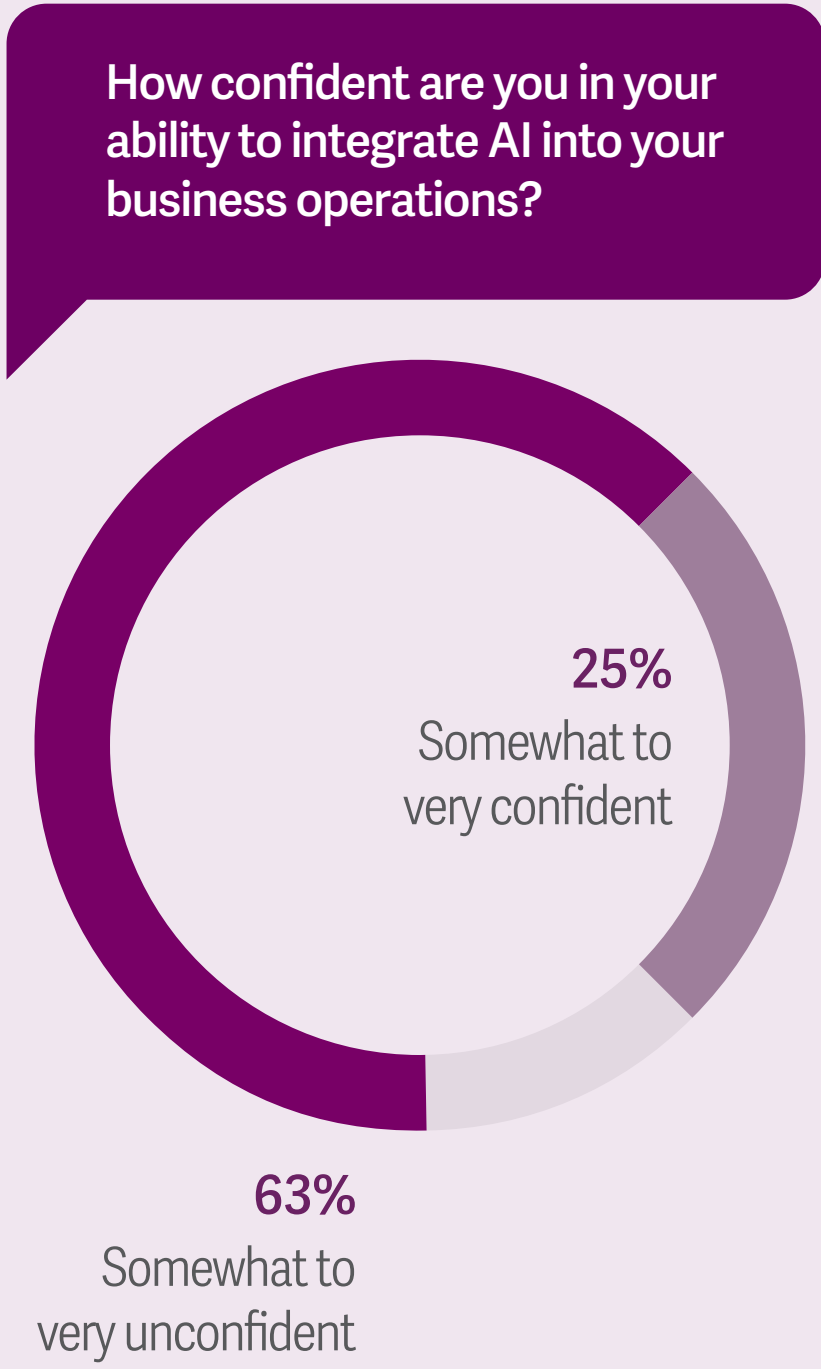
The good news is that many advice firms recognise the importance of making this change. When asked how important they think it is for advice businesses to adopt AI into their operations, just over half (53%) said very or somewhat important, while a quarter (25%) said it was not particularly important, or not important at all.

One concern to overcome, however, is a lack of confidence in adopting AI. Only one quarter (25%) of advice firms are very or somewhat confident in their ability to integrate AI into their operations, while 63% are not. A further one in eight (12%) simply say that they will not be implementing AI at all.

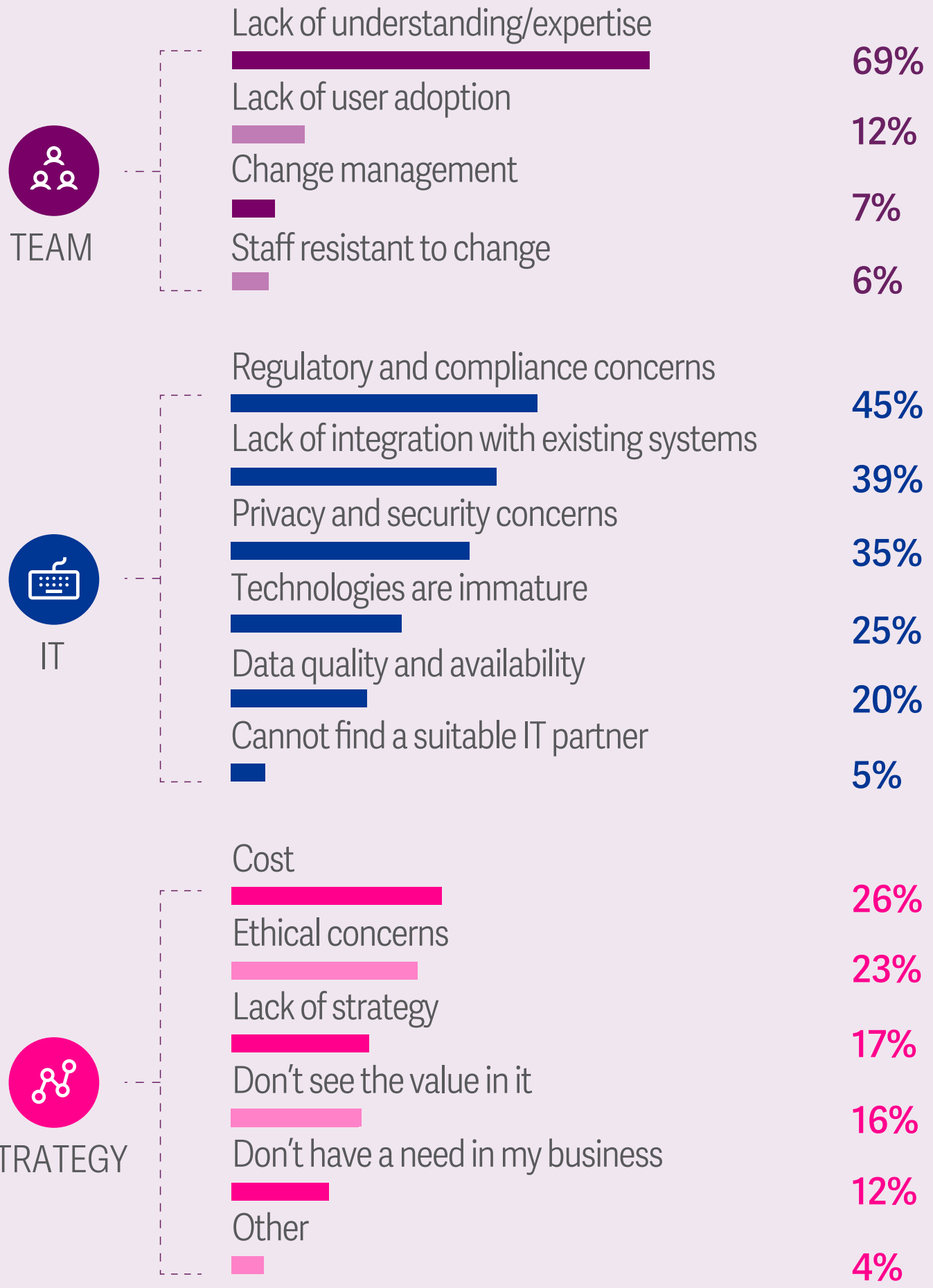
When asked how long they think it will take their business to be AI capable and data driven, over half (53%) anticipated two-three years, while 22% expect it will be four-five years and the same portion 22% think longer than five years.

When asked about the top barriers to implementing AI, key reasons included a lack of understanding and expertise (69%), regulatory and compliance concerns (45%), lack of integration with existing systems (39%), privacy and security concerns (35%), and cost (25%).

Whilst strategy is important, only a quarter cite cost concerns (25%) as a challenge, ethical concerns (23%), and a lack of business strategy for AI (17%).



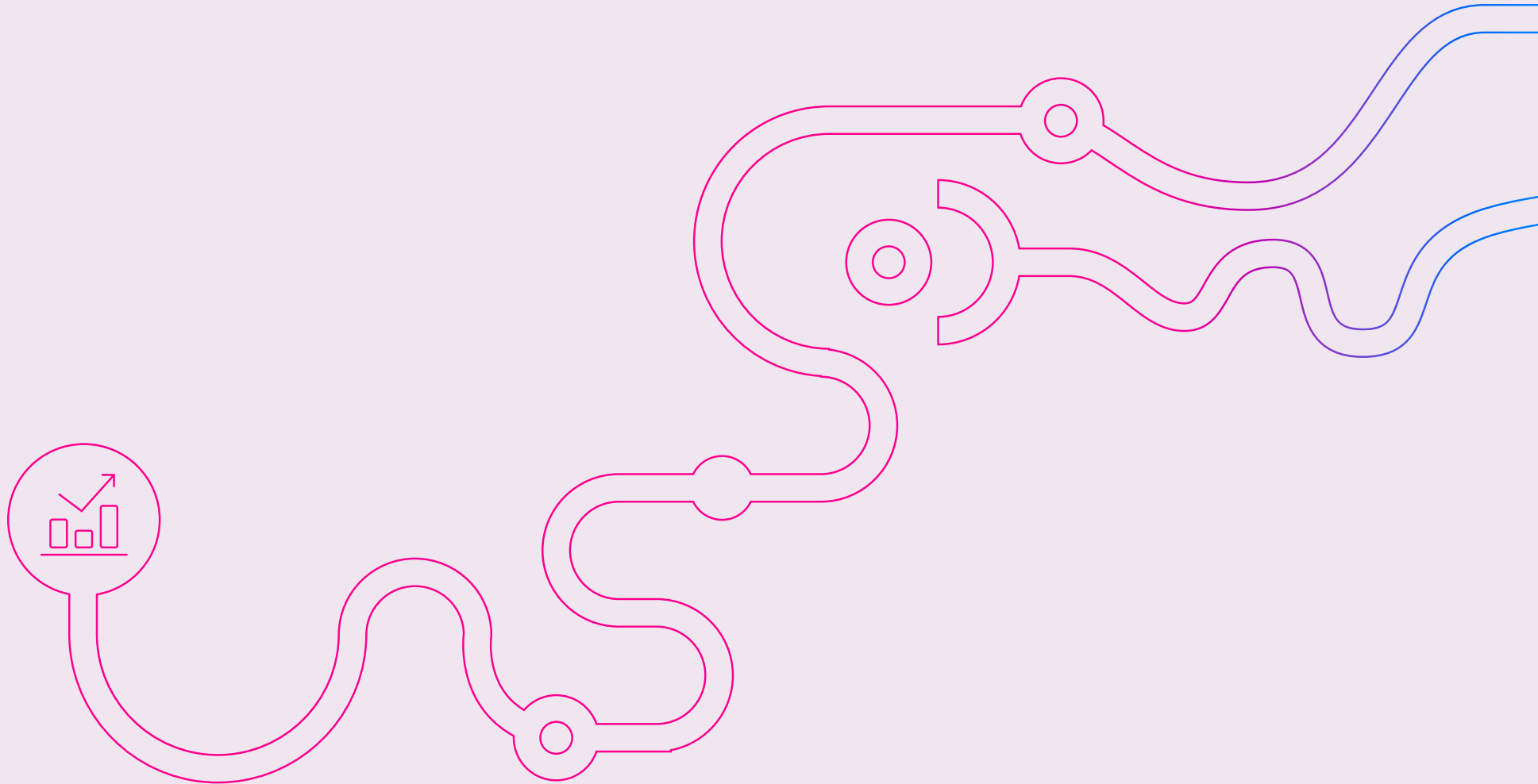
What are the barriers and challenges preventing you from implementing AI, or hindering you in implementing AI in your business?

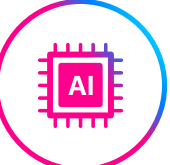










# SEVEN STEP AI TRANSFORMATION PLAN

If your business has started on its AI journey, or is planning to get on board, we consider that there are seven key steps that can help you make steady progress.



|  |   |   |  |   |   |   |
|--|---|---|--|---|---|---|
| <div><div>AI VISION &amp; STRATEGY</div></div> <p>Don't just use technology for the sake of it, but identify clear business objectives before diving in.</p> | <div><div>TEAM CAPACITY</div></div> <p>Set up your team for success. Find an AI champion who can stay up to date with AI and other emerging technologies and identify test cases.</p> | <div><div>TEST, LEARN, REPEAT</div></div> <p>Identify some short term, easy win projects. Perhaps start with ChatGPT Plus or an embedded copilot so you can understand capabilities and what can be achieved.</p> | <div><div>BUILD A DATA FOUNDATION</div></div> <p>Have a policy for use of AI and ChatGPT in the workplace, considering things like prohibiting inputting sensitive data, mandating accuracy checks on outputs, caution against potential biases, and evaluating risks like confidentiality, copyright, and legal concerns.</p> | <div><div>BUILD A STRONG COMPLIANCE FRAMEWORK</div></div> <p>For those looking to create their own AI systems, data curation, governance and security is critical. Spend time understanding this as part of a wider AI or big data program.</p> | <div><div>STAY UP TO DATE</div></div> <p>Everything in AI is changing daily, so it's critical to stay up to date. Check out some handy resources in this section.</p> | <div><div>KEEP IT HUMAN</div></div> <p>Technology should not supersede humans in the workforce but be a collaborator. Therefore, identify the intersection between humans and machines and find how both can work together to bring benefits.</p> |
|--|---|---|--|---|---|---|

THINK STRATEGY FIRST, THEN TECHNOLOGY

There is no point engaging new technologies for the sake of it, but adoption should be driven by clear business objectives.

For example, do you want to refine back-office processes, improve client engagement, unearth new investment options, streamline reporting, or create marketing content quickly? Would you like to see benefits in efficiencies, client services, cost savings, or staff productivity?

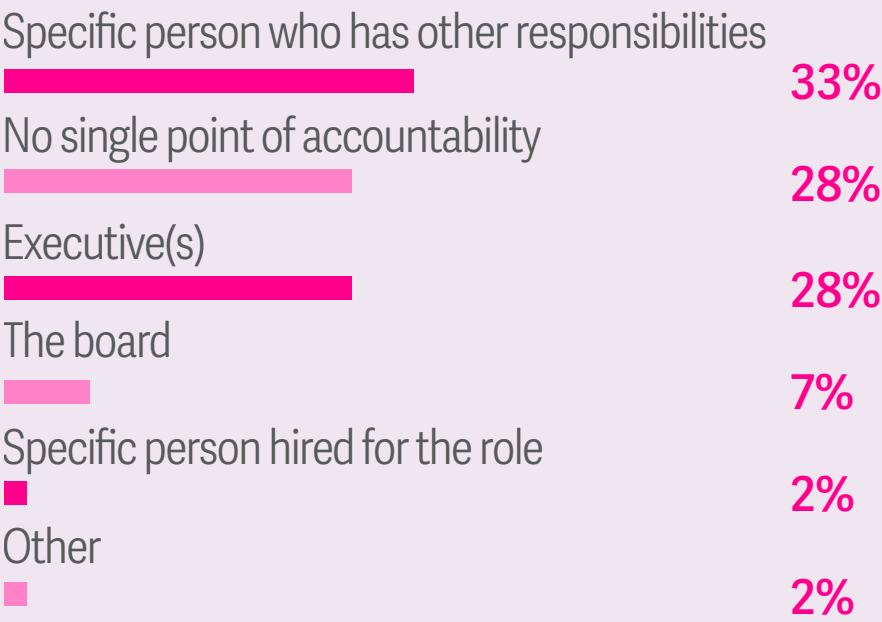
When you understand your goals, you can then find the right AI solution to support them.

SET YOUR TEAM UP FOR SUCCESS

For new technologies to be implemented successfully, your team needs to be on board.

They need to understand the reason why technologies are being adopted and trained in how to use them. You'll have to find new ways of working to make the most of the tools. It might be helpful to find an 'AI Champion' who can take responsibility for any projects and be the AI expert for other team members.

WHO IS MOST RESPONSIBLE FOR YOUR AI/DATA STRATEGY AND EXECUTION?



\*By those piloting AI, or exploring its use

TEST, LEARN, REPEAT

If implementing new technologies seems daunting, start small.

Identify some short-term, easy-win implementations to get your team used to the changes. Test and learn with some of the AI tools that are already embedded in your CRM system or investment/super platforms. If you have Microsoft 365, perhaps experiment soon with Copilot or Microsoft Viva Sales.

Another approach could be to test Generative AI tools for marketing content creation, such as ChatGPT.

For larger AI initiatives, create pilot projects in one part of the business, and work with a specialised IT vendor to understand what works and what doesn't, develop appropriate internal processes and then roll it out to other teams, or for other business needs.

CREATE A STRONG, SECURE DATA FOUNDATION

For AI to deliver on its promise, your data needs to be in a good position.

Of those advice firms planning to invest in AI, they recognise the importance of strong data foundation. When asked which areas of their business AI investment would be directed, almost six in 10 (57%) said into data management and quality, while 39% said data science and analytics.

To maximise AI's potential, bring internal and external data together, such as from your CRM, client bank feeds, any off-platform asset information, super information, and loan information for a full picture.

Importantly, data needs to be consistent in terms of formatting and terminology. It also needs to be classified carefully and securely, with data ethics and privacy systems.<sup>28</sup>

Your teams will need the right training to make sure that everything is being handled as it should be, so it is good to see that one-fifth (20%) of advice firms are planning to invest in improving the AI/data literacy of staff. You also need a recovery strategy if there is a data breach, to protect your business and your clients.

WHICH OF THE FOLLOWING AREAS OF YOUR BUSINESS WILL YOUR AI INVESTMENT BE DIRECTED?



\*By those piloting AI, or exploring its use



BUILD A STRONG COMPLIANCE FRAMEWORK

AI introduces unique risks, especially in decision-making.

Issues span from accuracy and bias to legal matters like intellectual property, so organisations should consider developing a policy governing the use of AI and ChatGPT by employees in the workplace.

The policy should look to encompass such things as:

**1. AI Usage:** Address the prohibition or discouragement of specific use cases, like relying on ChatGPT for factual details, while endorsing others, such as using it for writing and grammar assistance.

The policy could also delineate data types that must not be fed into ChatGPT, including customer information, personal details, trade secrets, and other sensitive data. Employees should be tasked with confirming the accuracy of outputs and being aware of potential biases in the generated content. Furthermore, an evaluation of risks, including confidentiality, legal privilege, copyright issues, privacy, and competition law, should be incorporated into the policy.

**2. AI Governance:** A framework that translates principles into actionable policies and procedures, clarifying roles and responsibilities across the AI's lifespan and emphasising policies for data use, transparency, and risk management.

**3. AI Impact:** Assessments to ensure teams consistently evaluate and manage AI risks, especially during new introductions or major updates to AI projects.

STAY UP TO DATE

AI capabilities are changing daily, so staying up to date can mean your business is a step ahead and you can better help your clients.

If you're interested in some further insights, here are some AI resources to help you:

- Benedict Evans: [AI and the automation of work](#)
- Center for Humane Technology: [The A.I. Dilemma](#)
- GatesNotes: [The Age of AI has begun](#)
- Generative AI LinkedIn Group: <https://www.linkedin.com/company/genai-works/>
- KPMG International: [Generative AI models - the risks and potential rewards in business](#)
- Linas's Newsletter: <https://linas.substack.com/>
- McKinsey: [What is Generative AI?](#)
- Stanford University: [Artificial Intelligence Index Report 2023](#)
- The Lab Insight and Strategy: [AI's Cultural Crossroads with Professor Matt Kuperholz](#)

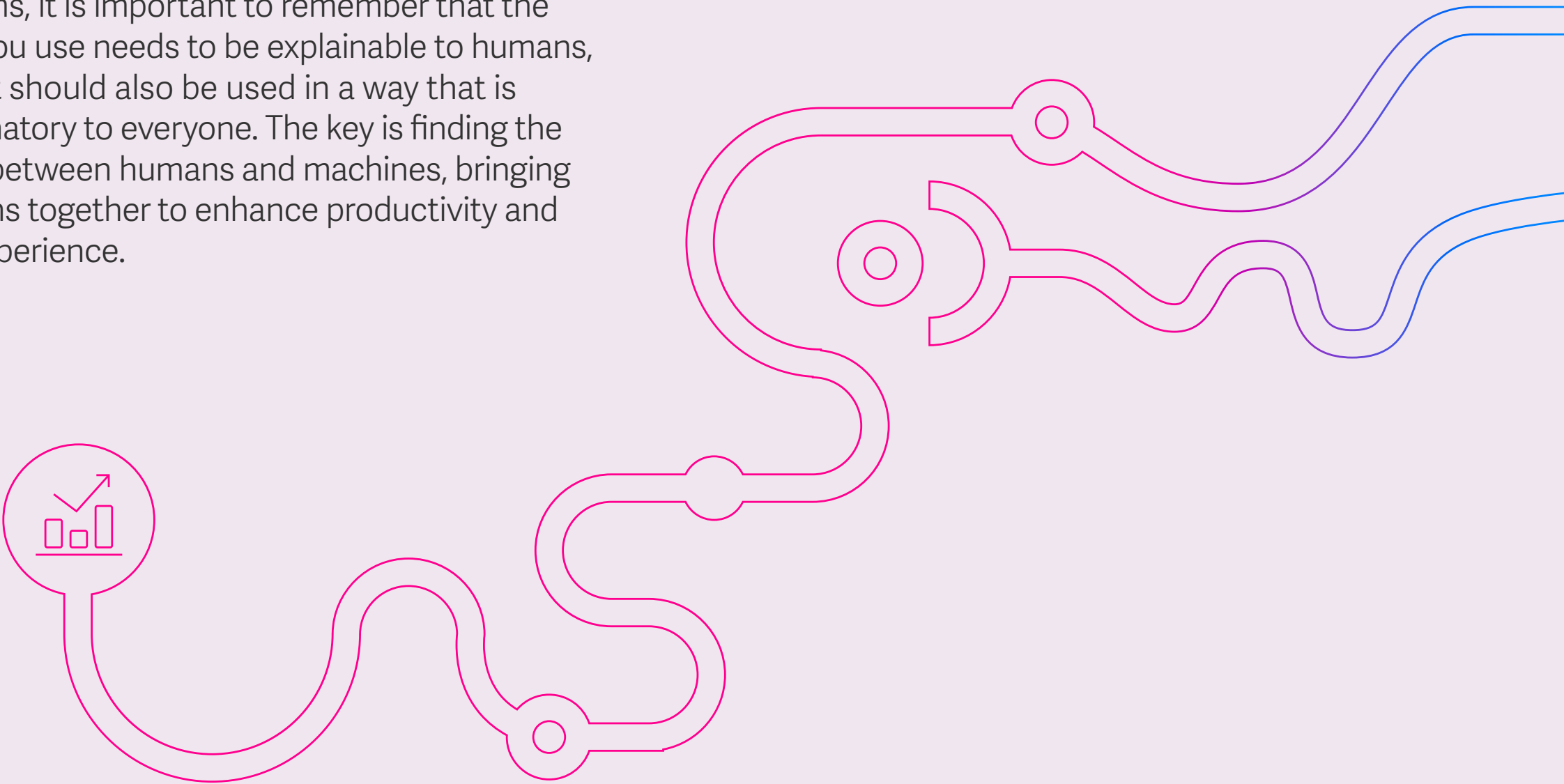
KEEP IT HUMAN

While technology is clearly transforming financial advice, it should never be seen as separate or more important than human input.

Technology trend expert Michael McQueen adds that there's also a need to keep the 'humanness' when using technology. He says a sense of authenticity is key in building connections.<sup>29</sup>

With clients, this would mean not hiding behind AI-run operations. Personal check-ins may mean that some mistakes sometimes slip in, some humour might be necessary here and there, and vulnerabilities show up, but this is more important than completely stepping away from personal engagement.

As advice firms, it is important to remember that the technology you use needs to be explainable to humans, by humans. It should also be used in a way that is non-discriminatory to everyone. The key is finding the intersection between humans and machines, bringing both strengths together to enhance productivity and your client experience.



<sup>25</sup> [Good Data Starts with Great Governance \(bcg.com\)](#)

<sup>26</sup> [The Robots Are Writing... It's Time To Dial Up The Humanness \(michaelmcqueen.net\)](#)

# METHODOLOGY

For our 2023 Netwealth AdviceTech research, we conducted two phases. The first survey focused on emerging technologies like AI, where we interviewed 102 Australian financial advisers, whilst the second survey considered AdviceTech in more general, where we interviewed 281 Australian financial advisers to get their views on new technologies and the impact on their business. The survey took place between May 18 and June 5, plus June 7 and July 12 2023, via an online quantitative questionnaire.

## ADVICETECH SEGMENTATION METHODOLOGY

In the 2020 AdviceTech Report, we created a segmentation method to split advice firms into five different groups based on the success of the business and the rate at which they adopt technology. This methodology was replicated in this year’s survey. This is how we defined our AdviceTech Stars in the report. We developed a Business Success Score comprised of measures such as a practice’s funds under advice (FUA) and revenue growth or decline from the previous year. We also considered a ratio of FUA to active clients and to length of business operation. Practices that have

better business success score higher. The average Business Success Score is 53.0 out of 100 for all practices.

We also developed a Technology Adoption Score, comprised of the number of technologies used by a practice, how many technologies they are considering implementing in the short term, and characteristics about their technology investment and management. Practices that adopt more technology in a planned manner score higher. The average Technology Adoption Score across all practices is 61.2 out of 100.

| Five segments were determined based on these two scores: | Tech Score | Business Success Score | Segment Size |
|--|------------|------------------------|--------------|
| AdviceTech Stars   | 73         | 72                     | 20%          |
| AdviceTech Moderate Performers                           | 68         | 54                     | 24%          |
| AdviceTech Moderate Conservatives                        | 44         | 60                     | 15%          |
| AdviceTech Moderate Underperformers                      | 70         | 41                     | 25%          |
| AdviceTech Moderate Laggards                             | 41         | 41                     | 15%          |





# A REFRESHER ON ADVICETECH STARS

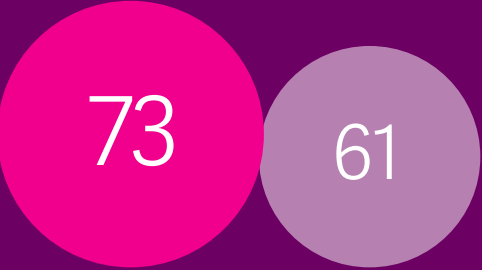
AdviceTech Stars are firms that lead the way in many aspects of technology use, and which provide a useful guide to other firms. Regular readers of the AdviceTech Report will recall that each year we highlight the performance of this elite group.

AdviceTech Stars lead the way on both technology adoption (73 vs. 61) and business performance (72 vs 53). They’ve found the sweet spot of using the right AdviceTech in the right way, to address clearly identified issues and to generate tangible business and client benefits.

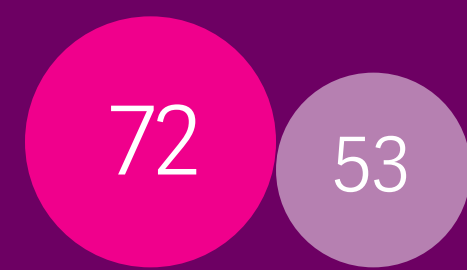
AdviceTech Stars enjoy greater revenue (77% earned over \$2m last financial year compared to only 18% overall), they service more clients (30% have 500+ clients, compared to only 14% overall), employ more staff (on average they have 45 full time staff compared to 16 overall), and still have better profitability than firms overall (one-third enjoy greater profitability than 25%).

AdviceTech Stars Overall

Technology Score



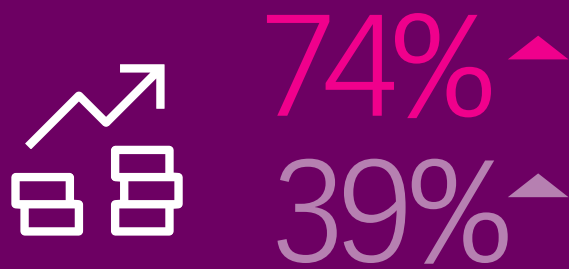
Business success score



Revenue was \$2m+ last financial year



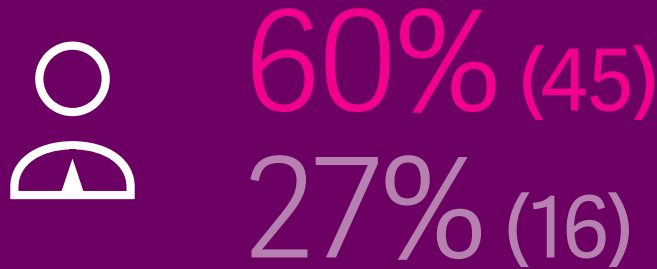
Revenue growth was higher by 11%+, compared to last financial year



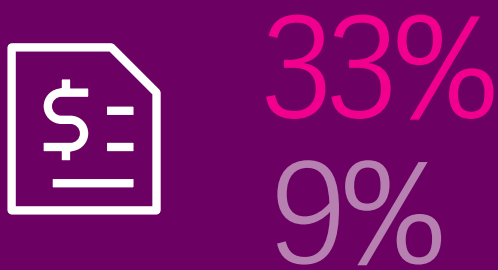
Number of active clients is greater than 500



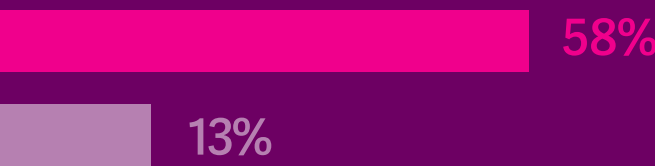
Employ more than 11 full time staff (average)



Avg. portfolio balance of clients is greater than \$1M



Funds under management is greater than \$500M



# A REFRESHER ON ADVICETECH STARS CONT.

Also their businesses grew, with around 7 in 10 AdviceTech Stars (74%) increased their revenue by over 11% last year (compared to 39% overall) and also one in five (21%) increased profitability similarly (compared to 17% overall).

Critically, they dedicate appropriate capital, resources and planning to technology.

AdviceTech Stars use a greater number (22) of advice technologies than the average firm (19). They spend more as a percentage of revenue of technology – 8.1%, on average (compared to 7.7% of firms overall).

More than four in 10 (44%) AdviceTech Stars a dedicated in-house technology manager, and they also have a roadmap for technology in the 12 (91% have one) and 24 months (67%).

A key difference separating AdviceTech Stars from most advice firms is that a large proportion hold their own AFSL (70% vs 47% overall) rather than being authorised by an external licensee.

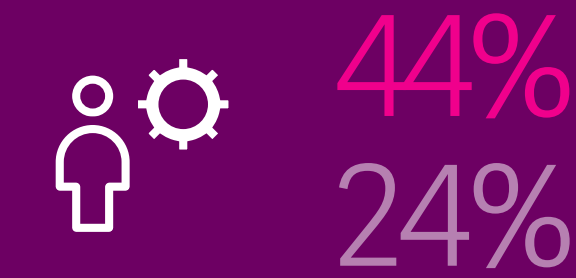
EBITDA/Profitability is greater than 25%



EBITDA growth was higher by 11%+, compared to last financial year



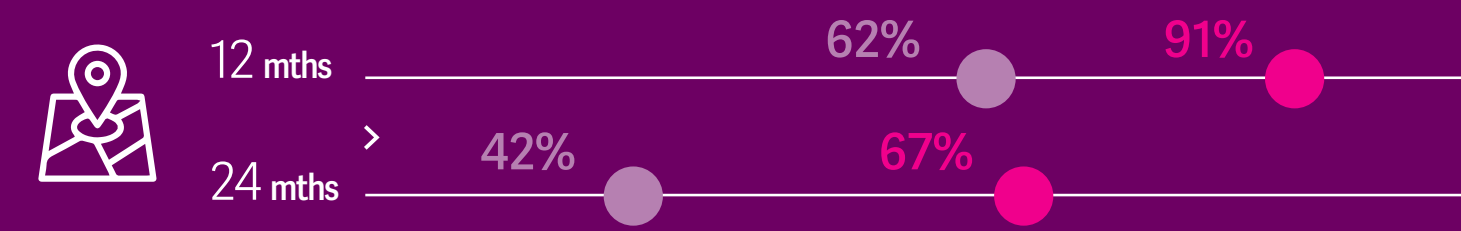
Have a dedicated in-house technology manager



Average % of revenue spent on technology



Have a technology roadmap for next 12 months / 24 months



Have their own AFSL





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