**KPMG**

How AI can be good news for wealth managers

There has been a lot of excitement—along with some hype and fear—about the potential impact of artificial intelligence (AI) on wealth management. While the buzz is that AI can do anything imaginable for wealth managers, the jitters it provokes center on its potential to do everything human advisors can do, and so much more.

This is hardly the first time that new technologies have posed a seemingly existential threat to advisors— remember the internet? But we think that AI, particularly generative AI, has considerable promise when applied to the wealth management industry. The promise is less about replacing the advisor and more about enabling advisors to focus on what they do best, which is working directly with their clients.
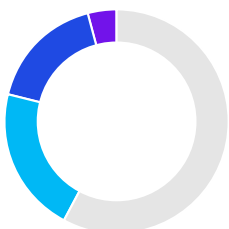
More time for clients

A powerful statistic underscores the need for AI in wealth management. According to Cerulli Associates:
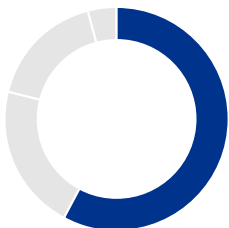
> **58%** of advisors' time is spent on client-facing work, such as meetings with clients and prospects.[1]

We believe that artificial intelligence can be an effective tool for advisors to add more value by increasing the amount of time they spend with clients and adjusting the rest of their time allotment accordingly. The starting point is to develop AI capabilities that automate repetitive, labor-intensive back-office tasks, which should generate meaningful results in turn. From there, we expect AI's functionality to move beyond the back office to uses across the wealth manager value chain.

The remaining 42 percent goes to:

> **21%** Administrative tasks

> **17%** Investment management

> **4%** Professional development

"The potential impact of these and other AI benefits on wealth managers' profitability is significant."

—Brian Dunham
KPMG Wealth Management Leader

[1] U.S. Advisor Metrics 2023, Cerulli Associates, January 2024

Helping advisors do what they do best

What can AI do for advisors now? Here are a few tasks that should be at the top of the list:

Prospect	Onboard	Plan/advise	Implement/service	Review/report
Marketing campaigns	Guided onboarding questionnaire	Financial plan generation	Portfolio construction	Performance reporting
Prospecting proposal generation	Digital data capture	Suitability and asset allocation	Rebalancing	Next best action recommendations
Customer relationship management	Custodial account creation	360° advisor view	Multichannel trading	Meeting prep and post-meeting correspondence
Lead development	Document management	Portfolio optimization tools	Money movement	Exhibit generations and delivery
Propensity modeling	AML/KYC/PEP	Proprietary and third- party research	Client service requests and case management	Compliance, regulatory, and supervision

■ = discussed below in greater detail

Generative AI use cases

Marketing:
- Personalize marketing material based on client persona
- Generate multiple artifacts using the same content

Onboarding:
- Leverage generative AI to read, tag, index, manage, and review the end-to-end aspects of the onboarding process, and use generative AI to populate draft filing and regulatory aspects that can be reviewed by a human

Financial plan generation:
- Use generative AI to draft a financial plan that can be then reviewed by advisors for fine-tuning
- Leverage several artifacts to consolidate and summarize research that can be used by advisors or distributed to clients

Research:
- Summarize multiple artifacts to consolidate research that can be used by advisors or distributed to clients

Client servicing:
- Help service agents quickly direct answers to clients through queries, tasks, to-dos, etc.
- Assist clients self-service through a smart chart utility

Meeting prep:
- Help advisors prep using multiple sources of information and summarizing important aspects

Performance reporting and commentary:
- Generate performance report using both structured and unstructured data with commentary

Better prospecting:

AI can create marketing campaigns and personalize them based on client personas. By appealing to prospects' unique needs and interests—particularly those of digitally savvy younger generations—AI can help attract qualified prospects and boost client engagement and retention.

Easier onboarding:

In addition to being one of advisors' top administrative tasks, onboarding proves to be a complicated and frustrating experience for both advisors and their clients. It takes too long, is needlessly complex for clients, and has too many steps that require human input. However, AI can help streamline the process by automating tasks such as new-client questionnaires, document management, and end-to-end process review. The time saved will translate into happier clients and an earlier start to doing business with them.

Financial planning:

Advisors can use generative AI to draft financial plans that the advisor can then review and fine-tune.

Portfolio construction and optimization:

Generative AI can analyze historical market data, macroeconomic indicators, and individual risk profiles to develop optimized portfolios. By simulating thousands of scenarios, it helps wealth managers identify strategies aimed at minimizing risks and maximizing returns, freeing up more of their time to work with clients.

Content summarization:

Keeping up with the latest developments that affect the markets or news related to client needs can be a headache and time drain for advisors. Using natural language processing and machine learning, AI can comb through structured and unstructured data to read all kinds of content and summarize it for advisors' convenience, using generative AI.

Performance reporting:

Not only can generative AI create performance reports, but it also can write commentary, generate recommendations, and help advisors prep for client meetings.

Pattern recognition:

The immense amounts of data collected and generated by wealth managers are an underutilized asset. What does the data say? What lessons can it teach? Firms can use AI to analyze data from multiple sources to identify exploitable patterns of client behavior that would otherwise go unseen and to find behavioral anomalies that might signal risk or opportunity. Armed with this knowledge, firms and advisors can develop investment ideas, service improvements, and strategies for risk mitigation.

Short-term challenges

Despite AI's potential, significant short-term challenges to its effectiveness and reliability remain.

Data quality

Generative AI's effectiveness heavily relies on the quality and quantity of data available. Inaccurate or biased data could lead to flawed insights and recommendations.

Regulatory compliance

In order to ensure the security of sensitive client information, using generative AI in wealth management requires compliance with strict financial regulations and privacy standards.

Explainability

It can be difficult to explain how generative AI algorithms make decisions—this can make it difficult for wealth managers to articulate the results.

Human expertise

While generative AI offers powerful tools, human expertise remains indispensable to interpret results, make strategic decisions, and maintain the human touch in client relationships.

How KPMG can help

Many wealth managers have taken the plunge into AI, and most face a long road ahead to fully realize its benefits. KPMG offers a singular blend of experience and capabilities to help wealth managers meet their AI goals.

In mid-2023, we announced a $2 billion investment in Microsoft's cloud and AI services to help us unlock our potential growth opportunity of as much as $12 billion. The deal puts us at the forefront of professional service firms using AI to drive efficiency and productivity—meaning that we can provide clients firsthand insight into how they could best use AI themselves.

We are experts in using generative AI to help our clients create more value. For example, we have helped clients identify and test use cases, build large language models (LLMs), assess LLMs for business results, set up the infrastructure, applied responsible AI governance, and helped scale for production.

In addition, we have deep expertise in the wealth management industry. Our IT, consulting, financial advisory, tax, and audit professionals have advised the full spectrum of wealth managers and other financial services-related businesses for years. We know how the industry works and what it takes for companies to thrive in a challenging environment.

Finally, we have helped companies across every sector leverage their data for growth. Whether it involves creating data models, cleaning data for maximum usefulness, centralizing data from multiple sources and systems—an especially urgent problem for wealth managers—or many other data solutions, we have done it.

Example engagement: Getting started with a POC for selected use cases

1 Use case ideation, data alignment and collection, environment set up	**2** Conceptual architecture, infrastructure, POC build, LLM controls and guardrails	**3** LLM experimentation and evaluation, red teaming, knowledge transfer, roadmap

Key activities

• Conduct project kickoff with key stakeholders and participants
  – Validate use case
  – Verify outcomes
  – Align on roles and responsibilities
  – Identify necessary data access and security needs
• Conduct EDA and DQA on both structured and unstructured data to align to use case outcomes
	• Use case specific LLM architectural design
	• Set-up required cloud/infrastructure services and provision essential data
	• LLM orchestration layer design
	• Prompt engineering and prompt tuning
	• LLM guardrail design
	  – Controls design & mapping
	  – Prompt guarding
	  – Response guarding
	• LLM monitoring and auditing
		• LLM evaluation for business outcomes
		• Responsible AI evaluation for bias, prompt guarding, fluency, profanity, etc.
		• Design of red teaming structure for continuous controls monitoring
		• Knowledge transfer sessions and training on the use case, data sets and technical details
		• Production roadmap development

Project governance: Status reporting, decisions and issues management, project plan, and task management →

Deliverables

• Engagement kickoff documentation • High-level engagement plan • Use case complexity analysis • EDA and DQA results	• Infrastructure • Architecture design • Working LLM PoC • Controls mapping • Guardrails design • Documentation	• Model card • LLM scorecard • KT documentation and training support materials • Production roadmap

All of our engagements aim to save time and generate growth, cost savings, risk reduction, and/or enhancements to the client/advisor experience.

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