



Enhancing Personalization
in Financial Services

AI to the Rescue?

Moving Financial Advice to the Netflix Model

Introduction

Technology continues to shape our lives in often unseen but felt ways. Netflix is a great example. This technology company has evolved to epitomize a level of personalized experience we have come to expect. The machine learning algorithm sitting behind the company's technology delivers customized content based on one's viewing preferences. It's seamless and a major contributor to the firm's enormous success.

It's not just entertainment; arguably, consumers are seeking a personalized experience in all aspects of their lives.

The financial services industry, in general, and financial advisors, in particular, will have to find ways to meet this demand by creating bespoke client experiences.

FAs overwhelmingly believe personalization is essential, but struggle to deliver it at scale

> 96% <

In a recent survey by Totumai and 8 Acre Perspective, 96% of financial advisors (FAs) acknowledge that personalization is important, if not very important, to the success of their practice.

The challenge, of course, is how to deliver personalized experiences at scale.

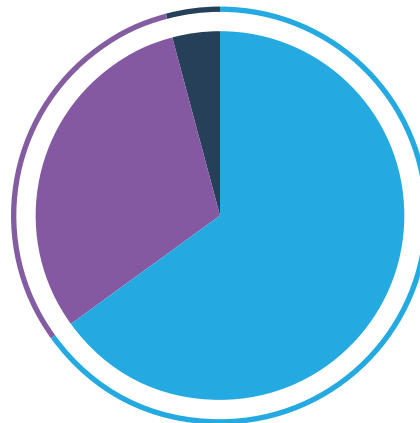
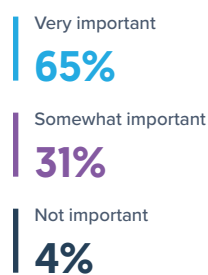
54%

Of FAs say it is challenging to spend as much time with each client as they would like.

68%

Find scaling their practice challenging.

Chart 1
Importance of Personalization to Advisor Practices



Can the latest developments in artificial intelligence [AI] be harnessed to deliver a Netflix-like experience between advisors and their clients? What might that look like?

The AI Opportunity

“I am looking to use technology for higher efficiency for the practice and more importantly a better experience for the client.”

- RIA, age 56, Solo Practice

“Scaling up client interactions with ideas that are suitable to them in a timely way without sacrificing quality would be tremendous to my work.”

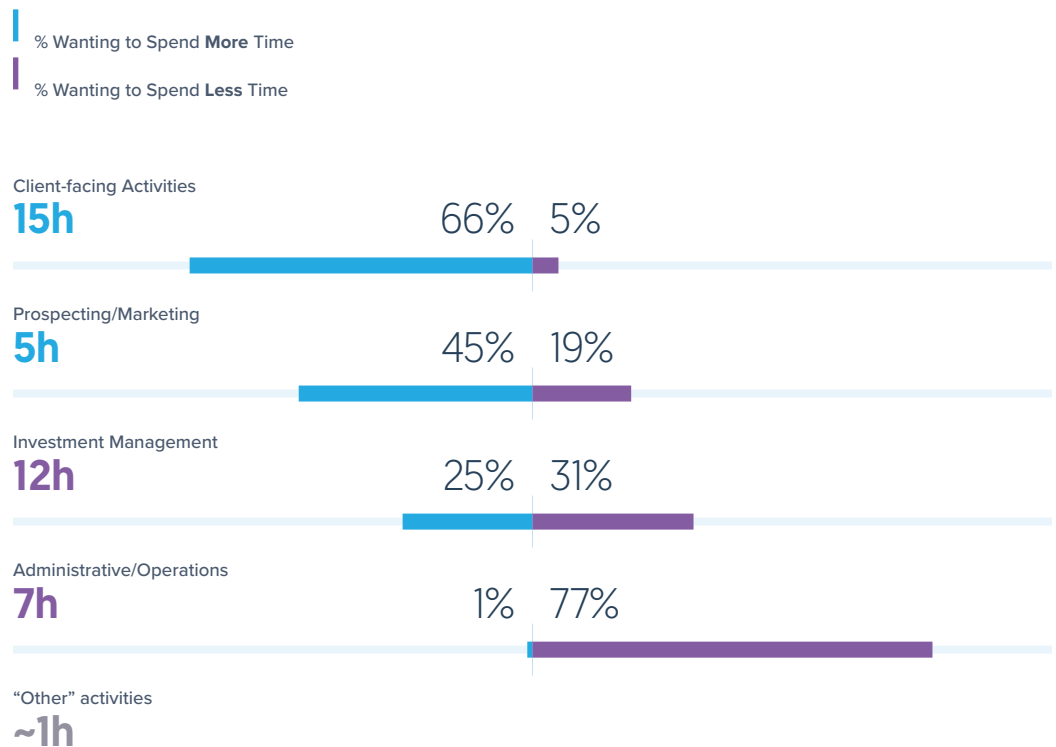
- RIA, age 65, Team Practice

Financial Advisors are Shifting Their Focus

Advisors' value propositions have evolved from investment managers to a more holistic relationship incorporating financial planning, among other services. According to the survey, in a typical 40-hour work week, FAs spend 12 hours on investment management and 15 hours on client-facing activities. When asked where they would prefer to spend their time, just 25% said more time on investment management while 66% said more time on client-facing activities.

Chart 2 Average Time Spent

(base:40h/week)



The multiple demands on advisors' time of course impacts bandwidth and the degree to which advisors can personalize the experience for clients. Despite the stated importance of personalization:

10%

Just 10% say they personalize interactions for all clients.

29%

Report offering little to no personalization.

The AI Opportunity

AI Adoption to Accelerate

“People appreciate when you make an effort to speak their language.”

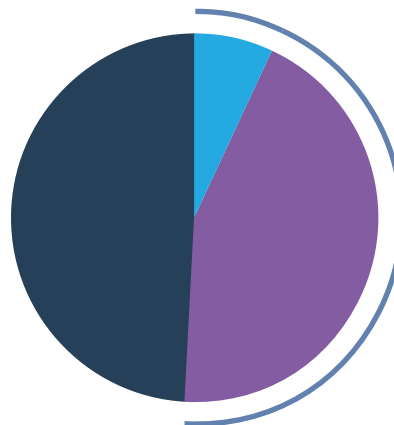
Sam Altman
CEO of OpenAI

The development of artificial intelligence has been heralded, among other applications, as a way to improve efficiency in the workplace. With the developments around large learning models, this technology will likely be deployed to assist FAs in delivering more personalized experiences at scale. And, as the Baby Boomer generation yields to Gen-X and Millennials, who are even more accustomed to personalization, incorporating these new technologies will become essential.

While artificial intelligence is the talk of the day, its use within financial advisor practices is still nascent. As of now, half (49%) are not paying it any attention. This is likely to change, however, and the change may be rapid, with **6 in 10 currently using AI or planning to start soon.**

Chart 3
Attention Given to AI in Advisor Practices

- A lot of attention **7%**
- Some attention **44%**
- No attention **49%**



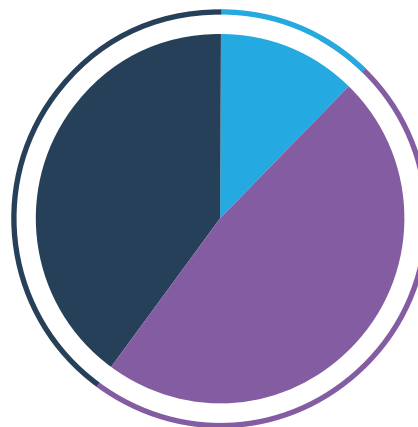
} A lot + Some **51%**

by Age Group

Ages <45	80%
Ages 45-59	41%
Ages 60+	42%

Chart 4
AI Use in Advisor Practices Today

- Currently use **12%**
- Plan to use **48%**
- No plans to use **40%**





“Meeting consumers’ expectations for personalized content can be challenging but it is also an opportunity to deepen existing relationships and acquire new ones.”

Matthew Schiffman, CEO
Totumai



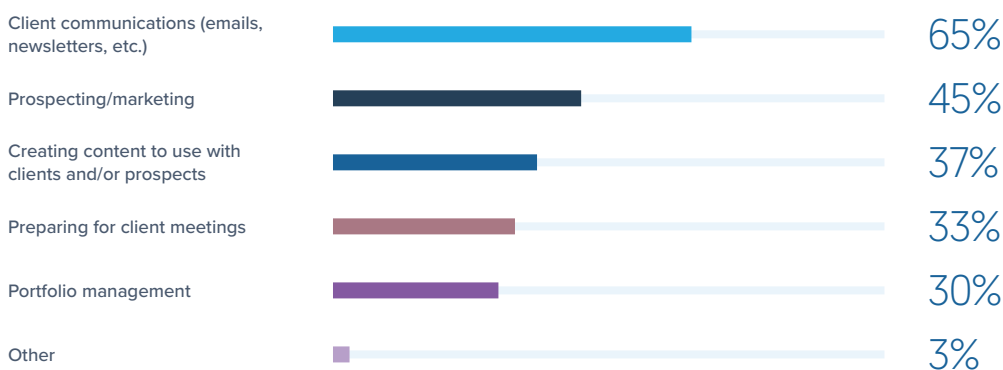
“AI presents an opportunity for financial advisors to concurrently increase client/prospect outreach and the level of personalization.”

Jim Neuwirth, President
8 Acre Perspective

Solving for Client Personalization with AI

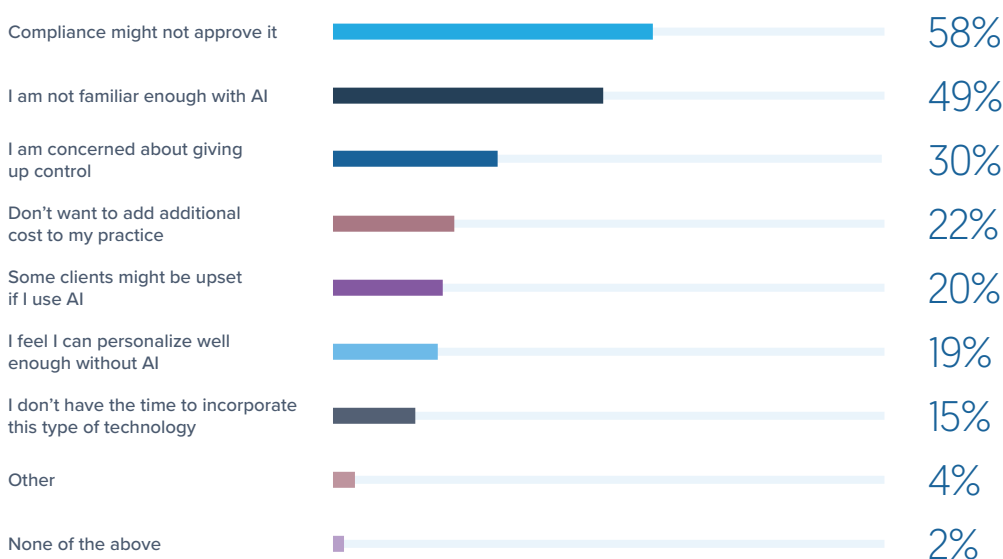
Could 2024 be a tipping point for AI within the advisory space, and if so, how will it be deployed? The number one area is client communications (e.g. emails and newsletters), with 65% of FAs currently using or planning to use it for this purpose. Next on the list is prospecting/marketing, cited by 45% of those using or planning to use AI.

Chart 5
Ways FAs are Using/Planning to Use AI



What’s getting in the way of adoption? The answers suggest it is more about the industry than clients. The most commonly cited barrier to AI adoption, by 58% of FAs, is concern that compliance might not approve it. This is followed by advisors’ own lack of familiarity with AI (49%). Just 20% express concern that clients might be upset if they leverage AI use.

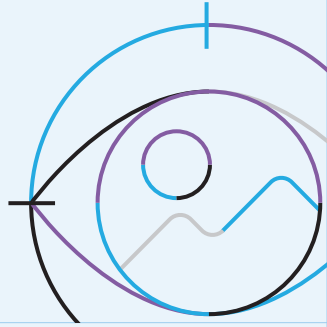
Chart 6
Perceived Barriers to Incorporating AI into FAs’ Practices



Conclusion

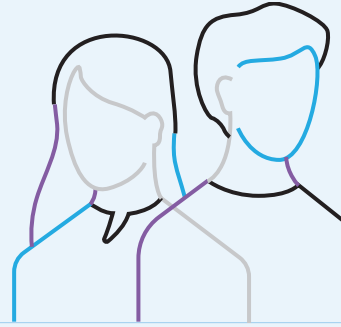
1. Personalization

Technology has quickly advanced to understand what we care about and **deliver personalized options** tailor-made to our interest.



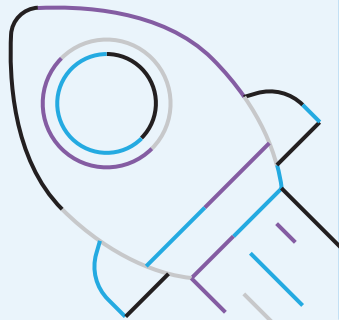
2. Customization

The financial services industry must recognize that, as consumers, **we expect a level of customization** across the professionals with whom we interact.



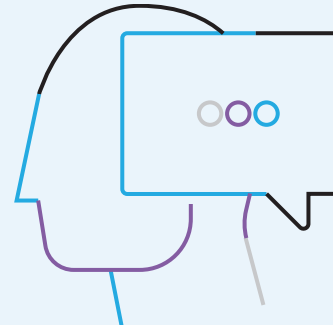
3. AI Adoption

A small group of **early adopters are leading the way**, though many more are likely to start leveraging AI in the next 12 months. These advisors stand to benefit by deepening existing relationships while capturing new ones.



4. Opportunity

The two major impediments to adoption, **compliance and familiarity**, offer stakeholders an opportunity to educate the industry further, preparing it to meet the evolving expectations of current advisory clients and to capture the hearts and minds of a new generation of investors.



About Totumai

Totumai is a technology platform that leverages artificial intelligence to improve communication between financial advisors and their clients. With this tool, advisors are able to scale their personalization in a way that deepens existing relationships while fostering new ones.



About 8 Acre Perspective

8 Acre Perspective is a recognized leader in financial services thought leadership research whose work is leveraged by leading financial institutions in a variety of ways, including wide-ranging media coverage, whitepapers, sales & marketing materials, and more.

About the Survey

The study was conducted by Totumai, a provider of AI tools for financial advisors, in partnership with 8 Acre Perspective, an industry leader in financial advisor research. One hundred financial advisors were surveyed in December 2023 across the Wirehouse, National/Regional Full-Service, IBD and RIA channels. Survey respondents have an average practice AUM of \$293M.

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