



Not All AI Is Created Equal & Why It Matters

How AI Can Help Boost Organic Growth

FIDELITY LABSSM

Set your strategy ---

The Big Sky AI Conference, presented by **Digital Wealth News™** and **AI & Finance™**, was held in Bozeman, Montana, in October 2024. This conference brought wealth industry leaders together to share insights and discuss one topic: AI.

One thing is clear: AI can change industry outcomes in numerous ways. From understanding a prospect's attributes, potential income, and asset accumulation over time to designing a strategy to make them clients, AI can be a game-changer when harnessed as an organic growth solution.

This whitepaper focuses on Fidelity Labs' AI-powered solution, Catchlight, presented by two of Fidelity Labs' AI thought leaders.

PATRICK HANNON

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Patrick Hannon has over 12 years of experience in the Wealthtech industry, where he has helped SaaS companies scale, grow, and innovate. He is currently the VP of SaaS Commercialization at Fidelity Labs, the innovation arm of Fidelity Investments, where he leverages his deep knowledge of the financial advisor market and the SaaS business model to create and execute go-to-market strategies, foster sales and partnerships, and drive revenue and profitability for partner firms.



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01 **Unique Industry Challenges**

Much is happening in wealth management, making it an exciting time to work in this unique industry. While the Great Wealth Transfer has been a focus topic, three major themes are emerging, challenging how firms will continue a growth trajectory in the following years.

Money is changing hands.

Market returns aren't growing AUM.

Capital is flowing in from M&A and PE.

All these unique challenges will impact how firms position themselves for organic growth.

Money is changing hands

While the Silent Generation and Boomers gave firms and their advisors a network for development, the beneficiaries of this wealth are very different. The transfer of wealth skews toward women, Millennials, and Gen Xers, who buy very differently than their parents or grandparents. Firms must understand that these people do not buy based on referrals; they are more inclined to seek trust and brand equity in the marketplace independently. They're also digital consumers who use technology to make buying decisions.

"This changing landscape of wealth may be challenging for some advisors. At the same time, there's just a tremendous opportunity in front of them. Some advisors will retire, and their books will be for sale and will be bought. All this makes for a fascinating time if you're a financial advisor in your 40s or 50s and have 10 or 15 years or more left in this industry to work toward a profitable business. AI will be vital in helping advisors prospect their ideal clients, acquire them, and prove to potential buyers that your firm is on a growth trajectory." - Partick Hannon

Market returns aren't consistently growing AUM

Inconsistent market returns, management fees, and other fees, plus investor sentiment, may impact a firm's growth. Less money coming in often means cutting expenses or not investing in marketing or internal marketing personnel. Firms are uneasy about putting investments into people and technology to see organic growth increase after having their focus primarily on market performance.



Capital is flowing in from M&A and PE

PE firms are seeking a return on both the M&A and technology sides, and acquisitions of RIAs, BDs, and technology startups are concurrently happening. These are all coming to a head, providing opportunities for growth in the RIA space as this money is in motion.

Some firms have a growth rate outside the market and higher value during an M&A transaction. PE firms are looking for ways to deploy this capital, but they expect these firms to grow, not by increments but by high growth rates—which is where the money will likely get spent in this M&A environment.

Over the next decade, 109,093 advisors plan to retire, comprising 37.5% of industry headcount and 41.5% of total assets. – Cerulli and Associates

02 | A Proven Strategy for Growth

The three unique industry challenges will impact how companies design their marketing strategies. The firms with the best growth rates are the ones likely to receive the favorable multiples at sale. And it's because they can prove their sustainable growth strategy.

In the broader marketing landscape, many integrate Chat GPT or an open-source model into their solution, and everybody thinks it's a 'silver bullet' for their business. And if you're an advisor, it's challenging to understand what AI is and if it applies to growing your business as a tool integrated into a marketing strategy.



"Catchlight enables advisors to focus on their marketing efforts, specifically those related to organic growth and lowering the cost of customer acquisition. Instead of a shotgun effect, the tool helps advisors focus on the ideal customer profile and working toward client acquisition." - Patrick Hannon

When advisors seek to sell, they'll get a better valuation on their business if there are processes to show the firm is growing- marketing can be that 'silver bullet' of proof.

Client Acquisition Using AI and Data

Heads of growth, CMOs, and CEOs are overwhelmed by all the AI solutions available. It's critical that leaders identify the specific business problems facing their firms, such as client acquisition, and then assess whether AI can help solve them.

For example, a firm might face some or all of the problems below:

- Low engagement rates
- Slow and ineffective follow up with customers and leads
- Understanding and meeting client expectations
- Providing a differentiated experience
- Low demand

Once the specific problems are identified, the firm can address these challenges with a strategic approach including investing in technology, adjusting processes, and investing in key talent.

AI and data may be able to address these problems by

- Identifying the best potential leads and clients for expansion
- Creating and defining segments
- Creating personalized content
- Identifying top attributes of your lead and clients like hobbies
- Predicting major life events that help map key money in motion events

"Data and AI can help the advisor understand this person's background better and predict things like estimated liquid, investable assets, household income, and attributes they're more likely to be interested in, such as charitable giving or estate planning." - Patrick Hannon

However, not all AI is the same; it's important to understand the training ground.

The Importance of Proper Training Grounds for AI Accuracy



In the rapidly evolving world of artificial intelligence, accuracy is paramount. Whether it's predicting weather patterns, diagnosing diseases, or driving autonomous vehicles, the precision of AI systems can significantly impact outcomes. But what ensures this accuracy? The answer lies in the quality of the training grounds where AI models are developed and refined.

The Garden Analogy

Imagine an AI model as a plant. For it to grow strong and healthy, it needs the right environment—rich soil, adequate sunlight, and proper watering. Similarly, an AI model requires high-quality data, robust algorithms, and continuous learning to thrive. Just as a gardener carefully selects the best seeds and nurtures them in optimal conditions, data scientists must curate diverse and representative datasets to train AI models effectively.

The Role of Quality Data

Quality data is the cornerstone of accurate AI. Without it, even the most sophisticated algorithms can falter. Data must be clean, relevant, and comprehensive. For instance, if an AI model is trained on biased or incomplete data, its predictions will reflect those shortcomings, leading to inaccurate or unfair outcomes. This is akin to planting a seed in poor soil; no matter how much you water it, the plant will struggle to grow.

In conclusion, the accuracy of AI is deeply rooted in the quality of its training grounds. By ensuring that AI models are developed with high-quality data, robust algorithms, and continuous learning, we can cultivate AI systems that are not only accurate but also fair and reliable. Just as a gardener's efforts are reflected in the health of their plants, the diligence of data scientists is mirrored in the performance of their AI models.

"We started with creating AI to better the available data and information advisors have when marketing to prospects." -Tony Ezzat



Catchlight uses AI for:

- Prioritizing: Creating a simple score that predicts how likely an individual is to pay for financial advice.
- Complete Profiles: Our profiles include estimations powered by AI models, including household income and investable assets
- Engagement: Build custom and personalized emails in seconds
- Lead routing: Route leads to a firm's best-fit advisors to help increase conversion

"The important thing about AI is to choose the appropriate sub-branch of AI, which goes beyond generalization into the attributes of your ideal client prospect: interests, causes they support, and so on." -Tony Ezzat

Understanding where the prospect lives, predicting wealth or income, or predicting the propensity to qualify for financial advice requires data and appropriately training the AI model. Once AI has learned how to map from input features to output, understand attributes, and generalize between real clients and ideal client prospects, the real magic happens.

When combined with sub-supervised learning (SSL), AI helps generate a positive business outcome for a firm's client acquisition marketing strategy.

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