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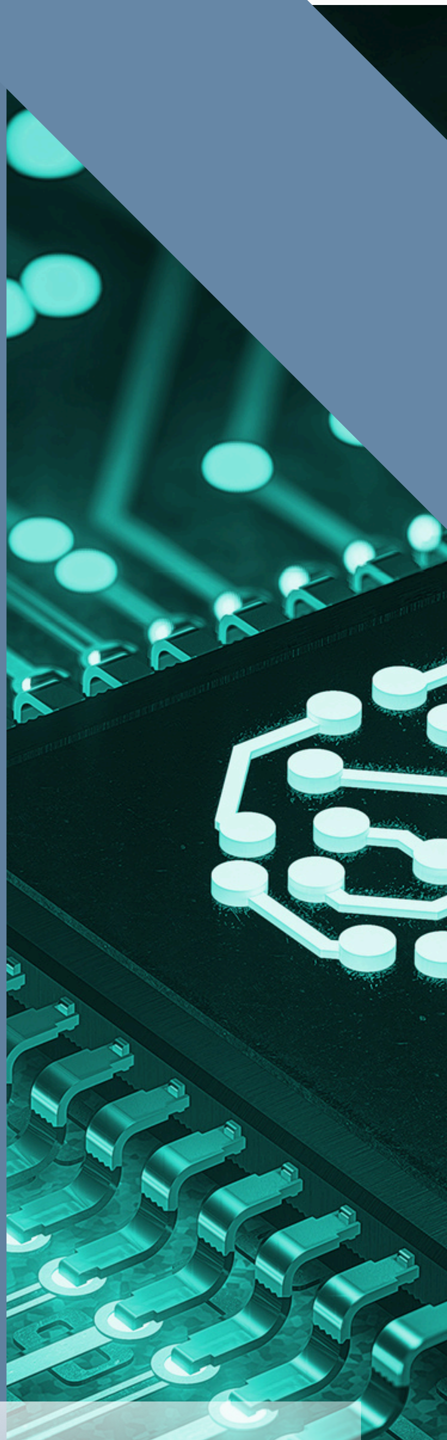
FINANCIAL FOCUS

OBJECTIVE WEALTH



The potential impact of AI

AI is no longer a futuristic concept but a dynamic tool beginning to actively transform industries, reshape job markets, and influence financial planning. Artificial intelligence (AI) broadly encompasses an advanced spectrum of technological systems with the power to mimic human cognitive abilities. There is potential for such technologies to boost the economy estimated to affect 40% of jobs according to IMF. While there is the power to complement many jobs it can replace human employment raising questions on employment security. The world has seen industrial revolutions depicted by technology; will AI be a worthy successor of general-purpose tech is a question flooding the industry.

AI is expected to drastically change the world as we know it today, the most prominent being the economy and employment. The world operates in a digitised economy, yet information technology hasn't brought the long-term boost many economists had hoped for. Productivity growth has been on a downswing since the 2000s IBM and Barcley's Research suggest. AI-driven innovations contribute to economic growth by enabling new products and services, enhancing decision-making, and successively decreasing the human workforce. Global investment in AI is rising exponentially, a McKinsey report stated a total of $12 billion in the first five months of 2023 alone. AI is projected to add trillions to the global economy by 2030 which could provide this boost far into the future.

THIS MONTH'S FEATURED ARTICLE

The potential impact of AI

AI could impact growth not only through higher productivity but also through its direct impact on the workforce. The impact of AI on labour displacement is still uncertain, but reskilling workers will become more important, as some skills become obsolete or need to adapt to work with AI. While there will be some displaced workers, there will also be new jobs and new types of jobs. Yet it is these social and political issues which could limit artificial intelligence's positive economic outcome.

Ultimately, when analysing the potential impact of AI a lot of questions will remain unanswered for the foreseeable future. 20 years ago, we did not expect a Nokia brick to be revolutionised into the smartphones we know today. The iPhone presents a device which encapsulates many different purposes of what were once all separate pieces of equipment. A torch, ruler, calculator, watch, and sat nav all within a hand-held device which once at most could make a call. The idea of such was foreign to individuals 20 years ago yet now is part of daily life for most. We can expect the same from AI, there are many possible costs and benefits to both humanity and the economy, yet there is not a clear picture as to how this will look as of today. Vanguard estimates a 45-55% chance AI will succeed and surge productivity growth greater than 2.3% given the knowledge we have from the previous technological advances dominating the present.

As AI reshapes industries, there is scope for advances within financial planning. AI applications could increase day-to-day efficiency and alleviate administrative tasks allowing advisors to spend more time with clients ultimately benefitting both parties. As advisers, we understand that the value of our services can often be measured in our contact with our clients as this is what builds up an understanding of behaviour with both parties. Advising people means dealing with the nuances of every individual and it seems we are quite far away from AI being sentient. On balance, it's clear AI has the potential which is beginning to be tapped into. It is not clear how the outcome will look over the next couple of decades however we are entering a period of technological revolution which as IT did is likely to positively impact the economy while being vital the correct policies are in place to ensure the smooth running of these systems alongside benefitting humanity.

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