How big is your shield against AI?

On a CNBC Africa "Power Lunch" discussion earlier this year my fellow panelists were not convinced when I made a statement that financial advice is a profession that offers a natural shield against Artificial Intelligence (AI). The reason I made the statement is that while the world is embroiled in technological progress, it is simultaneously shifting towards an "empathy economy". In his book, *The Behavioural Business*, Richard Chataway talks about the scars left by the industrial revolution. The five-day workweek and concept of "time poverty" for example. What use is earning a massive paycheck if it deprives us of memory dividends or experiences with friends and loved ones? Recent experiments trialing a four-day workweek are testament to this migration in mindset. The jobs that remain after machines have taken all the process-driven jobs are likely to be the ones rooted in the humanities. The world is perhaps simultaneously looking towards psychology to solve the world's problems and away from economics.

More evidence here was provided by a colleague recently who visited the dietician with his wife. The first consult had little to do with blood types or calorie counting. The value proposition was rooted in psychology. What is your relationship with food? When and why do you eat what you do? We're understanding more and more that to affect behaviour change, more information is not the answer because we have the knowledge. Changing behaviour requires something deeper.

The question perhaps is not whether AI can replace financial advisors, but will it or in what circumstances will it? This was perhaps the disconnect between me and the panelists in the AI discussion. AI can indeed already provide financial advice that is alarmingly technically sound at a fraction of the cost. First mover JP Morgan has already invested here by filing for a patent on "IndexGPT" using the same generative pre-trained transformer (GPT) technology from ChatGPT (the chatbot equivalent). IndexGPT will pick suitable securities for client needs without paying any advice fee.

One of the obvious issues is whether we will trust what AI recommends. A recent video gone viral of a "reckless robo-taxi" shows that the Gell-Mann Amnesia Effect is likely at play. This term was coined by author Michael Crichton to describe how we are sceptical about the news when we understand the subject but trust the information source blindly when we do not. In an AI context, we appear to instinctively distrust AI that drives because most of the working population drive. A few AI malfunctions make headline news. Over a million cases of human driver errors don't. If we're overconfident about investing we're likely to ignore the AI just as we might ignore an advisor, but for those who don't understand investments we

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may be more likely to adopt AI-generated investment advice, initially. Our inherent negativity bias will likely continue to pose a challenge in sticking to the AI-based advice after a negative experience in the same way thousands of clients called their advisors to change their investment plan when markets crashed during Covid-19. Behaviour once invested is unlikely to change.

The second issue circles us back neatly to the empathy economy. Imagine it's 5am on a cold winter's morning. Your alarm goes off that signals it's time to hit the road for a 10km run. Is AI going to get you to the road? Unlikely. Now assume that your best mate will be waiting for you at the starting line. You've both committed to the run. Not pitching up is letting someone down. Using these tips and tricks in psychology will be far more useful in getting you to the road. Behavioural scientist Katy Milkman recommends this as one technique to change behaviour in creating and maintaining better healthy habits.

Other techniques like making the behaviour very convenient (putting your running clothes out the night before) and temptation bundling like allowing yourself your favourite podcast only while on the treadmill are other examples. Once you're there, your devices, apps and badges are going to do wonders in keeping you committed and tracking your progress, but getting you to the road is a different story.

Can AI help us save in a way that a financial advisor cannot? Undoubtedly. AI can learn from our financial behaviour, identify our blind spots and, most importantly, provide just-in-time financial education to help change that behaviour. When that impulse purchase is in our shopping carts we can get an accurate trade-off in the moment of what the purchase is costing our future selves. But it isn't nearly as good at getting us to the road as a human being can be.

In this way the financial advisor becomes more important in the empathy economy to use principles of psychology that will help us bridge the intention-action gap. To delve deeper into our relationship with money in much the same way the modern dietician explores our relationship with food. These are the shields that the modern financial advisor is building against AI. ■

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