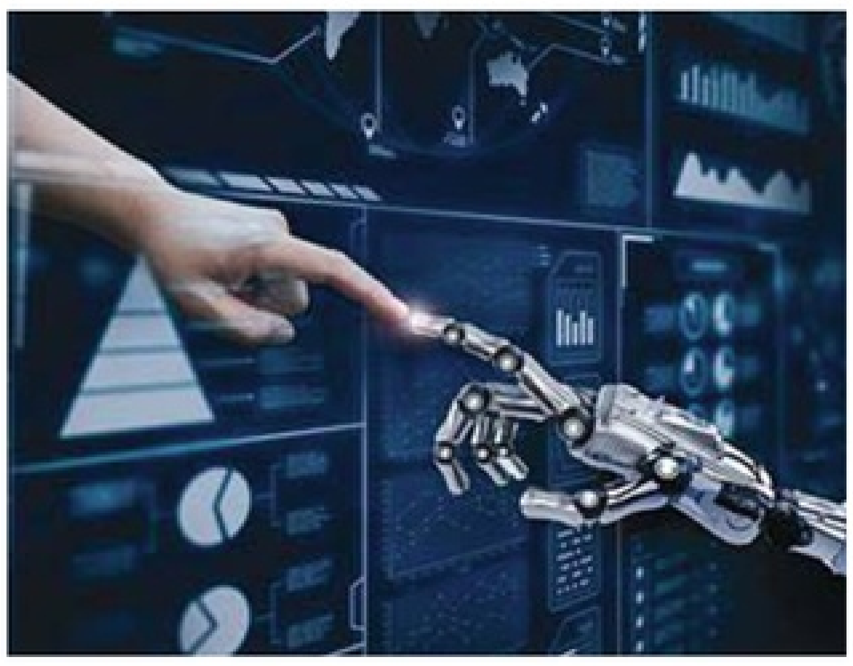
Beware, AI Is Coming to Rescue You



By Dinesh Venugopal
MPHASIS

The world's current output of data is roughly 2.5 quintillion bytes a day. So, imagine employees in a financial organization trying to use the tools of just five years ago to deal with a fraction of this data. To identify fraud, they would have to hire thousands of analysts to mine unprocessed data in broker submissions and claim documents. Then, they would need to create tax evasion insights out of unstructured information from bank statements and insurance loss run reports. It's beyond human capacity to absorb today's big data quickly enough to make enterprise-scale decisions.

Artificial Intelligence (AI) to the rescue

A solution emerges from new technology: cognitive intelligence engines fueled by AI, neural networks, machine learning, and natural language processing (NLP). AI automatically sorts information that is too illogical for computers to make sense of—digital documents, social media posts, and even Internet of Things (IoT) notifications. Then, together with NLP, it decides what is relevant, delivering actionable business insights based on a deep analysis of the extracted information.

In most organizations, unstructured data is like the proverbial white elephant: Ignoring it can lead to errors and inaccurate inferences, but using it may not offer clear patterns to enhance decision-making. However, smart machine learning algorithms can glean meaning from vast amounts of unstructured data and can route questions to specific AI modules, helping organizations address the most complex business challenges. This provides a valuable level of automation that can be used to process the approximately 80% of an organizations' data that is unstructured.

What this means for businesses in 2018 and beyond

Enterprises are already seeing the benefits of smart technology platforms that enable faster and more effective access to data insights by combining semantic analytics and image processing to intelligently extract information from disparate sources. The value of this sophistication is clear. By 2020, according to the International Data Corporation (IDC), organizations that analyze all relevant structured and unstructured data can gain $430 billion in productivity over competitors that do not.

If you think technology this smart must be difficult to use, hard to deploy, or expensive, think again. It is not only proving to be intuitive, but it is also cutting time and costs. What's more, the transformation of manual processes to straight-through processes is enabling businesses to make the right decisions at the right time.

This will impact the role financial advisors play in financial organizations. Smart technologies like AI will help free them from spending time answering mundane questions to focusing more on the nuances of financial planning, where their expertise can add real value. This aligns perfectly with millennials' expectations of getting quick responses to queries. Smart new technologies can help them there, reserving the in-depth knowledge of financial advisors for discussing long-term goals and strategies.

Successful companies of the future must use cognitive intelligence to influence nearly every aspect of decision-making. They will also apply these insights in other ways: engaging with their customers through personalized experiences and exploring newer business models that leverage the potential of place-time-and-device-agnostic computing capabilities. Cognitive intelligence engines allow organizations to decipher all unstructured data and find patterns within it at unprecedented speeds—enabling business decisions at the speed of insight, edging out competitors, and driving customer delight.

So, does our financial company example above have to drop its legacy arsenal to win? The happy answer is no. Intelligent systems work with existing systems. That company would probably choose an on-site installation to stay in control of data privacy and protection, but for the others, there's always the cloud. ■

As President, and Member of the Executive Council, Dinesh Venugopal is the global head for Mphasis Direct-Core Business and Digital across industry verticals.

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5 Ways Technology Powers Holistic Wealth Management

By Anton Honikman
MYVEST

Our industry is in the midst of a seismic shift towards goals-based wealth management. This requires the holistic management of client assets. To date, some advisors offer holistic *financial planning* that addresses an entire household's assets, liabilities, and goals. Others provide holistic *reporting* that covers multiple investment accounts.

But holistic wealth management should be more than just planning and reporting; rather it should include dynamically *managing* your client's investments the same way they think about it—as a whole. Yet the manual operations required to coordinate investment management across multiple accounts prevent advisors from doing this for more than a few top clients.

So what is the key to making truly holistic advice a reality?

Technology that can orchestrate multiple accounts across a household is the key to empowering the advisor of tomorrow to make holistic wealth management a consistent, scalable practice for *all their clients.*

Here are five paths to putting holistic wealth management into practice:

1. Connect financial planning to ongoing investment management: Holistic wealth management starts with linking upfront financial planning with ongoing portfolio management. Ideally, they inform each other in an ongoing automated relationship, where both can be adjusted as a client's wealth and life circumstances change.

2. Organize household accounts into multi-account portfolios: Create investment portfolios that contain multiple taxable and/or tax-advantaged accounts which are then aligned with a client's goals. Each multi-account portfolio can then be governed by a single investment strategy, or asset allocation, depending on the characteristics of the goal assigned to that portfolio. To be truly holistic, this implies thoughtful incorporation of account aggregation to consider both managed and non-managed (AKA held away) assets in these portfolios.

3. Cross-account coordination: Another unique capability you can't get with managing each account in isolation is cross-account coordination, like managing wash-sales, avoiding concentration in the same security/sector across accounts, efficiency in trade order management, and asset location.

4. Go beyond just asset allocation and pursue tax alpha with asset location: A big opportunity with a technology-driven holistic portfolio is the ability to manage asset location, selecting the optimal account for each security within a household's portfolio. This method places securities with yields subject to the highest estimated tax burden in tax-advantaged accounts, and vice versa. Most advisors want to achieve better performance through tax management but are challenged to put it into a regular precise practice given the manual overhead.

5. Demonstrate value with outcome-based conversations: One of the biggest transformations in wealth management is the move from performance-based conversations to one that focuses on client outcomes. Holistic wealth management allows you to change the focus to progress toward goals, risk management, and tax management—things that you can control easily with the help of technology to demonstrate your added value.

To remain relevant and competitive and to offer all your clients a high standard of care, embrace technology and client data to systematize your practice in support of holistic wealth management. ■

Anton Honikman is CEO of MyVest, providers of enterprise wealth management technology for the digital age.

Learn more at www.myvest.com.

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