



LIMRA Retirement Income Institute

AI and the Future of Financial Advice

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The rise of Large Language Models (LLMs) has triggered considerable debate over the future of financial and retirement planning. Few doubt that the spread of AI will have meaningful consequences for financial professionals and their clients. But there remains a broad range of opinions about exactly how these innovations will impact the industry, including how they will affect the demand for financial advice, how they will determine which products and services are delivered, and who (or what) will deliver them.

What, Me Worry?

Perhaps the most common view, especially within the profession, is that AI will enhance advisor productivity, but otherwise not significantly impact the nature of advice or the employment level of advisors. The phrase one often hears is that LLMs will act as “co-pilots” and enable advisors to deliver higher quality services to a larger client base. Moreover, most financial professionals believe that even as AI helps to make investment portfolio management, back-office operations, and marketing activities more productive, it cannot replace a client’s desire to have a human being to talk to when making important financial decisions.

With apologies to Alfred E. Neuman, this view will be referred to as the “What, Me Worry?” argument. It’s not quite business as usual, but close. As long as financial professionals continue to make AI-enabled productivity improvements, they will survive, and maybe even thrive.

The Boiling Frog

The main counter argument, the “Boiling Frog” view, goes something like this: Yes, you have survived other threats, and yes, you may be able to hang on for a while longer, but this time it is different. AI is coming straight at you, and many financial services jobs will be lost. AI will get exponentially more capable at portfolio management, marketing, sales, and operations, and even at mimicking human connections. And consumers will grow to trust AI, just like they grew to trust entering credit card information, buying and selling financial products, or seeking medical advice online.

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Adherents of the “Boiling Frog” view can point to recent studies, like the report published by Microsoft¹, that conclude that financial advisors are highly vulnerable to AI-driven technological change. At the top of the “likely to be replaced” list are occupations like interpreters and translators (replacement score = 0.49), sales representatives of services (0.46), and writers and authors (0.45). By contrast, jobs such as dredge operators (0.00), pile driver operators (0.00), and maids and housekeeping cleaners (0.01) appear largely insulated.

Supporting the “Boiling Frog” argument, Microsoft generated a replacement score of 0.35 for personal financial advisors, about the same as web developers and advertising sales agents. These findings suggest that the “business as usual” phase of AI adoption will soon be over, and major changes are just over the horizon.

A More Nuanced Approach

Who is right? To better understand the effects of AI on the financial services industry, a more comprehensive theoretical framework is required. MIT Economists David Autor and Neil Thompson recently published an article on the effects of automation on employment and wages.² To understand how technological change affects industries and occupations, they focus not on workers *per se*, but on the tasks they perform, and the expertise level needed to complete those tasks.

Applying this “expertise” framework to predict how AI will impact the financial services industry, the key question becomes not whether AI will “replace” advisors. Rather, the question is *which advisor tasks firms will choose to automate*, and how those choices reshape the expertise, compensation, and activities of the workers who remain.

Autor and Thompson argue that technology-driven automation affects occupations in two fundamentally different ways:

- **Expertise-augmenting automation** — AI removes routine, low-skill work and raises the expertise bar for the remaining humans.
- **Expertise-replacing automation** — AI performs core expert tasks and shifts the remaining work toward lower-skill service roles.

Both paths are technologically feasible. The difference lies in how financial services firms choose to deploy AI within their service models.

Let’s start with the expertise-augmenting path, also known as the “Concierge Advisory” model. In this model, AI is used to strip away administrative and low-expertise work like:

- account creation and onboarding
- data gathering and document preparation
- asset allocation recommendations
- trade execution and routing
- meeting reminders and summaries
- workflow routing and suitability checks

What remains for human advisors is identifying and managing more judgment-intensive, emotionally complex, and high-stakes client situations and concerns, including:

- anxiety around money and market volatility
- health events, caregiving, and long-term care decisions
- cognitive decline and diminished capacity planning
- retirement income trade-offs under uncertainty
- multigenerational and estate-planning conversations
- family dynamics, conflict, and behavior change over time

Autor’s framework predicts that when low-expertise tasks are removed and high-expertise tasks remain, the occupation becomes more skilled, wages rise for those who stay, and headcount declines as each advisor can handle more complex relationships with the support of technology.

In the second model, also known as the “AI-Guided Advisory,” AI is not just a support tool. Rather, it becomes *the expert engine* that absorbs tasks, many of which once required advanced training and credentials, including:

- portfolio design and construction
- risk assessment and modeling
- basic financial planning
- retirement income projections and scenario analysis
- tax withdrawal and optimization strategies
- basic estate and wealth transfer planning
- AI-powered behavioral coaching

¹ Source: “Working with AI: Measuring the Applicability of Generative AI to Occupations,” Microsoft Corporation, 2025

² Source: “Journal of the European Economic Association,” Oxford Academic, 2025

The human roles, in this case, shift toward service, programming, and distribution tasks such as:

- onboarding and customer support
- software design and programming
- database management
- business partnership development (e.g., employer-plan communication)
- exception handling and escalation

When automation replaces expert tasks as in this AI-Guided Advisory model, more workers are qualified to do the work that remains. Wages tend to fall because less expertise is required, but overall headcount within the industry *can increase* as firms scale these lower-cost service models.

Importantly, these two paths lead to *opposite* employment and wage outcomes:

Concierge Advisory: Fewer, but more expert advisors; higher wages; deeper, more complex client relationships; a more personalized client experience

AI-Guided Advisory: More workers, but with lower average skill and compensation levels; highly scalable, low-cost delivery; more commoditized positioning

Implications for Financial Professionals and Their Clients

The bifurcation between the Concierge Advisory and AI-Guided Advisory models has important implications for the design, positioning, and distribution of financial products. Specifically, AI has the potential to make financial advice more holistic, more personalized, and more human-centered.

More Holistic Advice

One of the most significant ways AI will enhance financial advice is by enabling a more holistic approach to planning. Traditionally, financial advice has focused on a relatively narrow set of issues, mostly investment management, tax planning, and client risk assessment. While these topics remain important, many of the factors that ultimately influence financial outcomes originate outside the traditional boundaries of financial planning.

AI systems will help advisors incorporate a much broader range of factors into the planning process, including the consequences of healthcare costs, long-term care expenses, retirement income needs, caregiving responsibilities, and housing decisions. Rather than treating these issues as separate planning silos, AI will help advisors understand how they interact and influence one another over time. By analyzing and connecting information across multiple domains, AI has the potential to provide a more comprehensive view of the challenges and opportunities facing individuals and families.

A more holistic approach to planning will also change how advisors evaluate financial planning tools and strategies. Rather than focusing exclusively on investment returns or portfolio efficiency, advisors may place greater emphasis on approaches that can address multiple retirement risks simultaneously. In this context, solutions that reduce complexity, improve predictability, and support long-term financial security may become increasingly valuable components of a comprehensive retirement plan.

Greater Personalization

AI also has the potential to make financial advice substantially more personalized. Although financial professionals strive now to tailor recommendations to individual circumstances, practical constraints often limit the degree of customization that can be delivered consistently and at scale. As a result, much of today's advice relies on broad assumptions, standardized processes, and generalized recommendations.

By contrast, AI systems can analyze large volumes of client-specific information and continuously adapt recommendations based on an individual's goals, concerns, preferences, planning gaps, health risks, family situation, and other behavioral factors. This capability is particularly important in retirement planning, where optimal strategies depend on factors such as income needs, longevity expectations, health status, and risk preferences. Rather than relying on generalized assumptions, AI can help create retirement strategies that are much more closely aligned with each client's unique circumstances and objectives.

AI-driven personalization may also transform the timing and delivery of financial recommendations. Rather than presenting retirement income, insurance, or estate planning solutions at a single point in the planning process, AI systems can continuously monitor changing circumstances and revisit recommendations as needs evolve. This creates the potential for a more dynamic planning experience in which guidance becomes increasingly relevant, timely, and responsive to each client's situation.

More Human-Centered Advice

Perhaps somewhat paradoxically, AI may ultimately make financial advice more human-centered. Much of an advisor's time now is consumed by administrative tasks, data collection, portfolio analysis, and other technical and compliance-related activities. As AI automates many of these functions, advisors will be able to devote more attention to developing and managing personal relationships with their clients.

This shift will enable advisors to spend more time helping clients navigate emotionally complex and highly personal decisions, including those associated with health events, family relationships, and other behavioral challenges. Conversations about independence, purpose, and quality of life will become increasingly central to the planning process. In this environment, advisors may spend less time discussing financial products and more time helping clients explore the personal decisions and emotions that shape retirement outcomes.

Rather than replacing human interaction, AI will increase the importance of uniquely human skills such as empathy, communication, judgment, and trust-building. In this future, technology will not diminish the human element of financial advice but rather create more opportunities for advisors to focus on the conversations and concerns that matter most to their clients.

The Future Looks Bright – With a Caveat

In summary, the question is not whether AI will increase or decrease demand for retirement advice. Rather, it is how AI will reshape the pathways through which that demand is generated, either through more effective human interactions or more deeply embedded digital recommendations.

There is little doubt that we will see rapid growth in AI-guided automated advice platforms that provide comprehensive portfolio management solutions and sophisticated financial planning tools, at scale. Over time, these systems will even get better at appearing more human-like.

For this reason, financial professionals will need to guard against complacency and be thoughtful and strategic about how and where they implement new AI technologies. Saying that AI will be “my co-pilot” and adopting AI in ways that do not materially enable more holistic, personalized, and human-centered advice is not going to cut it. The successful financial professionals will be the ones who intentionally evolve towards the concierge model of advice delivery.

Because there are millions of individuals and families in the U.S. who want help managing their financial lives, huge opportunities remain for financial services professionals. Firms that understand and adapt to this new AI-powered world of advice will be best positioned to capitalize on these opportunities.

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Additional Information

To further explore the insights highlighted in this paper, visit the LIMRA Retirement Income Institute, which offers a robust collection of research reports on today's most pressing retirement income issues. All reports are available to the public at no charge and can be downloaded directly from the institute's website: www.limraconsumer.com.

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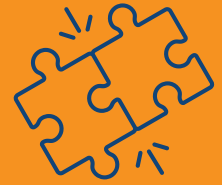
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