

WHITE PAPER

AI is rewiring the wealth management business model

How should firms adapt?

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How should firms adapt?

On February 10th 2026, the small but innovative RIA custodian Altruist announced a new AI-powered tax planning feature integrated into their core advisor desktop. The market, already jittery about AI's disruptive potential in many industries, panicked. More than \$140 billion was wiped off the market value of a handful of publicly traded wealth managers and platforms.

This widespread selloff of wealth management stocks was the first explicit signal that the market is now considering what an AI-driven future could mean for the industry, and the potential impact on firms that fail to adapt. In truth, however, this episode merely marked a tipping point. Rumbblings of disquiet have been felt in the industry for some time.

What seemed a distant prospect two years ago is now commonplace. Back then, large language models and (Gen)AI systems hallucinated frequently and were not considered sufficiently reliable. Now traditional AI, along with (Gen)AI and agentic AI, have together started drafting full financial plans, generating portfolio rationales, automating documentation for compliance, predicting client churn, reducing service call volumes, and carrying out complex workflows with minimal human intervention.

Whether AI creates value is therefore no longer debatable. It does. But three key questions are left outstanding. Will AI merely reshuffle the cards in the industry or will it transform the economics entirely? Who stands to win and lose the most? And more importantly, how should wealth managers react?

Two alternative paths

To frame the debate about where AI is leading the industry, consider the two most likely futures.

1. The displacement case: AI all but replaces the advisor

AI in wealth management is most effective when offerings and the process to create those offerings are highly structured, templated, and repeatable—even more so, if they are digital, rules-based, with minimal customization, and not heavily reliant on trust-based human judgment. This category constitutes a significant proportion of mass and upper-mass affluent advisory offerings and services.

AI agents will continue to get better at understanding important investor context and financial goals, constructing portfolios, optimizing taxes, answering client FAQs, developing financial plans, and executing tasks on behalf of advisors and investors at scale. If regulators and clients accept both the development and delivery of these services by agentic AI financial advisors, then much of what is thought of as financial advice will become highly automated.

If this displacement case materializes, then the existential fear behind the sell-off is, if anything, understated. Fees are likely to compress for commoditized offerings and human advisors will become optional for large swaths of clients with simpler needs. Firms that can engage with and bring on board the most clients will capture the market.

In this scenario, even at the higher end of wealth management, a significant element of the added value can be automated over time. While the role of the advisor would remain essential, it would become more specialized and strategic, with a focus on relationships and coaching.

The displacement case is not the most likely scenario: client surveys (along with the history of robo-advice adoption) point to the importance of human touch and a trust-based relationship. Could that relationship erode over time? Possibly. Will the role of advisor change? Certainly. But a full displacement should be looked at as a theoretical ceiling vs. a probable outcome.

2. The disruption case: The emergence of AI-first wealth managers

In this more benign scenario, AI will reshape wealth management but not quite as comprehensively as some fear.

AI will deliver measurable productivity gains across the entire wealth management value chain, with the most significant impact seen in the following areas:

- AI-powered productivity tools will dramatically reduce administrative time on tasks such as note taking, account servicing, and middle-office and back-office workflows
- Automated profile generation and portfolio drafting will accelerate customization
- Financial and retirement planning will become quicker and more personalized
- Agents will drastically reduce preparatory work for client meetings
- AML and KYC automation will cut the compliance workload
- Lead scoring and personalized outreach will improve conversion efficiency
- Predictive retention models and agents will make revenues more stable by first predicting when early signs of strain are likely to appear in a relationship, and then acting accordingly
- AI will make it easier for advisors to offer adjacent products and services—such as tax planning, insurance, retirement income strategies, and banking—that clients have long demanded but advisors have often relied on outside firms to support.

BCG analysis of Wealth Managers shows that financial planning and portfolio management together account for 25–30% of costs and time (the largest share of operating costs) in many wealth management models, while account servicing and other operational support account for an additional 10–15%. In this disruption case, AI will drastically increase advisor and back-office efficiency and improve capacity and costs. Firms that successfully unlock capacity will then need to decide how to allocate these gains across three overlapping choices. They can use these lower costs to pursue growth of their client base through spending more time prospecting or lowering fees to attract clients; they can seek to boost profitability through an increase in advisor-to-client ratios and a compression of junior support layers; or they can use this freed-up time to deliver higher-value service to clients.

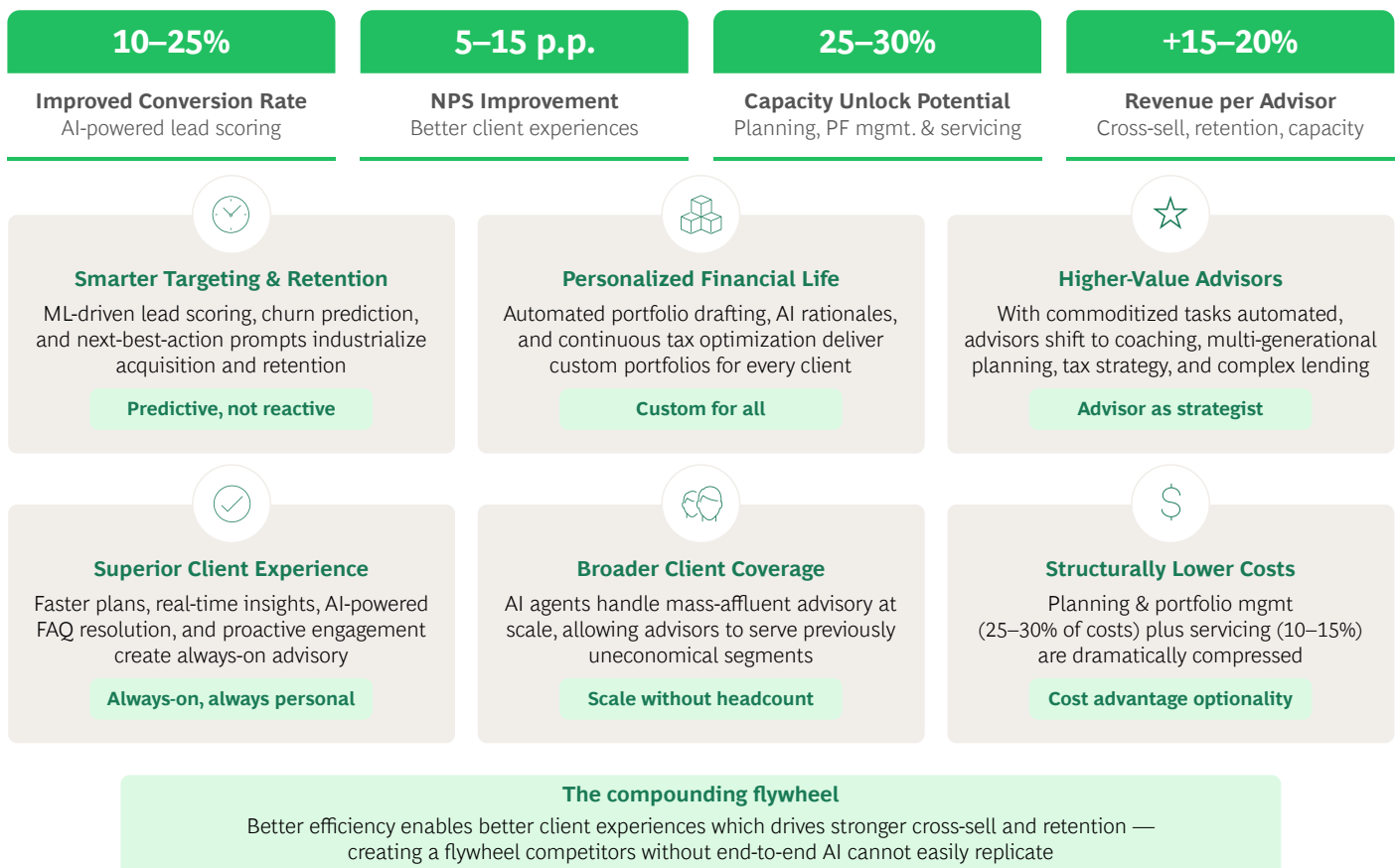
For firms that choose to allocate AI-driven capacity gains primarily toward cost reduction through higher advisor to client ratios, despite the opaque nature of fees in the industry, they should expect greater pricing pressure in standardized mass-affluent advice models. Because AI makes data-led, repeatable advice easier to deliver at scale, it will continue to weaken differentiation in segments where service models are already relatively uniform. Additionally, it is worth noting that there is a natural ceiling for how far client-advisor ratios can go. Research on social cognition—notably Dunbar’s Number—suggests that individuals can maintain approximately 150 meaningful relationships at any one time. AI can likely expand this 20–30% through helping advisors know what was last said and key personal details. However, even with AI support, the relationship ceiling means that firms that focus on cost and margin improvements may need to evaluate what the right number of clients per advisor is, and should use additional excess capacity to provide better services of more offerings.

Alternatively, firms that focus on relationship-driven, complex advisory work would remain highly relevant and durable over the medium term. However, as they embrace the trend up the value chain toward more high-margin, strategic and personalized services, such as life coaching and tax planning, advisors must also use AI to automate commoditized capabilities and reduce operating costs.

EXHIBIT 1

AI-first wealth managers will capture value across six dimensions

Firms that embed AI end-to-end will reshape the economics of advice – serving more clients, at lower cost, with higher-value outcomes



Source: BCG analysis and modeling evaluating AI capabilities across wealth management workflows and impact seen in BCG industry experience.

Where this leaves us

Firms now face a choice—either redesign their operating model, technology stack and workflows around AI, moving towards an AI-first operating model, or more gradually layer AI on top of established processes and tools.

Wealth managers that successfully follow the first approach will redesign workflows and processes end-to-end around AI agents. Every piece of the value chain should be evaluated from client acquisition, servicing, to broader practice management. These firms will capture impressive efficiency gains and will be in a position to decide how to shape their future—with either lower pricing, greater profitability, or more value-added services and products.

The latter group will use AI tactically, if at all. These firms may initially feel satisfied with the moderate benefits that derive from their usage of AI but the impact of the gap between these firms and their more AI-first peers has the potential to quickly compound as technology continues to improve and end investors vote with their feet.

The competitive asymmetry is stark:

- Firms that display a commitment to end-to-end transformation, supported by unified data, modern architecture, and cross-functional integration can scale AI rapidly.
- Firms that lack this commitment, and those with fragmented systems and siloed data, will struggle to convert pilots into market share and sustainable improvements in profitability.

AI will not eliminate wealth management, but it will further stratify it. Mass affluent, standardized advice could face sustained fee pressure unless accompanied by more value-added services. Complex, trust-based, multi-generational advisory will remain sustainable and hard to replace, at least in the medium term, especially where integrated lending, access to alternative investments, and cross-divisional referrals create client stickiness.

The risk to firms does not lie in AI itself, but in assuming that their business sits safely on the relationship side of the line, without rigorously testing whether its core value proposition and capabilities will escape significant disruption.

If AI expands advisor capacity and reduces client acquisition and servicing costs, growth will no longer primarily depend on poaching relationship managers and mergers and acquisitions. Direct client acquisition would become more economical and those who execute quickly stand to gain.

EXHIBIT 2

AI disruption potential varies sharply across the Wealth Mgmt. value chain

Roughly 60–70% of advisory sub-activities can be primarily AI-driven or AI-augmented, with 30–40% anchored in human trust and judgement

Client Acquisition	Onboarding & Compliance	Financial Planning	Portfolio Management	Account Servicing	Retention & Growth
25–35% AI capacity unlock	45–55% AI capacity unlock	25–45% AI capacity unlock	25–40% AI capacity unlock	40–50% AI capacity unlock	20–35% AI capacity unlock
Lead scoring & prioritization	KYC/AML verification	Financial & retirement plans & modeling	Portfolio const., rebalancing, & TLH	Meeting notes, CRM updates, simple reports	Churn prediction & early warning
Prospect discovery & research	Document collection & processing	Knowledge assistant (meeting prep)	Rationale generation	FAQ & service call handling	Cross-sell/upsell ID
Personalized outreach & content	Risk profiling questionnaires	Tax optimization scenarios	Alt. investment sourcing	Mid/back-office workflows	Next-best-offer logic
Relationship-based referrals	Complex entity structuring	Life-stage coaching & goals	Multi-generational strategy	Complex client requests	Trusted advisor relationship

~65% of sub-activities are primarily AI-driven or AI-augmented—unlocking 20–55% capacity per stage. Human-led activities (referrals, coaching, multi-generational strategy, trusted relationships) define where advisors must concentrate.

■ Primarily AI (80%+ AI) ■ AI-Augmented (50%+ AI) ■ Human-led (10–20% AI)

Source: BCG analysis and modeling evaluating AI capabilities across wealth management workflows and impact seen in BCG industry experience; Percentages show estimated AI capacity unlock per stage.

What wealth managers must do—now

In our opinion, the time for cautious experimentation has passed and wealth managers need to swiftly set the trajectory to an AI-first operating model. Wealth managers should now:

1. Set the ambitious strategic vision

Leadership must define a clear AI-first vision and then commit vocally to an ambitious multi-year end-to-end AI-first target and invest strategically in achieving that target.

2. Map exposure honestly

Evaluate five disruption criteria to core offerings: 1. Digital delivery. 2. Customization. 3. Rule-Based. 4. Human oversight required. 5. Reliance on human trust. Key questions must be answered. Does the firm’s value primarily result from standardized templates or data? How much of what the firm does is truly bespoke and based on trust and relationships?

3. Attack the highest areas of importance systematically

Financial planning, portfolio management, account servicing, and operations represent the largest operating expenses. Automated portfolio drafting, AI-generated rationales, knowledge assistants, and compliance automation should be scaled. The time for piloting is over. At the same time, firms should identify the additional services that clients desire where AI can now enable bringing these capabilities in-house.

4. Reimagine the advisor desktop experience and supporting tools

AI must sit at the center of both the advisors' and clients' experiences. Next-best-action prompts, retention alerts, automated documentation, personalized outreach must all work in unison. Fragmented tools will not close the productivity gap.

5. Industrialize asset growth, retention, and acquisition

Machine learning-enabled lead scoring, churn prediction, and personalized engagement have already led to measurable increases in assets, sales and revenue. Developing or enhancing these capabilities now will help firms better target agentic AI where it can have the largest benefits.

6. Invest in readiness

Data quality, architecture integration, governance, security, and scalable infrastructure determine whether AI creates genuine value or remains something that sounds impressive in presentations.

7. Prepare the workforce for the future

The judgement of the best advisors will need to be embedded within the AI agents as they are developed. Advisors themselves will soon need to become conductors in supporting agentic AIs for the workflows they now handle manually. Carefully considered upskilling will therefore be required.

8. Ensure your agents are differentiated

Encoding institutional knowledge into agents is critical. Firms should pair their top practitioners with agentic engineers in cross-functional pods to build, govern, and continuously refine these skills. Without centralized ownership and evaluation against client outcomes, agent quality will fragment.

The AI shock to the market has forced the industry to confront an uncomfortable question: is the moat structural and sustainable—or is it swiftly disappearing?

Firms that view AI as incremental tooling rather than as a fundamental redesign imperative may discover that what felt like a wide moat was, in fact, a productivity premium waiting to be competed away.

AI will not remove all advisors. It will redefine which advisors—and which firms—deserve to win.

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