

# Challenges of automated financial advice: Definition and ethical considerations

“Ethical tools and frameworks can facilitate the implementation of AI-based advice”

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Consumers need to be well-informed about their financial situation to be able to take action when this changes. Automated financial advice could increase consumers’ access to financial advice and, consequently, their financial well-being. Although such advice already exists for various financial products, holistic, automated financial advice has not yet entered the market. This next step requires a definition of good automated financial advice as a basis for financial advice algorithms and a framework to consider the ethical issues involved in implementing such automated advice. Our research explores both of these challenges.



Figure: Example questions of the reflection tool that we created to guide practitioners in their understanding of ethics and in its implementation in the design of AI.

## Principal Findings

- The definition of good automated financial advice is divided into four components, and defines i) which goal it should have, ii) on which information the algorithm should be based and how it should operate, (iii) what the outcome should look like, and iv) how it should be communicated.
- Laws and regulations are not always sufficient for addressing certain issues that could (un)intentionally affect well-being.
- Ethics can help evaluate potential resistance and preferred aspects of technological innovations that are not subject to dedicated regulations.
- We introduce a practical reflection tool (see Figure) that triggers reflection on the ethical requirements of automated financial advice.

## Key Takeaways for the Industry

- An ethical perspective must be applied to automated financial advice during the design phase to address in advance the issues that could jeopardise the adoption of automated services.
- Organisations can use the AI4 Ethical Financial Services (AI4ES) framework we developed to broadly incorporate ethics into their financial services.



Want to know more? Read the paper

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