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Maybe you've never touched it. Maybe you merely dabble with it from time to time. Maybe you use it every day and can hardly imagine life without it. But regardless of which category you fall under, by now you've certainly heard all about it.

I'm referring, of course, to artificial intelligence.

Since ChatGPT exploded on the scene in late 2022, AI has been a never-ending topic of conversation. It dominates online discourse, the halls of government, and even the markets. (Especially the markets.) But one sub-topic I'm often asked about centers on a single question:

"Can I use AI for financial advice?"

The answer is, yes. You can.

But should you? Well, that's a bit more nuanced.

AI is fast, convenient, and powerful. But your finances — the combination of all your investments, savings, income, taxes, debt, and the dreams they empower — represent your *life*. So, as with any tool, we have to be careful about when to use it...and when not to.

What AI is and what it can be used for

When people talk about "artificial intelligence," what they're really referring to is a **Large Language Model**, or LLM. ChatGPT, Claude, Gemini, and other chatbots use LLMs to calculate the statistically most likely next word in a sentence. It's sort of like the autocomplete function on your phone when you write a text, except much more powerful.

It's important to remember this when interacting with AI, because what you're seeing is not actual intelligence, but rather extremely sophisticated pattern-matching. If you ask AI a question, like, "What's the difference between a 401(k) and an IRA?", it will scour its database for previously-written material on that subject, determine which words are statistically most likely to answer that question, what order they should go in, and then reproduce those words on the screen for you.

For that reason, the best and most reliable way to apply AI to your personal finances is to treat it like a more in-depth, conversational Google search. It's an excellent way to:

- Get a quick answer to a question ("What age can I start taking Social Security benefits?")
- Search for resources ("Show me some resources that will help find, purchase, and then manage a vacation home.")
- Check your thinking ("I've heard that the cheapest day to fly to Europe is on Wednesday. Is that true, or is there more I should know?")

AI is also great for organizing, filtering, and finding data. For example, let's say you wanted to build a budget for an upcoming vacation. You could prompt AI with the amount of money you have available to spend along with a list of places you wanted to see and activities you want to do, and have it organized into a spreadsheet with every expense broken down and itemized. With AI, you can also have it summarize a document, pull data out of a report, or ask it to compare different financial choices.

Why you shouldn't rely on AI too much

With all that said, AI has some very definite flaws and limitations, which is why it shouldn't be overly-relied on when it comes to finances.

For one thing, AI is infamously prone to something called "hallucinations." This is when a chatbot generates information that is inaccurate or just plain made up. It doesn't happen all the time, but it does happen enough to make AI less reliable than the average encyclopedia.

The reason this happens is because of the way an AI works. Remember how I said everything a chatbot generates is based on the data it's trained on? If AI lacks the correct data to answer a question or follow a prompt properly, it will make a "guess" based on the data it does have.

Another reason AI can be an unreliable partner is because it is frequently guilty of making assumptions...and then letting those assumptions affect what it generates. For instance, a study by MIT found that AI often assumes the gender of the person prompting it based on the words they use.¹ Worse still, AI would change its recommendations based on that assumed gender. According to the study:

"...advice from prompts written by women led to nearly \$60,000 (4.10%) less wealth than advice from prompts by men, largely driven by lower recommended equity exposure and less active rebalancing."

Which brings me to the most important reason you should not overly rely on AI:

AI is superb at providing *information*; it is not well-suited for giving *advice*.

What's the difference? Well, the act of "informing" is essentially providing facts and data meant to educate. "Advice," on the other hand, is a *recommendation* based on your specific situation. It's meant not just to increase your knowledge, but to *guide your decisions*. And this is not yet something AI is very capable of doing.

To understand why, think again about what AI actually is and how it works. It generates text based on statistical plausibility. That means any advice it gives is not truly specific to you. And while providing AI with more input *can* increase the quality of its output (though, sometimes not knowing what to input is the reason for the question in the first place), every answer to every prompt will still be mere pattern-matching, and not truly tailored to your past, your personality, your emotions. AI doesn't know you. It's just really good at statistics.

That matters, because just as your financial goals are intensely personal, so too must be the path you take towards them. The media often likes to portray financial goals as the same choices on a menu that everyone has to select: Retire by a specific age, travel a certain amount, leave a legacy for your children. But that's just surface level stuff. A person's *real* financial goals are much more complex. Like this:

“I need to retire so I have more time to take care of my disabled sister, but I’m afraid I won’t have the money to do that and still accomplish my bucket list.”

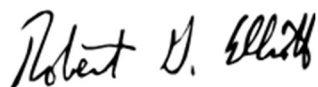
“I’ve always dreamed of seeing the small village in Germany where my great-grandparents got married, but inflation and market volatility make it feel impossible.”

“I want to leave my family a legacy, but my oldest child has passed away leaving two kids of his own behind, my second lives in a different state, and my youngest isn’t good with money, so I don’t know how to divide my assets evenly between all of them.”

It's these situations, these needs, these dreams, that require not just information, but advice. And not just any advice, but advice *truly* specific to you.

AI is an exciting tool. A tool that has come on by leaps and bounds in recent years. A tool that will undoubtedly play a major role in society over the years to come. But while it has plenty of uses, remember that *all* tools must be used carefully, thoughtfully, and only in the right situations. Just as a wrench can’t replace a hammer, and a hammer can’t function as a saw, AI is excellent for information and organization. But, in my opinion, not your best option for personal financial advice.

Sincerely,



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Vice President



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¹ “Half of Americans now ask AI for financial advice, but how good is it?” MIT Sloan School of Management, <https://mitsloan.mit.edu/press/half-americans-now-ask-ai-financial-advice-how-good-it>

