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SOLUTIONS

The Family Office & AI:

What You Need to Know

What does AI mean for a Family Office?

The place to start is probably "What sort of AI?".

Artificial Intelligence (AI) is the power of a machine to imitate intelligent human behavior. AI goes beyond automation, which is where rule-based processes and algorithms help automate certain business tasks. AI enables machines to learn to emulate the way humans do tasks and potentially improve on them. The idea is that AI can help the staff of a Family Office operate at a higher level by taking away mundane tasks and allow them to serve the family they work for better.

A visualization of the use of AI in a Family Office is a virtuous circle:
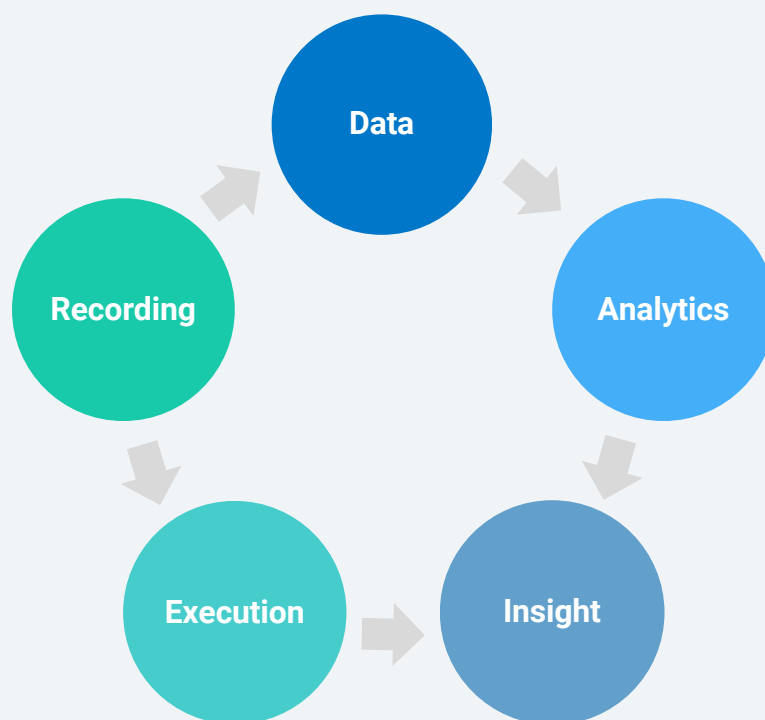
What is also set out in this graphic are the basics underlying the tasks a Family Office performs and so the AI is about the "how" they are done. It doesn't replace the human element or the relationship element in a Family Office, but it is a tool that can potentially take the office to the next level.

The drivers for the use of AI in a Family Office are:

- Recognizing patterns
- Risk oversight
- Initiating best practice processes
- Strengthening good decision making
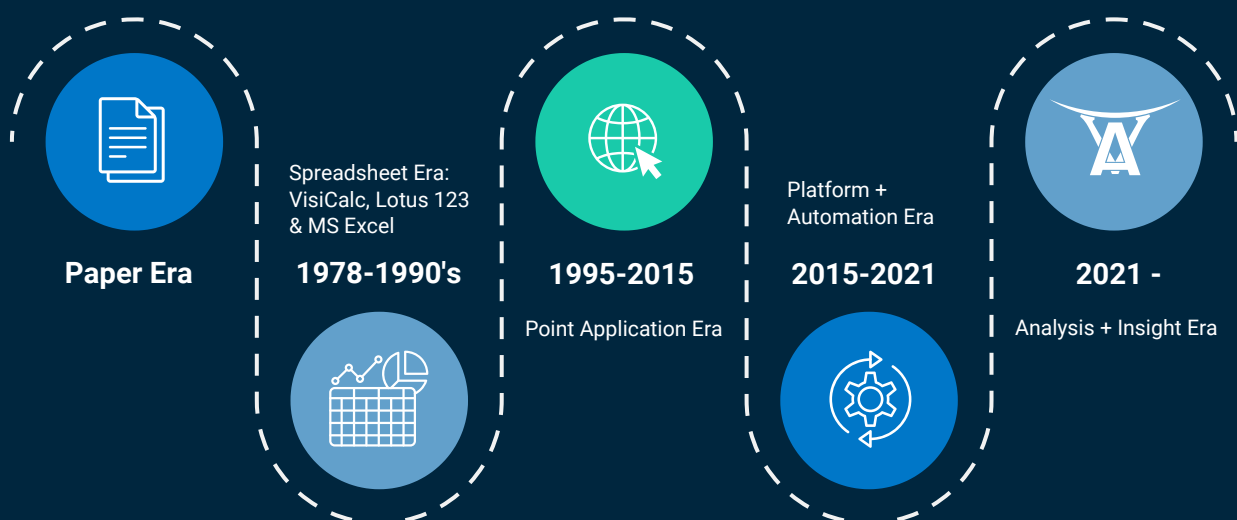- Enabling effective communication

When you look at replacing mundane work done by office staff, it is things like cap call documents being automatically read and all the data elements for processing and posting completed by AI. The office staff are then there to do the important work, like approvals.

This operational efficiency is an important part of how AI can positively affect a Family Office. It can help meet the challenges around staffing, turning a "cost" center into a "value" center and in areas of monitoring and cybersecurity. The impact of the use of AI at the Family Office CEO level will be facilitating things like higher levels of risk management through greater transparency, a more productive office and one that can be even more responsive to the family's needs. AI will also be there as the basis of a virtual assistant for the family and staff.

A verbal request for a question like *"How much cash can I access this week?"* can be handled by AI and Natural Language Generation (NLG). Essentially, for a Family Office AI can be the catalyst for a new target operating model that will positively impact all the people, processes and technology that are part of the Family Office ecosystem.

Is AI just a matter of technology?
No, it's a matter of data first!

A bit of scene-setting is needed here in terms of the eras of technology for Family Offices.

Paper Era

Spreadsheet Era: VisiCalc, Lotus 123 & MS Excel
1978-1990's

1995-2015
Point Application Era

Platform + Automation Era
2015-2021

2021 -
Analysis + Insight Era

Most Family Offices are 'recorders' and 'reporters' and the technology they use reflects this - spreadsheets and/or a mixture of point systems. They record and report on all types of transactions that are part of the wealth management of the family they serve. The "execution" tasks are typically performed in 3rd party technology systems, like a bank portal to initiate a payment.

You can see the problem. There is a constant need to reconcile data, to make the Family Office world of entities, individuals, assets, liabilities, accounts and transactions fit the data they gather from 3rd parties.

Often it's further complicated because this data isn't at the transaction level, but a balance of an account only.

In many publications about AI in Wealth Management you will see phrases like "Combining data from disparate sources into meaningful information" and "real-time" used as simple statements. Apart from being far from simple, they are often combined with the idea that system integrations and data gathering/exchange using "API's" are a panacea. AI is only as good as the data it has been given to use, and this problem is at the heart of not only AI but "true" wealth management all liabilities - managing all assets and A graphic about account data aggregation explains this well:

The Six Levels of Account Aggregation and PFM Portals for Financial Advisors
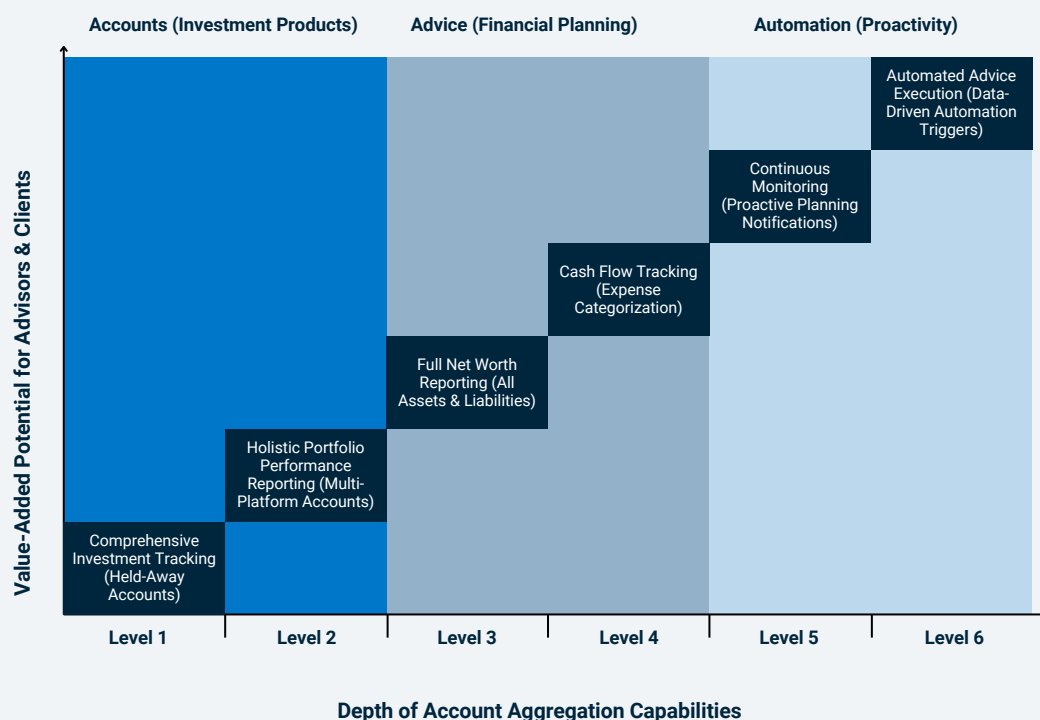
As the AI technology output will only be as good as the data it is given, a key element AI needs to know is how all the different bits of data relate to each other.

In the case of a Family Office, it needs a data model that reflects the *'true'* world the office deals with.

Again, all the entities, individuals, assets, liabilities, accounts and transactions that make up the wealth management of the family.

AI is a technology construct, but it needs a defined technology progression to operate at the highest level in a Family Office. It needs a data model that reflects the relationship "world" that the Family Office manages. That data model needs to be part of a relational database where all the data a Family Office deals with, from messages, transactions, ownership data, documents etc., resides. This database must be part of a platform where all the functional elements that need data for analysis and reporting are accessing the same data, structured in the same way.

That way any AI is working on the complete Family Office data universe in "real-time". Data is automatically gathered overnight from sources like banks and custodians. Business rules and workflows ensure that the data is scrubbed, normalized, etc. and automatically posted to the investment ledger.

This data also flows as automatic journals to the general ledger to ensure that they are always in synch, as well as updating the performance reporting calculation data.

Added to this are any intra-day work, such as cap calls, distributions, bills, etc. that flow into the office. These are recorded in the system and processed through to payment. Again, these workflow-based tasks provide data, so the system knows all about changes to account balances, cash flows, IRR, etc. intra-day. Of course, overnight confirmations of these executed transactions then flow back and are automatically reconciled.

In this system any applied AI "knows" about all the data transactions and, through the data model, how these are to be understood in terms of the Family Office relationships. It reflects the legal reality they deal with, the family wealth ecosystem

As AI drives the applied analytics and insights, Natural Language Programming/Generation can be used to provide the Family Office staff and family members with "streamed" knowledge delivered to any device, including a mobile phone. This access to knowledge as it happens can help to help generate alpha, ensure transparency and efficiency and facilitate intra-day risk management.

The benefits of AI make sense for our Family Office, but how do we start?

It begins by looking at that virtuous circle diagram again and getting two things right:

1. Using a platform designed for a Family Office where all the data the office needs is gathered and stored in a family-specific data model, a single source of truth

2. The office can execute transactions and reports using the same platform.

AI is then the icing on the cake. It's a technology but it is only as good as its data foundation.

That is where you start.

AtlasFive from Eton Solutions is an enterprise technology platform for the Family Office whose primary value proposition is to solve complexity and provide efficiency.

This platform is based upon exceptional domain knowledge, as seen in its unique data model, and is driven by the concept of integrated and unified data and applications, that is cloud-native, and where everything is designed to work together. AI for the Family Office is part of the development road-map and is being rolled-out now.

It is built on an enterprise-grade security architecture. Security has been at the core of the platform from the very beginning, not as a bolt-on initiative later, and as such it is the security leader in the Family Office market. It is a fully integrated platform, built on modern technology, that even without AI, transforms the way Family Offices serve the family and facilitates moving office staff to higher value work. It provides that necessary data component that is the 'Single Source of the Truth'.

AtlasFive was developed to meet unique needs of a Family Office. It is a platform built by a Family Office, for Family Offices, especially those who want to harness the power of AI.

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