Vanguard

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Closing the gap: AI-enabled advice and the future of investor protection

Millions of people face important financial decisions every day—including how much to save, how to invest, and when to retire. Yet for many people, professional investment advice has felt out of reach.

The result is a persistent gap between investors' need for support and their ability to obtain it. Because high-quality financial advice can help investors make better decisions and achieve better long-term outcomes, Vanguard has spent years making advice more accessible and affordable. One technology that we believe can be transformative in this effort is Generative AI (GenAI).

Because of its access to information and its ability to interact with investors in real time, GenAI can help close the advice gap. It can serve as both a tool for investors and a means of helping financial advisors deliver more personalized, accessible, and scalable advice. The rapid growth of investor-facing AI tools shows that this transformation is already under way. A 2026 Vanguard survey found that roughly one in three U.S. investors already use AI for personal finance, rising to nearly four in 10 among investors under age 55.[1]

GenAI tools can deliver low-cost, nonjudgmental, and always-available support.[2] These tools can meet investors where they are and in the ways they increasingly engage with financial decisions.

The tools' conversational nature makes it easier for investors to ask questions, explore concepts, and build understanding intuitively. The tools can also reduce behavioral barriers such as inertia or lack of confidence. For many investors, they provide an accessible alternative to traditional advice, and Vanguard survey data show that cost and convenience are the top reasons why investors use AI for financial guidance.

At the same time, the tools' rapid uptake raises important policy questions, including how to promote healthy competition among advice providers and ensure that investor protections apply across advice channels.

1 The AI & Advice Survey was conducted by Vanguard's Investment Strategy Group in June 2026 among a sample of 6,686 Vanguard personal investors. The survey questionnaire examined investors' attitudes, perceptions, and experiences regarding the use of artificial intelligence for financial advice and guidance.

2 A 2025 Intuit Credit Karma survey of 1,019 adults ages 18 and older found that 75% of those who use GenAI say it allows them to ask the financial questions they are too embarrassed to ask others.

Regulated financial advisors, including registered investment advisers and broker-dealers in the United States, are subject to longstanding regulatory obligations when providing investment advice. They must act in investors' best interests and disclose conflicts of interest, such as financial incentives that could influence their recommendations. They are required to keep records of those recommendations and to safeguard client information. Advisors are subject to regulatory oversight and can be held accountable if they fail to meet these standards.

It's unclear whether these same rules apply when an investor turns to a GenAI chatbot for investment advice. Yet, from the investor's perspective, that distinction is often invisible. Similar interfaces and conversational experiences can make AI-generated advice feel no different from regulated advice—even when the underlying safeguards are not applied. Investors using these tools, for instance, might be unknowingly steered toward certain products, services, or activities that serve commercial interests rather than investors' interests.

Consumers have long relied on unregulated sources of financial information—from books and magazines to search engines and online forums to social media and influencers—especially when formal advice is unavailable or unaffordable. Vanguard survey data show that investors commonly turn to these sources for guidance.[3]

GenAI changes how that information is delivered by synthesizing and personalizing it based on user interactions. Investors no longer need to sift through multiple sources to determine how information applies to their circumstances. Instead, they receive direct, conversational answers tailored to the questions they ask and the information they provide. As a result, the outputs feel more personalized, authoritative, and actionable than traditional content does.

This dynamic is reinforced by "automation bias"—the tendency to place undue weight on recommendations generated by automated systems.[4] As GenAI tools become more sophisticated, investors may be more likely to accept recommendations at face value. Survey data suggest that this tendency may already be emerging: Nearly one-third of Vanguard clients who responded trust AI platforms for financial guidance to some extent, while a survey by the Australian Securities and Investments Commission (ASIC) found that two-thirds of Gen Z Australians who responded trust AI platforms for money advice.[5]

This raises the policy challenge of preserving the benefits of GenAI-enabled advice while ensuring that investor protections keep pace with its expanding role in financial decision-making.

3 In the June 2026 Vanguard survey of 6,686 clients, about 47% of investors reported using internet search for financial guidance, and 12% reported using social media for that guidance, with significantly higher usage of internet search and social media among younger investors.

4 Giuseppe Romeo and Daniela Conti. *Exploring Automation Bias in Human–AI Collaboration: A Review and Implications for Explainable AI*. AI & Society, 2025, 41: 259–278.

5 The research commissioned by ASIC's Moneysmart project shows that 18% of Gen Z Australians are using AI platforms for financial information and guidance, 64% say they trust AI platforms for money advice, and 63% are confident in the accuracy of financial guidance from AI platforms. For more information, see the Australian Securities and Investments Commission's 2026 release, *Moneysmart Publishes Tips on Using AI for Financial Issues*.

A global advice gap leaves millions without access to affordable support.

Many adults lack the knowledge or confidence to navigate complex financial choices on their own.

In the U.S., two out of three Americans score low on financial literacy.[6] Gaps are similarly pronounced abroad: In Australia, about 40% of adults lack basic financial literacy.[7] And in the United Kingdom, 22% of adults report lacking confidence managing money, and 36% report low knowledge about financial matters.[8]

Yet relatively few people receive regulated investment advice. Historically, only about one in five Americans has received investment advice.[9] In the U.K., the figure is under one in 10. Those who do receive advice are disproportionately wealthier: 45% of accredited investors rely on regulated investment advice, compared with just 19% of nonaccredited investors.[10]

Several barriers contribute to this gap. Cost remains a primary constraint.[11] Vanguard research shows substantial variation in advice pricing, as well as evidence that many investors struggle to identify affordable options.[12] Regulatory uncertainty around the boundary between advice and guidance can limit how firms engage with different segments of investors. Behavioral frictions—such as inertia and low confidence—also reduce advice uptake, while trust and accessibility challenges make traditional advice models feel out of reach for many households.

The consequences extend beyond individual investors. Without access to support, many households struggle to make informed decisions, leading to lower participation in capital markets, underdiversified portfolios, and excessive holdings of cash or other low-return assets.[13] As populations increasingly bear responsibility for their own financial security, these challenges can have broader implications for household wealth accumulation and long-term financial resilience.

Against this backdrop, consumers are increasingly turning to GenAI for financial support. They often ask questions that span multiple aspects of their financial lives—such as investing, debt, savings, and retirement—rather than aligning with the discrete categories that underpin existing regulatory frameworks. As the use of GenAI grows, more financial decisions are being shaped by experiences that operate outside established investor-protection frameworks.

6 Judy T. Lin, Christopher Bumcrot, Annamaria Lusardi, Olivia Valdes, Gary Mottola, Robert Ganem, Susan Sarver, Christine Kieffer, Ritta McLaughlin, and Gerri Walsh. *Financial Capability in the United States: Results From the FINRA Foundation's National Financial Capability Study, 6th edition*. FINRA Investor Education Foundation, 2025.

7 Alison Preston. *Financial Literacy in Australia–2024: Insights from the 2024 Household, Income and Labour Dynamics in Australia (HILDA) Survey*. UWA Business School, 2026.

8 *Financial Lives 2024: Key Findings From the FCA's Financial Lives May 2024 Survey*. Financial Conduct Authority, 2025.

9 Based on estimates of individual registered investment advisor clients from U.S. Securities and Exchange Commission ADV data divided by the adult U.S. population (267 million) as of January 2026.

10 Katherine Carman, Alycia Chin, Steven Nash, and Brian Scholl. *Exploring Accredited Investors and Private Market Securities Ownership*. OIAD Working Paper No. 2025-1, U.S. Securities and Exchange Commission, Office of the Investor Advocate, 2025.

11 Cost challenges are especially acute in Australia. Despite a highly developed retirement and investment system, access to regulated personal advice has declined, with below 11% of adults receiving ongoing advice as of 2025—a share that has fallen materially since 2019. At the same time, the median annual cost of advice has risen to more than 4,000 Australian dollars as of 2025.

12 Nicky Zhang, Fiona Greig, Andy Reed, Paulo Costa, and Malena de la Fuente. *Financial Advice Economics: What SEC Filings Reveal About Costs and Services*. Vanguard, 2025.

13 Stephen M. Weber, Paulo Costa, Bryan Hassett, Sachin Padmawar, and Georgina Yearwood. *The Value of Personalized Advice*. Vanguard, 2022. Also Maarten van Rooij, Annamaria Lusardi, and Rob Alessie. *Financial Literacy and Stock Market Participation*. Journal of Financial Economics, 2011, 101(2): 449–472. Also Hans-Martin von Gaudecker. *How Does Household Portfolio Diversification Vary With Financial Literacy and Financial Advice?* The Journal of Finance, 2015, 70(2): 489–507.

This shift creates a growing mismatch between the ways investment advice is delivered in practice and the frameworks designed to protect investors. As a result, investors may not realize when important safeguards are absent. They may place undue confidence in AI-generated recommendations based on prompts that do not fully reflect their circumstances; overlook key considerations such as diversification, costs, and risks; or be steered toward products and services that do not serve their interests.

GenAI can amplify longstanding risks in investment advice.

Investor-protection standards were developed to address well-established risks that arise in the delivery of investment advice. When applied, these standards can help effectively manage those risks, whether advice is provided by a human advisor or through technology-enabled channels.

GenAI does not eliminate the risks inherent in investment advice—it amplifies them. It introduces new mechanisms through which these risks can emerge and scale at speed. Familiar risks take on new forms, affect more investors, and spread more rapidly.

Existing safeguards continue to apply when GenAI is used within regulated advice models. But when general-purpose GenAI tools operate outside those frameworks, investors face those same risks without equivalent protections. We group these risks into five categories:

1. **Accuracy.** GenAI tools can produce different answers to the same question across time or prompts. This makes it difficult for investors to judge whether the advice they are receiving is reliable or consistent.

   These tools can also generate incorrect or fabricated information presented as fact. In a financial context, these "hallucinations" can lead investors to make decisions based on inaccurate or unsuitable information. For example, a GenAI tool might recommend a particular stock and support that recommendation with fabricated claims about past performance, earnings, or valuation. Because the recommendation appears precise and personalized, an investor may act on it without independently verifying the information.

   Among Vanguard survey respondents who have used AI for financial questions, 39% say it has given them incorrect or misleading information, and a further 42% say they cannot tell whether it has done that. The investors least able to evaluate the tool are also the least AI-literate and are the same investors most likely to misperceive the tool's lack of regulatory protections. The Vanguard survey also suggests that many investors are poorly equipped to navigate this risk: Only 53% recognized that AI can generate responses that sound correct, even if the answer is sometimes wrong.[14]

2. **Suitability.** GenAI tools often reinforce a user's existing views rather than challenge flawed assumptions. This dynamic—referred to as "sycophancy"—can increase overconfidence and encourage behaviors associated with poor outcomes, such as excessive trading or performance chasing.[15]

   These tools also typically rely on the information provided in a single interaction and may not probe for missing facts or ask follow-up questions. As a result, recommendations may appear tailored but reflect only partial information. Yet these limitations may not be disclosed to users.

3. **Bias.** AI-generated financial recommendations can vary systematically across users even when their underlying financial circumstances are the same. For example, recent research has found that AI systems recommend lower

14 Source: Vanguard's June 2026 AI & Advice Survey of 6,686 clients.

15 Gunjan Banerji. *I Asked ChatGPT to Manage a Stock Portfolio. Here's How It Did*. The Wall Street Journal, 2026. The article notes that prompts regarding leveraged ETFs elicited recommendations that effectively encouraged attempts to time the market.

equity exposure for women.[16] Because these differences are largely invisible to users, and outputs are presented in the same authoritative tone, investors may assume neutrality. In fact, 55% of Vanguard's survey respondents think AI is the same as or better than humans in terms of objectivity.

4. **Incentives.** Providers of general-purpose GenAI tools have not been subject to fiduciary duties. They have not been required to act in investors' best interests or to identify, manage, and disclose conflicts of interest. The incentives shaping these systems are often opaque and may reflect not only commercial relationships but also engagement-driven incentives such as maximizing usage, retention, or revenue—without users understanding how those incentives influence the advice they receive.

   Vanguard's survey evidence suggests that many investors do not fully understand this gap: Roughly one in three respondents say they do not recognize that general-purpose AI tools have no obligation to act in their best interest, and more than one in three say they do not recognize that these tools face little to no regulation when providing financial guidance.[17]

5. **Accountability.** Regulated advisors are subject to regulatory oversight. They must maintain records of their recommendations and make those records available to regulators. If they fail to comply with regulatory requirements, they may face fines, sanctions, or the loss of their ability to provide advice. Clear mechanisms exist for oversight and accountability. By contrast, when a GenAI tool delivers harmful or misleading recommendations or fails to protect sensitive client information, it is often unclear whether anyone is accountable for the resulting harm and whether investors benefit from comparable protections.

Agentic AI moves from influencing decisions to executing them.

The next—and even more consequential—phase of this evolution is already underway: AI systems that not only recommend actions but also execute them on investors' behalf, including opening and closing accounts, trading securities, and managing assets.

Vanguard's survey shows how far ahead of investor comfort this frontier runs. Only 1.6% of the respondents report currently using agentic AI for their finances; 57% say they are not comfortable with AI taking any financial action on their behalf, and just 1.3% say they would let it act autonomously in most cases.[18]

As AI systems move from advice to execution, the stakes increase exponentially. Agentic systems turn existing design choices, business models, and incentives into automated, continuous, and personalized mechanisms for action. What is today an app-based experience can become an always-on agent, amplifying both the benefits and the risks embedded in existing models.

These dynamics are particularly consequential when incentives are misaligned. Systems optimized for engagement, transactions, product distribution, or order flow may steer investors toward actions that benefit the provider more than the investor. Similar dynamics have been observed in human sales practices, where incentive structures have contributed to poorer investor outcomes and prompted regulatory intervention. By making such behavior easier and more persistent, agentic AI could reinforce these dynamics, contributing to such outcomes as excessive trading, short-termism, and concentration risk.

16 Taha Choukhmane, Tim de Silva, Weidong Lin, and Matthew Akuzawa. *AI Financial Advice: Supply, Demand, and Life Cycle Implications*. SSRN, 2026. Also Matthias Rumpf, Michael Haliassos, Tetyana Kosyakova, and Thomas Otter. *From Humans to Algorithms: How Financial Advice Differs Across Professionals, Peers, and LLMs*. SSRN, 2026.

17 Source: Vanguard's June 2026 AI & Advice Survey of 6,686 clients.

18 Source: Vanguard's June 2026 AI & Advice Survey of 6,686 clients.

Widespread use of agentic AI could also have market-level implications. If large numbers of investors rely on similar models, data sources, or optimization objectives, decision-making could become more synchronized—potentially amplifying herding behavior and feedback loops during periods of market stress.[19] While market forces may mitigate some of these effects, the implications for financial stability warrant further consideration.

Together, these developments raise important questions about existing regulatory frameworks. Protections such as best execution, know-your-customer (KYC) obligations, requirements to safeguard client assets and information, and supervisory and recordkeeping obligations were designed around human judgment and oversight. Existing frameworks also provide clear mechanisms for accountability when things go wrong. As these functions are increasingly delegated to agentic systems, policymakers will need to consider how investors can continue to benefit from these protections.

Investor protections should reflect how advice is increasingly delivered.

Policymakers should modernize investor-protection frameworks to reflect how advice is increasingly delivered, including through GenAI. Expanding access to more flexible, technology-enabled forms of support will be critical to closing the advice gap, but this flexibility must be paired with clear and consistent protections. To that end, we propose three recommendations for policymakers:[20]

1. **Apply consistent standards across functionally equivalent advice.**
   The same activity should lead to the same regulatory outcomes. Functionally equivalent advice—whether it is delivered by a human, a regulated firm, or a GenAI tool—should be subject to consistent regulatory expectations. As regulators seek to apply this principle in a rapidly evolving technological environment, they should work closely with regulated advisors to ensure that frameworks can adapt efficiently as new models emerge, including through mechanisms that support responsible innovation and testing.

2. **Clarify and differentiate types of support.**
   As GenAI expands access to investment advice, regulatory frameworks should recognize a continuum of support and apply protections proportionate to the risks they present. Today, prescriptive requirements and guidance defining what constitutes a "recommendation" can limit how regulated advisors engage with investors—particularly in more conversational, technology-enabled contexts—and can inadvertently push consumers toward unregulated alternatives.

   A clearer continuum of support would provide regulated advisors with the clarity needed to offer a broader range of investor support, helping to ensure that investors have access to trusted guidance suited to their circumstances. Greater clarity would also enable regulated advisors to innovate with GenAI and develop new ways of delivering that range of support. We group this continuum into three categories:

   - **Education.** General, nontailored information—such as explanations of investing concepts or market commentary—should remain subject to existing standards requiring communications to be fair, balanced, and not misleading. Providers should clearly signal that the interaction does not constitute personalized advice.
   - **Personalized guidance.** Such guidance plays an important role in bridging the gap between education and comprehensive investment advice, providing more tailored, action-oriented support without requiring a full understanding of an investor's circumstances. Guidance in this category includes digital nudges; targeted support, which provides suggestions for

19 Anne Lundgaard Hansen and Seung Jung Lee. *Financial Stability Implications of Generative AI: Taming the Animal Spirits*. Finance and Economics Discussion Series 2025–090, Board of Governors of the Federal Reserve System, 2025.

20 These recommendations reflect Vanguard's experience providing investment advice and related investment services. They are not intended to express a view on regulatory approaches outside those activities.

defined groups of investors with shared characteristics based on limited personal information; and simple, point-in-time advice to address a specific need without a comprehensive assessment of an investor's overall financial situation.

Policymakers should recognize this as a distinct form of regulated support, with investor protection requirements applied on a proportionate basis—increasing as interactions become more personalized. At this level of support, disclosures should help investors understand the scope of the interaction, the information considered, and any material conflicts, and guidance should serve *investors'* interests.

The U.K. provides a useful example of this emerging approach. Its targeted support regime and proposed simplified advice regime reflect this middle ground, aiming to expand access while calibrating regulatory requirements to the level of personalization provided. Evidence suggests that targeted support can improve outcomes, particularly when tailored to investors' attitudes rather than demographics, with especially strong effects among women and new investors.[21]

Australia's Delivering Better Financial Outcomes reforms similarly seek to expand access to scalable, lower-cost guidance, such as digital nudges and simple targeted advice. Implementation has been incremental, however, and for many consumers the practical availability of affordable, regulated guidance has yet to materially improve, making GenAI usage for financial guidance more attractive.

- **Comprehensive advice.** When investors enter an advisory relationship and pay for advice tailored to their overall financial situation, longstanding investor-protection requirements should apply in full. These include fiduciary duties to act in the investor's best interests; develop a reasonable understanding of the investor's objectives; and identify, manage, and disclose conflicts of interest. When GenAI tools functionally deliver this level of advice, they should be held to equivalent standards.

3. **Preserve core protections as agentic AI gains discretion.**
As GenAI systems increasingly move from providing advice to taking actions, policymakers should ensure that core safeguards remain in place. These include best execution, KYC requirements, asset safeguarding requirements, and safeguards to protect client information from unauthorized access and use. Investors should clearly understand who is responsible when errors occur, what protections apply, and how harms can be remediated. Given the speed, scale, and autonomy of agentic AI, some safeguards may need to be adapted to ensure that automated decisions can be monitored and reviewed, risks are appropriately managed, and harmful errors can be identified and corrected before they result in significant losses.

   This issue is already beginning to attract regulatory attention. In the U.K., Sheldon Mills, the former executive director of consumers and competition at the UK Financial Conduct Authority (FCA), published a report in July 2026 on AI and the future of retail financial services. The Mills Review, as the report is known, considers how the FCA's regulatory framework may need to evolve to respond to emerging opportunities and risks associated with AI-enabled financial services.

21 John Gathergood, Edika Quispe-Torreblanca, and Neil Stewart. *Designing Targeted Support for Attitudes to Investing*. The Investing and Saving Alliance, 2026.

Conclusion

GenAI is already reshaping how investors seek and receive financial advice. The key question is whether investor protections keep pace. Left unaddressed, this gap could increasingly push investors toward outcomes that are suboptimal for both the investors and the markets.

By aligning regulatory frameworks with the substance of advice—rather than the channel through which it is delivered—and recognizing a continuum of support that applies protections proportionate to the level of personalization and risk, policymakers can expand access to high-quality, technology-enabled support while preserving the core protections that underpin trust in financial markets.

Done well, this approach can ensure that innovation in advice delivery translates not only into broader access, but also into better outcomes for investors.

Vanguard is committed to sharing our research, global perspective, and practical experience to help policymakers navigate the opportunities and challenges presented by GenAI. We look forward to working with regulators to develop frameworks that expand access to high-quality advice while maintaining strong investor protections.

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