What If the Future Changes What Your Wealth Is Worth?

You've spent decades accumulating capital. But what happens if AI changes the economics of the assets you own?

AN UNCOMFORTABLE QUESTION

You may not need a job. But what about your investments?

Someone approaching retirement recently remarked: “I’m not worried about AI taking people’s jobs. I’ll be retired in five years.”

It’s understandable. After decades of working, saving and investing, retirement offers the prospect of financial independence. You have your pension. Perhaps some property. Investments accumulated over many years.

But does that mean you’re insulated from what happens to everyone who still works?

> *You may not need a job in five years. But your investments may depend on millions of people who do.*

This paper isn’t a prediction about AI. It’s an invitation to question something investors have come to take for granted.

I

The world we've become accustomed to

For decades, investors have been encouraged to think long term. Stock markets rise and fall. Property prices fluctuate. Economies experience recessions. But history has generally rewarded patience.

Diversification has helped spread risk. Time has allowed businesses and economies to recover from setbacks.

These principles have served generations of investors. But there's an assumption beneath them that we rarely discuss.

> *That the economic world of tomorrow will behave sufficiently like the world of yesterday. What if it doesn't?*

II

What if AI changes the value of businesses?

Why is a business valuable? Ultimately, because of the profits investors expect it to generate in the future.

Now imagine that AI allows a small number of businesses to perform work previously undertaken by thousands of companies and millions of employees.

Some businesses could become extraordinarily profitable. Others might find that the services they've spent decades providing can now be delivered for almost nothing.

> *A falling share price is one thing. A business losing its economic purpose is quite another.*

This doesn't necessarily mean stock markets will fall. It does mean that some businesses we value today might be worth considerably less tomorrow.

III

The problem with owning a little of everything

“Don’t put all your eggs in one basket” is sensible advice. Owning hundreds or thousands of businesses reduces your dependence on any one company.

But what happens if technological change affects hundreds of those businesses at the same time?

A diversified portfolio can own the winners as well as the losers. That’s one of its strengths. Yet diversification cannot eliminate every risk arising from a fundamental change in the economy.

> *You can diversify across businesses. But can you diversify away a change in what makes businesses valuable?*

IV

What if things become dramatically cheaper?

Elon Musk has suggested that AI and robotics could eventually make goods and services extraordinarily inexpensive. Imagine he’s even partly right.

For consumers, cheaper goods and services could be wonderful. But what would it mean for the owners of capital?

A company that once charged substantial fees for expertise might find that expertise is now almost free. A property that commanded a premium because of its proximity to employment might become less desirable.

Other assets could become more valuable. Falling costs might also boost profits, and cheaper goods could improve living standards even if investment returns disappoint.

> *The point isn’t that everything becomes worth less. It’s that what makes something valuable could change.*

There are many possible outcomes. Falling prices in some sectors are not necessarily economy-wide deflation.

v

The risk we don’t usually discuss

Most investment conversations concentrate on familiar risks. How much could your portfolio fall? How much volatility can you tolerate? How much income can you withdraw?

These are important questions. But perhaps there’s another: what if the next 20 years are fundamentally different from the last 40?

Nobody knows how quickly AI might change the economy, or which investments would benefit. History gives us reasons for optimism, but cannot guarantee that today’s assets will benefit from tomorrow’s progress.

> *Perhaps the greatest risk isn’t the volatility we’ve learned to accept. It’s a change in the assumptions we’ve learned to trust.*

VI

What should you do?

I don’t have a crystal ball. I don’t know whether AI will produce extraordinary prosperity, serious disruption, or some combination of the two.

Uncertainty isn’t a reason to avoid thinking. If you’ve spent decades accumulating wealth, it seems reasonable to ask whether the assumptions behind your arrangements still deserve your confidence.

> *Not because you should immediately change your investments. But because good decisions begin with understanding what you’re depending upon.*

What assumptions about future growth underpin your retirement plans? How dependent are you on today’s industries? What if some asset values change permanently rather than temporarily?

You may conclude that your arrangements remain entirely appropriate. But wouldn’t it be better to reach that conclusion after asking the questions?

A FINAL THOUGHT

What will make your wealth valuable tomorrow?

You've spent much of your life building your wealth. You've experienced market falls, recessions and uncertainty. And you've learned that patience often pays.

But the next great economic transformation may not simply change the prices of the assets you own. It could change what makes those assets valuable in the first place.

> *The question isn't whether your investments will go up or down.*
>
> *It's whether the reasons you own them will still make sense in the world that's coming.*

CONTINUE THE CONVERSATION

At The Wealth Coach, we don't claim to predict the future. We help people think carefully about important financial decisions, challenge assumptions and understand their choices.

Explore privately: Use Evoa to think through the questions at your own pace, without creating an account.

Talk it through: Have a conversation with an independent Chartered Financial Planner about the assumptions behind your own financial arrangements.

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THE WEALTH COACH · CLARITY BEFORE ADVICE

ABOUT THE WEALTH COACH

Clarity before advice

The Wealth Coach is an independent financial planning practice based in Shrewsbury.

We help people think carefully about important financial decisions, understand their choices and question assumptions they may have taken for granted.

Our approach begins with listening and understanding what matters to you, rather than recommending financial products.

Nicholas Round is a Chartered Financial Planner and Chartered Wealth Manager with more than 30 years' experience.

IMPORTANT INFORMATION

This publication is provided for general information and discussion. It is not personalised financial advice or a recommendation to buy, sell or retain any investment.

The discussion of artificial intelligence and its possible economic consequences explores potential scenarios, not forecasts. Future developments and investment outcomes are uncertain.

Investment values and the income they produce can fall as well as rise. Past performance is not a reliable indicator of future results.

Before making significant financial decisions, consider obtaining regulated financial advice appropriate to your circumstances.

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