

Should I Invest in Artificial Intelligence?

This short guide can help you learn about A.I. investing and prepare for an informed conversation with your advisor.

Why Does This Matter Now?

Thanks to A.I.'s growing popularity and media coverage, A.I. investing is one of the fastest-growing investment trends. The transformative technology itself is often intended to replicate, augment, and/or replace human intelligence to increase efficiency and remove emotion from decision-making processes. But the impact goes beyond the tech sector. It's changing such industries as healthcare, agriculture, manufacturing, communications, and even entertainment. A.I. is becoming interwoven into every part of our daily lives.

The quick adoption of tech such as ChatGPT has led to some ethical questions around individual rights, intellectual property, bias in programming, and data surveillance, to name a few. These issues and the fast moving changes to entire industries might impact individuals' investing approaches and opportunities.

Important Terms:

Generative A.I. can produce content such as audio, text, code, video, images, and other data.

Large Language Model (LLM) is a deep learning algorithm equipped to summarize, translate, predict, and generate text to convey ideas and concepts.

Semiconductors are products usually composed of silicon, found in thousands of products, such as computers, smartphones, appliances, gaming hardware, and medical equipment.

Natural Language Processing (NLP) is a machine learning technology that helps computers understand human language. Search engines use NLPs to rank blog posts, articles, and other text content in search results.

Computer Vision means teaching machines to interpret and make decisions based on visual data, from photographs to live video streams.

Where To Start:

Investors hoping to capitalize on the efficiency and increased profits that A.I. facilitates have options:

- **Individual Stocks** for tech companies creating the various A.I. tech, including recognizable names like Microsoft (MSFT) and Nvidia (NVDA).
- **Exchange-Traded Funds (ETFs)** offer exposure to multiple company stocks involved in the development, research, and uses of A.I., such as iShares Robotics and Artificial Intelligence Multisector ETF (IRBO).
- **Mutual Funds:** BlackRock Technologies Opportunities Fund (BGSAX) is one example of a mutual fund with most of the underlying products invested in A.I. technology-related vehicles.

The most important consideration before you invest in A.I. is your risk tolerance. We are in a rapidly changing landscape, and the excitement over A.I.-related prospects, and regulatory and ethical considerations means that A.I. investing is still very volatile.

While volatility may mean big gains, it can also mean big losses. One way to mitigate the risks is to have A.I. make up only a portion of your overall portfolio through diversification.

PROS	CONS
Volatility may mean large potential growth	Volatility may mean large potential loss
Increasing demand and application means potential for growth	Ethical considerations
Adding AI investments can add diversification to your portfolio	Future regulatory changes may have an impact on AI companies

Questions To Ask Yourself

1. How much do I understand about A.I. technology?
2. Do I have ethical objections to A.I.?
3. What is my timeline to hold this investment?

Questions For a Financial Advisor

1. Will A.I. Investments get me closer to my financial goals?
2. Are A.I. investments appropriate for my risk tolerance?
3. How would you recommend I fit A.I. into my portfolio?

What Now?

To learn more about A.I. Investing, talk to your financial advisor and visit Investopedia's [investing education library](#).

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