

PBS Episode 136 The AI Revolution: Discussion with Kristopher Thompson – Edited Transcript

Patti: Hi, everybody. Welcome to The Patti Brennan Show. Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

Joining me today is none other than Kristopher Thompson. Before we turned on the cameras and turned on the audio, I asked Kris, I said, "Kris, how do you want me to introduce you?" He said, "How about Captain?" I started to laugh.

That's important because every time I bring somebody on the show, it's important, as smart as Kris is, as heartfelt he is in everything that he does, this is a man who was not just a captain in the Army, he's an Army Ranger.

When you hear Kris' story, which I might do someday, to know what he went through in the years in the Army and how he's applying that discipline, that diligence, and those traits of loyalty, honesty, and transparency, that's Kris Thompson. When he does something, he's going to go all the way.

When we're talking about the topic today, artificial intelligence, who raised his hand first? Kristopher Thompson. I thought it would be fun to bring Kris on the show and just do some brainstorming about this topic and how we are applying it every day, not just to our business lives, but our personal lives as well. Kris, welcome to the show.

Patti: Our topic today is artificial intelligence. Even though it's grabbing all the headlines, it's not that new, is it?

Kris: No. It's been a long history that led to, I guess, this tipping point in this moment. It all started with computing in general, led to the advent of the Internet, and then the eventual invention of the cloud and massive data storage.

Now we're at this moment where there's so much data and it's growing so rapidly that they've used AI as a way to organize these massive amounts of data in a way that, for you and I, it's just numbers on a screen, but they can organize it and also make it make sense to us at a click of a button, essentially.

Patti: It's so interesting, the applications. The way that you set it up just now, Kris, is brilliant, because it is an inflection point. Every discovery has put us in a position for the next discovery -- the personal computer, then the Internet, then the cloud.

It's interesting. I've talked about this before on the podcast. When Vince joined my firm, he's a data geek. I love him. He's the ultimate geek. When he first started, he kept on focusing on data, data, data. Like, "Vince, what are we going to do with all this data?" He said, "I don't know yet."

Fast forward, now I get it because thanks to AI, and as you know, as you're using it, as Vince is using it, as his team is using it, we are applying that ability to organize the information that we have and make it relevant to our day-to-day workflows and what we do for our clients and do it in record time.

According to Cathie Wood of Ark Investments-- and this is new for you, Kris, I just learned from the Forbes conference -- it has already reduced the amount of work time by 25 percent and increased quality by 40 percent.

Kris: That's amazing.

Patti: It is amazing. It really is amazing. Let's talk about the application day-to-day. What are you seeing in terms of your day-to-day life?

Kris: Obviously, ChatGPT came on the scene recently and exploded. We all went back there, tried it out, see what it could do.

Patti: Can I say one thing, Kris? By the way, it's important for everybody to understand what your role is. As much as you are Captain to all of us, me included, you are a Planning and Portfolio Consultant.

Kristopher, in addition to having a wonderful background in the service, has an MBA. He's a CFP. This is a guy who understands that money is a means to an end, and we must really look at everything from a holistic perspective. How has AI helped you to do that?

Kris: It's helped through our process of not only building plans for new clients and things like that, but also answering questions for clients on a day-to-day basis. Recently, we used ChatGPT to see what the capabilities were, and based on our conversations leading into this, a question was posed. Should I contribute to my SEP-IRA?

The client didn't really know exactly what the SEP was and the benefits and drawbacks. I decided I'm going to have ChatGPT give me an answer and then answer the client. I typed in "What is a SEP-IRA?" Simple question to ChatGPT.

It gave me a pretty well-formulated answer, although a little bit maybe robotic, but it did have all the finer points of what constitutes a SEP, how to use it, and how it benefits business owners and things like that. Naturally, I had to take parts out and reformulate it. It came across a little too robotic, but it did lay out a good formula for maybe how to answer the client.

Using that, as you mentioned, it's increased productivity, as well as quality. It did feel like it gave a quality answer, and it was very helpful for that.

Patti: Think about that for a second, Kris, and for all of you listening and watching. The multiplier effect of that is tremendous because it's not just saving time, it's making us more effective, delivering better information in a way that clients can understand.

By the way, this is machine learning. The more you use it, the better it is for whatever you want to use it for. What is fascinating is that you can ask a question that's called a prompt.

As much as we all worry about unemployment and how many jobs are going to be lost, for example, coders, coding is going to be done by AI. You're not going to need a person doing coding anymore according to the experts. Even tax preparation, not going to need that.

A lot of accounting functions, Excel functions, are not going to need it because the data is going to be organized in a way for the answers to pop up pretty quickly. An AI is going to be able to give you those answers. What is fascinating about that is with any type of revolution, granted, those jobs may be lost, but others will be created.

Kris: Absolutely. I like to think of the grocery store, the self-checkout line. I know that was a while ago, but opening self-checkout lines seemed like such a big deal and people were going to lose their jobs. That's true, but also, how many jobs did that create? You're making new machines now, things like that. You're also expediting the process of going to the grocery store for a lot of people.

Patti: I still feel like a klutz when I'm doing it. I'm like, "Oh, isn't there somebody that can check me out?"

Kris: I have more than five items. I can't do it alone.

Patti: Me neither, Kris. Me neither. I'm still going to that checkout line. To your point, you think about the opportunities that are going to be created. I think about cybersecurity. This is going to be nuts. Once this thing takes off, and experts are giving it about five years for us to really understand and for it to take on a life of its own, which is good news.

There's going to be a lot of good stuff that's going to come out of this and maybe some scary stuff, too, cybersecurity being one of them. The ability to use someone's image, to use someone's voice, to understand how they write, etc., is going to be much easier once this takes off.

Let's apply it day-to-day. I love the SEP example. It's something we know. What I loved about your example is that you can also ask a question or prompt AI to explain things in different languages. Make it warm and fuzzy. That's my approach. Or make it very technical or explain it to a seven-year-old or make a poem out of it.

Vince prompted AI, I forget what the example was, but he asked ChatGPT to write a song and it wrote a song. Then he said, "Can you write this song with my favorite artist," which happened to be 50 Cent which I had no idea, by the way.

Kris: I would have picked him for a Taylor Swift kind of guy.

Patti: Me, too. Are you ready for this? Then he asks, "OK, take it and now write the song as if it was going into a Broadway musical with Julie Andrews singing it." It did it.

Kris: Wow.

Patti: Isn't that wild? It's amazing. It is unlimited, the things that AI will do. By the way, in that example, we think about the implications of Hollywood writers' strike. This was a big part of it because the writers were concerned that once AI takes off, that none of their stuff will be protected.

Copyrights, patents, things of that nature, that's going to be an area where we're going to need experts to be able to defend. Let's think about this in terms of what we do for clients. Should people be investing in these companies, Kris?

Kris: There is a way to get exposure to what will probably be a little bit of an AI boom in the market, at least on the growth side. I compare this, in my mind, to the dot-com era. A lot of explosive growth of new companies, new technology, new inventions.

There's going to be hundreds of new companies starting out, whether it's in the software side, helping pharma companies develop drugs or just develop software for financial

planning maybe. It's going to be nearly impossible to pick what individual company is going to outperform or die on the vine, unfortunately. There will be a lot of that.

Patti: You just reminded me, at the conference, Cathie Wood from Ark Investments said that for every dollar that will be spent on hardware, \$20 will be spent on software, which is fascinating. I also think it's important for us to recognize that it's not just tech companies that are going to benefit, it's across every industry.

Some examples that we heard about were smart cities. You were the one to pick up on traffic maintenance, waste management, and making cities more eco-friendly, robotics. Think about drug delivery. There are 18 drugs that are in the clinical pipelines for FDA approval that were discovered using artificial intelligence.

Kris: That's amazing.

Patti: It's so cool to think about the potential. As we, again, apply this information and we apply, how do people benefit aside from daily life, work life, etc., with their money?

Kris: As you said, it's going to span across all sorts of different industries. In my mind and I've talked to different portfolio managers at different fund companies, there's really two approaches that we're seeing. One, I like to call ride the wave. Ride the AI wave, where you want to focus closely on artificial intelligence companies, but how do you do that appropriately?

You might think that an AI ETF is the way to go. Doing a little bit of research, it seems like that might not be in the best interest. The reason being, and I can throw up some charts to explain this, but basically, you're looking at exposures that, likely, you probably already have.

You're buying an AI ETF, but you're getting Nvidia, Microsoft, and all these companies that you probably already own. The other way to do that in this ride the wave scenario would be small-cap growth because you're not going to overlap with Nvidia and Microsoft in that realm.

You're going to be working with those smaller companies, casting a wide net, as opposed to individual selection, going to cast that wide net, capture a lot of minnows, and hope that a handful of those minnows eventually grow to whales. Many of them will not. Most of them will not, but some will.

Patti: I love that approach, Kris, because to your point, how many companies came out in the year 2000, 2001? They don't exist anymore. There will probably be companies that haven't even started yet and we're not going to know about them. Clients aren't going to know about them.

Why fool around? These funds, that's what they do. They have specialists and analysts who are already interviewing. They talk to so many people every single day.

One thing that I've always said to you is that's not where our strengths are. Let's give that to the experts who know what's happening, who have their fingers on the pulse, and do it on a broad-based basis, which is exactly what you're saying.

Kris: I went back to the dot-com era to see we have these Goliath tech companies -- Apple, Microsoft, Amazon -- and what were they doing in not only the early '90s, but in the early 2000 when the dot-com bubble started to burst? I really thought about it.

If I was smart enough to invest in Apple in 1990, where I would be today, probably in a mansion somewhere, I would have to imagine, because the outperformance is magnificent. Would I have been smart enough or gutsy enough to take this 70 percent loss that Apple incurred in 2000, it's hard to think that if I was smart enough to pick it then that I'd have the intuition to hold on to it for that long.

Even if you pick the winner, the likelihood that you are willing to deal with the ups and downs, at least in the initial wave of what AI is going to develop into, it's going to be very difficult to ride that and take it on the chin a little bit while it moves up and down.

Whereas if you do small-cap growth and you cast that wider net, it's going to be much less volatile, less chance of things falling apart, so you will capture those little minnows that grow to whales.

Patti: I love that. It is so true because we don't know where those minnows are currently swimming, even if they've even been born yet.

Kris: I was going to say if they exist at all yet.

Patti: Exactly. That is so important not to lose sight of what we're trying to accomplish. We don't need a home run here. We just need to get a whole bunch of people on base.

Kris: Speaking of that, the other approach that we're thinking about is, like you said, let's not hit a home run. We don't have to worry about that every time. Let's hit a lot of singles. You look at companies that exist currently -- Microsoft and Apple -- again, another great example of it, they're going to use AI.

They're going to develop AI even further. They're going to acquire companies that are developing AI technologies and they're going to grow. It's not going to be their major profit center early on, but ultimately, we feel like there's a lot of potential for them to benefit. Now is it going to be explosive, 10 times, 20 times...

Patti: Exponential.

Kris: ...growth like maybe a small company would be? Probably not, but they're going to benefit. That's the other approach, is not necessarily going and looking for these explosive growth opportunities, but really seeing what is, almost from an AI perspective, a value approach to it.

These companies that have weathered the storm before, if AI fumbles for a while and things are difficult, they're less likely to go under or things like that.

Patti: You've brought up a really important point, and that is you think back to the dot-com bubble. Apple at that point, because Steve Jobs was kicked out, it was trading at one point at \$2 a share. Who knew? Who had the stomach to tolerate something like that?

I think about artificial intelligence. Remember, everybody, we are really at the very beginning of this. You really want to be careful here. I say that not just from a financial

perspective, but just recognize the fact that right now, it's still not the human brain. The human brain is still important.

To your point about the SEP, you still needed to look at the information, digest it, and really throw out what didn't apply, what was too much, and make it relevant for that client, because AI can't do that right now. We've had many periods, even in the financial services industry, where companies have tried to replace the human advisor, and they can't do it. The more they try, the more we grow.

Kris: I was going to say rise to the occasion.

Patti: People want a human being that understands them. Artificial intelligence cannot see around corners. It just can't. I'm not saying that human beings are any better.

I will say, though, there's a lot to be said for depth, there is a lot to be said for what we have, which is this generational diversity here, to be able to brainstorm and talk about, "Well, how do we use this? Where do we need to be careful? How are our clients going to benefit? How are you going to be benefiting from this real inflection point?"

It is one and it's something that we're going to continue to talk about on an ongoing basis. I don't know, Kris, did you see that "60 Minutes" show on Sunday night?

Kris: I had the boys, and they were giving me a run for my money. I missed 60 Minutes, but I've heard a lot about it, and I read up on it.

Patti: After retiring from the Army, Kris and his wife, Sara, decided to become parents. He's got two gorgeous boys and he's an incredible father.

Let me tell you about 60 Minutes. It was wild. For those of you who are listening now, I don't know when we're going to air this. It was on October 8th. They had a segment with Geoffrey Hinton, who was considered the godfather of artificial intelligence.

I've got to tell you that was interesting, Kris. He was fascinating. The definition of artificial intelligence was coined all the way back in 1954. This isn't new. It is really defined as the execution of tasks that humans used to do. It's just executing the tasks.

I was fascinated to hear that he was as optimistic as he was about the potential of this literally changing lives, but he also issued a warning. He said, "It's about learning, except it's machine learning. We don't know when that learning is going to stop or what's going to happen."

The journalist who was interviewed said, "Do you think that they're going to take over humanity?" His response was, "I don't know. I don't know."

Kris: 50/50.

Patti: It's something to consider. I don't mean to be a Debbie Downer on all of this. There's too much to be excited about. We must recognize that there's going to be some unintended consequences of this as well.

In the meantime, we're going to continue to study. We're going to continue to apply what we're using on a day-to-day basis, and figure out, is there a way that people can benefit? Not just personally, not just work-wise, but also financially?

Kris: Absolutely. Optimize it and use that human element. Like you've said a number of times, the human element is really what's going to take it to that next level.

Patti: I don't know if I want to bring this up or if you can cut it in. What's interesting is that I look at some of the software that we have in our industry. There is a software package right now that we can feed in a person's tax return, and it feeds out observations and recommendations.

What's interesting about that is it's not always right. In fact, a lot of times, it is wrong. We have it just to have it to bubble up some opportunities, but to that point, we also must look at it.

Kris: It's very interesting because we've used it in the past. We have our own system that we've used, and we've tried to integrate that. It does a good job of bubbling things up, but again, there's things where it suggests a Roth conversion.

The reality on the ground is a Roth conversion is not appropriate maybe from a tax perspective, but in the future, it wouldn't make sense because they're going to pay the same tax rate or what have you. However, they don't have the cash flow available. You don't want them to pay tax out of pocket and do a Roth conversion.

It just didn't make sense. It's a limited technology that the human element must have.

Patti: 100 percent.

Kris: Tip the scale.

Patti: Kristopher Thompson, Captain Thompson, thank you again for joining me today.

Kris: Thank you, Patti.

Patti: Thanks for everything you did to prepare for this conversation. I thought it was fascinating. We're going to continue to learn more. You're my AI guy. It's so much fun to talk to you about this stuff because, and again, this is just from my perspective, I love how you apply it, and you go back to what it was like in the field.

We were talking about space, cell phones, and all of that. We were not going to get into that right now, but you've brought up so many interesting things that I wouldn't have known. Thank you for joining me today.

Kris: Thank you for having me. Appreciate it, Patti.

Patti: You bet. Thanks to all of you for joining me today. This is a fascinating conversation that will be ongoing because it is a moment in time that could be life-changing for everyone. We want to make sure we keep our fingers on the pulse and look at those unintended consequences because, again, it's important to protect your assets also.

Protect, grow, and use your assets to live your very best lives. Thank you for joining me today. If you have any questions, please go to our new website at www.keyfinancialinc.com. Ask us questions. Give us ideas. We do this for you.

I was talking with one of our producers, Doug, over there. I listen to podcasts, too, because I want to look at ways to become better. I want to make sure that we're delivering good

content. It was fascinating because this person announced that it was their 10th podcast. Then he said something that really got my attention.

He said, "99.7 percent of podcasts do not make it to their 11th broadcast." We're on our 135th broadcast, podcast. Most of them are on our website. If you want to learn about something, chances are we've done a podcast on it. Thank you so much for joining us.

Please let us know how we can help you, whether it be topics, questions, what have you. Again, we exist because of you. Thanks so much for that. I hope you have a great day. I'm Patti Brennan, keyfinancialinc.com, wealth management with wisdom and care.