

What Gen Z Should Ask Before Using AI

Gen Z is exploring AI tools, reels and other material alongside traditional advisors and textbooks, but they need to take an informed approach

Manas Malhotra

AI is quietly becoming a part of the lives of the Gen Z, who are savvier than the previous generations and are quick to embrace new technology, whether it's researching gadgets, submitting term papers, or checking out quick money-related advice.

Gen Z is now exploring AI tools, reels and other material alongside traditional advisors and textbooks for financial guidance. The 2025 CFA Institute Graduate Outlook survey shows that 91 per cent of young graduates trust human advisors. Parallely, 83 per cent also trust AI assistants like ChatGPT and 74 per cent trust robo-advisors.

Abhishek Kumar, a Securities and Exchange Board of India-registered investment advisor (Sebi RIA) and founder of SahajMoney, says that Gen Z is drawn to AI tools because they are easy to use and low cost.

However, as accessible as they are, they may not always offer the full picture and even give wrong advice.

Are You Getting Right Advice?

Whether it's AI-generated reels promoting crypto tips or bots recommending stocks, many young investors get swayed without understanding the consequences, and risk ending up with the wrong advice.

Says Kumar: "This generation



hasn't really experienced the risks of unregulated financial advice, so they are more willing to experiment. The guidance depends on the context you provide, and without sharing full financial details and risk tolerance, the advice might not fully suit you."

Kumar has had young clients who came seeking holistic advice from a Sebi RIA after being stung by irresponsible market trading based on general advice.

Take the case of a young user on Reddit, who shared his experience with AI-driven investing. "I made some money when I occasionally did

options trading, but since last year I've been losing. The worst was when one of the companies in sustainable energy got bankrupt. The AI strategy I followed from ChatGPT cost me and I made losses."

This especially happens in the case of risky assets like equity. Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors, and a Sebi RIA, gives an example. "A common risk with AI-generated financial advice is its focus on top-performing mid- and small-cap mutual funds during market peaks. They get highlighted due to strong

past returns and high visibility on digital platforms. However, such recommendations overlook factors like market valuations, exposing investors to losses when the market corrects, as was seen in late 2024."

There are other limitations, too. The chatbot might recommend a stock because it's been doing well recently, without mentioning that it could be overpriced or volatile.

Says Kumar: "Large language models have made accessing financial information easier, but their outputs often lack regulatory safeguards and can be inaccurate. Such tools generate incorrect information, partly because much of the popular finance-related content they are trained on is itself misleading." He advises users to always cross-check information from credible sources.

Is It Making You Overspend?

Digital platforms often shape how you think, spend, and save. This could have serious ramifications. AI-powered algorithms may encourage overspending by delivering personalised recommendations that can spark impulse buys.

Upendra, Noida-based Senior Consultant at Infosys Finacle, who works at the intersection of AI consulting, banking, and financial risk, explains: "At their core, AI algorithms analyse historical and real-time data to detect patterns and make predictions. In finance, they support risk assessment, customer engagement, and market analytics. AI-powered apps like digital wallets and Buy Now Pay Later (BNPL) platforms track user behavior, such as spending times, locations, and preferred brands to offer personalised deals, rewards, and dynamic pricing."

Ritika Wason, associate professor and dean of research and publications at Bharati Vidyapeeth's Institute of Computer Applications and Management, Delhi, explains

with an example. "Google and social media platforms have hidden privacy policies. So, all user actions and session data are tracked by algorithms to analyse behaviour. If you buy a T-shirt on Amazon, you will get related recommendations from various sellers next time."

Is Oversimplification Risky?

Short AI-generated content like reels or brief posts often simplify complex financial concepts. Users may engage with these seemingly simple ideas but may not understand underlying risks such as volatility, liquidity or long-term sustainability of an asset.

Says Dhawan: "This simplification can lead to copying risky moves without proper risk assessment, resulting in losses. Compounding is

risks or sudden market shifts."

Trading strategies that look profitable in the short term may be temporary, and if investors rely entirely on bots, they could face high market volatility, adds Kumar.

What Should You Do?

Young individuals, typically, have higher risk appetite. But this could be detrimental if they take risk without understanding the consequences.

Right now, this technology has its limits and needs consistent human oversight, says Kumar.

Dhawan suggests taking a balanced approach and advocates human advice in the learning stage. "AI can help you gather information quickly, but don't take its advice at face value. Always double-check

Algorithms prioritise content that generates clicks and engagement. It can lead to investment decisions driven by hype rather than analysis

frequently portrayed as an instant result, ignoring the crucial roles of time and discipline. This creates unrealistic expectations, leading some investors to withdraw capital prematurely when faced with short-term drawdowns."

Algorithms tend to prioritise content that generates clicks and engagement. This can lead to investment decisions driven by hype rather than informed analysis.

Says Kumar: "AI trading bots and algorithm-driven content influence investor behaviour by quickly analysing market data and generating insights. But their reliability depends on the quality of the data they are trained on. Also, they can miss major

tips with trusted sources like Sebi or reliable financial reports. Make sure you understand the basics like compounding, risk, and diversification before trying complex strategies like options or leverage."

It is also important to watch out for red flags, like promises of guaranteed returns or words like "always" and "never", adds Dhawan.

Wason says, "Young users should receive proper training on their appropriate use. They must also be made aware of AI's limitations, environmental impacts, ethical concerns, and other relevant issues."

So, learn about AI before taking advice from it, and be careful. ▶ **OM**

manas.malhotra@outlookindia.com