Deutsche Bank
Research Institute

Time billionaires want more risk. Is AI to blame?

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Executive summary

Are you a time billionaire? Some say "yes" if they expect to have more than 1bn seconds (or 31.5 years) in front of them. And as the number of younger investors increases, and their time horizons span 30, 40, or 50 years, they want two things: 1) More risk than they have today, 2) AI to manage their money and trade for them.

So, is AI convincing investors, particularly young people, to increase the current level of their investment risk? In this report, we use proprietary data from our dbDataInsights team to break down exactly who wants more investment risk and over what timeframe. We highlight that both Americans and Britons under the age of 55 are particularly keen to increase (relative to today) both their risk tolerance and their dependence on AI to manage their portfolio. The younger the age group, the more they say they will increase their risk over the coming 1, 3, and 5 years.

We then discuss various factors that are contributing to the increased desire for both risk and AI advice. Behavioural psychology feeds directly into the equation, particularly as 'social' investing has become a trend. 'Aspiration inflation' is also very tangible but we point out that young investors (and their risk appetite) are the product of the environment that has been created for them. In the end, there are pros and cons.

Several conflicts and conclusions come out of our work. The first is that it is intriguing that consumer sentiment is so low at the same time that the average person wants to take on more investment risk. A second is that this desire for risk at a household level comes as experts increasingly point to intensifying global systemic risks. A third is that the willingness to turn to AI for investment advice comes as the socials winds against AI more broadly are growing in strength.

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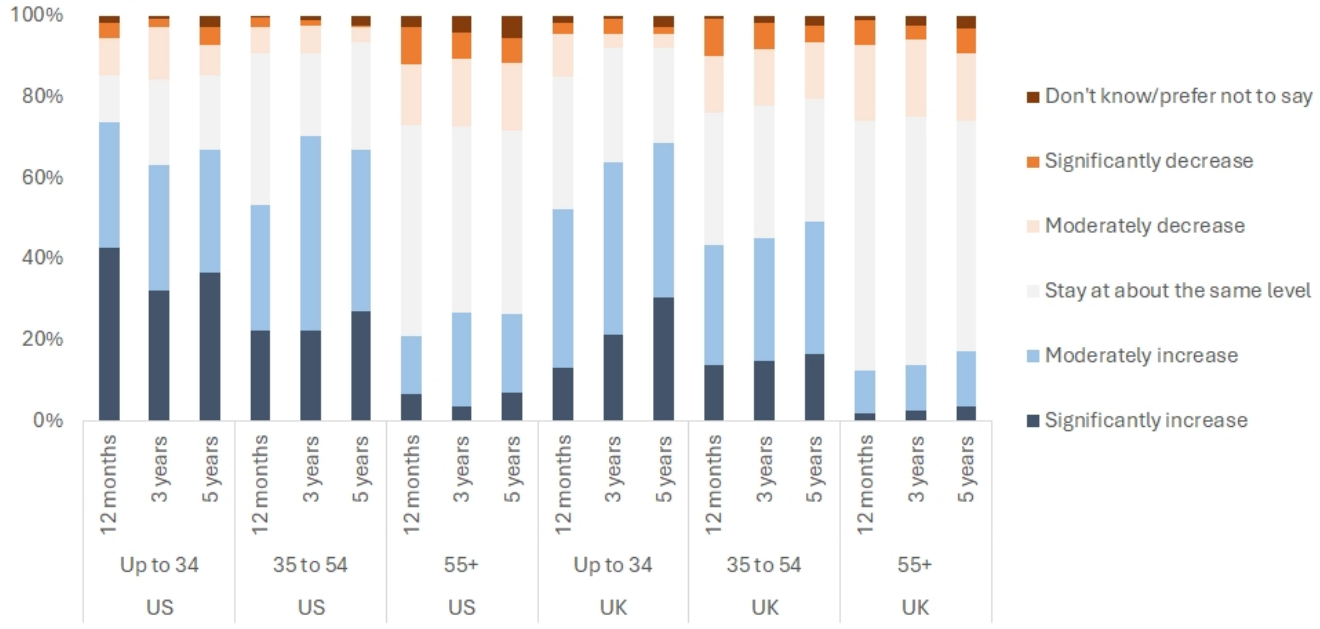
An appetite for risk

At one level, it seems strange that six years into a decade that has been so volatile, people want to take more, not less, risk with their investments. Indeed, the following chart shows that all age groups (up to the 55+ group) want to substantially increase their investment risk over a 1-, 3-, and 5-year time frame.

Figure 1: Over each of the following timeframes, do you expect your level of risk-taking in relation to your main investment portfolio to...



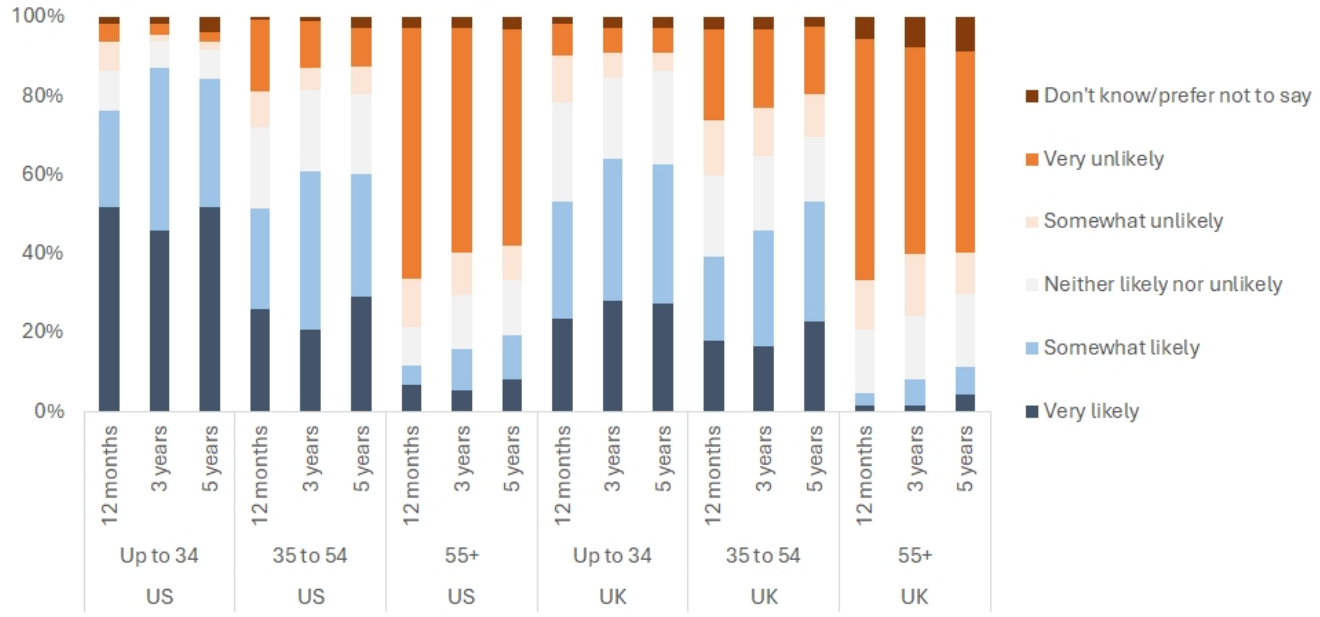
Source : dbDataInsights

A stark observation is the age gradient. In short, the younger you are, the more likely you are to want to take even more investment risk in the future. The effect is most pronounced in the US but the trend is the same in the UK.

Is AI encouraging risk?

People are not only using AI to find investment advice, but also their shift towards it is accelerating. As the following chart shows, people under the age of 55 expect to show a strong desire to move to an AI managed investment method over the next 1, 3, and 5 years. This phenomenon is particularly aggressive in the US but still pronounced in the UK.

Figure 2: Within the following timeframes, what is the likelihood you will switch from your current investment management method (self-managed or human advisor) to a Generative AI-managed solution?

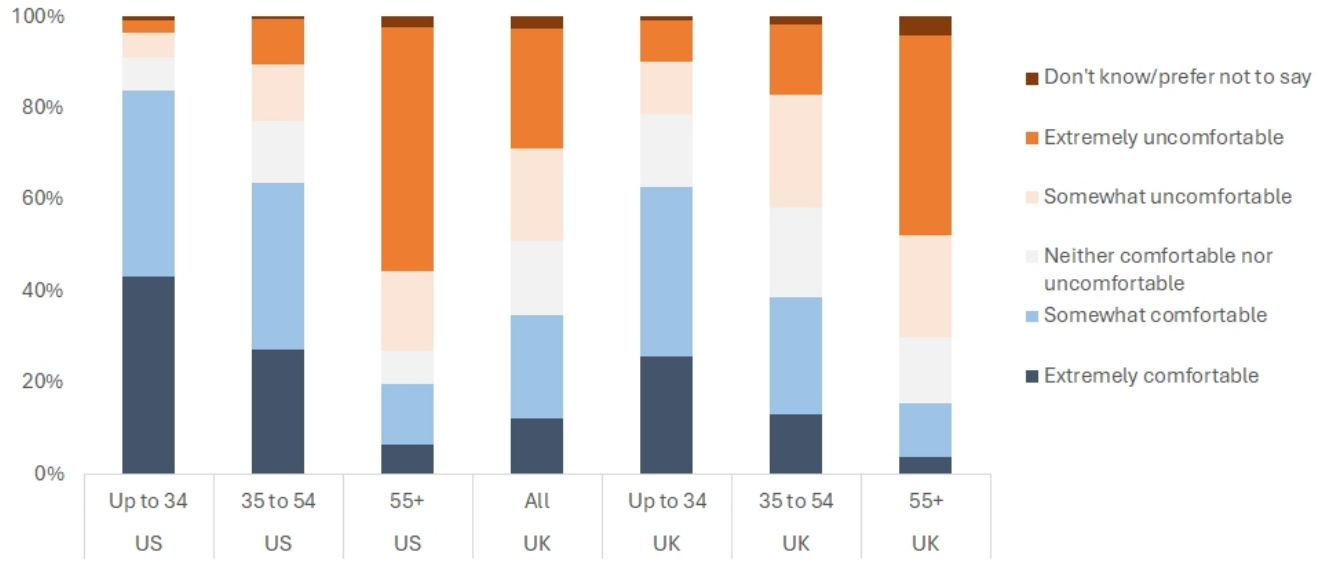


Source : dbDataInsights

Will AI trade for you?

Regardless of how AI is or is not encouraging risk, people are certainly increasingly comfortable with AI automatically making trades in their investment account. For example, Americans up to 34 years old are happy giving AI responsibility for automatically executing trades on their account by a ratio of 10:1. In the UK, the same age group is happy with AI by a ratio of 3:1. The ratio falls as people age.

Figure 3: How comfortable would you be with a generative AI automatically executing investment trades on your behalf, if you had set the parameters (e.g., buy/sell limits, asset allocation)?



Source : dbDataInsights

Does AI give confidence to time billionaires?

AI may amplify risk appetite, particularly for young people, because it reduces the friction around decision-making. Everyday investors can now ask an AI tool to explain asset allocation, compare funds, summarise macro risks or model hypothetical scenarios. Even if the output is imperfect, the interaction can create a sense of fluency. That matters because people are more likely to take action when a complex problem appears legible.

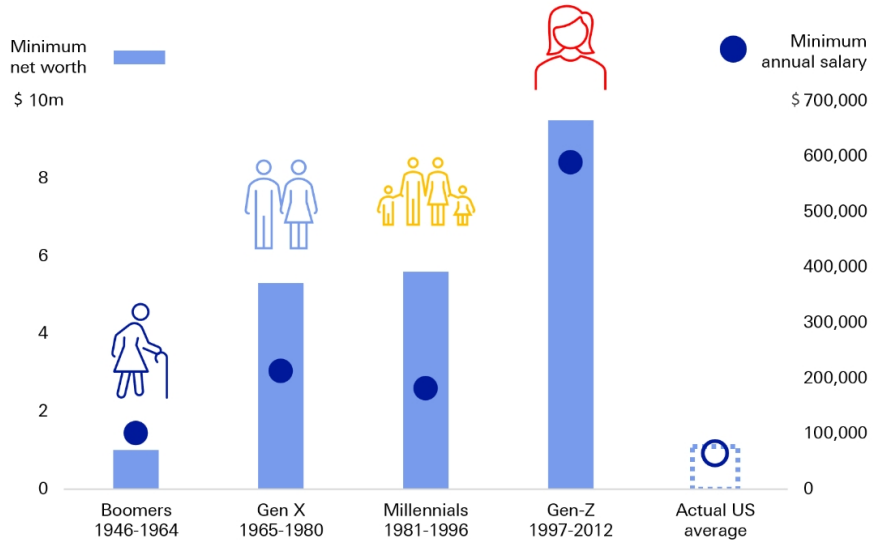
Some research supports this direction of travel. The World Economic Forum has previously highlighted that Gen-Z and millennial investors are embracing AI and digital platforms for financial advice and education, and that younger investors place greater importance on intuitive, technology-enabled wealth-management systems. The WEF has noted that 45% of Gen-Z and millennials began investing in early adulthood, compared with 15% of Gen X and baby boomers.

What else is driving greater risk taking?

Aspiration inflation

Some theories suggest the ease of 'aspirational connections' and 'dream scrolling' on social media has fuelled sky-high expectations for Gen-Z. In fact, one survey shows that Gen-Z thinks they need twice as much wealth and triple the annual salary as the previous generation to achieve "financial success".

Figure 4: Survey: "What does financial success look like?"



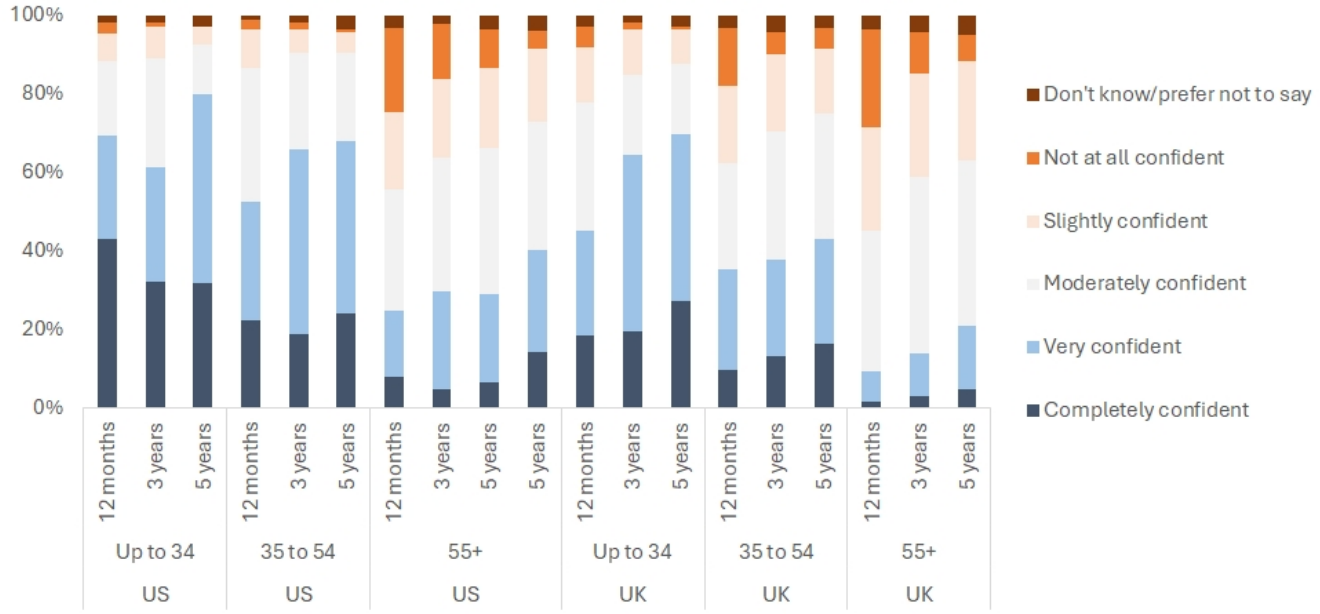
Source : Empower "Secret to Success" study: Secret to Success Empower, November 2004, Deutsche Bank. (Note: Average salary as of 2024, average net worth as of 2022)

Of course, the flip side of the same coin is that younger people are increasingly worried about housing affordability, education costs, uncertain retirement prospects and perceptions of stagnant real income growth. As a result, this may encourage them to see traditional saving as insufficient. If higher-risk investments can appear less like speculation and more like necessity then risk-taking is not a rejection of prudence, it is an attempt to close an opportunity gap.

Bullish return expectations

The chart below shows that people in all age groups are confident that their investment returns will meet or exceed their expectations. Again, age groups matter. Younger people are overwhelming confident of strong returns across 1, 3, and 5 years.

Figure 5: Over the following time frames, how confident are your that your main investment portfolio will meet or exceed your expectations?



Source : dbDataInsights

Rallying against the risk of doing nothing

Portfolio risk appetite is not inversely related to global risk perception. In a risky world, households may feel that the cost of remaining conservative is also rising. If inflation, technological disruption and asset-price dispersion are perceived as threats, risk-taking can become a hedge against being left behind.

Young investors are a product of their environment

Many younger investors have been socialised as they came of age in a market culture shaped by mobile trading, social media, crypto assets, zero-commission brokerage, online financial influencers and rapid cycles of boom-and-bust narratives. Investment decisions are discussed, compared, gamified and sometimes celebrated in digital communities. This can make risk-taking feel less isolated and less exceptional. In turn, this amplifies psychological issues of social proof, herding, and fear of missing out. In the end, the emotional cost of failure is lower.

Anthropological work on risk argues that societies do not merely discover risks; they classify, narrate and prioritise them. Mary Douglas's cultural theory of risk argued that communities highlight different hazards depending on their social organisation, values and forms of trust. What counts as a salient risk is, in part, culturally produced.

Studies also emphasise that risk-taking is often mediated by rituals, expertise and tools that make uncertainty feel manageable. In modern finance, models, apps, dashboards and AI systems can serve a comparable psychological function. They do not eliminate uncertainty, but they make uncertainty appear structured and therefore more actionable.

The increased ease at which people can access risky products raises the idea of 'prospect theory'. This highlights that people become risk-seeking when they perceive themselves to be in the domain of losses. They then can be more likely to gamble to return to their reference point rather than accepting a smaller certain loss. An investor who is underwater relative to a recent peak, or who feels they have 'missed out' relative to peers who bought earlier, is, under this framework, more likely to reach for a higher-variance trade to close that gap.

Other psychologists have highlighted how sensation seeking can correlate with risk-taking in gambling, extreme sports, and financial speculation. It tends to be higher in younger populations — a pattern consistent with our survey findings.

Do consequences feel lower than in the past?

Risk-taking is not simply a function of appetite; it is also a function of perceived downside protection. Behavioural researchers analyse how humans recalibrate their risk-taking in response to changes — real or perceived — in the safety of their environment.

Consider the Peltzman effect. This describes how people can take greater risks if they know they are protected from downside risk. Evidence for this has been argued by researchers in various domains:

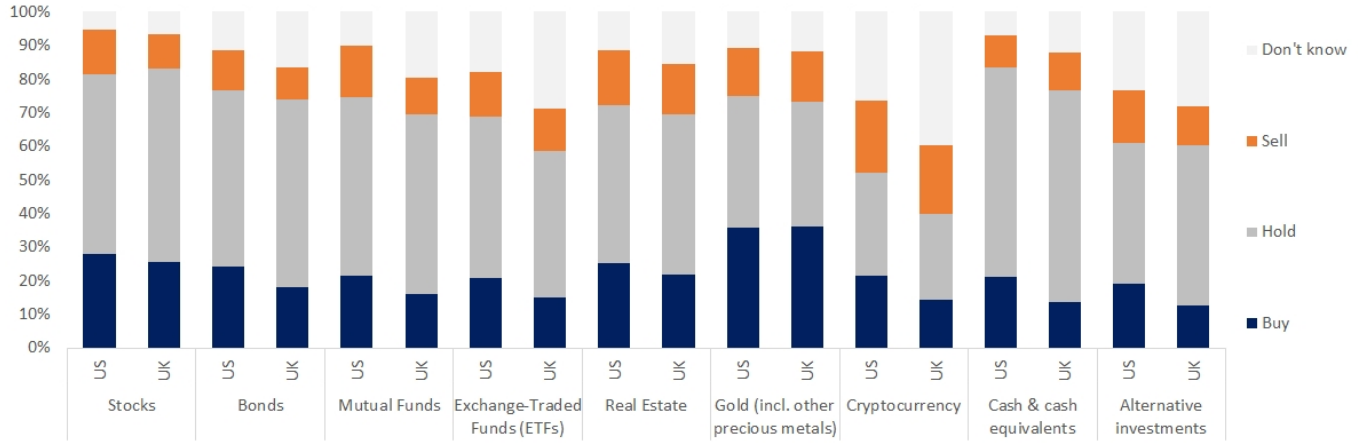
- Some drivers were found to be involved in more accidents when their cars had greater safety features
- The introduction of HANS safety devices in Nascar was argued by some to be related to an increase in more aggressive racing
- Skydiving/wingsuit users readily admit that the increase of the quality of equipment has made them push the limits of the sports

Application to finance and investing

Post-2008, investors have become used to policymakers increasing their response to shock events. At the same time, financial innovation has created the perception in some that risk is either lower or can be managed better. Consider that every major US market decline since the 2008 financial crisis has been followed by a relatively timely recovery to new highs. A generation of investors has now only ever experienced dips as buying opportunities – a very different experience from the multi-year drawdowns and stagnant markets of the 1970s or the 2000s.

Hence, the number of people who say they treat uncertainty as an opportunity to take on traditional risk assets. The following chart shows that people think that going into traditional 'risk' assets is the best strategy during periods of uncertainty. In fact, the average American wants to buy, rather than sell, equities during uncertain periods by a ratio of 2:1. In the UK that ratio rises to 2.5:1.

Figure 6: In any period of economic uncertainty, what do you think is the best strategy for each of the following investment asset categories?



Source : dbDataInsights

Of course, investors may agree that the world is risky while also believing that AI, technology stocks, private markets, crypto assets or thematic funds offer the best path to future security.

In addition to general faith in policymakers, several other factors may be encouraging risk:

- Deposit insurance, broker-dealer protections, and post-2008 regulatory reforms have reduced certain tail risks that were live concerns a generation ago, such as a brokerage or bank outright failing with a customer's assets inside it.
- Diversified, low-cost index products have made it structurally harder to lose everything through a single-stock mistake compared with earlier eras of concentrated, high-fee retail investing.
- Information is more abundant and more immediate, which may create a (not necessarily accurate) sense that fewer unknowns remain and that outcomes are more predictable.
- The practical consequences of experimentation have been reduced by fractional shares, low-cost funds, commission-free trading and the ability to start with small sums. A young investor can now test higher-risk assets without the same minimum account sizes or advice costs that once limited participation.

Implications for wealth managers and policymakers

Younger investors are unlikely to be persuaded by generic warnings about risk. As such, AI should be framed as a support mechanism rather than a substitute for suitability, behavioural coaching and long-term planning.

For policymakers, the issue is not whether AI-driven investment engagement is good or bad. It is how to ensure that increased access is matched by adequate disclosure, financial literacy and safeguards against misleading personalisation. If AI makes investing easier, it should also make risk more understandable.

If the current environment of ever greater risk taking continues, there are several key concerns that may exacerbate the downside risks:

- Leverage positioning: US margin debt has pushed to over 4.5% of GDP. That is well above prior peaks in 2021, 2007 and 2000. Retail investors can easily access leverage through brokers, ETFs, or other specialised products.
- Speculation has broadened: New avenues for risk taking include the ease of options trading (particularly same-day and binary options), leveraged ETFs, and meme assets, prediction markets and sports gambling.
- Safety buffers are shrinking: Household savings rates are falling in the US and other key countries

Conclusion

The common thread across not only financial decisions, but also auto safety, extreme sports, medicine, and gambling is that humans do not hold risk-taking constant when their environment changes. They recalibrate around a target level of risk, and that target appears to rise when protective factors (real or perceived) are introduced. Applied to investing, this suggests the relevant question is not just, 'Why are people taking more risk?' but, 'What changed in their perceived environment that permitted it?'

AI may be one driver of this desire for risk but there are others, too. Yet, it is concerning that perceived consequences may have declined faster than the actual potential consequences. AI can widen this gap if it gives users the impression that risks are fully understood or controllable. Our data points to pros and cons: AI may democratise investment engagement, but it may also compress the distance between curiosity and action.

The younger cohorts in our survey may have greater time horizons, but they also face housing, employment and debt pressures that can constrain their ability to absorb volatility. The next generation of advice must therefore be both more digital and more behavioural.

Appendix 1

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