

You May Own More AI Than You Think: 5 Ways to Manage the Risk

Artificial intelligence has the potential to reshape medicine, education and the broader economy. But that does not mean every AI company will be a winner — or that investors should ignore the possibility that today's enthusiasm has pushed some valuations too far.

For physicians and other high-income professionals, the question may be more personal than it appears. Even if you have never purchased an individual AI stock, you may already have significant exposure through your 401(k), 403(b), IRA or other investment accounts. That's because a relatively small group of large technology companies now represents an outsized share of many of the market indexes commonly held in retirement portfolios.

So the question is not simply whether AI is a bubble. A better question may be: How much of my financial future am I willing to tie to the assumption that today's AI leaders will continue to be tomorrow's winners?

Why some investors are concerned about an AI bubble

Many investors see echoes of the dot-com era in today's AI boom. In the late 1990s, internet stocks soared as investors rushed to profit from a world-changing technology. But when the [market bubble](#) burst, many companies failed and investors suffered steep losses.

This story contains an important lesson for today: Investors can be right about a technology and still lose money.

Remember, you can't "bet" on [artificial intelligence](#) itself. Some companies involved in AI may have the potential to become long-term winners, while others may never generate the profits some investors might currently expect.

That doesn't mean there is definitely an AI bubble. But it does mean investors should be mindful of how much of their portfolio depends on a relatively small number of companies and distant expectations.

Five ways to manage AI risk in your portfolio

Whether AI is in a bubble is ultimately beside the point. Investors don't need to predict when enthusiasm has gone too far. The aim is to participate in the technology's potential for upside without becoming overly dependent on it.

Here are five considerations to help guide your investment decisions:

1. Understand your real AI exposure

Many investors own AI-related companies through S&P 500 funds, Nasdaq funds, growth funds, technology [ETFs](#) and employer stock. You might think you have a diversified portfolio, when in reality you could be invested in the same handful of large technology companies across separate funds.

2. Consider prioritizing companies with strong current profits

Valuations are often just expectations of future growth, not evidence of current earnings. Investors concerned about volatility may also favor [lower-beta stocks](#), which tend to be less sensitive to broad market swings and speculative enthusiasm.

3. Consider AI infrastructure instead of AI speculation

Investors might consider companies that support the broader AI ecosystem — including semiconductor manufacturers, data-center operators, power providers and enterprise software firms. These businesses stand to benefit from AI adoption regardless of the form it ultimately takes.

4. Consider diversification beyond AI

Even if you're optimistic about AI's long-term potential, it shouldn't necessarily become the defining driver of your portfolio. Exposure to a variety of other sectors and asset classes can help reduce dependence on a single theme.

5. Consider rebalancing rather than trying to time the market

Review [asset allocations](#) regularly, consider trimming positions that have grown disproportionately large and possibly reinvesting in underrepresented areas. [Rebalancing](#) can help manage risk no matter where the market turns, but keep in mind that rebalancing, asset allocation, and investment diversification do not guarantee a profit or protection against loss in a declining market.

You don't need to know whether AI is a bubble

No one knows whether today's AI boom will end in a bubble, but you don't need to predict the outcome to be prepared. By understanding your exposure and maintaining a diversified portfolio, you could participate in AI's potential without allowing one single investment trend to determine too much of your financial future.

Ultimately, investing is about building a portfolio that gives you the opportunity to grow your wealth while protecting your ability to live the life you are working so hard to build.

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