

20 Tier1 AI Terms Quick Reference Guide (2025 Edition)

Know the Language. Lead the Conversation.

CORE AI FOUNDATIONS

◆ Artificial Intelligence (AI)

Software that performs tasks requiring human intelligence.
Example: Robo-advisors automatically rebalancing client portfolios.

◆ Machine Learning (ML)

AI that learns from data and improves over time.
Example: Detecting unusual trading activity to flag potential fraud.

◆ Generative AI (GenAI)

AI that creates new content.
Example: Drafting client update letters personalized by portfolio performance.

◆ Neural Networks

Algorithms inspired by the brain for pattern recognition.
Example: Identifying correlations between market signals and returns.

◆ Deep Learning

ML with multiple neural layers.
Example: Powering credit risk models with thousands of borrower variables.

HOW AI UNDERSTANDS & COMMUNICATES

◆ Natural Language Processing (NLP)

Machines understanding human language.
Example: AI assistants answering account balance questions.

◆ Large Language Model (LLM)

Trained on massive datasets for human-like responses.
Example: Producing research summaries of Federal Reserve reports.

◆ Retrieval-Augmented Generation (RAG)

AI pulls external data before generating answers.
Example: Compliance-approved product details in client presentations.

◆ Prompt Engineering

Crafting instructions to guide AI output.
Example: Generating compliant client-facing proposals.

◆ Conversational AI

Systems designed for natural dialogue.
Example: Virtual assistants scheduling meetings and market updates.

TRUST, ACCURACY & RISK

◆ Bias in AI

Unfair results from biased training data.
Example: Loan models disadvantaging certain demographics.

◆ Explainability (XAI)

Making AI decisions transparent.
Example: Regulators requiring explanations of loan denials.

◆ Fine-Tuning

Customizing AI for industries.
Example: Wealth management-specific reporting accuracy.

◆ Hallucination

AI generates incorrect or fictional info.
Example: AI citing nonexistent regulation in reports.

◆ Overfitting

Model performs well on training but poorly on new data.
Example: Risk models failing in volatile markets.

ADVANCED APPLICATIONS IN FINANCE

◆ Reinforcement Learning

AI learns via trial and error.
Example: Optimizing trading algorithms for conditions.

◆ Federated Learning

AI learns across decentralized sources.
Example: Banks collaborating on fraud detection without sharing raw data.

◆ Predictive Analytics

Forecasting future outcomes.
Example: Identifying clients likely to roll over 401(k) plans.

◆ Sentiment Analysis

Analyzing tone in text.
Example: Measuring investor sentiment in earnings call transcripts.

◆ Edge AI

Running AI locally on devices.
Example: Mobile apps instantly verifying identity at login.

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Elevating Teams. Empowering Leaders. Enhancing Performance.