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The Seven AI Capabilities

A Framework for Finance Professionals

Every AI tool draws on some combination of seven distinct capabilities. This resource names all seven, teaches you to spot which one is at work, and explains why that distinction matters for finance professionals.

Seven Capabilities, Not One AI

You used an available AI tool and it gave you an answer you didn't like — not because the AI failed, but because the tool was missing a specific capability. There are seven. Most finance professionals struggle to name them. This resource names all seven and teaches you to spot which one is at work and why that matters.

Every AI application — from a document-reading tool to an autonomous trading agent — draws on some combination of these seven capabilities. What varies across tools is which capabilities are active and how they combine. Understanding them is how you understand what any AI tool can actually do.

> The seven capabilities are not a hierarchy. None is more important than another. What matters for any given task is which capabilities are active — and whether those are the ones the task actually requires.

Four capabilities determine what happens when AI reads your documents

1 Understand / Analyze

Processes existing inputs — text, documents, data, images — and extracts structured meaning. In finance, this reads the quarterly filing, pulls revenue figures by segment, identifies key risk factors, and comprehends the unstructured narrative in management commentary.

Finance example:
A wealth management platform scans tax returns and bank statements, extracting data into the client repository — reducing manual data entry from ~40% to ~5% of a junior professional's day. What the numbers mean hasn't been touched yet.

2 Generate

Creates new content from instructions — professional prose, summaries, code, reports, structured outputs. In finance, this drafts earnings summaries, produces investment memos, generates variance commentaries, and assembles client-facing narratives.

Finance example:
After the filing is read, the AI drafts a two-page quarterly commentary in the firm's analytical style — with a narrative arc, key findings, and an outlook statement. Whether the commentary is analytically sound depends on whether Reason was involved.

3 Reason

Draws inferences, evaluates evidence, and reaches logical conclusions. It separates a polished summary from genuine analysis. In finance, Reason powers scenario modeling, evaluates whether management guidance is credible, and identifies whether a margin trend is structural or one-time.

Finance example:

Management attributes 200bps of margin compression to supply chain disruption. The AI cross-references this against prior quarters — where the same cause was cited and margins didn't recover — and concludes guidance is likely overstated. That inference is Reason, not Generate.

4 Remember

Maintains context within a conversation (session memory) or across sessions (persistent memory). Persistent memory retains client history, prior analyses, and firm-specific knowledge across weeks or months.

Finance example:

A relationship manager's AI retains the client's risk tolerance and last quarter's analysis. When the client raises a new opportunity, the AI references prior context without being re-briefed. Without persistent Remember, every session starts from zero.

Those four capabilities work within a conversation — reading, writing, reasoning, recalling.
The next three work beyond it.

Three capabilities extend AI from thinking to acting

5 Learn

Improves performance through feedback and outcomes — updating behavior based on what worked. In finance, Learn separates a static tool from one that gets better at identifying fraud, improving credit models, or adapting to a firm's specific analytical patterns over time.

Finance example:

A fraud detection system starts with known patterns. After six months of analyst verdicts, it has updated its detection weights based on that firm's specific fraud signatures. The model at month six is measurably better than at month one.

6 Plan

Breaks down complex goals into sequences of actions and executes them autonomously. This defines agentic AI. In finance, Plan is the AI given a goal — "prepare a full due diligence summary" — and independently sequences: identify documents, request missing items, run financial analysis, cross-reference disclosures, draft the summary.

Finance example:

An AI compliance agent flags all transactions requiring escalation under enhanced due diligence policy. It retrieves the transaction log, applies policy criteria, cross-references risk ratings, generates escalation notices, and logs decisions — without a human directing each step.

7 Use Tools

Connects the AI to external systems — APIs, databases, market data feeds, CRM platforms, ERP systems. Without this capability, AI only works with information you paste in. With it, AI can pull live data, update records, and take actions in business software independently.

Finance example:

Instead of looking up consensus estimates manually, the AI queries Bloomberg directly, compares to reported results, flags the three largest variances, and writes the variance summary to the CRM deal record — all without the analyst leaving the conversation.

Not all seven are equally ready for production use in finance

The seven capabilities are not equally mature. Deploying the wrong one without adequate oversight isn't an AI failure — it's a calibration failure.

> **Gartner projects that more than 40% of agentic AI projects** — those relying on Plan and Use Tools — will be canceled by 2027 due to unmet expectations or governance failures. Approximately **85% of financial firms** have already implemented base model capability (primarily Understand/Analyze). The most mature capability and the least mature carry radically different oversight requirements.

When a vendor pitches a tool as 'fully agentic,' ask which capabilities are active and at what reliability level. Understand/Analyze is standard practice. Generate and Reason are widely deployed but still improving. Learn is emerging. Plan and Use Tools are frontier territory — powerful when they work, costly when they don't.

Four conflations that produce the most expensive professional errors

✗ **Generating text and analyzing are the same AI capability.**	→	✓ Generate outputs text; Reason draws conclusions — fluency doesn't equal accuracy.
✗ **Summarizing a document means the AI analyzed it.**	→	✓ Understand/Analyze extracts facts; Reason interprets meaning — summary ≠ analysis.
✗ **If the AI recalls my preferences, it is learning.**	→	✓ Remember stores data; Learn improves via feedback — a tool can have one, not both.
✗ **All seven AI capabilities are equally mature and ready today.**	→	✓ Understand/Analyze leads at ~85% adoption; Plan and Use Tools carry 40%+ failure rates.

The seven-capability framework, in five portable principles

1. Every AI tool in finance draws on some combination of seven distinct capabilities — what varies is which are active and how they combine.
2. Understand/Analyze reads; Generate creates; Reason infers — polished writing can be analytically wrong if Reason was not involved.
3. Remember stores context; Learn improves via feedback — most tools today have session memory but not true learning.
4. Plan and Use Tools mark the shift from conversational to agentic AI, and carry the highest oversight requirements of any capability pair.
5. Understand/Analyze is at ~85% adoption; Plan + Use Tools carry 40%+ pilot failure rates — calibrate your oversight to the capability, not the vendor claim.