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The **FinaMetrica Risk Profiling System** comprises a dynamic suite developed to assist the financial planner in gaining a more insightful understanding (in plain-English) of clients' financial attitudes, values, motivations preferences and experiences; and to meet common and statutory law know-the-clients' risk profile and duty-of-care obligations. According to the FAIS General Code of Conduct, Financial Service Providers (FSP) are required to give advice on financial products which are appropriate to a client's risk profile and needs.

The **FinaMetrica comprehensive financial risk tolerance test** with the **personal financial risk profile report** make risk tolerance explicit and understandable, with the result that clients are more confident of the advice given by the financial planner and committed to the planning process.

The **FinaMetrica Risk Profiling System** was developed and tested in Australia over 4 years with the assistance of the University of New South Wales' Applied Psychology Unit and has gained international recognition as world's best practice since its Australian launch in 1998. Today the FinaMetrica Risk Profiling System is being used by leading advisors and financial institutions around the world in six languages. To date more than 350 000 FinaMetrica Risk Profiles have been completed.

The **FinaMetrica Risk Profiling System** includes supporting materials developed to assist the financial planner to lead to a more informed discussion of risk and risk tolerance with his client, having a deeper understanding of the client and a clearer articulation of any differences within couples, so strengthening the adviser-client relationship.

The **FinaMetrica Risk Profiling System** suite benefits clients, financial planners, financial planning firms, financial planning networks and product houses, and includes:

- **FinaMetrica Risk Tolerance Questionnaire**

A psychometric test of personal financial risk tolerance offering previously unattainable levels of validity, reliability and accuracy in risk tolerance

assessment. The FinaMetrica Risk Tolerance Questionnaire enhances the financial planning process adding five additional disciplines.

- The questions have been tested for validity and reliability and cover a broader range of topics than would typically be covered by an adviser.
- The questions are in jargon-free, plain English that has been tested for understandability and answerability, and hence explanation/clarification by the adviser is unnecessary.
- The questions are asked in a controlled manner without the adviser being involved, therefore interaction with the adviser cannot unintentionally influence the outcome.
- The summary is produced automatically in a structured format by way of a plain English risk profile report.
- The norms-referenced rating is calculated statistically with a known, high level of accuracy against an adult population sample.

- **FinaMetrica Risk Profile Report**

The completed FinaMetrica Risk Tolerance Questionnaire and the FinaMetrica Risk Profile Report do not replace a discussion between the financial planner and his client but become inputs to the enabling an in-depth understanding to be reached far more accurately and quickly than by discussion alone. By clearly articulating the client's risk tolerance in terms that are meaningful to the financial planner and the client the FinaMetrica system empowers both financial planner and client.

- The clients are better able to give the financial planner clear instructions as to the level of risk they are willing to accept.
- The financial planners are better able to explain and illustrate the practicalities of financial alternatives in the context of the client's needs and wants.
- The client and financial planner gain awareness of possible mismatches between the client's financial needs and risk tolerance.
- The client is able to give informed consent to the implementation of a financial plan with the level of investment risk decided upon.

- **FinaMetrica Linking Spreadsheet**

The FinaMetrica Linking Spreadsheet is a tool that enables the financial planner to objectively incorporate the client's risk tolerance scores into to process of selecting investment strategies. Selecting an investment strategy usually involve a trade-off between the client's

- risk tolerance, and
- risk required to achieve financial and investment goals.

Often, risk required exceeds risk tolerance. Financial planners must be able to identify this gap and guide the client in closing this gap whilst staying within the client's risk tolerance comfort zone.

The FinaMetrica Linking Spreadsheet guides a financial planner on how to stay within the client's comfort levels on both the upside and downside regarding asset allocation in an investment portfolio, according to the client's risk tolerance score.

- **FinaMetrica Risk and Return Guide**

The FinaMetrica Risk and Return Guide provides financial planners with resources to enable best practice in educating clients about risk and return and managing clients' risk and return expectations. The FinaMetrica Risk and Return Guide enable the financial planner to link the client's FinaMetrica Risk Profile to the risk and return characteristics of investment portfolios in providing a unique illustration of downside volatility through analysis of historic falls in portfolio values.

The FinaMetrica Risk and Return Guide combines the result of two separate pieces of research:

- the analysis of 20 000 completed risk profiles (Risk Profile Research), and
- historical back-testing of a representative set of investment portfolios on a month-by-month basis (Portfolio Performance Research).

The Risk Profile Research focused on three investment related aspects of the client's risk profile:

- Preferred Portfolio,
- Return Expectations, and
- Sensitivity to Volatility.

The Portfolio Performance Research study analysed the previous thirty plus years of investment market performance, testing how each of the seven risk groups and portfolios would have performed in terms of ten-year return expectations and sensitivity to volatility. This allows the clients' expectations to be tested against what happened in the past. Although the past is no guarantee of the future it provides clients with a comfortable starting point for understanding the likely pattern of future returns.

The **FinaMetrica Risk Profiling System** also provides educational material enhancing the financial planners' effective use of the FinaMetrica system and includes:

- **FinaMetrica Quick Start Guide**

The FinaMetrica Quick Start Guide introduces you to the FinaMetrica system enabling the financial planner to use it appropriately with as little effort as possible. The Guide comprises three core sections:

- the first section guides the financial planner step by step through doing his own risk profile enabling him to know the procedure for profiling others;
- the second section explains the risk profile report - how it is structured, where the contents come from and how they relate to what was said in answering the questionnaire;
- the third section shows the financial planner where and how the FinaMetrica Risk Profiling System unique features can be used to your advantage in the planning process.

The FinaMetrica Quick Start Guide also has two additional sections which expand on critical topics introduced in the core sections. There is a section offering valuable guidelines on how to discuss the risk profile report with a client and a section offering guidelines on how to obtain the client's informed consent and commitment.

The FinaMetrica Quick Start Guide concludes with the FinaMetrica Methodology Flow Chart which provides a one-page summary of all the materials presented in the previous sections.

- **FinaMetrica Risk Groups Description and Summary Table**

The FinaMetrica Risk Groups Description and Summary Table provides a full description of each of the seven risk groups enabling the financial planner to obtain a general understanding of the differentiation between people in the different risk groups.

**FinaMetrica components may be used individually or collectively as an educational tool, a marketing and sales tool and a tool for making trade-off decisions.**

The **FinaMetrica Risk Profiling System provides the end-user with various user options.** The FinaMetrica Profiling System is a web service that allows the financial planner to subscribe online to FinaMetrica for a licence. As a registered subscriber the financial planner can register clients to do their risk profiles online and retrieve the risk profile reports. Various licence options are available to suit the unique needs of the end-user. Financial planning firms, financial planning networks and product houses may benefit from one of the following options:

- **FM.com Linking**

This applies where a subscriber wants to link his site to the FM.com site so that clients who log on at the financial planner site can obtain automatic access to the FM.com site to complete a risk profile or view a previously completed profile and questionnaire.

- **Risk Profile Engine Integration**

This applies where a subscriber wants to build FinaMetrica functionality into his site using the RP Engine. It requires a considerable amount of work at the subscriber's site because of the need to build a client interface and to store client responses; however, the subscriber will have complete control over the look and feel of how the questionnaires and reports are presented.