



Why Take the FinaMetrica Risk Tolerance Test?

The FinaMetrica risk profiling system has become an important part of the know-your-client process for more than 3,000 largely independent high-end financial advisers in 12 countries. Since commercial release in 1998 more than 360,000 profiles have been completed, the majority in the US, the UK and Australia. The test has been translated into seven languages, most recently Chinese and Afrikaans.

FinaMetrica provides a highly personalised assessment of an individual's financial risk tolerance and a solid basis for taking that into account in the advice process. In particular it assists in framing investment performance expectations to diminish the likelihood of investors being surprised by market volatility. We can share with you what we know about clients and FinaMetrica:

- ❖ Clients tell their advisers that they enjoy doing the FinaMetrica assessment.
- ❖ Clients see the fifteen minutes they spend answering the questions as well spent because they gain a better understanding of their financial selves and financial risk.
- ❖ Clients appreciate the highly personalised nature of their report.
- ❖ Clients tell us that they feel there is value in knowing their own risk tolerance and how that compares to others, particularly when investing with a spouse or partner.
- ❖ Clients appreciate the intimacy of their conversations with their adviser when interpreting the seven page FinaMetrica report. In particular they better understand how their risk tolerance relates to alternative portfolio outcomes through the FinaMetrica Risk and Return Guide.
- ❖ Advisers tell us that they get to know their client's needs faster and more accurately resulting in better advice.
- ❖ Advisers tell us that the FinaMetrica system proved itself during the turmoil of the global financial crisis. Without exception, feedback has been that the FinaMetrica system stood their clients in good stead through the most difficult time in living memory.
- ❖ Both advisers and their clients value the outcome of a planning process where the client can make a properly informed decision as to the financial risk in their plan.

The FinaMetrica system is made up of three parts:

- ❖ a psychometric test of personal financial risk tolerance,
- ❖ a method for taking the results of the test into account in the financial planning process, and
- ❖ educational materials designed to personalise the explanation of investment risk and return to help investors better understand how their investments might perform in the future.

Psychometrics is the blending of psychology and statistics. It is the scientific discipline for testing personal characteristics such as risk tolerance. Psychometrics sets international standards for both the development of tests and for evaluating the qualities of tests. The FinaMetrica test exceeds these standards for validity and reliability.