**Assessing your Risk Profile**

**This is an extremely important document. It enables us, as far as possible, to help you to arrange your assets in a way most likely to give you the outcomes you desire, given your financial objectives, and with an appropriate level/degree of risk.**

Your risk profile depends on three things - your financial goals (NEED to take risk), your financial circumstances (CAPACITY for risk) and your willingness to take risk (ATTITUDE to risk).

Need to take risk

We assess this based on what your financial goals are (the amount you need yearly to pay down your cost of living) relative to your current and future ability to service those costs. The closer you are to being able to service your needs, the less risk you need to take.

### Capacity to take risk

This relates to your financial circumstances and your investment goals. Generally speaking, someone with a higher level of wealth and income (relative to any outgoings) and a longer investment term will be able to take more risk, giving a higher risk capacity.

### Attitude to risk

Attitude to risk has more to do with the psychology of investing than with financial circumstances. Some people will find the prospect of large fluctuations in their investments and the chance of losses distressing to think about. Others will be more relaxed about these issues.

**Deciding the right level of risk for you**

The table over the page will help us to determine your attitude to risk. Please examine this and specify which statement most accurately reflects your willingness to take risk.

Once we have a better idea of your financial position and goals, we will analyse how much risk you need to take to achieve those goals, and what your capacity to lose capital is, without damaging those goals. Where the risk you need to take is different from the risk you are comfortable with, we will discuss this with you, until you are happy with the decision you make.

**It is crucial that you give this your carefully consideration as your answer could determine how much income you eventually live on.**

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| **Risk Attitude – the willingness to take risk – client preference** | | |
| **Your Investment Instincts** | **Risk Scale** | **Your Past Financial Decisions** |
| **RISK 1:**  You feel that it is far more important that the money value of your investments does not fall rather than that it retains its real value. Any fall in the total value of your investments would make you feel uncomfortable. | **High**  **Low** | You have taken no risk with any of your past financial decisions. |
| **RISK 2:**  You feel that it is at least somewhat more important that the money value of your investments does not fall than that it retains its real value. You would only expect your investments to earn slightly more than deposit interest. Even a fall of 5% in the total value of your investments would make you feel uncomfortable. | You have taken no more than a small degree of risk with your past financial decisions. |
| **RISK 3:**  You feel that retaining the real value over your investments is of comparable importance to its not falling. You would expect a “better than” rate of return compared to the rate from deposits. Typically, you would begin to feel uncomfortable if the total value of your investments went down by 10%. | You have taken a small to medium degree of risk with you past financial decisions. |
| **RISK 4:**  You feel it is more important that the value of your investments retains its real value than that it does not fall. You would expect a significant improvement on rates of return compared to the rate from deposits. Typically, you would begin to feel uncomfortable if the total value of your investments went down by 15%. | You have taken a medium degree of risk with your past financial decisions. You may have invested a large sum in a risky investment, but only rarely. |
| **RISK 5:**  You feel it is more important that the value of your investments retains is real value and expect a substantial improvement on rates of return compared to the rate from deposits. You would expect higher returns on your investments but would begin to feel uncomfortable if the total value of your investments went down by 20%. | You have taken an above average degree of risk with your past financial decisions. You have invested a large sum in a risky investment mainly, but only occasionally. |
| **RISK 6:**  You feel it is much more important that the money value of your investments retains its real value than that it does not fall. You would expect a vastly improved rate of return compared to the rate from deposits. Typically, you would begin to feel uncomfortable if the total value of your investments went down by 35%. | You have taken a large degree of risk with your past financial decisions. |
| **RISK 7:**  You feel that it is much more important that the money value of your investments retains its real value than that it does not fall. You would expect a vastly improved rate of return compared to the rate from deposits. Typically, you would begin to feel uncomfortable if the total value of yourinvestments went down by 50%. | You have taken a very large degree of risk with your past financial decisions, sometimes with funds that were important to your lifestyle and standard of living. Quite probably with some degree of frequency. |
| **The above value falls are indicative only and do not necessarily reflect the performance of our portfolios. They are included only to help to gauge when you would start to feel uncomfortable by market falls.** | | |

**Declaration**

Investment risk has been explained to me/us and we understand the different elements to it.

As far as my/our risk attitude is concerned I am/we are .......................................... risk investors.

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| **Signature** |  | **Signature** |  |
| **Name** |  | **Name** |  |
| **Date** |  | **Date** |  |

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| **Risk Capacity – the ability to take risk – adviser analysis** | | | | | |
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| 1 | Can the client afford to lose money without affecting cost of living materially? (If necessary, back this up with a cash flow including disaster stress test) | **Yes (increases capacity for loss)** | | **No** | |
|  | **Details:** | | | | |
| 2 | Could the client wait several years to recover from paper losses incurred in an extended down market without affecting cost of living materially? (If necessary, back this up with a cash flow including disaster stress test) | **Yes (increases capacity for loss)** | | **No** | |
|  | **Details:** | | | | |
| 3. | How long will it be before the client starts supplementing income from investments? (Shorter timelines reduces capacity for loss) | **0-5 years** | **6-10 years** | | **+10 years** |
|  | **Details:** | | | | |
| 4. | Are all foreseeable major capital expenses over the next 5 years backed by cash or near cash reserves? | **Yes (increases capacity for loss)** | | **No** | |
|  | **Details:** | | | | |
| 5. | When the client starts making withdrawals from this investment, will it be used to fund living expenses? | **Yes (reduces capacity for loss)** | | **No** | |
|  | **Details:** | | | | |

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| **SUMMARY** | | |
|  |  | **Explanation** |
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| **Need to take risk:** | **Grading (High/medium/low)** |  |
| **Capacity for loss:** | **Grading (High/medium/low)** |  |
| **Attitude to risk:** | **Grading**  **(Per risk categories)** |  |
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| **Discussion held with client(s)?** | **Y/N** | **Notes on client discussions** |
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| **Outcome:** | **Grading**  **(Per risk categories)** | **Ensure that where attitude to risk does not equal capacity for loss detailed notes are provided explaining final recommendation:** |
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| **Adviser Signature:** |  |
| **Date:** |  |