



A guide to FinaMetrica

Determining the level of investment risk that you are comfortable taking is crucial. It will influence where your money is invested, which in turn will affect the prospects for your future returns.

To help our planners ascertain your attitude to investment risk (how sensitive you are to falls in value and your expectations of future returns), we use a tool called FinaMetrica.

It's really important that you complete a brief FinaMetrica questionnaire as it forms an integral part of our financial planning process. This document explains FinaMetrica in greater detail and describes how we use the results to help build your investment portfolio.

When was FinaMetrica launched?

FinaMetrica was launched in 1998 and is now being used by leading financial advisers around the world.

Why has FinaMetrica been introduced?

We are constantly looking at more efficient ways to determine investment risk and explain to clients how this can affect their lives. History has taught us that although we cannot accurately forecast the future direction of markets, we have to consider other assets to invest in aside from cash deposits.

FinaMetrica enables us to do just this and provides a robust investment process. It allows you to see how your attitude towards various financial decisions shapes the way in which you should invest your money.

FinaMetrica isn't designed to be predictive, but by using historical data it does show how different investment portfolios have performed since 1990.

How does FinaMetrica work?

You simply answer a set of 25 questions in plain English that cover a wide range of financial issues. These results will help us to determine:

- Your risk profile and risk group
- The investment portfolio that would best meet your requirements

It also provides:

- Historical performance data for the investment portfolio that best meets your requirements

While there is a great deal of scientific theory behind it, the format is very user friendly. The questionnaire is short and the subsequent report succinct.

How long does the questionnaire take to complete?

15 – 20 minutes. If the questionnaire is completed online the comprehensive risk profile report is available immediately.

If you would rather complete this questionnaire in paper form, it's beneficial to do so before your initial interaction with one of our planners. That way your results can be discussed in depth in your meeting.

What do the results show?

Based on your 25 answers, the first section of results indicates your risk profile and risk group. These range from risk group 1, (those uncomfortable with any falls in the value of their investments), to risk group 7 (those comfortable with falls of up to 50% in the short term).

The results enable financial planner to discuss your individual requirements in greater detail, so that any personal goals can also be taken into account.

Will my portfolio always reflect my risk rating?

Not necessarily. For example, your answers to the FinaMetrica questionnaire might place you in risk group 7 (comfortable with falls of up to 50%), but your individual circumstances and desired lifestyle may mean that a more cautious approach should be adopted.

At the opposite end of the scale, a risk group 1 client (sensitive to any fall in the value of investments) may need to take on a little more risk to meet their long-term goals.

How is the unpredictability of a portfolio determined?

The final section of your FinaMetrica report will illustrate how often your recommended investment

portfolio has fallen and risen in value, for how long and the time it has taken to recover any losses. It also shows how often the portfolio has met your investment aspirations.

How many recommended investment portfolios are there?

Five. While there are seven different risk groups we believe that those in risk group 1 are often too cautious with the money they are willing to invest, while those falling into risk group 7 are too adventurous (and have unrealistic expectations for future returns).

These risk group ratings act as a guide for our planner to work within when designing your portfolio. The results are not set in stone – they simply help to illustrate how often a certain type of portfolio has met the returns expected.

How often should I complete a questionnaire?

This will vary from client to client. If your individual circumstances change dramatically (e.g. you retire, have children, or sell a business) then your priorities may change. By answering another FinaMetrica questionnaire you and your consultant can determine whether your attitude to investing has changed and your portfolio can be amended accordingly.

