

What's your client's attitude to risk?

For financial advisers only

Risk profiling is an important part of an investment process. To select the most appropriate investment strategy for your client, it's important to understand their attitude to investment risk. Your client's attitude to investment risk is just one factor that should be taken into account – it's essential to have a discussion with your client to consider, among other things, their actual ability to withstand changes in the value of their investments (capacity for loss), your client's financial goals and risks other than investment risk.

Why use a risk questionnaire?

Helps meet compliance requirements:

One of the requirements of the Customer Protection Code 2012 is that the adviser must consider and document that the recommended investment is 'consistent with the consumer's attitude to risk'.

Improve quality of service:

Risk profiling is part of a complete service you can offer your client. It improves the quality of service to clients as it adds credibility, an explanation and consistency to the investment advice you offer.

Robust investment process:

Using a risk questionnaire makes your investment process more robust and ensures your customer file is more complete.

What is the ORRA Risk Questionnaire?

Standard Life has developed a risk questionnaire with Oxford Risk Research and Analysis (ORRA). There are 17 questions to assess someone's risk tolerance.

In designing the questionnaire, ORRA carried out extensive, rigorous research to devise 17 questions, which allow you to categorise your client into the correct risk tolerance category. The specific number and type of individually designed questions ensures that the questionnaire is effective in evaluating the client's risk tolerance, yet is still easy to follow and quick to complete. It is completed on-line, providing a straight-through, immediate conclusion. A risk tolerance profile and specific client report is then automatically produced.

The questionnaire analyses five different risk measures in order to help you better understand your client's overall risk tolerance.

The measures are as follows:

- **Perception** — how your client perceives their risk behaviour.
- **Risk vs Reward** — how your client views the trade-off between risk and return.
- **Future Change** — whether your client's attitude to risk will change in the future.
- **Actual Behaviour** — how your client instinctively reacts when faced with investment choices.
- **Time Horizon** — whether your client takes a short or long-term view to investing.

Results

The questionnaire places clients in one of five risk categories:

Low	Low – medium	Medium	Medium – high	High
-----	--------------	--------	---------------	------

The higher the risk category, the more willing your client is to take higher levels of risk when making financial decisions and so accept greater volatility with their investments.

Who are ORRA?

ORRA are an independent company, linked to the University of Oxford. They are leading experts in the field of risk analysis, dedicated to the practical application of knowledge in risk and risk behaviour.

ORRA have used the latest techniques from mathematical modelling and the expertise of world-class scientists to produce a robust, effective and unique risk questionnaire, specifically created for Standard Life, to help you understand your client's risk tolerance.

What are the limitations of risk questionnaires?

A risk questionnaire will help you understand your client's attitude to investment risk but it is important to understand that there are some limitations with such tools.

- **Education not advice** – these tools are a guide for illustrative purposes only.
- **Limits** – doesn't look at other factors such as client's stage of life, financial goals or the size of the financial loss your client is able to withstand.
- **Think bigger** – risk is just one of the things your client needs to consider when making investment decisions. For example, the term of their investment and whether they might want to access their investments before the end of this term is also important.
- **Discussion** – talk about the results with your client before taking action.

The ORRA questionnaire is suitable for use with a wide range of clients; however, all of the output categories produced by the questionnaire assume that the client is willing to take at least some investment risk.

Why use the ORRA Risk Questionnaire?

- **Paper trail** – allows you to store client reports, part of your evidence of client discussions.
- **Customised report** – automatically produced for every client.
- **Designed by leading experts** – you can be confident the questionnaire will help you to make informed and systematic investment decisions tailored to each client.
- **Client education** – enhancing your client's awareness of the importance of risk, and the trade-off between risk and returns.
- **Quick and easy** – only 15 minutes to complete.



How do you access the Risk Questionnaire?

Visit www.brokerzone.ie and it's under **Online Services** tab

(01) 639 7900 www.brokerzone.ie

Standard Life International dac is regulated by the Central Bank of Ireland. Standard Life International dac is a designated activity company limited by shares and registered in Dublin, Ireland (408507) at 90 St Stephen's Green, Dublin 2. Standard Life International dac is part of the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group. Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.