FinaMetrica

Risk Tolerance Profiling

CLIENTS FOR LIFE

Risk Groups
Descriptions & Summary Table

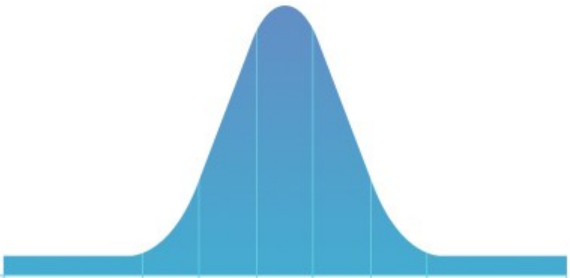
UK 2.0

Overview

The FinaMetrica Risk Tolerance Toolkit measure risk tolerance on a scale of 0 to 100. Scores are Normally distributed with a Mean of 50 and a Standard Deviation of 10.

To make the scores and reports more meaningful, the scale has been divided into seven segments. The middle segment is the Mean ± half a Standard Deviation, i.e. from 45 to 54. Segments either side are then a Standard Deviation higher or lower, with the end segments covering the balance of the high and low 'tails' of the distribution.

Each of the segments is referred to as a Risk Group.



Risk Group	1	2	3	4	5	6	7
Score Range	Less than 25	25-34	35-44	45-54	55-64	65-74	75 or more
Number in Group	1%	6%	24%	38%	24%	6%	1%

The Risk Group descriptions have been developed by analysing how those whose scores fall into a particular group typically answer the questionnaire. Seventeen of the twenty five questions have been considered in the analysis. These were selected on the basis of their utility in providing a general understanding of the Risk Groups.

Risk Group 1

Making Financial Decisions
They think of "risk" as "danger" and are prepared to take only a very small degree of risk with their financial decisions (Q3 & 10). They have, at most, little confidence in their ability to make good financial decisions and usually feel at least somewhat pessimistic about their major decisions after they make them (Q12 & 7).

When faced with a major financial decision they are always more concerned about the possible losses than the possible gains (Q6). They would definitely choose more job security with a small pay increase rather than less job security with a big pay increase (Q5).

Financial Disappointments
When things go wrong financially they adapt very uneasily (Q2).

Financial Past
They have taken only a very small degree of risk with their past financial decisions and have never borrowed money to make an investment (Q9 & 11). They have never invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value (Q4).

Investment
It is much more important that the value of their investments does not fall than that it retains its purchasing power (Q18). Any fall in the total value of their investments would make them feel uncomfortable (Q14). In recent years their personal investment changes have always been towards lower risk (Q19). Over ten years, they expect an investment portfolio to earn, on average, about one to one and a half times the rate from bank deposits, more likely the former (Q21).

Given the portfolio choices below, they prefer Portfolio 1 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing
If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, they would choose to have 100% of the loan at fixed interest (Q23).

Government Benefits and Tax Advantages
If there was any chance they could finish up worse off than if they had done nothing, they would not take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage (Q22).

Risk Group 2

Making Financial Decisions

They think of "risk" as "danger" or "uncertainty" and are prepared to take only a very small to small degree of risk with their financial decisions (Q3 & 10). They have little to a reasonable amount of confidence in their ability to make good financial decisions and while some feel somewhat optimistic about their major financial decisions after they make them, most feel somewhat pessimistic (Q12 & 7).

When faced with a major financial decision they are usually, if not always, more concerned about the possible losses than the possible gains (Q6). Most would definitely choose more job security with a small pay increase rather than less job security with a big pay increase but others would only probably make that choice (Q5).

Financial Disappointments

When things go wrong financially they adapt somewhat, if not very, uneasily (Q2).

Financial Past

They have taken only a very small to small degree of risk with their past financial decisions and have never borrowed money to make an investment (Q9 & 11). They have never invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value (Q4).

Investment

It is somewhat to much more important that the value of their investments does not fall than that it retains its purchasing power, more likely somewhat more important (Q18). For most any fall in the total value of their investments would make them feel uncomfortable but for some it would take a 10% fall (Q14). In recent years, their personal investment changes have mostly or always been towards lower risk, more likely mostly (Q19). Over ten years they expect an investment portfolio to earn, on average, about one and a half to two times the rate from bank deposits, more likely one and a half times (Q21).

Given the portfolio choices below, they prefer Portfolios 1 or 2, more likely Portfolio 2 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, they would choose to have 75% or 100% of the loan at fixed interest, more likely 100% (Q23).

Government Benefits and Tax Advantages

If there was any chance they could finish up worse off than if they had done nothing, most would not take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage but some would take a small risk (Q22).

Risk Group 3

Making Financial Decisions

They think of "risk" as "uncertainty" and are prepared to take a small degree of risk with their financial decisions (Q3 & 10). They have, at most, only a reasonable amount of confidence in their ability to make good financial decisions and while some feel somewhat pessimistic about their major financial decisions after they make them, most feel somewhat optimistic (Q12 & 7).

When faced with a major financial decision they are usually more concerned about the possible losses than the possible gains (Q6). Most would probably choose more job security with a small pay increase rather than less job security with a big pay increase but others would definitely make that choice (Q5).

Financial Disappointments

When things go wrong financially they adapt somewhat uneasily (Q2).

Financial Past

They have taken a small to medium degree of risk with their past financial decisions, more likely small, and have never borrowed money to make an investment (Q9 & 11). They have never invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value (Q4).

Investment

For some, it is somewhat more important that the value of their investments does not fall than that it retains its purchasing power but for most retaining purchasing power is the more important of the two (Q18). For some, a fall of 10% in the total value of their investments would make them feel uncomfortable but for others it would take a fall of 20% (Q14). In recent years, their personal investment changes have mostly been towards lower risk (Q19). Over ten years they expect an investment portfolio to earn, on average, about one and a half to two times the rate from bank deposits, more likely two times (Q21).

Given the portfolio choices below, they prefer Portfolios 2 or 3, more likely Portfolio 3 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, they would choose to have at least 50% of the loan at fixed interest (Q23).

Government Benefits and Tax Advantages

So long as there was only a small chance they could finish up worse off than if they had done nothing, most would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage but some would not take any risk (Q22).

Risk Group 4

Making Financial Decisions

They think of "risk" as "uncertainty" and are prepared to take a small to medium degree of risk with their financial decisions, more likely medium (Q3 & 10). They have a reasonable amount of confidence in their ability to make good financial decisions and usually feel somewhat optimistic about their major decisions after they make them (Q12 & 7).

When faced with a major financial decision some are usually more concerned about the possible losses while others are usually more concerned about the possible gains (Q6). They would be slightly more likely to choose more job security with a small pay increase than less job security with a big pay increase (Q5).

Financial Disappointments

When things go wrong financially they are as likely to adapt somewhat uneasily as somewhat easily (Q2).

Financial Past

They have taken a small to medium degree of risk with their past financial decisions, more likely medium, and have never borrowed money to make an investment (Q9 & 11). They have never invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value (Q4).

Investment

It is somewhat more important that the value of their investments retains its purchasing power than that it does not fall (Q18). For most, a fall of 20% in the total value of their investments would make them feel uncomfortable but for others it would take a 33% fall (Q14). In recent years, for most there have been no changes in the risk of their personal investments but for those that have changed, the changes have been mostly towards lower risk (Q19). Over ten years they expect an investment portfolio to earn, on average, about two to two and a half times the rate from bank deposits, more likely two times (Q21).

Given the portfolio choices below, they prefer Portfolios 3 or 4, more likely Portfolio 4 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, most would choose to have 50% of the loan at fixed interest but some would choose 75% or 100% (Q23).

Government Benefits and Tax Advantages

So long as there was only a small chance they could finish up worse off than if they had done nothing, they would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage (Q22).

Risk Group 5

Making Financial Decisions

They think of "risk" as "uncertainty" or "opportunity" and are prepared to take a medium degree of risk with their financial decisions (Q3 & 10). Most have a reasonable amount of confidence in their ability to make good financial decisions and some have a great deal of confidence (Q12). They usually feel somewhat optimistic about their major decisions after they make them (Q7).

When faced with a major financial decision they are usually more concerned about the possible gains (Q6). They would be slightly more likely to choose less job security with a big pay increase than more job security with a small pay increase (Q5).

Financial Disappointments

When things go wrong financially, while some adapt somewhat uneasily, most adapt somewhat easily (Q2).

Financial Past

They have taken a medium degree of risk with their past financial decisions but most have never borrowed money to make an investment (Q9 & 11). Most have never invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value (Q4).

Investment

It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall, more likely somewhat more important (Q18). For some, a fall of 20% in the total value of their investments would make them feel uncomfortable but for most it would take a 33% fall (Q14). In recent years, for most there have been no changes in the risk of their personal investments but for those that have changed, the changes have been mostly towards higher risk (Q19). Over ten years they expect an investment portfolio to earn, on average, from about two and a half to three times the rate from bank deposits, more likely two and a half times (Q21).

Given the portfolio choices below, they prefer Portfolios 4 or 5, more likely Portfolio 4 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, most would choose to have 50% of the loan at fixed interest but some would choose 75% or 100% (Q23).

Government Benefits and Tax Advantages

Most would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage so long as there was only a small chance they could finish up worse off than if they had done nothing. However some would take a risk if there was a better than 50% chance of finishing up better off (Q22).

FinaMetrica
Risk Tolerance Profiling

Risk Group 6

Making Financial Decisions

They think of "risk" as "opportunity" and are prepared to take a medium to large degree of risk with their financial decisions, more likely large (Q3 & 10). Most have a great deal of confidence in their ability to make good financial decisions but some have only a reasonable amount (Q12). They usually feel somewhat optimistic about their major financial decisions after they make them (Q7).

When faced with a major financial decision they are usually more concerned about the possible gains (Q6). Most would probably choose less job security with a big pay increase rather than more job security with a small pay increase and others would definitely make that choice (Q5).

Financial Disappointments

When things go wrong financially they adapt somewhat easily (Q2).

Financial Past

They have taken a medium to large degree of risk with their past financial decisions, more likely large, and half have borrowed money to make an investment (Q9 & 11). Most have invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value, but not very frequently (Q4).

Investment

It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall, more likely much more important (Q18). For most a fall of 33% in the total value of their investments would make them feel uncomfortable but for some it would take a 50% fall (Q14). In recent years, their personal investment changes have mostly been towards higher risk (Q19). Over ten years they expect an investment portfolio to earn, on average, at least three times the rate from bank deposits, more likely more than three times (Q21).

Given the portfolio choices below, they would prefer Portfolios 5 or 6, more likely Portfolio 5 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, most would choose to have 50% of the loan at variable interest but some would choose 75% or 100% (Q23).

Government Benefits and Tax Advantages

Most would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage if there was a better than 50% chance they could finish up better off than if they had done nothing. However some would only take a risk if there was only a small chance of finishing up worse off (Q22).

Risk Group 7

Making Financial Decisions

They think of "risk" as "opportunity" and are prepared to take a large to very large degree of risk with their financial decisions, more likely large (Q3 & 10). Most have a great deal of confidence in their ability to make good financial decisions and some have complete confidence (Q12). They usually feel somewhat or very optimistic about their major financial decisions after they make them, more likely very optimistic (Q7).

When faced with a major financial decision they are usually, if not always, more concerned about the possible gains (Q6). Most would definitely choose less job security with a big pay increase than more job security with a small pay increase and others would probably make that choice (Q5).

Financial Disappointments

When things go wrong financially they adapt somewhat, if not very, easily (Q2).

Financial Past

They have taken a large to very large degree of risk with their past financial decisions, more likely large, and most have borrowed money to make an investment (Q9 & 11). Most have invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value, more often than very rarely (Q4).

Investment

It is much more important that the value of their investments retains its purchasing power than that it does not fall (Q18). For some, a fall of 50% in the total value of their investments would make them feel uncomfortable but for others it would take a fall of more than 50% (Q14). In recent years, their personal investment changes have mostly or always been towards higher risk, more likely mostly (Q19). Over ten years they expect an investment portfolio to earn, on average, more than three times the rate from bank deposits (Q21).

Given the portfolio choices below, they would prefer Portfolios 6 or 7, more likely Portfolio 6 (Q16).

	Mix of Investment in Portfolio		
Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, most would choose to have 100% of the loan at variable interest but some would choose 75% or 50% (Q23).

Government Benefits and Tax Advantages

They would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage if there was a better than 50% chance they could finish up better off than if they had done nothing (Q22).

CLIENTS FOR LIFE