

No.019

Factsheet

For investment advisers

Attitude to risk – an adviser prompt

This factsheet contains prompts to ensure you are considering all aspects of a customer's attitude to risk.

The prompts below are some of the issues firms have considered and discussed with customers when determining the level of risk the customer is comfortable with. You might consider some of the

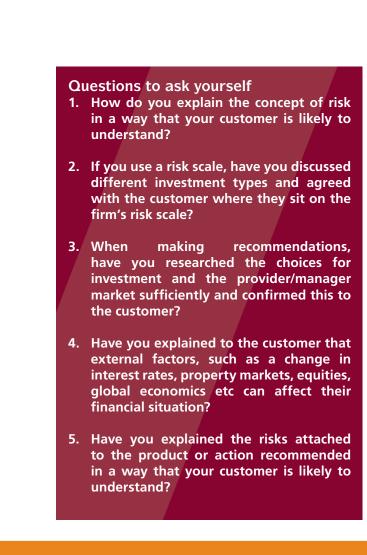
Questions to ask the customer

examples as a training tool to remind all advisers to consider carefully how they approach this important part of your Know Your Customer (KYC) process.

Customer hard facts	Customer soft facts
• Financial resources (assets, income versus expenditure, long and short-term commitments, emergency fund, existing debt, other investments and savings, protection	• Financial goals/aspirations/priorities and timescales (fund dependant(s) through university, care for an elderly or sick relative, early retirement etc)
and pension arrangements)	• Personal goals/aspirations/priorities and timescales
 Age of customer and any partner/dependants (now and in the future) 	(career change, house move, holiday home purchase, will and estate etc)
 Tax status (likely to change, Inheritance Tax liability etc) 	• Ability to comprehend investment risk (physical/ mental ability to cope with potential capital loss. If the customer has previous investment experience, how did they feel about market fluctuations and gains/losses?)
 Objectives (purpose of investment: amount sought, income or capital growth, investment timescale, accessibility etc) 	

Info copy or quote to be added here...

Analysis	Investment options
• Current and projected economic conditions (inflation,	Minimal capital risk (inflation issue)
interest rates, investment returns, exchange rates, global outlook etc)	• Some capital risk (perhaps a spread of low volatility investments and fixed interest securities)
 Current and projected investment returns (types of fund, their underlying portfolios, provider/manager strength and performance) 	• High capital risk (perhaps a narrower spread of investments with high volatility and complex investment strategies)
• The potential impact on the customer's circumstances resulting from changes in economy/investment returns	



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