

FinaMetrica Profiler and ProTracker User Guide



Morningstar Inc. 312 696-6000 phone
22 West Washington Street
Chicago, Illinois 60602

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1. Introduction

Our aim is to quickly introduce you to the SuitabilityPro™ FinaMetrica Profiler system so you can begin using it with as little effort as possible. ProTracker features are highlighted where applicable for those with access to this module as well.

Key Benefits of Using SuitabilityPro™

- ❖ **Improved Productivity**
Using best in class risk profiling gives you a marketing edge, allows you to quickly come to grips with one of the most problematic aspects of the planning process - your clients' risk tolerance, and expedites client decision-making.
- ❖ **Better Advice**
Goals-based planning serves both emotional and financial needs. The desire to feel safe is a very strong emotional need, which SuitabilityPro™ addresses objectively and transparently.
- ❖ **Better Client Relationships**
Build a more in-depth understanding of your clients and demonstrate objectivity in managing risk profiling and suitability issues, including differences within couples, facilitating client acceptance and trust.
- ❖ **Stronger Compliance**
The key to compliance is obtaining your clients informed consent and commitment. SuitabilityPro™ provides a provable, best-practice solution to ensure recommendations are "suitable" for clients.

Enjoy!

Clients react very positively to the SuitabilityPro™ experience. We all want to know more about ourselves ... and how we compare to others! SuitabilityPro™ can be presented to your clients as an enjoyable exercise with a serious purpose.

For additional reference and supporting material and how-to videos visit www.planplusglobal.com/support.

2. SuitabilityPro™ FinaMetrica Profiler Flow Chart

	PROCESS
Step 1 Complete Questionnaire	<ul style="list-style-type: none"> ❖ Register client/s and allow them to complete the FinaMetrica risk tolerance, experience and KYC questionnaire at their own convenience - ideally before the first meeting or early on in the planning process to avoid indirectly introducing bias into the result. ❖ For couples, each person should complete their own questionnaire.
Step 2 Discuss Risk Tolerance Report	<ul style="list-style-type: none"> ❖ Ask client if report is accurate and to point out any 'inaccuracies'. If 'inaccuracies', go back to completed questionnaire and look at actual answer with client. If one mistake made, note it and use score. If multiple mistakes re-do questionnaire. ❖ Explore any answers that differ from those typically given for their risk group. Make notes on the discussion, if necessary, adjust the score.
Step 3 Developing Suitable Advice	<ul style="list-style-type: none"> ❖ Use the Professional Judgement Matrix (PJM) to map risk tolerance, time horizon, experience, knowledge and composure to suitable investment policies. ❖ Manage expectations and risk capacity, show how their current and target portfolios would have performed and how this compares with their risk and return expectations. Clients should confirm their understanding and acceptance of the trade-off between downside risk and achieving goal. ❖ Identify and assist in resolving any gap between the level of risk the client would normally choose to take and investment risk associated with the return required to achieve their goals. If required, adjust the investment policy accordingly. Coach and guide, but not decide – the client owns the problem and decision. ❖ Match investment policy to suitable solutions and reconfirm risk and return understanding and acceptance of the implementation strategy.
Step 4 System Settings	<ul style="list-style-type: none"> ❖ Review profile settings and adjust where necessary. ❖ Review planning settings and adjust where necessary.
Step 5 Obtaining Informed Consent	<ul style="list-style-type: none"> ❖ The Investor Profile report provides a basis for obtaining informed consent. If compromises and trade-offs were required because of risk profile or other constraints, document and sign-off on: <ul style="list-style-type: none"> ➢ Any adjustments to the risk tolerance score; ➢ Any adjustments to the suitability score; ➢ Pros and cons of adjustments and alternatives were discussed and made clear.
Step 6 Monitor and Review	<ul style="list-style-type: none"> ❖ Reassess risk tolerance after a significant life or financial event, positive or negative, otherwise, every two to three years to capture changes over time. ❖ Review planning settings regularly to ensure they are still appropriate.

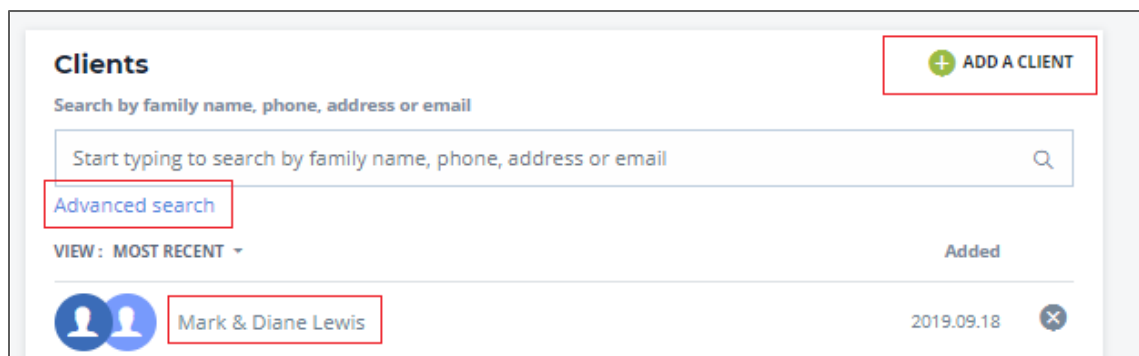
3. Step 1: Engagement & Risk Tolerance

Discovering your clients' core values and risk tolerance are important first steps to ensuring you have a financial plan that aligns with their core values and comfort levels. It will also aid in developing a cleaner, tighter and smoother relationship with your clients.

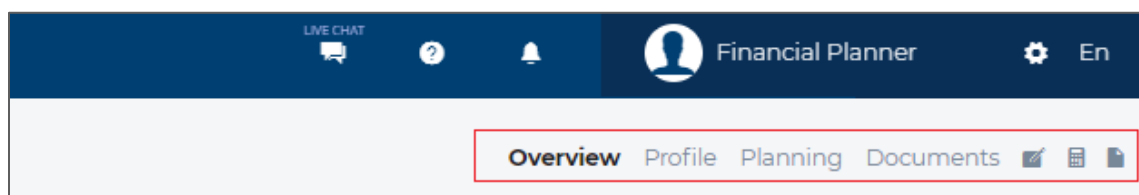
3.1 Client Registration and Personal Info

- a. Once logged in, you'll be prompted to review and verify assumptions that drive the calculations and analytics in the system, these are covered in more details under **6. Step 4: System Settings**. We recommend accepting the default settings for the initial session and familiarize yourself with the system first in order to see how the assumptions are applied. Once you've run a few sample cases, circle back and make adjustments where necessary.

To get started, select **ADD A CLIENT** on the top right of your advisor dashboard. Fill in your client's details, select **SAVE**. For couples, the system will prompt you to enter the partner's details. Then select your client's name to open their file. You will need to do an **Advance search** and change the filters if a client has been set to Private or Inactive, see 3.3. Service Level for more details.



- b. After selecting the client, you'll be presented with the client overview. Here you'll see multiple tiles with summary information about your client's documents, tasks & notifications, portfolios and other information. Select **View more** or the **vertical ellipsis** icon to access more details. To edit personal information and add in family members, select **View more** in the bottom left of the **Family** tile. You can also navigate to **Personal Info** by selecting **Profile** in the top navigation.



- ❖ Select the green arrow to the right to edit client or family member details.
- ❖ It is important to update Country/Territory for Client 1 if they reside in a different planning jurisdiction, the system will default to the advisor's Country/Territory.
- ❖ An email is required if you wish to invite your client to complete questionnaire or access files in the client portal.

- ❖ The inflation rate will default to the system rate set under **Settings**, see **6.2 Adjusting Planning Settings** for more details. Should you wish to apply a different individual rate for your client, check the override box in the personal info details of Client 1 under **Plan assumptions** and enter the desired rate. This will impact the real rate of return for this client only. There is also the ability to apply a fees/costs reduction (**ProTracker** only) that will also impact the real rate of return.

The screenshot shows a 'Plan assumptions' section with two input fields. The 'Inflation' field contains '2.1%' and has a checked checkbox to its right. The 'Fees / costs' field contains '0%'.

3.2 Values

Your clients' core values are important needs or requirements that have helped them to be successful and help them recognize what's important to them. Values are the foundation, that lead the discussion to identify priorities and ultimately establish sound financial goals. Generally, values can be teased out during the initial conversation and some advisors may adopt a more formal process of using a values exercise.

- You can access the Values section by navigating the client menu on the top right of the screen, selecting **Profile > Engagement**. Here you'll be able to set your client's values and priorities.
- You can invite your clients to complete **The Values Discovery app**, developed by Morningstar in conjunction with The Legacy Companies LLC. This is an interactive exercise designed to capture your clients' core values. The app is available for download on iOS and Android app stores. Once your clients have completed the exercise, your clients' core values are captured in SuitabilityPro™. Alternatively, you can manually enter your client's values.

Values	Invite sent	Last completed	Method	Actions
Mark Lewis	-	-	-	<div style="border: 1px solid red; padding: 2px;"> <ul style="list-style-type: none"> SEND AN INVITE SEND A REMINDER SELECT VALUES </div>

- ❖ Select **SEND AN INVITE** from the **vertical ellipsis** icon, this will launch the side panel.
- ❖ Customize default messaging as desired, then select **SEND AN INVITE**.
- ❖ If client has not completed exercise, select **SEND A REMINDER** to send a reminder.
- ❖ For manual entry, select **SELECT VALUES** from the **vertical ellipsis** icon. Then select the client's five corresponding values from the list. For custom value(s), select **Add A Value** in the top right corner of the side panel. Once you have five values, select **SAVE** to close the side panel.

3.3 Service Level

Service level allows you to define your client relationship and set review dates as well as give access to other advisors.

- a. You can access **Service Level** by selecting **Profile > Engagement > SERVICE LEVEL**. Select **EDIT** on the top left of the screen to:
- ❖ make your client Private so that it's hidden from view in the search results in the Client tile on the Advisor dashboard. Private clients are still included in the consolidated dashboard results.
 - ❖ add a secondary advisor who will be given access to this client file.
 - ❖ assign a workgroup, where all members of the workgroup will be able to access this client file. See **My Profile** for details on creating **Workgroups**.
 - ❖ define review frequency for the client (Portfolio, Risk tolerance), a notification will be triggered when due in the **Tasks & notifications** screen.

The screenshot shows the 'Advisor information' form. It has the following fields and options:

- Primary advisor:** Text input field containing 'Financial Planner'.
- Secondary advisor(s):** Section with an 'Advisor ID' text input field containing 'Financial Planner Two' and a close icon (X).
- Workgroup:** Dropdown menu showing 'HNW Team'.
- Region:** Dropdown menu showing 'Sydney'.
- Private client:** A checkbox with the label 'Private client', highlighted by a red box.
- Expires:** A dropdown menu with 'Never' selected.
- + ADD:** A green button with a plus sign and the text 'ADD', highlighted by a red box.

3.4 FinaMetrica Risk Tolerance, Experience and KYC Questionnaire

There are 25 or 10 plain language questions in the risk tolerance questionnaire. All must be answered. The 25 questions cover a wide range of financial issues, not just investment issues. The 10 questions are a subset of the 25 which focuses more on investment issues. All questions have been tested for understandability and answerability, and their statistical significance¹.

There are four experience questions, answering them is recommended but optional. This data is used in preparing the suitability assessment. There are five demographic questions, again answering them is recommended but optional. This data is used anonymously in research studies only and is not used in preparing the Risk Tolerance report or suitability assessment.

- a. You can access the questionnaire by navigating the client menu on the top right of the screen, selecting **Profile > Risk Tolerance & KYC**. Alternatively, use the quick access on the client overview risk tolerance tile.

- c. Select the **vertical ellipsis** icon under the **Actions** column to invite your client to complete the questionnaire or if your client has completed a hard copy questionnaire already, you can transfer the answers by selecting **COMPLETE QUESTIONNAIRE**.

Family member	Risk tolerance	Questionnaire	Version	Actions
> ML Mark Lewis	N/A	N/A	N/A	⋮
> DL Diane Lewis	N/A	N/A	N/A	<ul style="list-style-type: none"> ▶ SEND AN INVITE ▶ COMPLETE QUESTIONNAIRE

- d. Once your client has completed the questionnaire, the report can be viewed by selecting the **Risk Tolerance Results** option under the **vertical ellipsis** icon.

4. Step 2: Discuss Risk Tolerance Report

4.1 The Risk Tolerance Report

- a. Your risk tolerance score

This section provides an overview of your client’s score, risk group and self-estimate.

- ❖ Clients are scored on a scale of 1 to 100, where the higher the score the more risk seeking.
- ❖ Scores are normally distributed with mean of 50 and standard deviation of 10.

To make the scores and reports more meaningful, the scale has been divided into seven (25Q)/five (10Q) segments. The middle segment is the Mean \pm 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. For the 10Q test, we simplify to five segments, effectively combining risk groups 1 and 2 and risk groups 6 and 7.

Your risk tolerance score

Your risk tolerance score enables you to compare yourself to a representative sample of the adult population.

Your score is **56**. {{riskTolerancePercentText}}

When scores are graphed they form a bell-curve as shown below. To make the scores more meaningful, the 0 to 100 scale has been divided into five risk groups. **Your score places you in the 5 risk group.**

- b. Your risk group

The risk group descriptions reflect how clients whose scores fall within that group typically answer the questionnaire. This information is for advisors to better understand the characteristics of each risk group.

People do not necessarily answer the questionnaire consistently. If you consider that the score reflects overall risk tolerance, some answers will reflect less risk than would be expected from the score and others more risk. These differences, shown in **italics** are what makes each individual unique. Our objective is to recognize these differences and determine if they are material in our understanding of the client and will

impact the advice or guidance we will deliver. The differences are also presented in a table for easy reference.

The description, as modified by the reported differences, is a verbatim statement by the client about themselves in relation to risk. Your client, Mark, is saying:

I 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 only somewhat rarely.

The screenshot displays a risk profile report for a client named Mark. It features a section titled "Financial past" with a verbatim statement from the client: "You have made a 'thrill' investment, but only somewhat rarely." Below this, there is a "Risk Group" scale from 1 to 7. The client has selected group 4, which is highlighted with a red box. A table below the scale shows the client's responses to two questions: "Q3 Meaning of Risk" (selected group 4, marked with a green check) and "Q4 Thrill Investing" (selected group 4, marked with a yellow check, also highlighted with a red box). The table includes "EXPAND ALL" and "COMPARE" buttons for each row.

4.2 The Experience and KYC Reports

The experience and KYC reports provide a summary of the answers selected by the client. You can toggle between the risk tolerance, experience and KYC reports using the radio buttons at the top of the reports. Unlike the risk tolerance report, you can edit the experience KYC responses if required by selecting the **EDIT** button.

The screenshot shows the "Experience and KYC Reports" interface. At the top, there are three radio buttons: "RESULTS", "EXPERIENCE", and "KNOW YOUR CLIENT". Below the buttons, the client's name "Mark Lewis" and "Current age 45" are displayed. An "EDIT" button is located in the bottom right corner.

4.3 Discussion Points

The primary purpose of the risk profiling process is to identify an investment strategy which best fits your client's circumstances, aspirations, risk capacity and risk tolerance. Below are things you can do to ensure that you have instructions upon which you can rely, to help you quickly develop an in-depth understanding of your client and accelerate the establishment of a relationship of trust.

a. Confirm report accuracy

You must ask your client whether the report is accurate (because you will treat it as their instructions to you about the level of risk they would normally choose to take.) Some clients will be surprised by their scores and may question the accuracy of the report. You should ask them to go through the risk group description, as modified by any differences reported, and point out any "inaccuracies". Remember that the report is a literal summary of the answers they gave.

If they identify something they consider inaccurate, go back to the completed questionnaire and look at the actual answer with them. It is possible that they made a mechanical mistake in selecting an answer option.

One such mistake will not affect the risk tolerance score by more than a couple of points. The mistake should be noted, and the score can be used as it stands. If there are multiple mistakes, the questionnaire should be done again.

Sometimes your client will confirm that the report is an accurate summary of the answers they gave but will still have difficulty accepting their score. You should explain that the score is simply the result of an objective, statistical comparison between their answers and the answers given by a sample of the adult population. If their score is lower than expected, that's because they under-estimate the risk tolerance of the adult population - vice versa if their score is higher than expected. In either case, ask them to talk about how they formed their views about other people's risk tolerance. Who are they comparing themselves to?

b. Explore investment choices

Once you have dealt with the accuracy of the report, you should explore the Investment section and, in particular, any differences reported there. Such differences will occur in virtually all tests. Now is a good time to begin educating your client about risk and return, managing their expectations and laying the groundwork for obtaining their informed consent. The portfolio analysis will be helpful here, see 5.2 Managing Expectations and Risk Capacity.

c. Check risk groups

On average, male clients are at the high end of Risk Group 4 (25Q), Average (10Q) and female clients are at the low end of Risk Group 4 (25Q), Average (10Q). Where a client is two or more Risk Groups away from these averages, they are 'outliers' and this should be discussed.

d. Check number of differences

Typically, there will be from two to five (25Q) or one to three (10Q) differences. Differences occur because, while those within a Risk Group are similar, they are not clones. Clients whose scores fall at either end of a Risk Group tend to have more differences than those in the middle. The number of differences is an indication of the client's consistency when it comes to financial issues. Occasionally, a client will have many differences – eight or more, indicating a lack of consistency in financial matters. Of itself, this is not a negative characteristic - some people are just less consistent than others. However, it is helpful to both client and advisor for this to have been identified openly at the very start of the relationship.

e. Explore differences

Differences provide an opportunity to open up discussion. Each represents an aspect of your client where they differ from those with whom they are otherwise similar. Differences will be either low or high, i.e. your client's answer indicates less (low) or more (high) risk tolerance than is typical for their risk group. Obviously, differences that are significantly outside the range are more important than those just outside. For any difference, low or high, it is appropriate to ask why your client thinks it might be that they chose a lower/higher option than is typical of their risk group. But it's important not to make too much of any particular difference. Remember, these are real people, not clones.

4.4 Adjusting the Risk Tolerance Score and Consistency Check

a. Adjusted score – manually

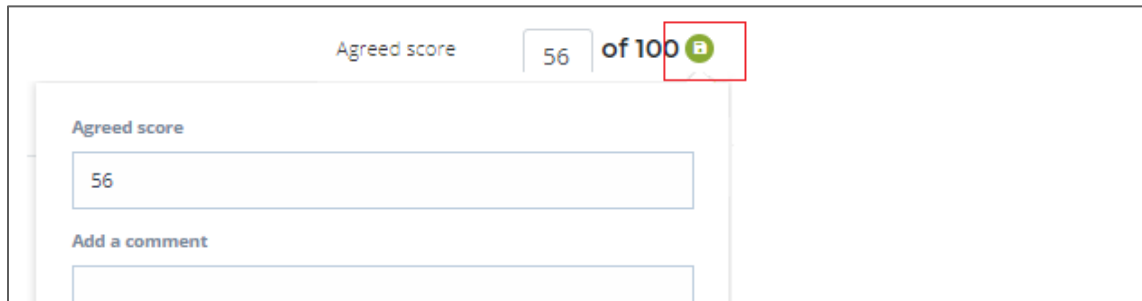
Most of the time the differences are not material but sometimes, about 3%, they are. In such cases, the simplest solution is to adjust the score. The descriptions for each risk groups provide a basis for adjusting the score.

For example, those in risk group 5 typically say they can (emotionally) handle a 20% fall in the value of their investments. However, let's suppose that your client, Mark, says he cannot handle any fall in the value of his investments, which is more typical of someone in risk group 2. The ensuing discussion may result in a decision that Mark's risk tolerance with regard to an investment strategy is less than the reported score indicates and that it would be more appropriate to work with a reduced score for the purposes of determining an investment strategy. This discussion and the agreed score should be documented and signed-off by the client. The agreed score would be used for further analysis.

b. Adjusted score – automatically

In the 25Q test, we recommend that advisors resolve any inconsistencies in the client's answers through discussion and adjusting the score manually, whereas the 10Q test uses an adjustment algorithm to automatically adjust the score where necessary based on the differences and highlight this under the Adjustment section of the report. The adjusted score should be documented as an agreed score (if accepted), signed-off by the client and used for further analysis as per above.

To accept or adjust the score, select the inverted triangle next to the **EDIT icon** on the top of the report. A pop-up box will appear for you to enter the agreed score and comment.



The screenshot shows a user interface for adjusting a score. At the top, it displays 'Agreed score' followed by a text box containing '56' and 'of 100'. To the right of '100' is a green circle containing an inverted triangle icon, which is highlighted with a red box. Below this, a pop-up box is shown with a text input field containing '56' and a label 'Add a comment'.

c. Inconsistency Alert

Some sets of answers are so inconsistent as to make algorithmic adjustment too difficult/dangerous. To deal with this there is a consistency algorithm which is applied before the adjustment algorithm for the 10Q risk tolerance test only. If the answers are too inconsistent an Inconsistency Alert is included in the report. If they are not too inconsistent the adjustment algorithm is used to determine whether there should be an Adjusted Risk Score. Inconsistencies is not a negative characteristic - some people are just less consistent than others. However, it is helpful to both client and advisor for this to have been identified openly at the very start of the relationship.

5. Step 3: Developing Suitable Advice

The process of developing suitable advice is based upon obtaining your client's properly informed commitment to a set of trade-offs between conflicting alternatives. Effective trade-off decisions can only be made when the elements of the trade-off have been separated and can be clearly understood and compared. A key trade-off decision commonly confronted by clients is between the level of risk client would normally choose to take and investment risk associated with the return required to achieve their goals. Let's explore how the FinaMetrica **Profiler** guides you through the trade-off process.

5.1 Your Client's Assets & Liabilities (ProTracker only)

You'll be able to assign assets and liabilities to each goal and build your client's portfolio(s). Skip to the next step if you are using **Profiler** only.

- a. Capture your client's assets & liabilities by selecting **Planning > Assets & liabilities**.
- b. Select **ADD AN ACCOUNT** on the top left to open the side panel, then:
 - ❖ enter asset/account details
 - ❖ liability is only applicable for Open accounts and fixed asset type),
 - ❖ select a portfolio to associate the asset/account to (if a portfolio was previously created), otherwise select **ADD A PORTFOLIO** to create a new portfolio, see **5.2 Your Client's Portfolios** for more details about portfolios and investment strategies.
 - ❖ select **SAVE** to return to the Assets & liabilities summary page.

- c. Created accounts are shown in the summary screen with primary and secondary **vertical ellipsis** icons for further actions (use the chevron to expand to see the secondary icon).

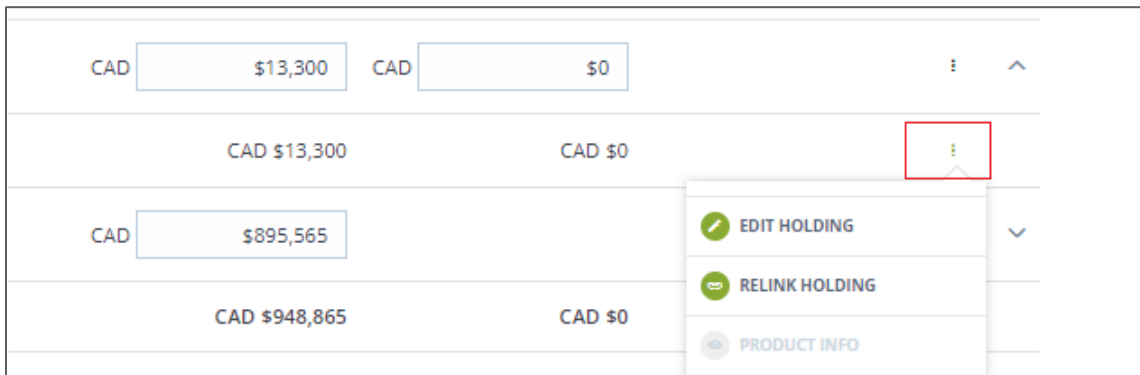
Investment Accounts						
	Jessica RESP	Non-registered investments	CAD	\$13,300	CAD \$0	
	Jessica RESP			CAD \$13,300	CAD \$0	

- d. Use the Accounts primary **vertical ellipsis** icon to:

- ❖ EDIT ACCOUNT
 - Select to edit account details (regulatory type, account number ...).
 - i. Review the default **Regulatory type** of each account and update as necessary.
 - ii. All accounts default to be **Included in planning**, uncheck to omit assets from net worth and account summary and planning analysis.
- ❖ ADD HOLDING
 - A default holding is automatically created for each account, see secondary **vertical ellipsis** below, select to add additional holdings or the **Add a holding** in top left.



- e. Use the Accounts secondary vertical ellipsis icon to:
- ❖ EDIT HOLDING
 - Select to edit holding details (product type, ACB, asset allocation ...).
 - i. **Allocation** defaults to 100% Cash, review and update as necessary.
 - ii. **ACB** defaults to market values, review and update as necessary.
 - ❖ RELINK HOLDING
 - Select to launch the **Product Search** side panel and link up products from the Morningstar universe to clients' holdings.
 - ❖ PRODUCT INFO
 - Where products are linked, select to access product fact sheets for linked products.



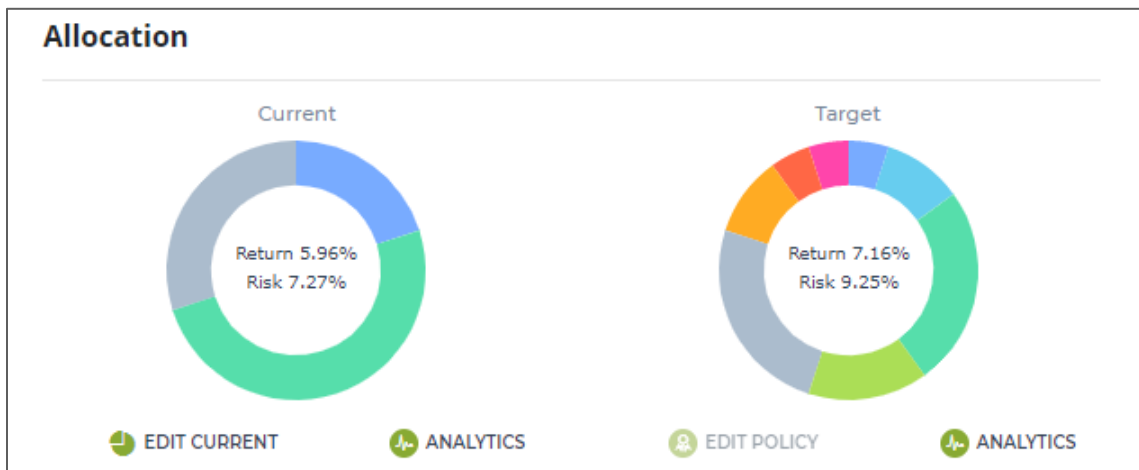
5.2 Your Client's Portfolios (Goals)

For **Profiler**, each portfolio is a separate grow wealth goal (funding a single goal). If you have multiple portfolios funding a single goal, you may wish to consolidate these portfolios into one.

- a. Capture your client's portfolios by selecting **Planning > Portfolios**. Alternatively, use the quick access on the client overview portfolios tile.
- b. Select **ADD A PORTFOLIO** on the top left and enter the portfolio name, amount and time horizon. For couples, you will be prompted to select the portfolio investor/s and if jointly owned then a primary investor

will need to be assigned. Skip to the next step if you have created your portfolios in 5.1 while entering your client's assets and liabilities.

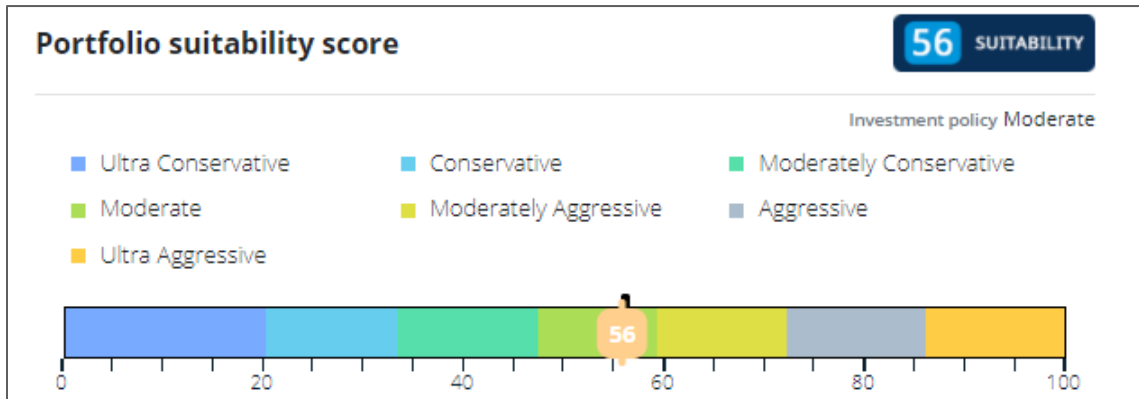
- c. Your client's portfolios will then be shown with a suitability score and the corresponding investment policy. Select the **vertical ellipsis** icon then **PORTFOLIO DETAILS** to review the portfolio and how the suitability score is calculated and what it means in detail.
- d. The **Portfolio Details** screen enables you to manage the current and target portfolio and make adjustments to the suitable score and linked goals and accounts if required.



- ❖ The current portfolio
For advisors using **Profiler** only, the system will initially allocate the portfolio to 100% Cash. Select **EDIT CURRENT** and you'll be presented with a side panel to amend the current portfolio. If the account(s) associated with the portfolio (**ProTracker** only) are all 100% Cash, you can enter the portfolio allocation by selecting **EDIT CURRENT**. If you have entered individual allocation(s) for the linked account(s) then you will need to amend the allocation(s) under accounts. Once completed, the system will calculate the risk and return using historical data, see **6.2 Adjusting Planning**

Settings for more details about the capital market assumptions applied. If you have entered individual allocation(s) for the linked account(s) then you will need to amend the allocation(s) under accounts.

- ❖ The target portfolio
There are seven default investment policiesⁱⁱ, each with a corresponding portfolio and a suitability score range as shown in the table below. For example, a suitability score of 56 is aligned with the Moderate policy.



The system will initially assign the target portfolio to the investment policy aligned with the portfolio suitability score, see next point. Like the current portfolio, the target portfolio is shown with the risk and return and the asset class breakdown.

To accept or adjust the target portfolio, select **EDIT** on the top right of the **Portfolio Details** page then toggle the **Suitability score slider** to the desired score, see **5.4 Adjusting the Suitability Score** for more details on analyzing goals and making investment strategy recommendation. If you wish to apply a custom allocation to the target portfolio, select **EDIT > EDIT POLICY**. Any adjustments made here will only apply to the selected client's target portfolio, see **6.2 Adjusting Planning Settings** to adjust the default investment policy allocations.

- ❖ The portfolio suitability score
The suitability score for each portfolio is calculated from the portfolio primary investor's risk tolerance score and applying any applicable constraints (e.g. time horizon, experience, knowledge and composure)ⁱⁱⁱ. These constraints, referred to as the Professional Judgement Matrix (PJM) can be customised under **Settings**, see **6.2 Adjusting Planning Settings**.

For example, Mark's retirement portfolio is assigned a suitability score of 56, which is the same as Mark's (primary investor) risk tolerance score as there were no constraints based on the portfolio time horizon and Mark's experience, knowledge and composure.

Professional judgement matrix constraints

Suitability score suggested limit is 56 due to risk tolerance score.

Should a PJM constraint is applied, this will be identified, for example, a time horizon constrain is

applied below. Where the score selected is above the suggested PJM limit, the black line, a

Professional judgement matrix constraints

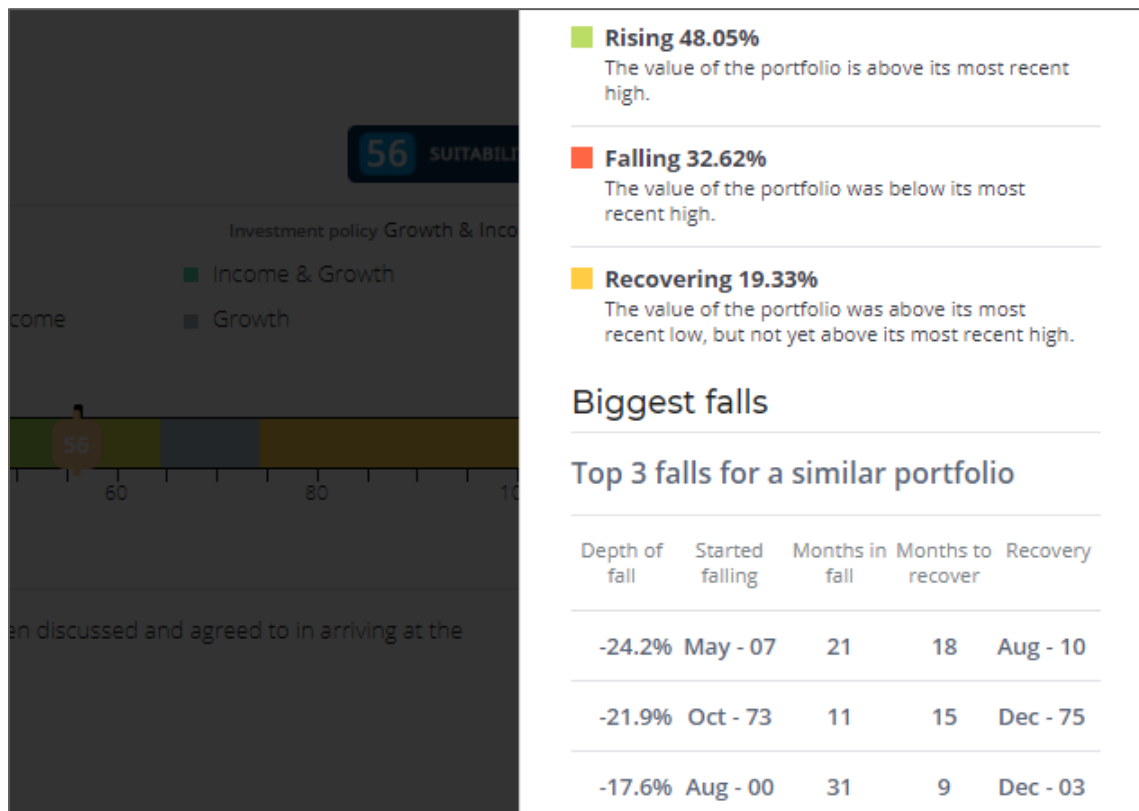
Suitability score suggested limit is 52 due to time horizon.

warning will appear.

- ❖ Analytics - pattern and depth of falls and efficient frontier
On selection, the **ANALYTICS** function opens a side panel showing whether the portfolio is within the comfort zone of the suitability score. Mark's Moderate target policy is within the green suitable zone for a suitability score of 56. The comfort zone ranges of the suitability score is calculated from the growth component of the portfolio using the FinaMetrica mapping methodology^{iv}.

The **ANALYTICS** function also shows how the portfolio would had performed over the last 40 plus years using historical representative indices. The monthly performance data of the portfolio are categorized as Rising, Falling or Recovering and the biggest falls by depth are identified.

The portfolio is also plotted against the efficient frontier (**ProTracker** only), see **6.2 Adjusting Planning Settings** for more details about the capital market assumptions applied. These analytics, in conjunction with the risk capacity analysis (see **5.3 Risk Capacity - Analysis**) assist in managing client's expectations.



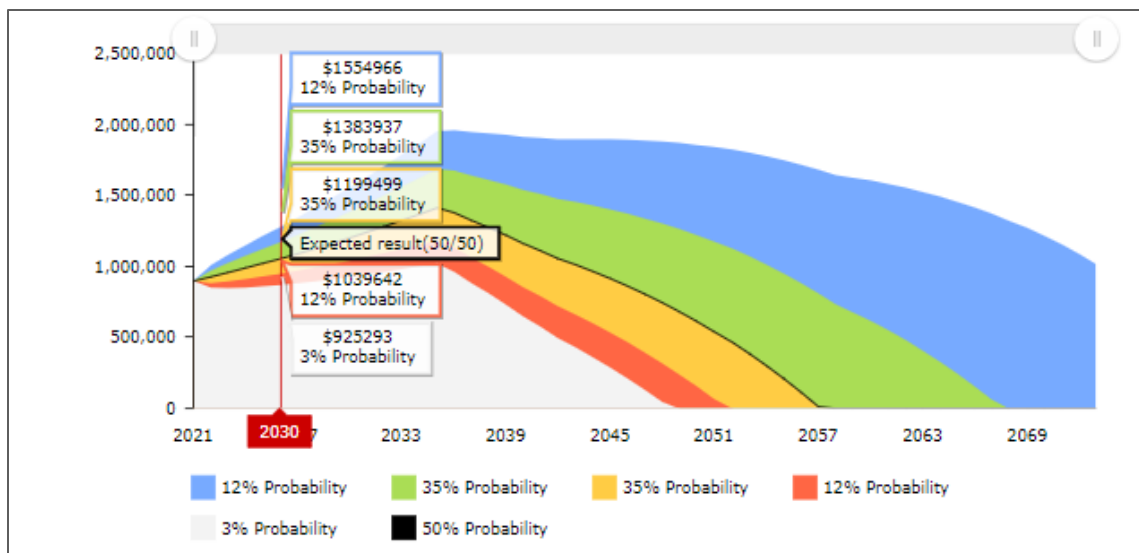
- ❖ Linking accounts (**ProTracker** only)
Changes to linked accounts will need to be made under the **Asset and liabilities** screen by going to **EDIT ACCOUNT > Associated portfolio**.

5.3 Risk Capacity – Analysis (Managing Expectations)

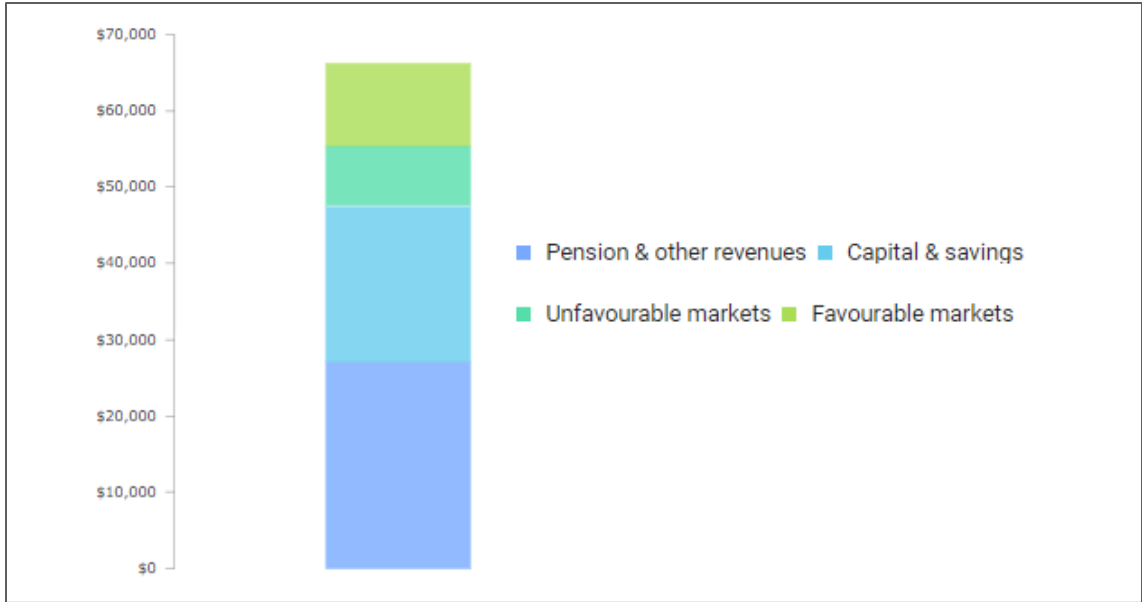
Most clients start with unrealistic expectations about risk and return. Unrealistic expectations can quickly become unfulfilled expectations and unfulfilled expectations tend to cause grief for all concerned. Now is a good time to start educating (new) clients about risk and return and risk capacity, the level of financial risk the client can afford to take without jeopardising the achievement of important financial goals.

The FinaMetrica **Profiler** system provides a practical and dynamic process to test risk capacity by asking the client to specifically confirm their acceptance of the relationship between the downside risk and achieving the goal through various analysis and illustrations. We believe this incorporates the client’s level of flexibility for the goal and acceptance of the risks with the recommended or desired investment profile.

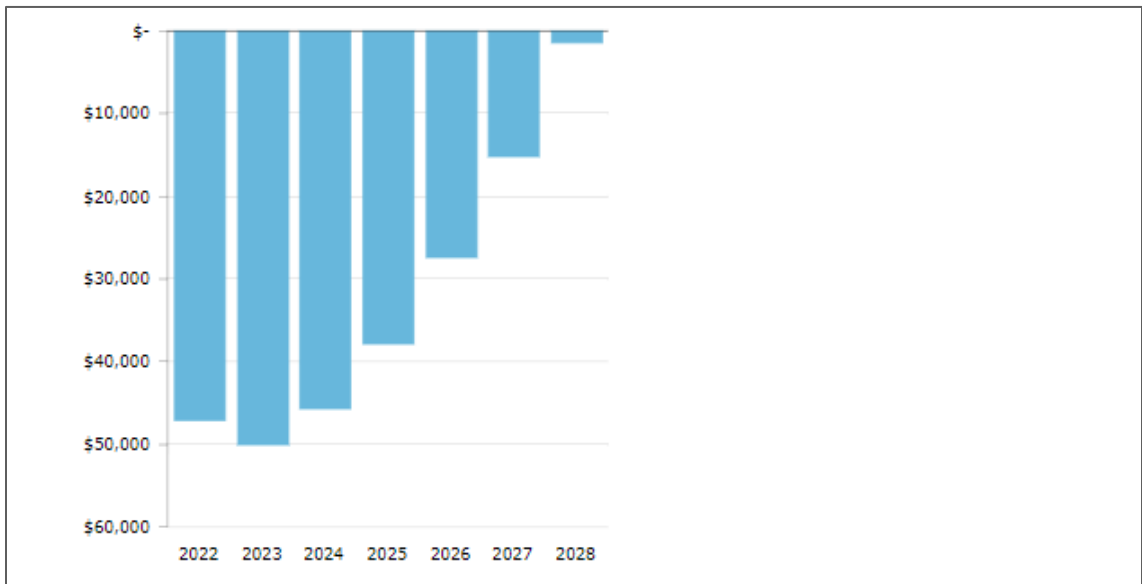
- To start the risk capacity analysis process, select the **more vertical icon** then **RISK CAPACITY** in the Portfolios summary screen. For all illustrations, the strategy situation will show the results of the implemented portfolio if one is selected, otherwise it will show the result of the target portfolio.
- Certainty of outcome (CoO)
Shows the range of possible outcome for the target portfolio (or Implemented portfolio, see 5.4 Implementation, if one is selected) over the time horizon using stochastic modelling.



- Favorable and unfavorable markets
Shows the income range if we have unfavourable markets (2sd below the mean) and if we have better than expected markets (2sd above the mean).



- d. Value at risk (VaR)
Shows the size of potential falls on a year by year basis and how long it would take to recover in value.



The **ANALYSIS** illustrations, together with the **ANALYTICS** function, allow advisors to compare how Mark’s and Diane’s current and target portfolios would have performed against their risk and return expectations as stated in their risk tolerance questionnaire (e.g. Q14/Q21 in the 25Q version and Q7/Q10 in the 10Q version) and facilitate discussion around downside risk and achieving goal.

5.4 Adjusting the Suitability Score

Discussion around risk and return will help identify any gap between the level of risk the client would normally choose to take and investment risk associated with the return required to achieve their goals. If there is a gap, assist the client to resolve any gap by suggesting alternatives and illustrating resulting outcomes. Coach and guide, but not

decide – the client owns the problem and decision. Your role is to identify the need for decisions, the alternatives and their consequences.

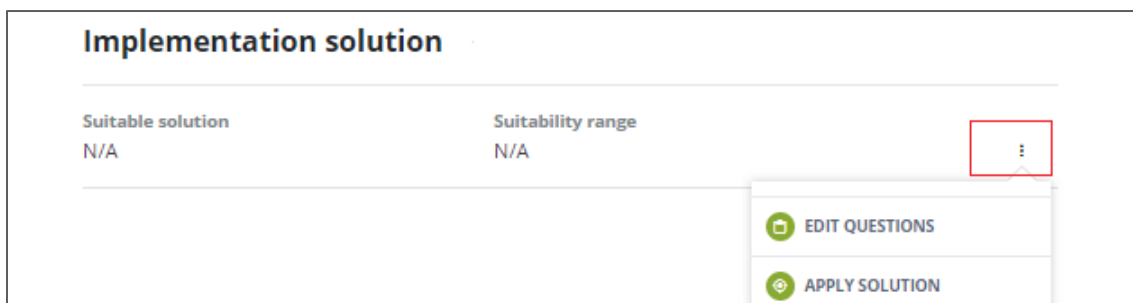
For example, Mark’s and Diane’s retirement portfolio with a suitability score of 56 is mapped to the Moderate policy, which best matches the level of risk Mark, the primary investor, would normally choose to take based on his risk profile. Should Mark and Diane feel that the risk identified for the Moderate policy is unsuitable, for example they may reduce risk as they are not comfortable with the possible downside or they may take on more risk in order to meet stated goals.

The PJM will never recommend a client take on more risk than indicated by their risk tolerance assessment based on the “need” to achieve a stated goal, although in an advised relationship an advisor may do so.

5.5 Implementation

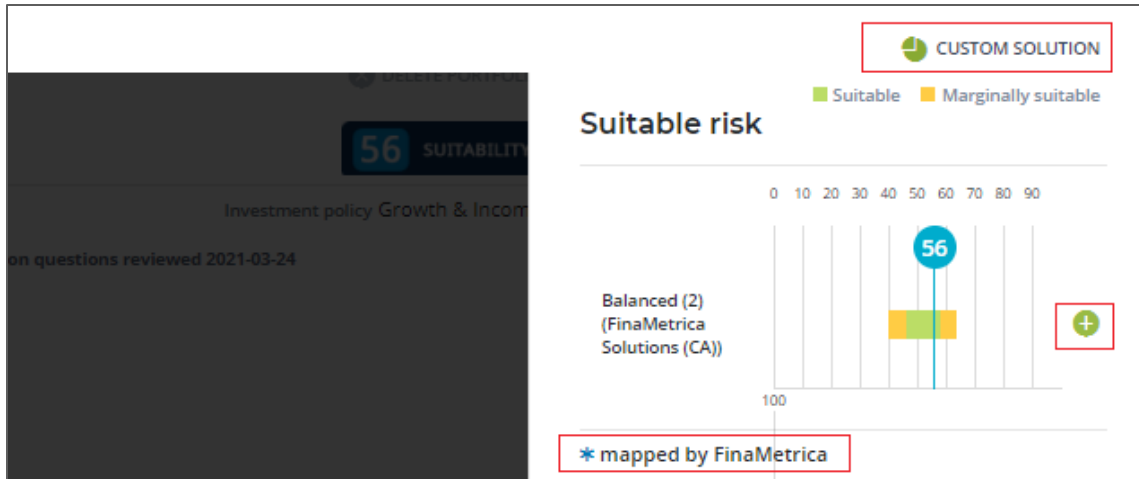
Once the client has agreed on a suitability score and target portfolio to proceed with, a suitable solution can be recommended. The **Implementation** screen allows you to select from a range of predefined solutions to apply.

- a. Implementation questions (**ProTracker** only)
Upon entering the **Implementation** screen, a side panel showing available implementation questions will be shown. You may make a selection now or later by closing the said panel. To return to the implementation question, select the **vertical ellipsis** icon then **EDIT QUESTIONS**.



- b. Apply solution
To apply a solution, select the **vertical ellipsis** icon then **APPLY SOLUTION**. You’ll be presented with solutions that are within the comfort zones of the portfolio suitability score with the option to see solutions outside the comfort zone by selecting **More detail**. Select the green plus symbol next to the solution you wish to implement, the solution will then be shown in the Implementation screen with its applicable suitability range.

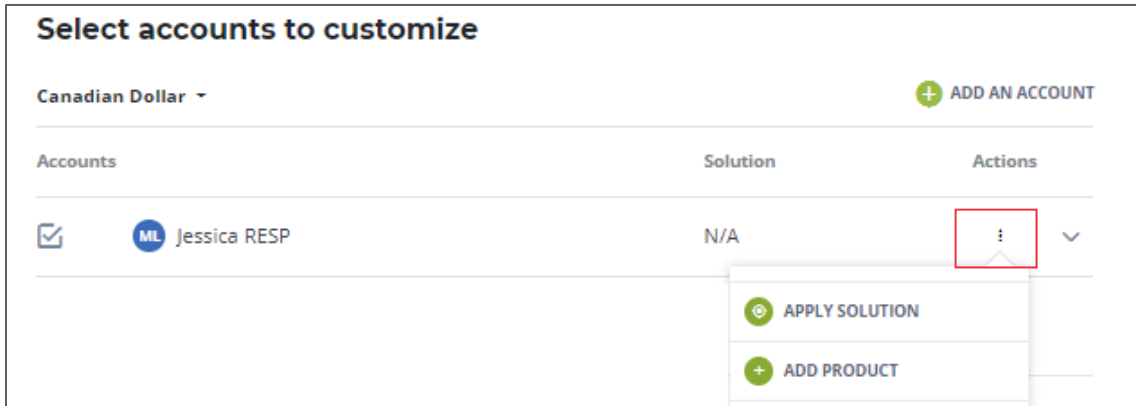
You can configure solutions to apply under **Settings > Preferred solutions**. Pre-validated third partner solutions that have been mapped by FinaMetrica are shown with an asterisk. A suite of illustrative FinaMetrica solutions are also pre-configured to help you get started, these are designed to illustrate risk and return across the risk spectrum. For more details on solutions, **6.2 Adjusting Planning Settings**.



c. Custom implementation (**ProTracker** only)

For detailed implementation linked to products, select the **CUSTOM IMPLEMENTATION** option in the solution side panel.

You be presented with the account(s) linked to your portfolio. Checked the account you want to implement, select the **vertical ellipsis** icon then **APPLY SOLUTION**. You'll be presented with solutions that are within the comfort zones of the portfolio suitability score, only solutions with linked products can be applied for custom implementation. Select the green plus symbol next to the solution you wish to implement, the solution will then be shown in the Implementation screen with its applicable suitability range.



At the bottom of the implementation screen you'll be presented with the product(s) linked to the implementation solution and current account. The system initially assumes all current holding(s) will be 100% allocated to the implementation solution. In the sample below, the current holding, *Jessica RESP*, is depleted to 0% and the account value is distributed to the implementation holdings according to the solution allocation, in this case 10% to *Capital Balanced* and 90% to *CIB Balanced Portfolio*. To amend the distribution, overwrite the amount or percentage for each holding then select **SAVE CHANGES**. Additional holding(s) can be added to the portfolio by selecting the **vertical ellipsis** icon for the portfolio then **ADD PRODUCT**.

Current allocation				Implemented allocation	
Product	Class	Amount	Percent	Amount	Percent
Jessica RESP					
Jessica RESP	■ Cash	\$13,300	100.0%	\$0	0%
Capital Balanced	■ Cash	\$0	0.0%	\$1,330	10%
CIB Balanced Portfolio	Balanced	\$0	0.0%	\$11,970	90%

The allocation table provides an overview of the asset class distribution across the current, target and implemented portfolios. You'll be able to review whether each asset class allocation is within the targeted min and max bounds, e.g. for cash (blue), the current portfolio has 20% and the implemented portfolio has 12.7%, this is outside the target portfolio range of 0% (min) and 10% (max). Like the current and target portfolios, you can also access the ANALYTICS of the implemented portfolio as well. Selecting the *eye icon* provides details of the products contributing to that asset class.

		Current			Target			Implemented	
Class	%	Amount	Min %	%	%	Amount	Max %		
■	20.0%	\$2,660	0.0%	5.0%	12.7%	\$1,689	10.0%		
■	0.0%	\$0	5.0%	10.0%	20.7%	\$2,753	15.0%		

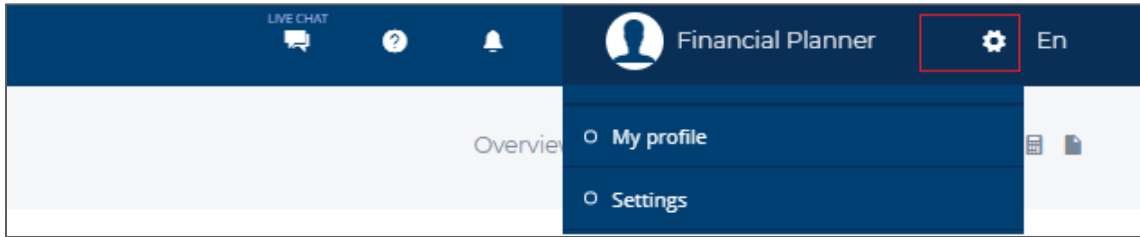
Now is the time to discuss specifics about the products, the risk, costs and so forth. Ensure to document discussion under **Considerations**. It is recommended that you reconfirm the client's understanding and acceptance of the risk and return of the implemented solution by reviewing the portfolio **ANALYTICS** and risk capacity **ANALYSIS** illustrations again.

6. Step 4: System Settings

To help you get started, the FinaMetrica **Profiler** system is pre-configured with default assumptions that drive the advice process. It is recommended that you review them to ensure they align with what you want and expect to see.

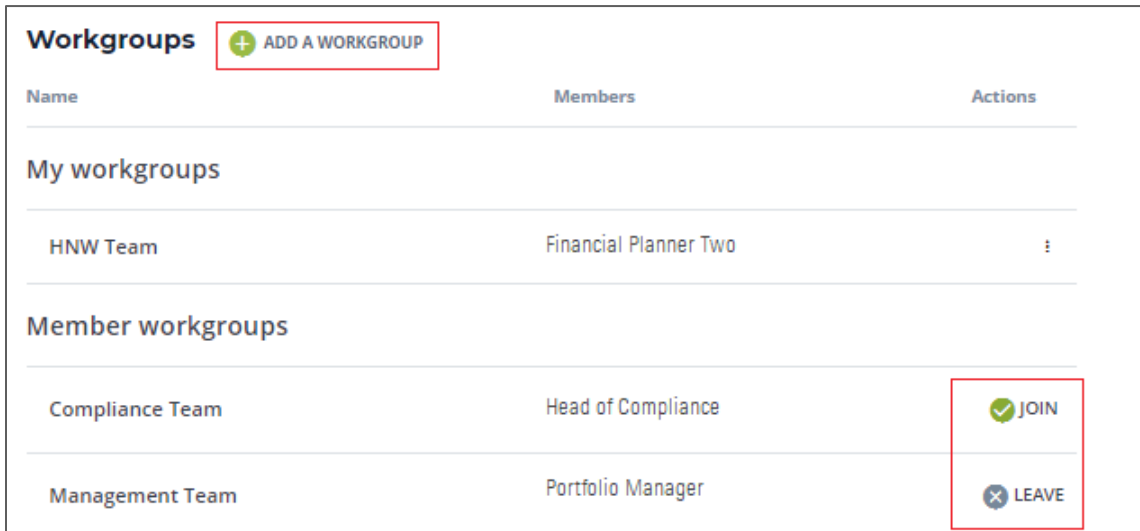
6.1 Adjusting Profile Settings

Select the **gear** icon on the top right of the screen then **Settings** to review and adjust your personal profile if required.



a. About Me

- ❖ Review and update your personal information and upload an avatar.
- ❖ Create Workgroups to share client files with a group of users, this feature is like the “secondary advisor” feature which allows you to share with a single user.
 - i. Select **ADD A WORKGROUP**, enter a name for the group add members then press **Save**.
 - ii. Select the **vertical ellipsis** icon to edit (add or delete members).
 - iii. Member workgroups are groups you have been invited to join. Select **JOIN** to join the workgroup or **LEAVE** to leave the workgroup.



b. Subscription

Manage your Suitability**Pro**[™] subscription by selecting **Manage**, this will take you to our subscription management portal.

- c. Branding
Customize SuitabilityPro™ to match your branding for screens, documents/report (coming soon), and the client portal (coming soon).

6.2 Adjusting Planning Settings

Select the **gear** icon on the top right of the screen then **Settings** to review and adjust the planning assumptions if required.

- a. Capital market assumptions
Define the rate of return and income distribution data to be used in projections and calculations. Default rates^v are based on Morningstar Investment Management unconstrained assumptions. The standard deviations, and correlation coefficients are then used to dynamically calculate the risk and return of current, target and implementation portfolios.

To customize the **Rates of return**, select the **RATES OF RETURN** tab then **EDIT** in the top right. When defining your rates of return, it is important for you to be able to support your assumptions with reasoning that is prudent and practical as opposed to merely choosing a rate of return.

- ❖ **Methodology** determines whether the system applies the nominal rates as shown in calculations (nominal) or the real rates as shown and add inflation assumption (real). For real methodology, you can customize the inflation rate to apply on an individual basis.
- ❖ **Rates to apply** determines whether the system uses the default rates supplied or select the **Custom** radio button to enter your preferred rates.
- ❖ **Inflation** determines whether the system uses the default rate supplied or select the **Custom** radio button to enter your preferred rate.
- ❖ Once all selections are made and entered, check the box to accept changes and select **SAVE CHANGES**.

- b. Investment policies
Define the target investment strategies' allocations, maximum and minimum ranges and suitability score ranges^{vi} to be used in projections and calculations. The target portfolios' asset allocations were determined using historical index data and efficient frontier analysis to represent typical portfolios selected by advisors across the risk spectrum.

To customize the investment policies, select **EDIT** in the top right then select the **Custom** radio button. A minimum of 4 and maximum of 12 policies can be configured.

- ❖ Select **ADD A POLICY** to add a policy, a side panel will appear for you to enter the policy name and the asset allocation.
- ❖ Select the **vertical ellipsis** icon next to the policy name then select **DELETE POLICY** to delete a policy or **EDIT POLICY** to rename a policy.
- ❖ Select **TARGET** to toggle between the target view and the min/max view.
- ❖ The default score ranges are set to align with the default investment policies score ranges and the best fit score ranges are calculated using the FinaMetrica asset allocation mappings methodology based on the growth percentages of the investment policies^{vii}. The Best fit ranges divide the 0 to 100 scoring scale across the investment policies, showing for your set of investment policies, which

is most appropriate for a particular risk tolerance score. You can define your score ranges under *Your range* using the Best fit as a guide.

- ❖ Once all selections are made and entered, check the box to accept changes and select **SAVE CHANGES**.

Asset class	Return	STDEV	Min	Target	Max	Min	Target	Max
Cash	-0.4%	1.7%	90%	100%	100%	3.5%	8.5%	13.5%

- c. Professional judgement matrix
Define the suitability framework for time horizon, experience, knowledge and composure. Default constraints are based on research and back-testing^{viii}. The constraints are applied to the risk tolerance score to arrive at a suitability score for each portfolio.

- d. Preferred solutions
Define suitable solutions and map them to your investment policies. Advisors will need to apply their professional judgement in the construction of portfolios that are suitable for each investment policy. Default FinaMetrica illustrative solutions are for illustrative purposes only and are designed to give clients a feel for the investment experience across the risk return spectrum. Pre-validated third partner solutions that have been mapped by FinaMetrica are shown under FinaMetrica mapped solutions.

- ❖ To add a solution, you must first add a solution family (suite of solutions), select **ADD A SOLUTION FAMILY**, enter a solution family name and select a region (person solutions can only be implemented by you, region solutions can be implemented by all advisors within your region) then select **SAVE**.
- ❖ To see the solution family, select the chevron next to the region you've created your solution family. Select the **vertical ellipsis** icon then **ADD A SOLUTION FAMILY**.

Solution	Suitability range	Actions
Personal solutions		
Wealth Creation Solutions		⋮

+ ADD A SOLUTION

- ❖ Enter a solution name, information (url link) and asset allocation. The system calculates the growth percentage for the solution. The growth percentage drives the suitability comfort ranges^{ix} shown beneath and to the right. To amend the comfort ranges, either check the **Applied growth** box and enter a preferred growth percentage or select **Custom** for **Range** and enter the preferred score ranges.

You can define custom solutions linked to products (**ProTracker** only) from the Morningstar universe by selecting the **ProTracker** tab. Only solutions with linked products can be applied for custom implementation. **ProTracker** solutions can be created as a tailored solution, the weightings into each product can be edited at implementation, or fund of funds, the weightings into each product cannot be edited at implementation.

Suitability range		
Calculated growth	80%	
Applied growth	75%	<input type="checkbox"/>
Range <input checked="" type="radio"/> Default <input type="radio"/> Custom		
Ok range	62	74
Marginal range	56	84
<input checked="" type="button" value="PROFILER"/> <input type="button" value="PROTRACKER"/>		

7. Step 4: Obtaining Informed Consent

Sensible risk management will aim, firstly, at minimising the incidence of dissatisfied clients and, secondly, at maximising the practice's ability to defend itself. You will need to be able to prove that you did both. In particular, you must be able to defend a situation where the recommended strategy involved risk beyond that which they would normally choose to take, i.e. beyond their risk tolerance.

7.1 The Investor Profile Report

The Investor Profile report brings together the risk tolerance, experience, KYC and planning components allowing you to establish the basis of advice and obtain informed consent. Ensure that discussions are documented and signed-off, particularly if compromises and trade-offs were required because of risk profile or other constraints, you'll need to be able to establish that:

- a. The client's risk tolerance score was discussed and any adjustments if required were accepted.
- b. The client's risk profile and suitability score were discussed any adjustments if required were accepted. In particular, if the suitability score is adjusted above the PJM constraints (e.g. the client's goals required a level of risk that were not consistent with risk profile).
- c. The pros and cons of adjustments and alternatives were discussed and made clear.

Clearly, obtaining provable informed consent is critical in 'avoiding sickness' but the corollary, obtaining informed commitment, is equally effective in 'promoting health'. In fact, informed consent and commitment puts the client in the driver's seat. The client makes the decisions. Your role is to identify the need for decisions, the alternatives and their consequences. You are responsible for your advice but the decisions are the clients.

To the extent that your value-adding promise includes identifying and resolving problems, your client will have had an early demonstration of your ability to deliver on that promise. Your relationship with your client is off to a good start. Clients have much greater understanding of and commitment to plans arrived at through the informed consent and commitment process. You won't find yourself repeatedly explaining the strategies or defending them. You will have happier clients. Happy clients are much more enjoyable to deal with for you and your team. Happy clients refer more.

Where a client subsequently has doubts or concerns, it is a simple task to revisit the documentation of the original process. This will either confirm that the client wants to stay with the original decisions or, if there has been a change in circumstances or goals, will identify that a review is needed. Reviews become an extension of planning. Obtaining informed consent and commitment is a logical, transparent framework for both.

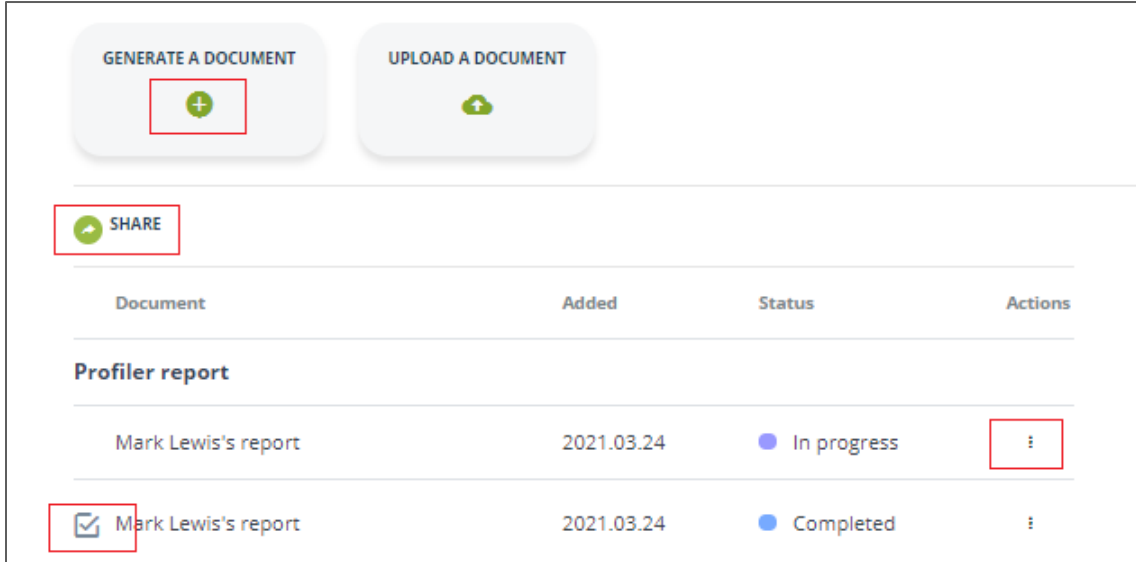
7.2 The Document Centre

The document centre stores all your client's document in one place allowing for quick access and reference. Here you can generate the Investor Profile report, upload supporting materials and share them securely with your clients.

- a. You can generate the Investor Profile report by navigating the client menu on the top right of the screen, selecting **Documents**. Alternatively, use the quick access on the client overview document tile.
- b. Select **GENERATE A DOCUMENT** to create your client's Investor Profile report, you'll be able to choose and select which components you wish to include in the report. Once the report is generated, select the **vertical ellipsis** icon to download, delete and share the document with your client. To share multiple documents, use

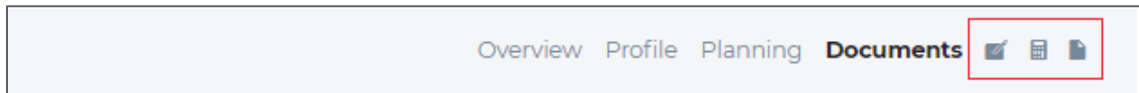
the check mark selection and the global share icon.

- c. Generated or uploaded documents can be shared with clients by updating the status to completed first. Client will then be invited to access the shared documents in the client portal.

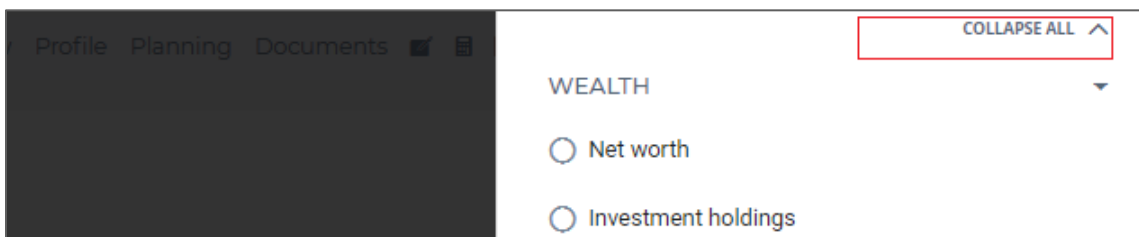


7.3 Report Side Panel – Supplementary Reports

In addition to the **Profiler** report, supplementary reports are also available (**ProTracker** only) for quick overview and client presentations.

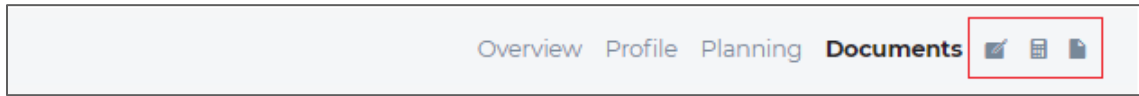


- a. You can generate the supplementary reports by navigating the client menu on the top right of the screen, selecting the **Report** icon.
- b. Select the chevron to open the available reports, select the desired the report, criteria and format, then **SAVE**. Available reports include:
 - ❖ Investment holdings: a summary of your client’s investment holdings
 - ❖ Portfolio rollup analysis: a summary of the current, target and implementation portfolios.
 - ❖ Detailed implementation strategy: a summary of the implementation strategy against current.
 - ❖ Fund rollup: a factsheet for select fund.



7.4 Notes

The notes feature allows you to add additional commentary to the client's file in support of your recommendation.



a. You can add notes by navigating the client menu on the top right of the screen, selecting the **Notes** icon then **ADD A NOTE**.

b. Select the **Note type**, enter commentary and other details depending on the type selected, then **SAVE**. Available note types and categories include:

❖ Client notes

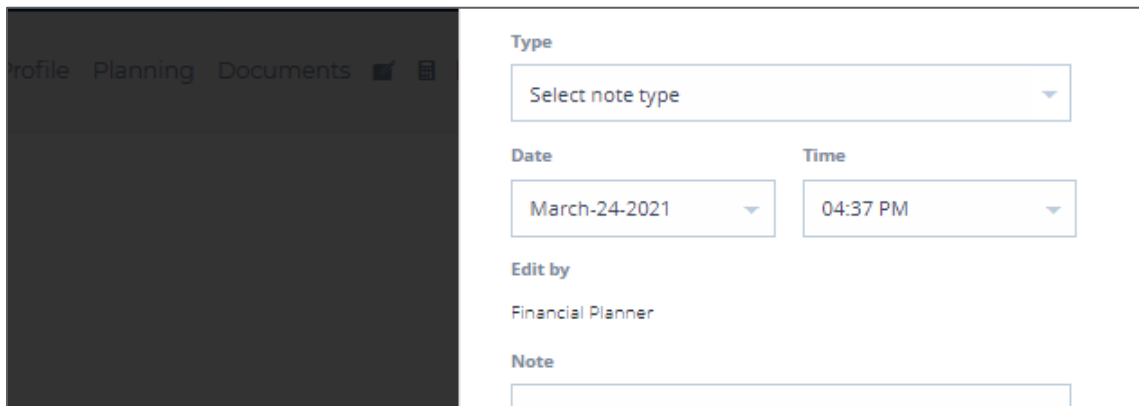
These are external notes and includes the following types, notes marked with an asterisk * as pulled into generated documents in a pre-defined location.

- i. Contact log
- ii. Investment commentary*
- iii. Protection commentary*
- iv. Savings commentary*
- v. Structured products commentary*

❖ Advisor notes

These are internal notes and includes the following types:

- i. Funds & wealth
- ii. Loan notes

A screenshot of a form titled 'ADD A NOTE'. The form is divided into two main sections. The top section is a dark grey sidebar with navigation links: 'Profile', 'Planning', and 'Documents'. The main content area is white and contains the following fields:

- Type**: A dropdown menu with the text 'Select note type' and a downward arrow.
- Date**: A dropdown menu with the text 'March-24-2021' and a downward arrow.
- Time**: A dropdown menu with the text '04:37 PM' and a downward arrow.
- Edit by**: A text field with the text 'Financial Planner'.
- Note**: A large text area for entering the note content.

c. You can search notes by navigating the client menu on the top right of the screen, selecting the **Notes** icon then search by all notes, client or advisor notes or by note types.

8. Step 5: Monitor and Review

Though a financial plan may have a 20-year time horizon, it will probably have a half-life of only a few years. A major review/redo of a plan should involve a re-assessment of risk tolerance even if a plan has not changed.

Risk tolerance is generally stable, but it is not set in concrete. Risk tolerance should be re-assessed after any significant life event (positive or negative) and otherwise every two or three years. (For a new client who is also new to the whole financial planning process, the experiences of the first six months or so probably constitute a life event and so such a client should be retested before the first (and second?) review. There is some evidence that risk tolerance can be changed by life events^x and we know that other traits can be, so it seems sensible to assume that risk tolerance can be - and there is no downside to reassessing. Additionally, there is convincing evidence that risk tolerance decreases with age, so periodic retesting every two or three years is advisable (think of risk tolerance as financial blood pressure).

Finally, periodic review of planning assumptions (capital markets, PJM and others) that drive the suitability and advice process is recommended to ensure they are still appropriate.

ⁱ For more details, see Psychometrics in the Appendix of the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

ⁱⁱ For more details about the target policy ranges see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

ⁱⁱⁱ For more details about the PJM methodology, see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^{iv} For more details, see the Appendix of the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^v For more details about the default CMAs, see 8. Implementation in the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^{vi} For more details about the PJM methodology, see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^{vii} For more details about the PJM methodology, see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^{viii} For more details about the target policy ranges, see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^{ix} For more details about the mapping of portfolio to suitability scores see the Suitability and Professional Judgement Matrix guide https://planplusglobal.com/SP_Suitability_PJM.pdf.

^x Mandal, B., Roe, B., 2007. Risk Tolerance and its Relation to Important Life Events.