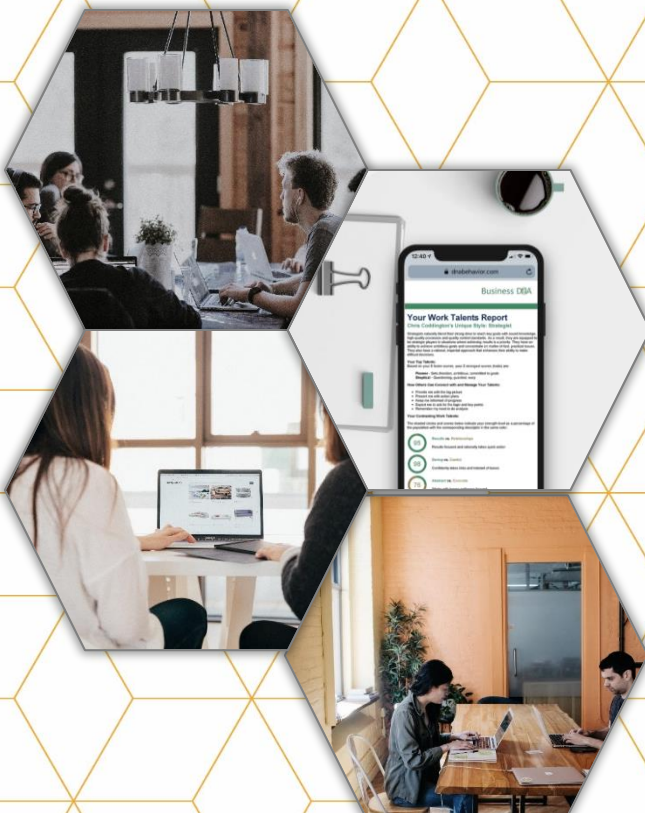


Financial DNA<sup>®</sup>  
White Paper  
Accelerate Your Risk  
Profile Discovery



## Financial DNA® White Paper - Accelerate Your Risk Profile Discovery

"Currently there is enormous distrust beginning to build toward the financial services industry. The question is if we will be willing to make the changes necessary to give investors the best possible financial information, including the assessment for risk.... Through developing scientifically sound instruments for assessing risk tolerance and mandating the use of these instruments, the industry might just repair its credibility while more competently informing investors."

- John Gilliam, Division of Personal Financial Planning, Texas Tech University.

What is your true risk profile? Does it ever change? Is it the same for all types of decisions? Does it differ between asset classes? Do you find you will take a chance but do not live with the consequences so well? How do you respond under pressure? What have been your 5 best and 5 worst financial decisions? Is there a pattern to them?

Understanding your risk profile is fundamental for understanding how you make committed life and financial decisions in building your financial plan. We believe that uncovering your risk profile is far more than responding to a set of 5 or so questions which are limited in scope. Further, the outcomes of these questionnaires are very general and are not truly predictive of behavior over the long-term. Additionally, these questionnaires do not identify your total decision-making behaviors.

One of our key discoveries is that people have a natural "hard-wired" behavioral style that is determined very early in life and strongly influences their financial decisions in a consistent way over a long period of time. In essence, the natural behavior is what you will revert back to, particularly when under pressure. We believe this is the correct starting point for discovering your unique financial personality code, or what we call your Financial DNA®.

Discovering your complete Financial DNA® also requires an understanding of your learned financial behaviors and preferences which have been shaped by your environment, experiences, and education. Some of these influences can be very strong, however you need to assess whether the impact of them is positive or negative to your decision-making and how they will change under pressure.

In taking this comprehensive approach we have also seen how your risk profile can vary between asset classes (e.g. stocks or real estate), how your perception of risks is influenced by your learning style in relation to new information, and the impact of other behavioral factors such as the need for control.

Discovering your true risk profile is difficult. However, with the help of the Financial DNA® profiles and the Financial DNA® Path 6 Insights Dashboard - Behavior Analysis ([click here to view an example](#)), we have developed a structured process that assists you to discover all of the main drivers of your risk profile and financial decision-making style.

# DNA Behavior®

The five steps are summarized as follows:

**Natural Risk Tolerance** - identify your natural "hard-wired" ability to live with the consequences of taking chances, which might be quite different to your propensity to take chances.

**Situational Risk Profile** - identify your current attitude toward taking chances, accepting the consequent risks, whether you avoid and become emotional with losses, and up-side focus. Assess the difference to your natural risk propensity and tolerance.

**Asset Aptitudes and Education** - identify those asset classes in which you have the greatest aptitudes and knowledge, as this will be where you have the greater propensity to accept risk.

**Other Behavioral Indicators** - identify your emotions, optimism, confidence, values, motivations, and rationality in making decisions.

**Behavioral Portfolio Allocation Factors** - control over investments, goal orientation, value for new opportunities, investment style.

For more insight into this topic, please refer to Chapter 8 of Hugh Massie's book "Financial DNA: Discovering Your Unique Financial Personality for a Quality Life".

Financial DNA Resources has developed profiling tools and training sessions to assist financial advisors with implementing the above client discovery process into their advisory practices.

If you are interested in finding out more about the Financial DNA® Discovery Process, please contact us at [inquiries@dnabehavior.com](mailto:inquiries@dnabehavior.com).