

Risk Illustrations - Compliance Details

Last Modified on 04/10/2023 4:09 pm BST

The Compliance Details tab includes the **Capacity for Loss Statement**, **Investment Forecast Details by Year**, **Forecast Fees Summary**, **Risk Summary** and **Portfolio Factsheet**.

Susan Risk Illustration

Client: Susanna West | Client Risk Category: Balanced (High End) | Created Date: 07/09/2023, 10:33

Term of Investment: 10 Years | Initial Amount: £200,000.00 | Regular Contribution: £200.00 / pm | Regular Withdrawal: £500.00 / pm

Growth Basis: Without Inflation | Rebalanced Annually: Yes

Total Solution Cost: 1.20% | Potential First Year Loss: 16.92% or £33,959.58

Investment Risk Category: Balanced (High End) | Objective Risk Category: Moderately Cautious (High End)

Expected Outcome (Mean Gain): £393,581.95 or 79.71%
 Lowest Outcome (Min. Gain): £201,787.00 or -7.36%
 Highest Outcome (Max. Gain): £648,847.00 or 198.28%

Forecast based on strategic asset allocation - No costs

Forecast based on investment scenario - No costs

Strategic Asset Allocation Comparison

Moody's stochastic engine is accessed directly by this application and provides data to populate these graphs showing:

- Probability-based (stochastic) forecasts for the strategic asset allocation representing the risk category alongside.
- The forecast is based on the investment proposal, or adviser recommendation.

The simulation models the full range of viable outcomes.

The probabilities indicated are high and low final fund values expected by the model (5th and 95th percentiles from the distribution model), and the average indicated is the expected outcome.

Expected Outcome: **£424,716.99 or 93.93%**
 Lowest Outcome (5% Chance): **£251,731.00 or 14.95%**
 Highest Outcome (5% Chance): **£642,825.00 or 193.44%**

Expected Outcome: **£442,404.82 or 102.01%**
 Lowest Outcome (5% Chance): **£226,466.00 or 3.41%**
 Highest Outcome (5% Chance): **£736,136.00 or 233.4%**

The Capacity for Loss statement populates based on how question 6 is answered in the Capacity for Loss area. If you leave the question blank, you will need to answer **Yes** or **No** to the statement.

Capacity For Loss

Use the Capacity for Loss Questionnaire to audit the discussion around whether committing to an extended term is appropriate for your client.

It will not be appropriate to commit the client to long term savings if they cannot commit to leaving the funds invested long term.

- My Client will need to start spending the investment return at the following point in the future.

< 5 yrs
5 to 9 yrs
10 to 14 yrs
15 to 19 yrs
> 20 yrs
- My Client doesn't have any significant outstanding debts and doesn't expect to incur any during the period of the investment(eg, mortgage or credit cards).

Strongly Disagree
Disagree
No Opinion
Agree
Strongly Agree
- My Client's spouse, partner or family member is likely to be able and willing to support them financially if circumstances require.

Strongly Disagree
Disagree
No Opinion
Agree
Strongly Agree
- It would be relatively easy for my Client to cut expenditure in retirement if circumstances require.

Strongly Disagree
Disagree
No Opinion
Agree
Strongly Agree
- My Client is flexible about their investment horizon. They could wait before using their investment.

Strongly Disagree
Disagree
No Opinion
Agree
Strongly Agree
- In consideration of sequence risk, In the worst case scenario, my client can afford to lose **13.80%** or more, in any one year, defined as the worst year of returns in the forecast, assuming a 20 year term. This equates to the 5% (or 1 in 20) worst outcomes from the Moody's mathematical simulation. This may equate to **£27,434.40** in the first year.

Yes
No
- As an adviser, I assess a minimum appropriate term for this investment scenario to be **10 to 14 yrs**

Capacity for Loss Statement

In consideration of sequence risk, In the worst case scenario, my client can afford to lose **13.80%** or more, in any one year, defined as the worst year of returns in the forecast, assuming a 20 year term. This equates to the 5% (or 1 in 20) worst outcomes from the Moody's mathematical simulation. This may equate to **£27,434.40** in the first year.

Yes
No

If you click **Continue to Next Step** without completing the question, the statement will be highlighted in red and must be answered before continuing.

The screenshot shows the Synaptic Pathways Risk Illustration interface for a client named Susanna West. The interface includes a navigation bar, a search bar, and a main content area with several sections:

- Client Information:** Client Name (Susanna West), Client Risk Category (Balanced (High End)), Created Date (07/09/2023, 10:33).
- Investment Parameters:** Term of Investment (12 Years), Initial Amount (£200,000.00), Regular Contribution (£200.00/pm), Growth Basis (Without Inflation), Total Solution Cost (1.25%), Rebalanced Annually (Yes), Potential First Year Loss (16.82% or £33,959.58).
- Risk Metrics:** Investment Risk Category (Balanced (High End)), Objective Risk Category (Moderately Cautious (High End)), Expected Outcome (Mean Gain) (£450,427.91 or 102.17%), Lowest Outcome (Min. Gain) (£222,662.00 or -0.06%), Highest Outcome (Max. Gain) (£704,974.00 or 343.33%).
- Capacity for Loss Statement (Highlighted in Red):** In consideration of sequence risk, In the worst case scenario, my client can afford to lose **16.82%** or more, in any one year, defined as the worst year of returns in the forecast, assuming a 20 year term. This equates to the 5% (or 1 in 20) worst outcomes from the Moody's mathematical simulation. This may equate to **£33,959.58** in the first year.
- Compliance Statement:** Provide a summary of the recommendation. This is for internal purposes only.
- Investment Forecast Details by Year:**

Year	Net Money In	Contributions	Withdrawals	Mean Projection	Net Growth
1	£201,900.00	£2,400.00	£500.00	£217,191.21	£15,391.21
2	£203,800.00	£2,400.00	£500.00	£233,530.87	£29,730.87
3	£205,700.00	£2,400.00	£500.00	£251,066.71	£45,366.71
4	£207,600.00	£2,400.00	£500.00	£268,823.21	£60,923.21
5	£209,500.00	£2,400.00	£500.00	£286,860.59	£75,960.59
6	£211,400.00	£2,400.00	£500.00	£305,176.74	£92,376.74
- Forecast Fees Summary:** Portfolio Charges Total over Term (£0.00 or 0%), Initial Fee (£0.00), Regular Fee Total over Term (£0.00 or 0%), One off Fee for Advice (£0.00).
- Risk Summary:** Client Risk Profile (Balanced (High End) | 6 of 10), Illustration Risk Target (Balanced (High End) | 6 of 10).
- Portfolio Factsheet:** Target Portfolio (BNV Multi-Asset Balanced).

The Portfolio Factsheet **View** button will be available if a Model or Bespoke portfolio has been selected. Factsheets are not available for MPS portfolios.