

# risktype compass™



The Risk-Type Compass™ is a new psychometric measure that assigns individuals to one of eight Risk Types. It offers a typology and vocabulary that facilitates planning, research and discussion about risk tolerance, the suitability of Risk Types for risk related roles and, within the investment domain, allows portfolio management to achieve more appropriate levels of risk suitability for clients.

Risk-taking and risk management are centre stage following a period when profligate attitudes towards financial risk at all levels have reaped havoc on a global scale. The Risk-Type Compass™ taps into the well researched methodology of personality assessment, identifying the deeply rooted aspects of temperament that determine our propensity for managing risk.

Risk tolerance has frequently been presumed to be synonymous with risk attitude and most current assessment has been based on this approach. However, attitude is highly volatile and subject to a wide range of influences - an unstable basis for any long-term decisions. Recent financial events illustrate this point well. Having become increasingly prodigal over the past decade, attitude to debt has recently changed dramatically and been thrown into reverse. Both commercial and private debt is now falling at unprecedented rates.

Personality is constitutional with a strong genetic influence. It determines whether we are anxious or reckless, optimistic or pessimistic, trusting or wary, organised or spontaneous, excitement seeking or cautious. All these factors set the baseline for risk tolerance. Certainly, attitudes to specific areas of risk are influenced by exposure and past experience but, when the chips are down, we revert to type.

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## Personal Report

This 8 page report is designed to support human resources planning in any risk associated area – from roles involving high personal risk, to roles where risk aversion is essential, and roles where the task itself is risk sensitive. The type allocation is non-judgemental - every type has its advantages and disadvantages in respect of any particular role.

### CONTENTS:

Introduction

Part 1: Risk Type

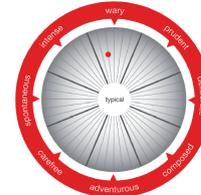
Part 2: Risk Attitude

Part 3: Overall Rating for Risk Tolerance

### 01 Part 1: Risk Type Interpreting the Risk Type graphic

#### How strongly do you reflect your Risk Type?

The marker indicates which of the 8 Risk Types best fits your disposition towards risk. The nearer it is to the outside edge, the more accurate that type description will be for you. For those nearer the centre, their Risk Type will colour their disposition towards risk, but not so intensely. The Risk Type Compass™ is a continuous spectrum, with each type sharing some characteristics with its neighbours and with facing types being opposites. Your marker falls close to a type boundary, so it will also be worth reading the neighbouring type description.



#### Risk Type: **Wary**

This Risk Type combines anxiety about risk with a methodical approach and a shrewd and persistent skepticism. The most extreme examples are fearful of uncertainty and ultra sensitive about vulnerability and risk. Strongly attracted to the idea of securing the future but difficult to reassure, they seem to seek an unattainable ideal.

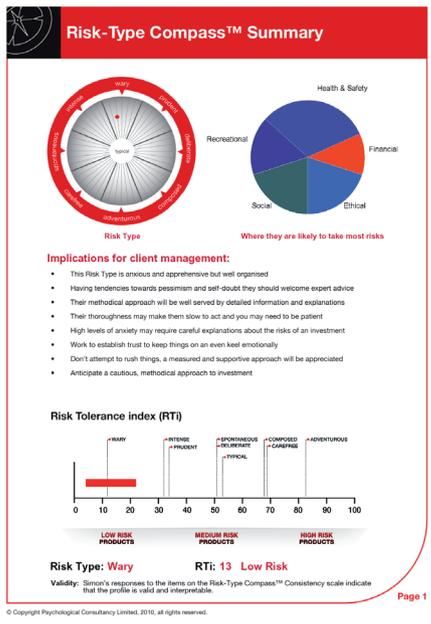
At a general level, the Wary Type is cautious, vigilant and pessimistic and they put security at the top of their agenda. They will be alert to investment risks and skeptical about potential benefits. Ideally, such people like to know precisely what they can expect, a need for certainty that makes decision-making difficult. Fearful of failure, they protect themselves by being conservative, prudent and organised and may lean heavily on professional guidance. They are neither adventurous nor emotionally resilient but should have a respect for traditional approaches and be receptive to advice.

Risk Type descriptions are informed generalisations based on decades of personality research and experienced profile interpretation. While the essence of a type description will be accurate for the majority of those falling into that group, individuals will vary in particular details and in the degree to which type characteristics dominate their overall persona.

The following pages will help you to consider your fit with this Risk Type.

## Investor Report

Designed to assist investors in deciding the level of risk exposure they will be comfortable with, this 8 page report assigns individuals to their appropriate Risk Type. It considers their relative Risk Attitude across five key domains and calculates their Risk Tolerance Index (RTi). Narrative and bullet points explain core type characteristics and their implications. It is accompanied by an additional one-page Financial Advisers Report (illustrated below).



### INVESTOR REPORT CONTENTS:

Introduction

Part 1: Risk Type

Part 2: Risk Attitude

Part 3: Overall Rating for Risk Tolerance

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The compass presents a continuous spectrum in which adjacent types are similar and merge into each other, while facing types (e.g. Wary & Adventurous) have opposite characteristics.

## Spontaneous

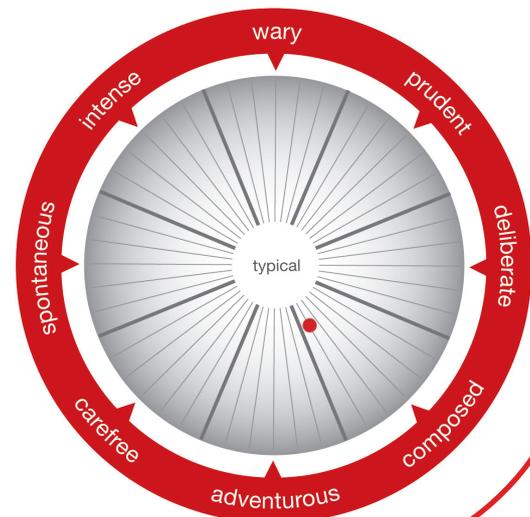
Uninhibited and excitable, this Risk Type enjoys the spontaneity of unplanned decisions. They are attracted to risk like moths to a flame, but are distraught when things go wrong. Their passion and imprudence make them exciting but unpredictable.

## Intense

The Intense Type tends to be highly strung, pessimistic and nervous about any threat to their equilibrium. In extreme examples, personal relationships and decision-making can become an emotional minefield. Passionate and self-critical by nature, they react strongly to disappointment, taking it personally when things don't work out.

## Wary

Self-disciplined and cautious of risk, the Wary Type is organised but unadventurous and puts security at the top of the agenda. They will be drawn to the idea of securing their future but anxious that however well something worked for others, in their case it will go wrong.



**Prudent**

Very self-controlled and detailed in their planning, the Prudent Type is organised, systematic, conservative and conforming. Conventional in their approach, they prefer continuity to variety and are most comfortable sticking to what they know.

**Deliberate**

Self-confident, systematic and compliant, the Deliberate Type tends to be unusually calm and optimistic. They experience little anxiety and tackle risk and uncertainty in a business-like and unemotional way. They never walk into anything unprepared.

**Composed**

The Composed Type is cool headed, calm and optimistic, but at the extreme may seem almost oblivious to risk and unaware of its effect on others. They take everything confidently in their stride, seem quite imperturbable and manage stress well.

**Adventurous**

The Adventurous Type is both impulsive and fearless. At the extreme, they combine a deeply constitutional calmness with high impulsivity and a willingness to challenge tradition and convention. Intrepid and never discouraged, they quickly rebound from any setback.

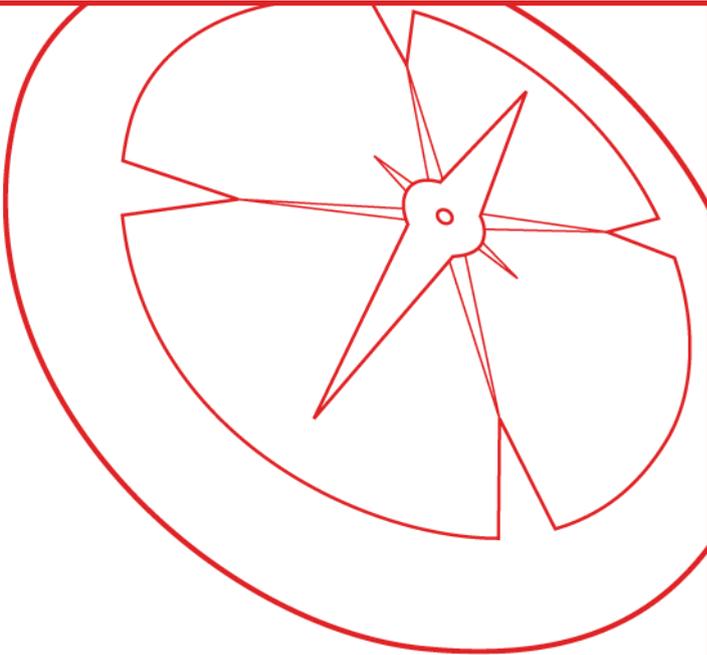
**Carefree**

Spontaneous and unconventional, the Carefree Type is daring, excitement seeking and sometimes reckless. Not good at detail or careful preparation, they often seem unclear about their objectives. Their impatience and imprudence can lead to hasty and unwise decisions.

## Typical

Individuals who show none of the extremes that characterise other Risk Types are classified as 'Typical'. Because they score close to the centre they will not naturally be exceptionally prudent or unusually reckless, neither will they be particularly emotional or extremely calm. Any pronounced risk-taking behaviours will likely be due to attitudes developed from specific experiences.

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