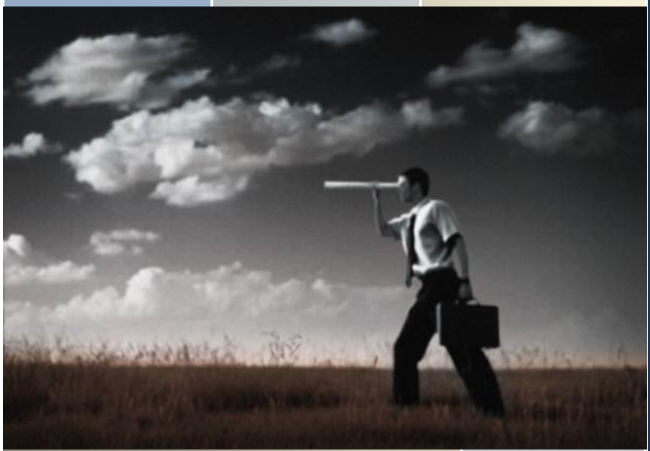
Blind Spots in Financial Advice Processes

Why Traditional Discovery Methods Lead to Flawed Recommendations



Hugh Massie and Eamon Porter
DNA Behavior International

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DNA BEHAVIOR INTERNATIONAL
5901-A Peachtree Dunwoody Rd.
Suite 150
Atlanta,
GA 30328
USA

Telephone: +1-770-274-0311
Fax: +1-770-274-0315
www.dnabehavior.com

DNA BEHAVIOR INTERNATIONAL
207 New Street Mall,
New Street,
Malahide
Co. Dublin
Ireland

Telephone: +353-1-8455827
Fax: +353-1-8455831
www.dnabehavior.com

Who Is DNA Behavior® International?

DNA Behavior International was established in 1999 to lead the worldwide behavioral awareness revolution for unlocking human potential. Our belief is that "Behavior Drives Financial Planning Performance.™"

We help grow behaviorally smart advisors to gain competitive advantages using the most reliable psychometric assessment systems on cutting-edge technology platforms. Our Financial DNA® solutions and training equip financial advisors and their teams to act as the "behavioral guide" in navigating the human differences in their business by discovering and aligning different communication styles, behaviors and solution preferences for people of all ages, cultures and levels of wealth.

The uniqueness of our "understanding people before numbers" approach ensures advisors build a corporate memory bank of independently validated DNA behavioral data for matching their teams to clients and solutions on a continuous basis. We are an industry-recognized global leader and pioneer in:

- The online discovery and application of natural behaviors as the core starting point for financial planning discovery, client experience management, investment portfolio design and family succession planning
- Shifting the paradigm of situational investment risk profiling on a singular basis to holistic financial personality discovery covering all known dimensions of human behavior risks and biases
- The use of the "Forced Choice Assessment Model" as a more reliable measure of natural behavior, including risk-taking and decision-making biases
- The behavioral matching of advisory teams to clients and solutions
- The application of technology to seamlessly deploy human behavioral applications and services on other financial planning and client engagement platforms

Since our launch, DNA Behavior International has served organizations and people in more than 47 countries through eight languages. We have 12 proprietary DNA Behavior® Discovery Processes under three primary brands that reliably predict a person's behaviors and preferences in different areas of focus with unparalleled depth. Our proprietary Financial DNA Discovery Processes have been developed and independently validated since 1999 by a highly qualified team with 100+ years of combined academic and practical financial behavioral discovery instrument development experience. Furthermore, DNA Behavior International has invested more than 50 years in the development of these systems and its programs.

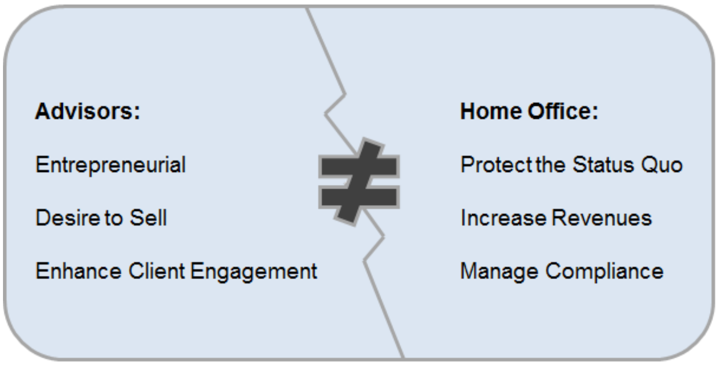
We currently have a client base of more than 2,000 leading international, Fortune 500 and financial services businesses that use our online hub of human behavior solutions and advisory services.

For more information about our internationally recognized hub of financial planning performance solutions, please contact us at inquiries@financialdna.com.

Contents

1. Exposing the Blind Spots in Your Current Financial Planning Processes

Every financial advisory firm has a client planning process which it considers to be sound. This process likely started as a core philosophy and then evolved over time based on best practices, experiences and some nice to do's for the business. Nevertheless, the question facing the firm is whether its planning process is engaging enough to attract clients in today's competitive world and still able to meet increasingly tougher compliance requirements. There is an inherent tension between enhancing client engagement, which boosts revenues, and compliance, which protects the business. Further, there is a general stress between advisors who tend to be entrepreneurial focused on sales and home offices interested in protecting the status quo but wanting more revenue.



In the future, firms will have to close this gap in order to be both sustainable and compliant with regulations. The issue facing most firms is whether they are prepared to re-invent some aspects of how they operate. Investing more in technology and marketing in isolation of evolving your firm's planning process will not drive the necessary change. In fact, it will do very little if the planning process does not undergo fundamental change, starting with how clients are engaged.

This engagement hinges on communicating with clients on their terms and responding in a manner that does not lead to misinterpretation of either client information or advice given. We advocate that advisory firms' whole financial planning process needs to be objectively reviewed regardless of how strong the leadership may think it is or how strong their public brand is perceived to be. The key point is that there will always be aspects of the financial planning process that people in the firm have blind faith in or misperceptions about. Tinkering with the planning process and adding in some new "mouse traps" may not be good enough if there is one fundamental piece missing. How can financial services firms know what is flawed or missing in their planning process? The best place to start the review is with the "discovery process," which begins the moment a prospect engages with a firm and continues through the client life cycle. This is where many firms pay too little attention and the advisor does not spend nearly enough time. Adding more required details to the existing fact find processes is generally not enough. The principle to remember is "wrong data in, wrong advice delivered."

- There is a natural tension between enhancing client engagement and compliance. This gap can be closed by implementing the right advisory process. Where are the blind spots in your firm's current advisory process causing this gap?
- The flaws in advisory processes start with poor communication and missed expectations between the advisor and client.
- If the advisory process starts off with poor communication and client understanding, this will flow all the way down to flawed recommendations and a lack of compliance, which the firm may not be immediately aware of.

If the client relationship is flawed from the start and lacks the high level of trust that encourages clients to engage in thorough discovery, then every subsequent phase of the planning process will suffer. This ultimately translates to increased business risk exposure, potentially amounting to a multiplier loss of revenue. The question that financial planning firms need to consider is "where are your priorities for the future?"

This white paper addresses the key elements for building an advisory process that meets the dual but competing objectives of being engaging and profit-enhancing but also highly compliant. The primary hidden obstacle to success is human behavior, and this is more than just making an intuitive assessment of the client's investment risk profile. Research shows that 93.6% of the financial planning process is the behavioral management of clients[1]. Understanding human behavior and having a robust process to utilize all of the insights from client interviews to a documented compliance monitoring system is essential to the construction of any financial planning process.

The succession planning benefit of having such a system is overlooked by many firms. What happens when the advisor or key team members leave the firm or change roles within the firm? Much of the vital knowledge about the client walks out the door with them or is not available. A structured online discovery process will minimize the risks of losing this data and therefore the client. We believe implementing such a process will have many bottom line and qualitative benefits for your firm, which will ultimately boost shareholder value.

Call to Action:

We advocate a "Relationship Compliance Planning Process" that is founded on human behavioral management on an end-to-end basis. Please refer to Page 23 of this paper for the recommended model. To truly understand the client requires structured processes that not only seek to communicate with the client on their unique terms, but also to educate them about the effects of their interaction with financial products and their own financial preferences and biases. The traditional fact-finding processes do not by their inherent nature capture the information needed to meet these objectives. Further, online marketing systems that gather information about a client's spending patterns do not provide the complete picture of a client's needs and how to serve them.

Rather, the process should be driven by a comprehensive human behavior discovery system built on validated methodologies that allow for objectively discovering who the client is without advisor bias. Further, the process should enable behavioral data to be accessed on a real-time basis through the life cycle of the planning process by others who directly work with the client or are involved in implementing or supervising the planning process.

Do you know the blind spots in your firm's financial advice processes?

[1] Meir Statman, University of Santa Clara, California "The 93.6% Question of Financial Advisors," Journal of Investing, Spring 2000

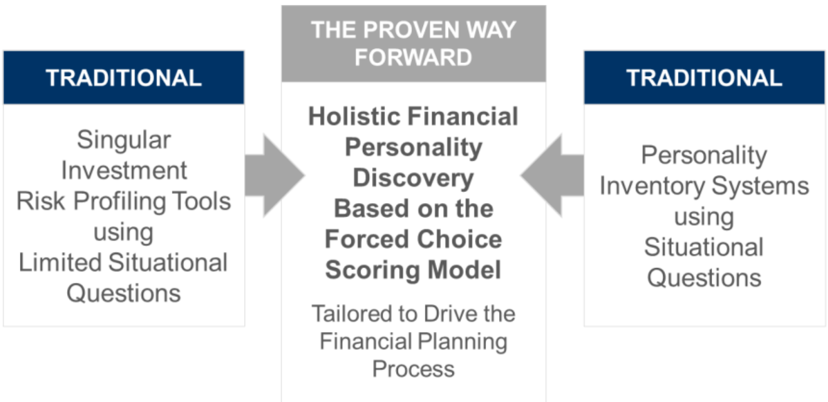
2. Shifting the Client Discovery Paradigm to Holistic Financial Personality

"Until you can manage your emotions, don't expect to manage money."
Warren Buffett

Retail investment advice has traditionally centered on promoting the latest investment fund fashion moving from managed funds to investment supermarkets and then onwards to the active versus passive discussion. In turn, this has, in recent years, led to promotion of various shades of model portfolios being promoted by investment managers and advisors alike. Such an approach was undertaken on the premise of allowing consumers greater investment choice while maintaining a more structured approach to investment risk. With higher advisor education standards, the concept of the risk/reward trade-off appeared more often. The result was more sophisticated terminology such as correlation, efficient frontiers and capital asset pricing mechanism entering the lexicon of advisor language.

In addition, regulatory standards calling for greater client knowledge have led to investment firms gathering more data on clients up-front. In today's world, clients accept the need to disclose more information, whether because of anti-money laundering requirements or an informed acceptance of a good process. However, many financial advisory practices have totally underused such an opportunity to gather quality behavioral information about the client that is objective, appropriate and necessary for the purpose of investment advice.

Irrespective of the intellectual spur on the advisor side or the regulatory imperatives, both advisors and the clients they serve have generally over-focused on investment risk as the central issue. Marketing packaging has, in many instances, overtaken common sense and technology has been allowed to be used blindly without the full understanding that investment risk is only part of the advice conundrum. The broader financial personality factors such as goal-setting and adherence, saving and spending issues, investor willingness to follow advice, investor learning style and other behavioral decision-making biases, as well as an investors' personal financial capacity, have as much, if not more, importance in the provision of investment advice.



This has resulted in many investment houses promoting the use of investment risk profiling to the exclusion of discovering these more important and broader financial personality issues. In their pursuit of generating more investment sales, investment managers have latched onto the concept of utilizing simple investment profiling tools in an attempt to evaluate client investment risk tendencies.

While in principle this might seem a noble pursuit, the reality of its application has resulted in dangerous practices evolving as advisors have either misunderstood how such investment risk profiling tools should be used or put their faith blindly in poorly conceived and executed systems by some providers of such tools. While superior tools are available to advisors, sometimes the "noise" of marketing by some profiling systems has drowned out the true application of other far higher-quality approaches.

Furthermore, advisors and clients alike have failed to appreciate the subtle, but extremely important, difference between investment risk propensity (willingness to take risk) and investment risk tolerance (ability to live with losses). In many cases these terms have been used interchangeably when, in fact, they are distinct but important aspects of each investor's emotional investment approach.

Allied to this has been the tendency for many financial advisors to subconsciously transfer their own personal investment preferences to their clients. In so doing they may contribute greatly to investor losses even when advice has been given in good faith, as has been seen in the aftermath of the recent global financial crisis.

- Advisors are over-focused on investment risk as the central issue in financial planning, and are over-relying on tools that are singular in nature and not reliable.
- Other financial and relationship behavior elements such as goal-setting and adherence, savings/spending, willingness to blindly follow advice or the herd, investor communication and learning styles also need to be discovered.
- Bad financial habits and poor relationships are riskier than bad investment decisions for clients.

This whitepaper intends to educate all stakeholders in the investment advice arena and to specifically assist financial advisors in understanding how they need to properly evaluate client financial attitudes for the long-term financial and emotional betterment of their clients. If clients are properly advised and their expectations likewise managed, the long-term success of an advisor's business is more likely, especially in an increasingly commoditized global economy.

Call to Action:

We recommend that your firm undertake an objective review of the systems it has to holistically uncover the complete financial personality style of the client. This is so all dimensions of how a person makes decisions are understood along with what motivates them. The investment risk profile is just one important financial personality component that needs to be discovered and, as such, any system implemented should go beyond the singular discovery of such a profile.

Further, the financial personality discovery system used needs to be reviewed to ensure that it sufficiently stands up against a recognized benchmark of minimum factors for what is required to be a robust psychometric instrument. While a system may meet some of the minimum benchmarks, you also need to examine the question or assessment design which forms the basis of its construction. This will have a significant impact on the long-term reliability of the output in making recommendations.

If your firm decides to only implement a singular risk profile, then the risk elements it measures need to be carefully reviewed. There are multiple dimensions of risk-taking behavior and terminology is often not correctly used and understood.

Does your firm have a robust system for discovering the complete financial personality of the client and documenting all of the elements without advisor bias?

3. Addressing the Inherent Limitations of Current Risk Profiling Systems

> *"Risk touches on the most profound aspects of psychology, mathematics, statistics and history."*
> Peter Bernstein, financial historian, economist and author of "Against the Gods: The Remarkable Story of Risk"

Product suitability and correct fund choice are possibly the most important regulatory issues facing financial advisors and financial institutions at this time. The consequences of getting these wrong can be severe for both investor and advisor. Getting it right confers major benefits, for example, by allowing diversification to dilute risk or identifying when to stretch investors to go beyond their usual comfort zone and take slightly more risk needed to meet goals.

In a financial context, psychometric assessment provides a tried and tested methodology of assessing investment risk characteristics as well as being a key in the process of positioning the most appropriate investment portfolio. It is not, however, the only component in the designing of an investment strategy. Other factors, such as defining the required rate of return, time horizons, the financial capacity of an individual to rebuild capital after an unexpected loss, taxation and the need to rebalance portfolios, all play vital roles as well. Nevertheless, a negative emotional response at some future point in time can result from an investment loss. This may occur irrespective of whether the loss is crystallized or appears only on paper. Such losses could inflict irreparable damage on a client-advisor relationship and might eventually result in not only financial loss for the client, but also reputational harm for the advisor. In turn, and in the worst case scenario, it could also lead to uncomfortable interaction with regulatory authorities and even loss of a license to trade.

- Investment risk profile systems used indiscriminately may not correctly reconcile the gap between the clients required investment return, financial capacity and preferred risk approach.
- Having a range of model investment portfolios solely based on a risk profile does not confer an ability to make appropriate investment choices.
- There are positive indications from regulatory authorities that more needs to be known about client behavioral biases than what can be identified by a typical investment risk profile.

Why Is Investment Risk Profiling an Issue?
With increasing movement in global capital, consumers have the potential to invest in a growing number of investment products and funds. Many of these bring new methods of either leveraging risk or carry with them specific asset risk, requiring the investor to be more aware of the potential danger to their own wealth. This has led to a heightening of responsibility exercised by regulators worldwide.

One such example is the MiFiD[2] rules that apply in Europe and upon which European regulators frame their Codes of Conduct. These rules require advisory firms to, among other things, evaluate clients' preferences regarding risk-taking and to establish a risk profile before making relevant product recommendations.

In recent years, especially in the UK, there has been a steady growth in advisors' use of investor risk profiling tools provided by investment companies. These alone, however, are not silver bullets for defining risk, despite the encouragement by such companies who have a vested interest in providing the shortest possible route to a client selecting investment funds. All of this assumes, of course, that these profiling systems have been constructed correctly and are properly validated. In 2011, a review

[2] The Markets in Financial Instruments Directive 2004/39/EC (known as "MiFID") as subsequently amended is a European Union Directive that provides harmonized regulation for investment services across the 30 member states of the European Economic Area

carried out by the UK's Financial Services Authority[3] (FSA) found that nine out of 11 risk-profiling tools it assessed had weaknesses which could lead to "flawed outputs."

These flaws centered around a number of issues including poorly describing risk, not carrying out adequate due diligence on such tools before implementing them as well as a lack of corroboration of customers' risk profiles. Firms were also using oversensitive risk scoring so that the answer to a single question could have a significant impact on the risk profile assigned.

A specific area of concern to the FSA was the existence of poor quality processes to establish and profile the level of risk that customers were willing to take. The root of these concerns was centered on the traditional fact-finding questionnaires used by many firms, which failed to sufficiently identify the relevant information needed to assess the risk a customer was prepared to assume.

The FSA also highlighted examples of questions where the customer needed a significant level of financial knowledge to understand and answer the question. Open-ended questions such as personal reaction to financial losses or market crashes were acknowledged by the FSA as having the possibility of eliciting different responses based on whether the client had previously experienced such circumstances personally. Overall, such questions are unsatisfactory for client discovery.

Of the two remaining systems not designated as flawed, there is an implied assumption that these singular investment risk profiling systems have obtained a seal of approval. However, international experience points to the fact that regulators worldwide are not predisposed to recommend any specific proprietary systems. Even what these so-called "approved" systems report in terms of a risk profile needs very careful contextual management because the outcomes are highly situational.

The UK regulators' approach has significantly advanced in the past few years to lead the world in terms of reviewing product suitability, risk profiling and the overall processes for making product recommendations to clients. The newly formed Financial Conduct Authority has recently gone to the extent of issuing Occasional Paper No. 1 in April 2013. This is a whitepaper that goes in-depth on the broader behavioral finance issues that need to be addressed by advisors to more holistically know the behavioral biases of their clients. This publication is a clear indication that the regulators are starting to put a stake in the ground that more needs to be known about how a client makes decisions, rather than relying on a singular investment risk profile.

Whilst the UK has leapt ahead, others around the world are stepping up efforts to monitor the activities of advisors. In the United States, the Financial Industry Regulatory Authority (FINRA) announced FINRA Rule 2111 dealing with suitability in November 2010, with implementation starting in July 2012. In essence, the rule requires that financial advisors make recommendations based on knowing as much about the client's investment profile as possible, including risk tolerance. This rule obligates financial advisors to seek out as much information as possible, even though the client is not obligated to provide it. While this rule specifies risk tolerance, given the other information that needs to be known about the client to make suitable recommendations, it will be interesting to see at a practical level whether FINRA will also, like the UK's FCA, require other important behavioral biases to be known, since they influence the overall decisions the client will make. In the past year, FINRA increased its fines for product suitability breaches by 152% with an increase in cases of 10%. Overall, the FINRA fines are up by 15% across all categories. These statistics signal a willingness of FINRA to strengthen its enforcement muscle and the need for firms to enhance planning processes[4].

[3] Financial Services Authority (UK) 2011: Assessing suitability: Establishing the risk a customer is willing and able to take and making a suitable investment selection
[4] Melanie Waddell, AdvisorOne March 14, 2013

The product suitability issues are also gaining more attention with regulatory authorities in Australia; the Australian Securities and Investments Commission released Report 337 in April 2013, which addressed how to improve the quality of advice provided to self-managed superannuation funds. In particular, paragraph 145 specifies the factors that need to be considered in giving advice, including the risk tolerance of the members. This again signals the direction of Australian regulation, given its long-term push for client-centric advice in light of the Future of Financial Advice reforms coming into full effect on July 1, 2013.

The regulatory environment is also tightening in Canada with the Investment Industry Regulator Organization of Canada commencing implementation of the "Client Relationship Model" reforms approved by the Canadian Securities Administrators on March 22, 2013. These reforms also include requirements to ensure that investments are suitable to the investors' risk tolerance, which also includes enhanced suitability assessment standards to ensure investments are appropriate to each investor's objectives and time horizon, as well as to the composition and risk level of the investor's overall portfolio. Additional "trigger" events will also require that suitability assessment reviews are conducted more frequently.

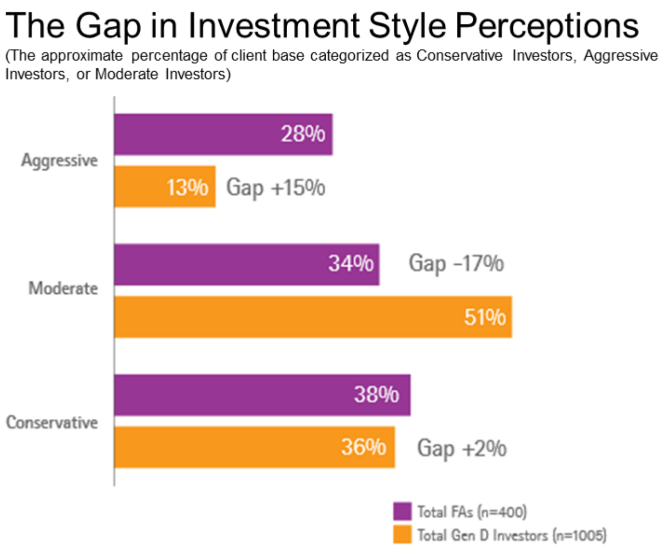
While all of the regulators around the world are operating independently and assessing the needs of investors and advisor behavior in their own markets, they are clearly watching each other's best practices. From a discovery process perspective, risk tolerance is being focused on as a requirement. However, with the broader requirements for what needs to be identified under these stronger worldwide suitability rules, there is a clear direction that knowing more about client behavior will become the increasing minimum requirement. Once monitoring and reviews of suitability take place, it is likely that momentum to understand all of the behavioral biases of clients will increase.

International Advisor Experience in Investment Risk Assessment

In many firms there are no formal systems to objectively evaluate investment risk. Typically, many rely on the advisor's experience in determining the risk preferences of clients, with very few formal boundaries set. In recent years a number of international studies have highlighted the weaknesses of such an approach.

In its fall 2012 survey of 400 U.S. financial advisors,[5] Accenture identified that financial advisors vastly overestimate their clients' knowledge about investing and their willingness to take risks. This was underpinned by feedback that clients themselves don't have as much faith in their own knowledge or as much hunger for risk as advisors gave them credit for. Indeed, the survey reported that advisors were three times more likely to describe their clients as very knowledgeable about investing than the investors themselves (42% versus 12%). Only 1% of advisors described their clients as unknowledgeable about investing, while 25% of the investors themselves said they didn't know about the subject. Furthermore, advisors were shown to be more than twice as likely to see their clients as aggressive investors than the clients themselves (28% versus 13%).

[5] Accenture Survey Analysis "Closing The Gap: How Tech-Savvy Advisors Can Regain Investor Trust" March 2013



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A similar survey from Boston-based global analytics firm Cerulli Associates[6] showed that clients feel their advisors often recommend products that do not fit their risk profiles. Their findings were that, at best, where advisors use some form of risk profiling, it is confined to determining basic information, such as the client's time horizon and reactions to different market cycles. In-depth analysis needed to determine risk attitudes is often limited and can lead to an advisor misjudging the client's actual risk tolerance. Similar to Accenture, their research showed a disconnect between advisors and clients where the percentage of advisors who believe their clients have an aggressive risk level was significantly higher (26%) than what clients actually reported (8%).

While a client's percentage of aggressive risk approach differs in both the Accenture and the Cerulli reports, the fact remains that advisors dramatically overestimate the risk preferences of clients. This is worse when clients already tend to overstate their own level of preparedness to take risk.

What Standards Exist in Risk Profiling?

So if there is no risk profile system that has received public support from any regulator, the question arises: What criteria would a regulator define as being appropriate? What standards exist that could be reasonably applied by advisory firms to circumstances such as that uncovered by the UK FSA's review?

Investment is sometimes referred to as a mixture of art and science, but in the world of personality profiling outside of the financial services industry, science provides the statistical backbone. Personality profiling has, in the last 40 years, been a core element in recruitment and staff development for all manner of businesses from the multi-nationals to the local small to medium-size enterprises. The common link is that they all are focused on using metrics and benchmarks for specifically matching the right person to the right job. Why shouldn't this matching approach go to a much deeper level in providing financial services?

Based on academic research, the more reliable personality systems for predicting behavior over the longer term set out to analyze an individual's emotional preferences by usually asking the profile taker to define themselves in the context of what non-situational words instinctively best describe them. In the best of such systems, respondents make a choice between a triad of words that are

[6] Cerulli Associates "Are Advisors Recommending the Right Products? Clients Don't Think So" March 2013

"most" representative and "least" representative of themselves. By combining the results from seemingly innocuous questions, an accurate personality profile can be determined. This type of approach is described as the *Forced Choice Assessment* approach and seeks to reliably predict what the client's core long-term natural behaviors.

The methodology that is traditionally applied by many investment risk profiling tools relies on a different approach usually referred to as the *Likert* system. This involves the investor using a rating scale such as 1 to 5 or a range of statements along the lines of strongly disagreeing to strongly agreeing. Apart from the scoring system, questions are framed in the context of a financial matter, such as opinions on borrowing, investment losses or expectations of earnings. By relying on the investor to interpret what the question means and how they feel, the advisor is assuming that not only is the investor educated enough to answer the question appropriately, but is also capable of maintaining that financial opinion for the lifetime of the investment. In addition, such responses are based on what the profile taker perceives in the current economic environment and their own personal financial situation.

Such a situational and perceived perspective is not only unbalanced, but is not adequately reliable for long-term investing. Academic research has shown traditional Likert-based scoring systems to overstate results by, in some cases, up to one standard deviation of respondents surveyed.

Such situational behavior can be put in context by reflecting on how many investors buoyed by easy credit felt prior to the start of the recent international banking crisis five years ago. Ask many of the same questions now using a Likert approach and the responses could be dramatically different, since the reality of changes in their personal financial circumstances has altered their current perspective. Move the clock forward, say five years from now, and a different set of answers to the same financial questions is likely to result. This point has been placed on record by promoters of such Likert-based systems.

Call to Action:

We recommend that your firm establish a formal system for how risk profiling and other financial behavior information from a correctly constructed system will be used in making recommendations. The key is to ensure such robust behavioral insights are integrated into a broader discovery and planning process so that they are appropriately used and not treated as more than a mere indicator and on the other side blindly followed. The underlying assessment questions and analysis of the responses from such profiling systems needs to be reviewed. Otherwise, the principle of "wrong data in, wrong advice delivered" applies.

Further, we recommend that the reports produced by such financial personality discovery systems need to have sufficient depth, but yet be easy to understand for facilitating a robust client discussion. Ideally, the reports encourage the right questions for the client about their risk profile and other behavioral factors that influence their financial decisions. The reports should also be understandable for the clients to improve their personal self-awareness and be educational.

What financial advisory processes has your firm established that properly utilize risk profiling and other behavioral data in making recommendations, and getting client buy-in to those recommendations?

4. Mechanisms to Integrate Holistic Financial Personality Insights with Investment Advice

> *"An investor without investment objectives is like a traveler without a destination."*
> *Ralph Seger*

Financial markets analysis is traditionally built upon rationality, while classroom economics is shoehorned into explaining mass market responses. What is overlooked, as with every major event in human endeavors, is that market movements are made up of micro-events that occur in every person's life and are reflective of how they emotionally react to their own life experience and events.

In the traditional approach to investment management and investment advice, a properly constructed investment mandate process that addresses all aspects of the risk equation has six key determinants:

1. The required risk - the overall level of investment return needed to achieve the investor's goals and objectives.
2. The risk tolerance of the investor - how much financial loss an investor will endure before cutting losses.
3. The financial capacity of the investor - the financial limit that, once breached, makes it impossible for future goals to be achieved.
4. The need to re-examine the level of investment return to ensure that it does not result in the client taking unnecessary risk and/or misunderstood risk.
5. The documentation of all elements and expectations so that future reviews can revisit the basis for the investment portfolio set in place.
6. The need to conduct regular ongoing reviews to examine whether the portfolio objectives, required investment risk or financial capacity have changed. If necessary, rebalance the asset allocation in line with an ongoing investment mandate.

This approach, where used, appears to have become accepted as the ideal method of evaluating and recording client investment needs and preferences. The phrase "where used" is applied tentatively as many advisory firms have not had a robust testing of their client advice processes by way of a regulatory audit. Advisory firms can only obtain a reasonable perspective as to where they both stand with their peers and adhere to regulatory expectations when specifically targeted reviews or independently themed surveys are carried out on a market-wide basis. In reality, each firm applies these six steps quite differently and that is where the blind spots primarily arise.

Building a Financial Advisory Process

Currently, a common starting point in many financial advisory processes is, at minimum, a quick and superficial determination of risk so that a compliance requirement can be "ticked off." In this

- Financial advisors have either misunderstood how risk profiling tools should be used in the financial planning process or have blindly put their faith in systems that are poorly conceived or executed by some providers of such tools.
- Often financial advisors overly rely on client representations, not recognizing that the client has a lack of personal self-awareness of who they are and their true capabilities, or what they really need or want in terms of their life and finances.
- Most advisors do not have a structured process for interviewing the client that sufficiently engages and guides them to reveal their true attitudes and emotional awareness of their choices.
- Financial advisors tend to over use their intuition shaped by their own behavioral biases and perspectives which may not be aligned to who the client is.

regard, various simple risk assessment tools have become popular in recent years either by way of being available in the marketplace as an online system or a bespoke questionnaire designed by investment firms themselves for internal use.

Such methodology has, in some cases, overlooked the need to conduct an in-depth analysis of clients' emotional perspective to risk. In most situations, this facet is either totally ignored or, at best, paid lip service. Over time this leads to the storing up of future problems for compliance officers who have assumed that advisory processes facilitate clients to disclose the relevant facts or else sign away a possibility of taking successful future legal action when unexpected investment losses arise.

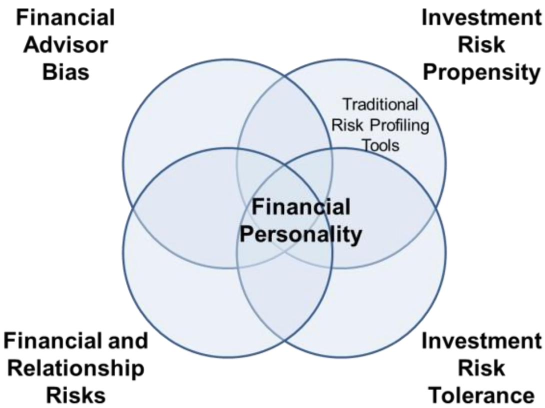
Indeed, having such conventional "tick box" approaches to compliance – "we asked the client his/her opinion on investment risk and they told us" - creates a blind assumption that the client has been fully engaged with the discovery process. Just because a client is asked a question in the context of a financial matter does not ensure that the client either understands its relevance to the advice being given or even understands the question at all. The UK's FSA 2011 investment risk profiling system reviews highlighted such an issue as a hurdle to be overcome on a client-by-client basis.

Every client is different in terms of educational standards, financial knowledge and family financial background. These elements have a profound effect on advisors' interpretation of clients' financial attitudes; most clients aren't even aware of their on-going and future relevance.

Understanding client investment and financial behavior should not start with an advisor's personal interpretation. This can be tainted by their own level of self-awareness and perceptions which will be inherently biased to some degree, regardless of how the good the advisor is in judging people. Rather, it must first be understood by clients themselves. If clients do not have any real perception of their own emotional responses to financial matters, it is impossible for an advisor to form any professional opinion of what is appropriate for their clients before making an investment recommendation. In short, a different benchmark is needed to compensate for these differences.

The Relevance of Risk Propensity

Another flaw with current methods of investor risk evaluation is that they ignore the difference between Risk Propensity - how inclined an investor is to take risk (over confidence) and Risk Tolerance – the ability to emotionally live with taking risks (loss aversion). More often than not, Risk Propensity has been confused with Risk Tolerance. Despite what they say or represent, most risk profiling systems measure Risk Propensity and not Risk Tolerance. To do so overlooks the willingness of an investor to blindly take high risk even though all other indicators point towards a different approach to risk.



To properly understand the relevance of Risk Propensity, it helps to look outside of the investment arena. A good example is breaking speed limits when driving and the potential fines that can be imposed.

Let's say you're driving on a highway where the speed limit is 75 mph (120 kmph), but you're driving at 87 mph (140 kmph). This means either by deliberate or subconscious choice, you've decided that you're willing to risk a speeding fine and loss of license (on the basis of a small chance of being caught) in exchange for getting to your destination a few minutes faster. You've made a behavioral decision about the risk/return trade-off—that the small chance of a fine and penalty points is worth getting to your destination a few minutes earlier. This is all based on your risk propensity.

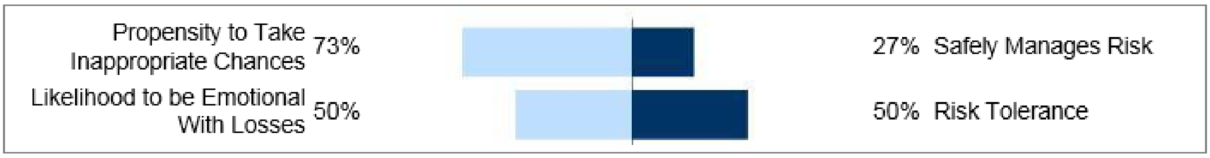
Further on down the road, you actually drive by a police car that has just pulled another driver over for speeding. Even though the police officer is not aware of you, you start driving a little slower for the next few minutes, despite the fact that you didn't get stopped. Why? Because you're reminded of the fact that you could get stopped and there could be another police car ahead of you. As a result, you suddenly think that the risk of getting caught for speeding is not a small chance, but possibly far larger than it might be in reality. So in response, you modify your behavior and drive slower. What has changed is not your propensity to take risk, but your actual tolerance of being caught for speeding and having to live with the consequences of that decision.

Another example is with income tax. Too often clients want to aggressively minimize their taxes. In some cases, clients will go to great lengths to do it, thinking they will not be caught or they can talk their way out of it. However, when the fine comes, they cannot handle the consequences, indicating that their risk propensity for tax minimization is much higher than their risk tolerance.

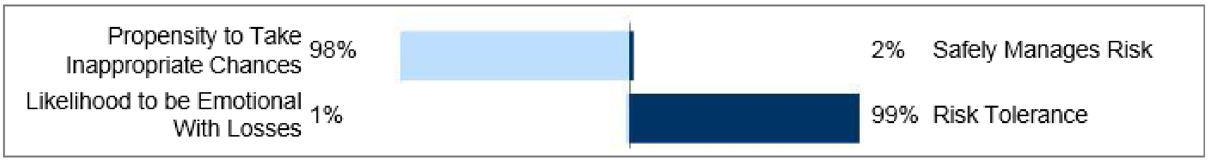
In an investment context, everyone who invests is similar. We have an intrinsic propensity to take risk until something happens which reminds us of our tolerance for taking losses. Knowing how both traits are experienced by a client is fundamental to arranging a portfolio structure for each client. Not only is it vital that a client has a portfolio that is synchronized with their goals and ability to maintain a portfolio going forward, but it is essential advisors are beyond reproach in their investment advice methodology if they intend to stay in business.

Identifying BOTH a client's risk propensity and risk tolerance is fundamental to client investment advice and throws up interesting scenarios from which an advisor can explore specific situations which not only assist the client, but also provide far better professional protection for the advisor.

For example, an investor who has a high risk propensity but a low risk tolerance could, potentially, be an advisor nightmare. Just because someone is apparently prepared to take risk does not mean that they will be comfortable with any resulting financial pain. Any advisor who promoted high risk investments to such a low risk tolerance investor could be drawn into future legal action concerning negligent or reckless investment advice, regardless of whether they have a methodology that is based around client interpretation of financial questions.



Conversely, a client who has both a high risk propensity and a high risk tolerance is less likely to engage in legal action. This does not mean that they do not need financial protection from their own behavior. Such individuals would willingly take risk again and again in the hope of redeeming past losses and could continue until their financial capacity has been irretrievably diminished.



Countering the high risk takers are individuals who have both low risk propensity and low risk tolerance. From an advisory perspective, it is easy for an advisor to recommend investments that are perceived to be low risk. To just advise on the basis of risk attitude alone may actually be dangerous to an individual's personal financial plan where capital growth may be more appropriate to their wealth needs than locking into a low return instrument.

Call to Action:

We recommend firms establish a structured behavioral interviewing process which aligns the "risk behavior gap" between the core of who the client naturally is in terms of their life and financial decision-making style, including their risk profile, to their current situational behavioral attitudes and preferences, goals and financial capacity. This gap needs to be regularly reviewed based on changing circumstances.

The outcomes of these behavioral interviews and the right inputs from a robust discovery process need to be incorporated into an Investment Policy Statement (IPS), which is signed by the client. The IPS should be continuously reviewed and not be reduced to a "tick in the box" in the compliance process.

Further, the behavioral biases of the advisors should be known so that they can be independently monitored against the recommendations they give to clients.

Does your firm have the systems to capture and monitor the discussions between advisors and clients about the behavioral basis for their decisions?

5. The Importance of an Investment Policy Statement to All Investors and Their Advisors

> *"Risk comes from not knowing what you're doing."*
> Warren Buffett

Despite the importance of good investment risk management for personal investors, no regulator anywhere has explicitly required advisors to set out an investment mandate for each personal investor. Such mandates are normal, as good market practice, where institutions manage specific collective funds publicly retailed or where bespoke structures are put in place for private endowments or charities.

Regulators instead appear to have opted for a principles-based approach whereby publicly retailed funds are required to be categorized on a risk scale to make it easier for investors to understand the possibility of investment hazard. The European based ESMA rating system that applies to UCITs[7] is a case in point. When it comes to personal investors, regulators have preferred to leave the subjectivity of relevance of risk to be interpreted on a case-by-case basis and presume, or rather hope, that the most appropriate advice will be given to clients.

This approach assumes, however, that all financial advisors are equal in terms of financial education, personal maturity, real life investment experience and ethics in terms of acting in the clients' best interests. As this is not the case, the results will vary considerably from an investor taking on totally appropriate risk to an investor taking on totally inappropriate risk.

In the financial advisory process, risk is normally framed as meaning investment risk. However, the wider perspective requires that clients' personal financial circumstances and behavioral biases should also be considered. Savings or spending habits, ability to remain focused on objectives as well as personal financial capacity impact the calculation of personal investment return required from a portfolio. Too often, however, market professionals get too focused on the investment instrument rather than how it is being applied. Such use will vary significantly from one person to another and requires a different approach as far as individual client advice is concerned. Further, many professionals do not even understand the instruments being offered, which is a bigger problem, since it may carry more risks than portrayed (e.g. Bond funds and REITs).

Despite the obvious relevance to individuals, the practice of constructing a personal investment mandate rarely permeates down to retail investors. It is only the most enlightened advisors or those who maintain a genuine fiduciary standard that carry out such procedures. This viewpoint has been illustrated by Cerulli's recent publication of "The Cerulli Edge – Managed Accounts Edition," which showed the diversity of approaches from advisors who develop a thorough understanding of their clients' needs through regular meetings to other advisors who specifically implement an Investment Policy Statement (IPS).

[7] European Securities and Markets Authority

Despite the lack of market consistency in using an IPS methodology, the major benefit to both advisors and clients is a clearly documented definition of both client expectation and risk assessment with regard to the investment portfolio. This, however, assumes that the only issues that the IPS should deal with are investment-related. Just because two similar clients might exhibit the same broad risk attitude does not mean that the same investment products or funds should be allocated. Selective perception by each person is what leads investors to make huge investment mistakes even though they may not perceive themselves as having blind spots.

- Typically an IPS has been used as a means to only summarize investment related issues.
- Few advisors consistently use an IPS as a tool to ensure there is mutual clarity with the client in terms of goals, financial capacity and behavioral biases driving the investment recommendations.
- A properly executed IPS with a high level of client involvement protects the firm from an inconsistent advice process and spur-of-the-moment decision-making in response to market movements and complaints.

Risk analysis has a far broader reach than just investments. A more appropriate perspective of an IPS should include financial habits such as saving or spending, both of which impinge on financial capacity. Furthermore, factors such as goal-setting and goal adherence, spending patterns and financial management, as well as financial control and delegation to financial advisors influence what level of financial risk is perceived by the client; depending on the specific circumstances, these factors can distort clients' perception of the risk they are taking.

By recording and highlighting such issues, investment clients are not only receiving the appropriate information regarding how they have agreed with their advisor to invest, the advisor is also protecting the firm by clearly stating the relevance of all such information in the design of the IPS. This also brings into question the technology systems the firm uses to capture all of the client discussions. It is possible that the current technology systems do not capture all of the interactions and data required. The use of the CRM system could be enhanced to play a greater role in helping with product suitability monitoring and management.

Call to Action:

We recommend firms define a specific structure for their IPS, so that the behavioral discovery process can be implemented on a consistent basis with every client, while at the same time recognizing that each person is unique. Importantly, a consistent IPS structure enables the firm to more easily establish a robust compliance monitoring process for all clients. If the IPS is implemented on the right technology systems, then it will be easy for the advisor to use, providing added value for each client.

Further, we recommend that firms review their technology systems for capturing and retaining the right data for managing the suitability compliance obligations.

Does your firm have easy-to-use technology systems for regularly monitoring the basis of all recommendations made to clients?

6. The Need to Undertake an Objective Systems Review

> *"Not everything that can be counted counts, and not everything that counts can be counted."*
> Albert Einstein

Most advisors, especially those involved in high pressure sales roles, tend to look on compliance adherence as both negative for client engagement and a waste of their own time. Their observance of such internal rules, driven most likely by regulatory requirements, tends to be poorly respected. How can that be when anything that is good for client protection should form part of an engagement process? The key is the approach. Compliance procedures tend to be structured around the perceived minimum for a product sale. This has led to what can best be described as "Tick box Compliance," whereby the goal is to satisfy an internal compliance department or, if necessary, a regulator.

- Firms are sitting on a regulatory compliance time bomb, given the potential lack of suitability in their product recommendations and the increasing risk of client complaints leading to litigation.
- Adopting a process with client sign-off may not be enough for compliance if the client does not understand the implications of what they are approving.

In the area of investments, this has led to advisors, aided and abetted by investment marketers, to have their clients complete a situational investment profiling questionnaire. At first glance these questionnaires seem to indicate good market practice. They ask specific questions set in a financial context, which clients answer and in some cases sign to indicate that they attest to having given these answers. In the event of a complaint, the client can be provided with that document and then answered on the basis that "we only matched you with that particular investment risk because you indicated so." This means that the advisory firm thinks it is covered.

Not so. Firstly, the focus of the questions may not be appropriate to the matter at hand for each individual financial client. Secondly, just because a client has answered a questionnaire does not necessarily mean that they appreciate the significance of answering such questions and how they might affect the advice imparted to them. In addition, many clients, regardless of their mainstream educational background, may not actually be financially literate and so place a great deal of reliance on their advisor. The UK's 2011 FSA review highlighted this issue in particular. Increasingly, legal actions are demonstrating that the right questionnaires have to be used with the right process to address the responses given in them.

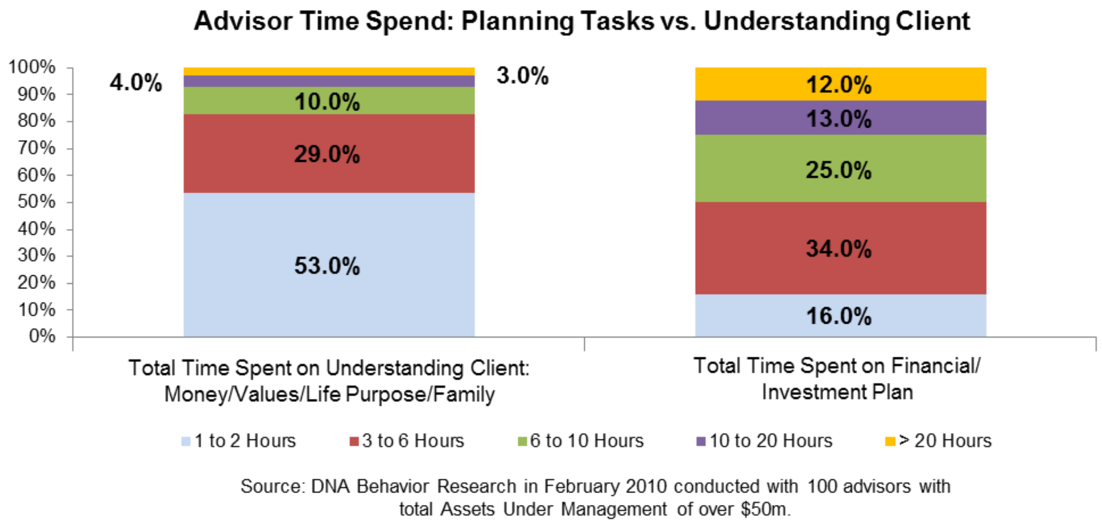
Furthermore investment clients, by completing such situational questionnaires, may not realize how their future rights to make a claim against an advisor for reckless or negligent advice may be compromised. If they were aware of these implications, then it is possible that they might answer such questions differently. Unfortunately, such awareness only occurs after the event and when a financial loss has arisen.

Many firms adopt a relatively superficial approach to discovery and often reduce it down to guessing and filling in the blanks. This is because they are concerned the client will not be engaged or cooperate by taking the time to partake fully in the process. Alternatively, they may feel that an in-depth discovery process will become invasive to the client and become a turn-off to either the overall relationship or the immediate requirement to sell a particular product. This undermines a high quality financial planning process and such firms need to be cognizant that they are dealing with the client's financial future. To provide a proper advisory service, firms should encourage clients to do as much as they can to help themselves. This means that the advisory firms should "hang tough" to get the right data they need to provide robust recommendations.

Discovery should not be looked on as a boring chore that is required, something akin to a household chore that a blind eye can be turned to if it is not done properly, such as sweeping some dirt in the corner or even under the carpet. Neither should discovery be seen as a sunk cost, but rather as a needed cost of maintaining your home as an investment in its future. Those who do not maintain their home properly always have more costs later or a reduced sale value. Similarly, the failure to implement and adhere to the right discovery can ultimately jeopardize the future of a business or at least its future capital value.

If client engagement processes are executed properly, they become a win-win situation for all. Compliance departments are normally seen as the "watch dog," which nips and barks, but perhaps they should be looked at as the firm's personal insurer. Client discovery should be seen as an opportunity to engage the client and get to know them for a very low cost. This is what builds sustainable relationship, which will not only minimize the compliance cost coming from mistakes but also add to ongoing profitability.

Research conducted by DNA Behavior in 2010 of firms with assets under management of more than $50 million showed that 50% of firms are spending one to three hours on client discovery. This is a relatively short period of client fact-finding upon which to make what are most likely lifetime recommendations. The average time is even lower for the ordinary retail investor. Some years ago the Dutch financial regulator had estimated that it took 26 seconds before a particular product was discussed in an initial client meeting. Whatever the number is, it is clearly not enough.



Processes that achieve a true fiduciary standard, which are client-centric and are not geared to meet just an advisor protection standard that is merely promoted to meet regulatory requirements are needed more than ever. This entails leadership from regulators who must first understand the methodology and validation standards of each discovery system. Discovery is not just a tool, but a guided process with key review points.

The problem is that many firms have a blind spot about the lack of quality and quantity of the client data they are gathering, and the structure of how it is gathered. Most of what is gathered is financial and demographic data. Some may even make an assessment of the client's current situational risk profile from this demographic data to say they understand the client's behavior. However, that is far from enough to make suitable recommendations of products and solutions, especially where the client's goals and product purchases are structured around a long-term timeframe.

Because of the focus by regulators on the financial prudence of those firms they regulate, namely caused by having one eye on the global financial crisis, an ongoing analysis and review process of client discovery systems as a whole has generally fallen adrift of the regulatory remit. Likewise, external auditors have not developed an audit approach to review the potential liability that may arise from incorrect usage of systems.

Call to Action:

Most financial firms only address problems when they occur and then seek to contain the related costs into a particular accounting period. Perhaps the better approach would be for firms to identify where their financial advisory systems may be altered to maximize client engagement and, by extension, minimize client complaints and future financial liabilities. Overall, this would be a win-win for the clients, the advisors and the firm overall.

When did your firm last undertake a thoroughly conducted objective review of its client discovery processes in the same way that it reviews business strategy, investments, internal controls, corporate governance and other key facets of the business?

7. The Benefits of Building a Relationship Compliance System

> *"We don't see the world as it is, we see it as we are."*
> Albert Einstein

Whether you are a financial services firm or a client of such a business, we all have our own individual perspectives. From a financial services business perspective, owners focus on profitability while keeping within the constraints of the law and specific regulation. As a client, your interest is to protect and grow your capital and/or generate income. Somewhere in the middle, a financial transaction takes place which, hopefully, satisfies both requirements.

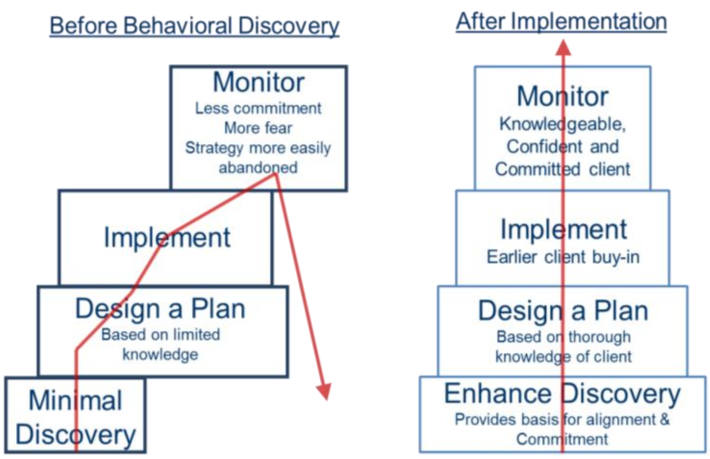
Time will, however, be the judge as to whether the transaction has been implemented on a fiduciary basis as well as being fit for purpose in line with the client's needs. If it subsequently transpires that, due to either honest errors made in the advice or an incomplete client engagement process the client was improperly advised, then the consequences are far-reaching.

Firstly, the client may have experienced unnecessary financial loss. Depending on their remaining financial and personal circumstances, financial advisors have the potential to seriously affect the welfare of their clients in both a negative and positive fashion. The effect is not just the monetary issue. If the effect is negative, the net result may be financial ruin as well as the development of major emotional and health issues. In trying to remedy the situation, a client may undergo years of frustration in battling with the prevalent legal system and/or regulatory ombudsman processes. Just because a client has recourse to a remedy does not mean that they have the appetite, knowledge or resources to see a complaint through to the end. Professional fees may be accumulating whether they are legal or specialist expert opinion. Over time, such monetary costs may possibly outstrip the actual loss incurred. In any event, many wronged clients do not last the course of the complaint, particularly where the client is elderly and may not pursue their entitlement. This is an inequitable outcome as natural justice does not take place.

- Holistically knowing the financial personality of the client has greater long-term financial benefits for both client and advisor.

From the advisor viewpoint, it makes most sense if the client is advised in a manner which satisfies not only a comprehensive internal compliance department requirement, but also leaves no room for misinterpretation of any recommendations based on the facts by the client. The more robust the discovery process, the less likely a complaint may arise.

In the event that a client does proceed with a complaint, handling it will tie up the advisor, and, depending on the size of the firm, an immediate line manager or series of line managers as well as compliance personnel. If the internal processes are weak, then it is likely that there may be more than just one claim. Depending on the nature of the product retailed, such claims could balloon into sizeable financial liabilities. These liabilities will have to be carried on the financial accounts of



the firm and may affect its regulatory prudential responsibilities. In a worst case scenario, the firm's professional indemnity insurance cover may be impaired or even withdrawn. If the firm involved is a publicly quoted company, then the company's share price or credit rating may be weakened.

Of course, such outcomes for firms could happen irrespective of whether investment risk profiling tools are used. The difference provided by highly reliable risk profiling and even better holistic financial behavior discovery tools that include informative reports is the capability for the advisor and client to have an informed discussion. Such high-quality systems will allow a whole discussion regarding the emotional attachment to financial loss to take place well before any potential loss could arise, likewise reducing potential serious financial liabilities for the firm.

Where the conversation is directed towards a broader financial agenda such as saving or spending, goals and financial control, far deeper understanding of a client can be obtained over and above the investment risk issue. Rather than just protecting against a downside, such engagement can lead to identifying lost opportunities for the client and revenue for the firm. What could be a possible lose/lose is converted into a win/win for both parties. This is how it should be.

Call to Action:

We recommend firms implement a "Relationship Compliance System" that closes the planning gap between a highly engaging discovery process and the rigor required by ongoing compliance obligations. The system would have all the elements highlighted in the table on the following page.

Along with implementing this system firms will need to substantially invest in training their advisors and teams to develop a far higher level of behavioral awareness for knowing and serving their clients.

In making a decision to implement such a Relationship Compliance System, firm leadership may need to assess the cost in relation to technology and marketing budgets. They will need to address the most important elements to have right for the future of their business. If applied in the correct manner, technology systems can be used to build and monitor the advisory process. Some of the marketing budget can be directed towards engaging clients in the firm's new client-centric process. If all departments of the firm work together, amazing results can be achieved.

What steps are your leadership team committed to taking to grow the business in the future on a sustainable basis?

Appendix: Relationship Compliance System

Stage Of Client Contact	Issue	Problem Fixed Here	Result For Advisor and Client
Initial Client Engagement	Misinterpretation of client communication and learning style	Objective communication style discovery: • Segment clients based on communication and learning style • Identify tactics for customizing the client experience and work flow for different styles	Increased client engagement and participation: • Matching ideal client for individual advisor • Advisors adapt communication style to client style • Tailored advice to learning style of client
Initial Client Discovery Process	Incomplete and incorrect discovery process	Objective holistic financial personality discovery: • Identify a valid methodology that is reliable and shows true client perspective • Use proven behavioral systems that correctly interpret client financial attitudes profile and identify more than investment issues	Enhanced behavioral self-awareness of: • Investment risk propensity and tolerance • Financial habits • Trust issues • Goals and aspirations • Behavioral finance biases
Exploring Client Suitability to Plan	Inappropriate recommendations to deep-rooted behaviors, current goals and financial capacity. Also, the incorrect influences of advisor biases	Structured discussion and documentation: • Behavioral interview • Investment policy statement • Financial product suitability	Increased client participation: • Clients are guided to solution • Clients take more responsibility for decisions • Correct alignment of financial products to client behaviors and needs
Financial Plan Monitoring	Inadequate capture of data and discussions for monitoring of client to changes in attitudes, personal circumstances and events	Compliance monitoring system enhancements: • Automatic system alerts for changes • Continuous management of behavioral attitudes • Management of advisor bias	Management of client emotions: • Proactive discussion of events on client terms • Appropriate plan adjustments made
Overall Ongoing Client Management	Poor client financial feedback loop	Sustainable growth programs: • Financial education • Financial mentoring	Sustainable quality of life development: • Client is better positioned to understand self and how financial choices are influenced by emotions • Deeper connection between values, life purpose and money
Summary	Cost of poor systems: • Zero tolerance for mistakes • Client financial, emotional and health issues • Multiple of revenue for firm • Diversion of advisory staff from productive tasks • Increased PI insurance premiums and challenges • Negative publicity		Benefit: • Clients are correctly advised • Clients understand the financial planning process better and more likely to make correct future decisions • Increased sustainable revenue • Higher profitability

The Authors of This Whitepaper

Hugh Massie, DNA Behavior International

Hugh Massie is the President and Founder of DNA Behavior International, which he established in Sydney, Australia before relocating the business operations to Atlanta, Georgia. He is a Human Behavior Strategist and successful entrepreneur with 26 years of unique and diverse international experience in human behavior and providing consulting services in the areas of:

- client engagement
- financial behavior and risk profiling
- advisor human capital management
- financial and business strategy

Hugh is a leader of the "behavioral awareness" revolution in business worldwide and bringing the field of behavioral finance to practical reality for financial planning. His focus is on enabling behavioral intelligence to be operationalized at the fingertips of every person in the business to deepen engagement in each human interaction and enhance financial planning performance.

Hugh has more than 12 years of technical and practical international experience in using and developing human behavioral systems for a wide range of business applications. With an international team of behavioral experts, he envisioned and led the development of the DNA Discovery Processes, which are currently applied to more than 20 specific applications worldwide under eight different DNA brands.

He is a world authority on the connection of natural DNA behaviors to life, financial and business decisions and provides consulting and training services to international corporations and financial service firms, including Fortune 500 companies. Hugh has also spoken at leading industry, corporate and nonprofit events around the world on the strategic application of behavioral insights for business and personal benefit.

He has written extensively on the areas of human behavior, human performance, communication and relationships, customer and employee engagement, and behavioral finance. Hugh is the author of a book "Financial DNA® – Discovering Your Unique Financial Personality for a Quality Life," published by John Wiley & Sons.

Hugh worked with Arthur Andersen for 10 years in Sydney, Singapore and Thailand before founding the Coddington Group, a leading provider of financial and business services to families and entrepreneurs, in 1996. He has significant commercial and business experience through the provision of a broad range of financial advisory, financial product packaging, capital raising and business consulting services.

Hugh has a bachelor of Commerce (Accounting and Finance) degree from the University of New South Wales, Australia and is a member of the Institute of Chartered Accountants in Australia. He also holds a Diploma in Financial Planning.

Eamon Porter, DNA Behavior International

Eamon represents DNA Behavior International in Ireland and the UK and is the Principal of Aspire Wealth Management, a fee-based financial planning and wealth mentoring business operating in Dublin, Ireland.

Eamon is a past President of the Life Insurance Association (LIA), one of the primary educational bodies for financial advisors in Ireland, having been an examiner and corrector for the LIA's examinations as well as previously serving as joint editor of the LIA's own technical publication "The Professional." He was also one of the inaugural judges of the Moneymate Investment Awards. In addition, Eamon has served in various leadership roles within the Irish broker sector. He is one of the founding members of the recently established Society of Financial Planners of Ireland.

Eamon has more than 35 years' experience in the Irish financial services sector, having worked for two life assurance companies and as a stockbroker before becoming a co-owner of a general insurance and financial services brokerage for 15 years. In 2005, he established Aspire Wealth Management, based in Dublin, through which he operates as a financial planner specializing in investments and retirement. He also acts as an expert witness in cases of recklessness or negligence involving personal investment advice. He is a regular contributor to financial media and writes regularly for the Irish edition of the Sunday Times on personal financial planning matters.

His career roles have involved him in policy administration, pensions servicing, financial accountancy, management accountancy, stockbroking, computer strategy development, personal financial advice and behavioral finance analysis.

Eamon is a Qualified Financial Advisor (QFA), a Fellow of the Life Insurance Association (FLIA) and an Associate of the Chartered Insurance Institute (ACII). He holds a Graduate Diploma in Financial Planning (First Class Honors) from University College Dublin and was among the first accredited Certified Financial Planners (CFP®) in Ireland.