COURSE NAME	: FIN PRO
SKILL OFFERING ID	: 2293
PROJECT TITLE	: QUESTIONNAIRE FOR ASSESSING THE RISK TOLERANCE AND PROFILE OF A CLIENT
COLLEGE NAME	: SHRIMATI INDIRA GANDHI COLLEGE
COLLEGE CODE	: BDU041
PROJECT SUBMITTED TO	: NSE
YEAR	: III
DEPARTMENT	: B.COM (COMPUTER APPLICATIONS)
SEMESTER	: V
GROUP NUMBER	: 07
MEMBER OF THE GROUP	: Ms. C. LAKSHMI (CB21C85539) Ms. S. LOGESHWARI (CB21C85540) Ms. R. NANDHINI (CB21C85542) Ms. D. NIKITHA (CB21C85543) Ms. L. NIROJINI (CB21C85544)
GUIDED BY	: Dr. S.GAJALAKSHMI M.Com., M.Phil., Ph.d., MBA.,
SPOC NAME	: Ms. S. PADMAPRIYA M.sc., PGDCA.,

TABLE OF CONTETS

CHAPTER I

INTRODUCTION

MUTUAL ADVISOR:

A financial advisor, often referred to as a mutual fund advisor or investment advisor, is a professional who offers financial guidance and expertise to individuals and organizations. Their primary role is to help clients make informed decisions regarding their investments, financial planning, and wealth management.

In the world of mutual advising, understanding the unique risk profiles of our clients is the cornerstone of providing effective and tailored investment guidance. Every client is distinct, with varying financial goals, risk tolerances, and investment horizons. To address these individual needs comprehensively, we embark on a project to develop a "Client Risk Profile Assessment Question Bank."

This project aims to create a powerful tool that empowers our mutual advisors to delve deep into the financial landscape of our clients, enabling them to make well-informed investment recommendations. By systematically gathering essential client information, assessing their investment experiences, gauging their risk tolerance, and aligning their goals, we pave the way for investment strategies that match our clients' unique aspirations and comfort level.

ROLE OF MUTUAL ADVISOR:

1. Assessment of Financial Goals: Financial advisors begin by understanding their clients' financial goals, such as saving for retirement, buying a home, or funding a child's education. They assess the client's current financial situation, including income, expenses, assets, and liabilities.

2. Risk Assessment: They evaluate the client's risk tolerance, which is the willingness and ability to endure fluctuations in investment value. This assessment helps determine an appropriate investment strategy.

3. Investment Recommendations: Based on the client's goals and risk profile, financial advisors recommend specific investment options, which may include mutual funds, stocks, bonds, real estate, and more. For mutual funds, they select funds that align with the client's objectives.

4. Portfolio Management: Advisors may manage and adjust the client's investment portfolio over time to ensure it remains in line with their objectives. They monitor market conditions and make investment decisions accordingly.

5. Financial Planning: In addition to investment advice, financial advisors often provide comprehensive financial planning services, which can include retirement planning, tax strategies, estate planning, and more.

6. Education and Guidance: Advisors educate clients about investment principles and financial concepts, empowering them to make informed decisions. They also provide guidance during market downturns and help clients stay focused on long-term objectives.

7. Compliance and Regulation: Financial advisors must adhere to industry regulations and act in the best interests of their clients. This includes disclosing potential conflicts of interest and providing recommendations that are suitable for the client's circumstances.

8. Client Communication: Advisors maintain regular communication with clients to provide updates on their investments, address questions or concerns, and adjust strategies as needed.

CHAPTER II

REVIEW OF LITERATURE

Michael A Jones, Vance P Lesseig, Thomas I Smythe 2005

Previous research has found that individual investors rely heavily on mutual fund advertising and on raw returns when making fund purchase decisions. To date, however, little empirical work has investigated the mutual fund decision-making process of financial advisors.

CFA Institute Research Foundation, 2015

The current standard process of risk profiling through questionnaires is highly unreliable and typically explains less than 15% of the variation in risky assets between investors—mostly because the questionnaires focus on socio-economic variables and hypothetical scenarios. The existing research in risk profiling shows, however, that several factors can provide more accurate and reliable insights into the risk profile of investors. Among these factors are the lifetime experiences an investor has had, the financial decisions made in the past, and the influence of family and friends as well as advisers. By using these factors, practitioners can get a better understanding of their clients' preferences in order to recommend suitable investment strategies and products.

Dominik Jung, Florian Glaser, Willi Köpplin 2019

Without professional advisors, taking financial risks is a challenging task for most private households (retail investors). Across countries, digital financial advisory services, in particularly robo-advisors, are becoming more popular in retail and private banking. These tools support their users in financial decision-making, like risk-measurement, portfolio selection, or rebalancing. Recent studies suggest that in the long-term, they could supplement human financial advisory. This work illustrates the key concepts of this (r)evolution, and discusses strengths, weaknesses, opportunities and risks of robo-advisory. The results suggest that robo-advisors have a hugpotential to shape the future of the financial advisory industry, despite the fact that there is still a lot of potential yet to be exploited.

CHAPTER III

COMPANY PROFILE

UTI Asset Management Company (UTI AMC):
Location: Mumbai, Maharashtra, India

Overview: UTI Asset Management Company is a prominent mutual fund company in India. It offers a wide range of mutual fund products and services, catering to both retail and institutional investors. UTI AMC is known for its expertise in fund management and has a significant presence in the Indian mutual fund industry.

UTI Mutual Fund:

Overview: UTI Mutual Fund is a subsidiary of UTI AMC. It manages a diverse portfolio of mutual funds, including equity funds, debt funds, hybrid funds, and more. UTI Mutual Fund provides investment solutions to help individuals and organizations meet their financial goals.

Unit Trust of India (UTI):

History: UTI was historically one of India's oldest and most significant mutual fund companies. However, in 2002, it underwent a significant restructuring, leading to the formation of UTI AMC and UTI Mutual Fund.

UTI Asset Management Co. Ltd. (UTI AMC) is a professionally managed company led by its proficient Board of Directors having expertise in diverse fields and a dedicated management team having requisite talent and experience.

UTI AMC has been managing assets across different businesses. These include domestic Mutual Fund, Portfolio Management Services, International business, Retirement Solutions, and Alternate Investment assets.

UTI Mutual Fund has a long & distinguished pedigree, along with a nationwide distribution network spread across the length and breadth of the country.

UTI Mutual Fund has a competent and professional fund management team to take care of the investments and a strong in-house research team to track, research and evaluate macro-economic indicators, capital markets & financial sectors. It has appropriate & robust risk management processes and follows a five layered investment management structure viz. Advisory, Decision Making, Execution, Fund Accounting and Control.

CHAPTER IV

RESEARCH METHODOLOGY

Based on the clients' needs, the fund advisor will evaluate current market conditions and come up with an ideal investment portfolio for the client. They keep track of the latest financial news and trends. They advise their client on how to diversify their portfolio to minimise risk.

Your fund advisor will keep track of the minute details of your finances. They have a record of your portfolio along with its composition, which they use to measure the performance of your portfolio to make sure that you are on the right path towards your financial goals and suggest any course correction measures if required.

OBJECTIVES:

- Identify clients' financial goals, investment knowledge, and risk tolerance.
- Understand clients' investment time horizon and liquidity needs.
- Determine clients' willingness to take on investment risk.
- Tailor investment recommendations to align with clients' risk profiles and financial objectives.
- Provide clients with personalized advice to help make informed mutual funds investment decisions.

SCOPE:

This study is designed to explore and assess the risk profile of clients seeking mutual fund investment advice from a mutual advisor. The primary objective is to gain a comprehensive understanding of each client's risk tolerance, financial goals, investment knowledge, and preferences. The study aims to achieve the following key components:

1. Client Assessment:

The study will focus on clients who are actively seeking mutual fund investment advice. The scope includes clients from diverse backgrounds and age groups.

2. Data Collection:

Data will be collected through a combination of structured questionnaires and in-depth client consultations. The questionnaires will cover various aspects of risk, including risk tolerance, investment goals, time horizons, and liquidity needs.

3. Risk Profiling:

The study will employ recognized risk profiling methodologies and scoring systems to categorize clients into different risk profiles. These profiles will be based on their responses to the questionnaires.

LIMITATIONS:

While collecting client risk profiles is essential for tailored investment advice, it's important to acknowledge potential limitations in this process:

1. Self-Report Bias: Clients' self-assessments may not always align with their actual risk tolerance or behavior, introducing a degree of subjectivity.

2. Sample Size: The quality of risk profiling may be affected by the number of clients participating, which could vary over time.

3. Self-Selection Bias: Clients who opt to participate may differ from those who decline, potentially introducing bias.

4. Time Constraints: The depth of risk assessment may be limited by time constraints during client consultations.

5. Market Conditions: Risk assessments may be influenced by prevailing market conditions, which can change over time.

CHAPTER V

ANALYSIS AND INTERPRETATION

UNDERSTAND THE RISK PROFIE OF A CLIENT:

REVIEW 1:

❖ **Risk Tolerance Questions:**

1. How would you describe your comfort level with the possibility of losing some or all of your initial investment in exchange for potentially higher returns?

2. On a scale of 1 to 10, with 1 being extremely conservative and 10 being highly aggressive, where do you see yourself in terms of risk tolerance?

3. How have you reacted to market fluctuations or investment losses in the past? Please provide examples if applicable.

4. Are you more inclined to take conservative investment approaches, prioritizing capital preservation, or are you open to taking calculated risks for potentially higher returns?

5. In your view, what is an acceptable annual rate of return for your investments? (e.g., below inflation, matching inflation, higher than inflation)

6. If your investment portfolio experienced a 20% decline in value over a short period, how would you react?

7. Do you have any specific financial goals that require a certain level of risk to achieve? If so, please describe these goals.

8. How close are you to your retirement age, and does this impact your willingness to take on investment risk?

9. If the market performed exceptionally well, leading to higher returns than expected, would you consider increasing your risk exposure to potentially capture those gains?

10. Are there any external factors, such as health considerations or upcoming major expenses, that might affect your risk tolerance?

11.How would you describe your reaction to short-term fluctuations in the value your investments?

12.What percentage loss in your investment value would make you uncomfortable?

REVIEW 2:

- ## Investment Experience Questions:

1. Have you previously invested in stocks, bonds, or mutual funds? If yes, please provide details.

2. What is your level of familiarity with different types of investment vehicles, including stocks, bonds, mutual funds, and real estate?

3. Have you ever actively managed your own investment portfolio, or have you relied on professional guidance?

4. Have you experienced any significant investment gains or losses in the past? If yes, please describe the circumstances.

5. Are you comfortable with investment terminology and concepts, such as asset allocation, diversification, and risk-adjusted returns?

6. How would you rate your knowledge of financial markets and economic trends? (e.g., limited, moderate, extensive)

7. Do you have any specific investment strategies or philosophies that you follow?

8.Have you invested in mutual funds or other financial products before? If yes, which ones?

9.What is your level of familiarity with various investment instruments, such as equities, bonds, and mutual funds?

REVIEW 3:

Knowledge and Understanding of Risk:

1. Can you explain what risk means in the context of financial investments?

2. How familiar are you with different types of investment risks, such as market risk, credit risk, and liquidity risk?

3. What steps have you taken to educate yourself about potential risks associated with your investments?

4. Have you experienced any significant financial losses or gains in your investment portfolio in the past? If so, could you describe the circumstances?

5. Do you understand the concept of diversification and how it can help mitigate investment risk?

6. What is your knowledge level regarding the historical performance of different asset classes, like stocks, bonds, and real estate?

7. Are you aware of the impact of inflation on your investments and how it erodes purchasing power over time?

8. Can you explain the relationship between risk and potential returns in investments?

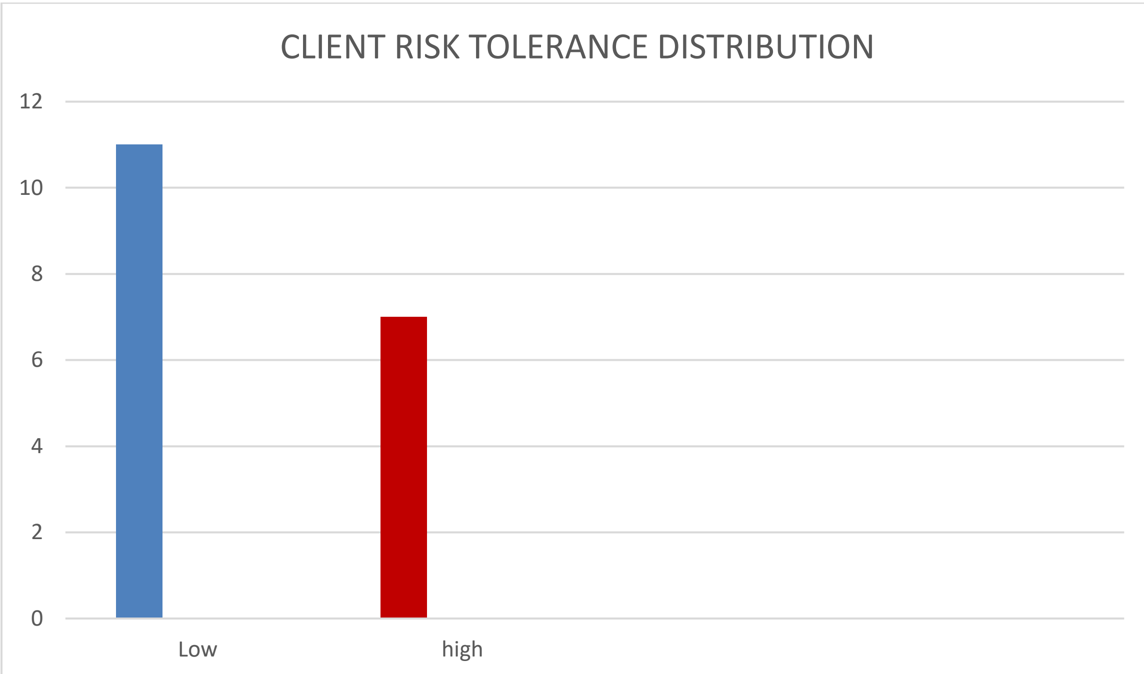
9. How comfortable are you with the idea that higher potential returns often come with higher levels of risk?

10. Have you considered factors like your investment time horizon and financial goals when evaluating your risk tolerance?

11.How would you rate your knowledge of financial markets and investment products?

12.Do you understand that investments in mutual funds are subject to market risks, and the value of your investment may fluctuate?

DISTRIBUTION OF CLIENT RISK TOLERANCE LEVELS



- **Low:** Low Risk Tolerance
- **High:** High Risk Tolerance

In this bar chart, the x-axis represents different risk tolerance levels, ranging from "Low" to "High." The y-axis represents the number of clients falling into each risk tolerance category. The height of each bar represents the count of clients in that category.

This visualization provides a quick and clear overview of the distribution of clients' risk tolerance levels, which can be helpful for making informed investment recommendations and portfolio adjustments based on their risk profiles.

INTERPRETATION:

➢ The bars will visually represent the distribution of clients across different risk tolerance levels.

➢ The height of each bar represents the number of clients in each risk tolerance category.

➢ You can add labels to each bar to specify the exact number of clients or percentages if preferred.

IMPLICATIONS:

➢ The bar chart provides a clear visual overview of how many clients fall into each risk tolerance category.

➢ It helps the mutual advisor understand the diversity of risk profiles among client.

➢ The advisor can use this chart to tailor investment recommendations and strategies based on clients' risk tolerance levels.

➢ It serves as a useful tool for assessing whether the majority of clients lean towards conservative, balanced, or aggressive investment strategies.

CHAPTER VI

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS:

Through a comprehensive assessment of our clients' risk profiles, several key findings have emerged. Firstly, a diverse range of risk tolerances was identified among our clientele. While some clients demonstrated a strong appetite for risk, categorizing themselves as aggressive investors with a high tolerance for market volatility, others leaned toward a more conservative approach, prioritizing capital preservation. Notably, a significant portion of clients fell within the moderate risk tolerance category, indicating a balanced approach to risk and reward.

Furthermore, our study unveiled a spectrum of investment goals, with the majority of clients seeking to achieve a combination of wealth accumulation and retirement planning. Time horizons were equally varied, with clients expressing both short-term and long-term financial objectives. Interestingly, many clients cited the desire for regular income generation, underscoring the importance of aligning investments with cash flow needs.

Client preferences regarding investment strategies also emerged from the findings. While some clients favored a hands-on approach to managing their portfolios, actively engaging with investment decisions, others demonstrated a preference for entrusting their financial management to professional advisors.

Despite the diversity in risk profiles and investment preferences, common themes and trends became apparent, providing valuable insights that will guide our advisory services. These findings enable us to tailor investment strategies that align with each client's unique risk profile, financial goals, and preferences, ultimately delivering more personalized and effective mutual fund recommendations.

SUGGESTIONS:

Our first suggestion is to develop customized investment portfolios for each client based on their risk profiles, goals, and preferences. By tailoring investment strategies to individual needs, we aim to optimize their chances of meeting their financial objectives while staying within their comfort zone.

To enhance our clients' understanding of investment options and strategies, we plan to organize educational seminars and webinars. These sessions will cover a wide range of topics, from basic investment principles to advanced strategies, empowering our clients to make informed decisions.

Regular portfolio reviews and performance analysis will be a core component of our service. Clients will receive detailed reports on how their investments are performing relative to their goals and risk profiles, ensuring transparency and accountability.

Our advisory team will assist clients in managing liquidity needs by recommending appropriate investment vehicles that balance returns with the need for accessible funds. This approach ensures that clients have the flexibility to address financial requirements as they arise.

Risk management will be a top priority, and we will implement strategies such as diversification and periodic rebalancing to mitigate risks within client portfolios. These measures aim to safeguard investments while aligning with each client's risk tolerance.

To accommodate clients with ethical considerations, we will offer socially responsible investment (SRI) options. This allows clients to invest in line with their values while still achieving their financial goals.

Feedback from our clients is invaluable, and we will establish a mechanism for them to provide input on their advisory experience. Their insights will help us continuously refine our services and meet evolving client needs.

Continuous training and professional development for our advisory team will ensure that we remain up-to-date with market trends and investment products. This commitment to expertise is crucial for delivering sound advice to our clients.

CONCLUSION:

In the world of mutual advising, the ability to comprehensively understand and assess our clients' risk profiles is paramount. This project, aimed at developing the "Client Risk Profile Assessment Question Bank," has been a journey of commitment to delivering personalized financial guidance.

We recognize that every client is unique, with diverse financial goals, risk tolerances, and investment horizons. The question bank we have crafted equips our mutual advisors with a powerful tool to navigate this diversity, ensuring that our recommendations are finely tuned to each client's needs.

Through careful consideration of client information, investment experience, risk tolerance, and financial capacity, our question bank fosters deeper client-advisor relationships. It allows us to not only address immediate financial objectives but also to guide our clients toward long-term financial success.

Our commitment to quality assurance ensures that the questions within the bank remain relevant, effective, and aligned with the ever-evolving financial landscape. We value the feedback of our clients and advisors, recognizing that continuous improvement is the key to excellence.

As we integrate this question bank into our advisory workflow, we look forward to enhancing our service quality and delivering financial advice that truly makes a difference in the lives of our clients. By using this tool, we remain steadfast in our dedication to client success, helping them achieve their financial aspirations, one tailored recommendation at a time.

With this conclusion, we affirm our commitment to delivering client-centric financial advisory services and continue to evolve in response to the dynamic needs of our clients and the financial industry as a whole.

CHAPTER VII

BIBLIOGRAPHY

1. Bodie, Z., Kane, A., & Marcus, A. (2018). "Investments." McGraw-Hill Education.

2. Reilly, F. K., & Brown, K. C. (2019). "Investment Analysis and Portfolio Management." Cengage Learning.

3. Ferri, R. A. (2019). "The Power of Passive Investing: More Wealth with Less Work." Wiley.

4. Elton, E. J., Gruber, M. J., Brown, S. J., & Goetzmann, W. N. (2014). "Modern Portfolio Theory and Investment Analysis." Wiley.

5. Malkiel, B. G. (2020). "A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing." W.W. Norton & Company.

6. CFA Institute. (2020). "CFA Program Curriculum 2021 Level I." Wiley.

7. Financial Industry Regulatory Authority (FINRA). (2020). "Understanding Investment Risk." [Online Resource]

8. Securities and Exchange Commission (SEC). (2020). "Investor.gov: Mutual Funds." [Online Resource]

9. Morningstar. (2020). "The Role of Asset Allocation in Portfolio Management." [Online Article]

10. Investopedia. (2020). "Risk Tolerance." [Online Article]