Risk Assessment:

Risk of individual user is calculated based on their response to various financial questions like their risk-taking ability from very low risk taker to very high-risk taker, and the respondents are assigned with scores in range of 0 to 4 based on their answer. More detailed risk analysis is mentioned below in table.

Table 1: Allocating score for different option and scenarios

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Question** | **Option 1 Score 0** | **Option 2 Score 1** | **Option 3 Score 2** | **Option 4 Score 3** | **Option 5 Score 4** |
| Willingness to take on investment risk? | very low risk taker | low risk taker | average risk taker | high risk taker | very high risk taker |
| Preferred investment over long duration | no capital fall/drop in any year | small capital fall/drop comfortable with a 0.5% drop | moderate capital fall/drop 6-15% drop in value | high capital fall/drop 16-35% drop in value | significant capital fall/drop potential 36% or higher drop |
| Larger fluctuations portfolio fell by 25% in a short period | Take money out immediately | Sell a portion of the portfolio | Seeking for knowledge and invest more | Hold and sell nothing | Invest or allocate more funds |
| objective for a long-term goal | Security | inflation protection | Growth & security | Growth | Maximium growth |
| secure about present and future financial position | Not secure | somewhat secure | Secure | fairly secure | Very secure |

Average score is calculated on the scores for different question, this helps in determining their risk-taking group and later helps in suggesting stocks and personalized financial planning.

Based on their risk average score users can have a conservative portfolio if their average score is below 1, can have a moderately conservative portfolio if their average score is 1 or less than 2, can have a moderately aggressive portfolio if their average score is 2 or less than 3, can have an aggressive portfolio if their average score is 3 or less than 4, or can have a very aggressive portfolio if their average score is 4. Based on the customer’s portfolio their investments can be divided into various investment options like fixed income securities, equities, and into cash and equivalents. Investment splits for various portfolios are mentioned in the below table 2. Customers can split their amount available for financial investment into various investment options according to their portfolio share split.

Table 2: Investment split on different options for all portfolios

|  |  |  |  |
| --- | --- | --- | --- |
| **Portfolio** | **Fixed Income Securities** | **Equities** | **Cash and Equivalent** |
| A Conservative Portfolio | 60% | 30% | 10% |
| A Moderately Conservative Portfolio | 55% | 35% | 10% |
| A Moderately Aggressive Portfolio | 40% | 50% | 10% |
| An Aggressive Portfolio | 30% | 60% | 10% |
| A Very Aggressive Portfolio | 10% | 80% | 10% |

Conclusion:

A financial planner will help customers and users decide on their future goals and plans. Better knowledge on financial planning can make their financial future and rest of life easier. A complete financial planning tool would help users