*Presentation:*Rethinking Risk Tolerance For Retiring Clients

*Presenter:*

Michael E. Kitces, MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL is the Chief Financial Planning Nerd at Kitces.com, dedicated to advancing knowledge in financial planning and helping to make financial advisors better and more successful.

In addition, he is the Head of Planning Strategy at Focus Wealth Partners, the co-founder of the XY Planning Network, AdvicePay, New Planner Recruiting, fpPathfinder, and FA BeanCounters, the former Practitioner Editor of the Journal of Financial Planning, the host of the Financial Advisor Success podcast, and the publisher of the popular financial planning industry blog Nerd’s Eye View.

In 2010, Michael was recognized with one of the FPA’s “Heart of Financial Planning” awards for his dedication and work in advancing the profession.

*Session Description:*

Despite being a requirement for FINRA-registered brokers and insurance agents, and a matter of fiduciary protection for registered investment advisors, most financial advisors today give short shrift to risk tolerance questionnaires. But does all this really mean that risk tolerance questionnaires are universally worthless, and that there’s no value to trying to measure a client’s risk tolerance by any means? Absolutely not! Instead, what’s necessary is to delve deeper on both fronts. This session will explore in greater depth exactly what risk tolerance *is* and what you’re trying to measure, and to consider what’s required to truly design a quality risk tolerance questionnaire or to properly assess risk tolerance for clients.

*Learning Objectives:*

- LO #1: Explain the new risk profile paradigm and define the three risk components of the new paradigm.

- LO #2: Be able to distinguish between risk capacity and risk tolerance and evaluate how the new risk profile utilizes both of these components.

- LO #3: Describe how risk perception changes and list the common mental heuristics associated with risk perception.

- LO #4: Define the two risk attitude approaches. Explain the pros and cons of each approach.

*Level of Complexity:*

- Intermediate

*Topic Area(s):*

- General Principles of Financial Planning

*Hour(s) of CE:*

- 1 hour

*Outline:*

* Understanding Risk Tolerance – introduction 5 minutes
* Reviewing the traditional risk tolerance approach 5 minutes
* Breaking apart the new paradigm 4 minutes
* Distinguishing risk capacity from tolerance 5 minutes
* Integrating risk perception 7 minutes
* Risk perception and client insurance & investment behavior 7 minutes
* Integrated application of risk tolerance, capacity, perception 5 minutes
* Approaches to properly measure risk for insurance and investment purposes 5 minutes
* Psychometrics and risk tolerance questionnaires 7 minutes
* Bringing it all together – creating a client risk profile 5 minutes
* Summary & Q&A 5 minutes

***Total: 60 minutes***