

Assessment-Assisted and Relationship-Based Financial Advising: Using an Empirical Assessment to Understand Personal Investor Risk Tolerance in Professional Advising Relationships

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Abstract : A crucial component to the success of any financial advising relationship is for the financial professional to understand the perceptions, preferences and thought-processes carried by the financial clients they serve. Armed with this information, financial professionals are more quickly able to understand how they can tailor their approach to best match the individual preferences and needs of each personal investor. Our research explores the use of a quantitative assessment tool in the financial services industry to assist in the identification of the personal investor's consumer behaviors, especially in terms of financial risk tolerance, as it relates to their financial decision making. Through this process, the Unitifi Consumer Insight Tool (UCIT) was created and refined to capture and categorize personal investor financial behavioral categories and the financial personality tendencies of individuals prior to the initiation of a financial advisement relationship. This paper discusses the use of this tool to place individuals in one of four behavior-based financial risk tolerance categories. Our discoveries and research were aided through administration of a web-based survey to a group of over 1,000 individuals. Our findings indicate that it is possible to use a quantitative assessment tool to assist in predicting the behavioral tendencies of personal consumers when faced with consumer financial risk and decisions.

Keywords : behavior-based advising, financial relationship building, risk capacity based on behavior, risk tolerance, systematic way to assist in financial relationship building

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