



## When risk profiling is a strategic requirement: A2Risk and Royal London's Governed Portfolios

A2Risk suitability tools support Royal London's multi-asset Governed Portfolio range for both accumulation and decumulation clients.

Royal London and A2Risk worked together to develop the UK's first suitability tool specifically designed for drawdown customers.

***“Royal London has built a strong relationship with A2Risk over the years. We are particularly impressed with their knowledge of the role of risk profiling within the financial planning process.”***

Lorna Blyth, Investment Strategy Manager, Royal London

- *Risk profiling was a strategic requirement for Royal London's multi-asset Governed Portfolio range*
- *The company chose A2Risk to provide a reliable yet easy-to complete suitability tool*
- *Tool downloaded 1,400 times monthly from Royal London Intermediary*
- *Royal London partners with A2Risk to develop pioneering decumulation tool for its drawdown fund range*

**A** need to help advisers quickly and reliably map investors' appetite for risk to suitable investments led Royal London to partner with A2Risk for its Governed Portfolio multi-asset range.

Royal London and A2Risk also worked together to pioneer the UK's first suitability tool for decumulation clients.

## Off-the-shelf asset allocation for pensions

Launched in 2009, Royal London's Governed Portfolio range was created in response to the trend of advisers relying more heavily on pension providers to select suitable investment strategies for clients.

Governed Portfolio is a range of nine, multi-asset, risk-graded portfolios, designed to provide off-the-shelf investment portfolios for customers looking to save into a pension. They are available exclusively through Royal London's personal and workplace pensions.

The portfolios lead the market, allowing Royal London in 2017 to note that their range was the "only risk targeted and term related portfolios with a proven eight-year track record of good performance, governance and risk management."

## Risk profiling tool a strategic requirement

"When we launched Governed Portfolios we focused on the process the adviser would need to go through to meet suitability requirements," says Lorna Blyth, Investment Strategy Manager at Royal London.

"The starting point is risk profiling and supporting the adviser to easily map the clients' risk attitude to a Governed Portfolio. The risk profiling tool quickly became a strategic requirement to successfully launch our proposition."

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## Shared focus and thinking

To develop its risk profiling tool, Royal London held meetings with several companies. It chose A2Risk because company founders Dr David Blake and Dr Alistair Byrne shared their focus and thinking on pensions, and were experts in the field.

A2Risk founder Dr David Blake says, "The Retail Distribution Review is leading to more and more financial advisers outsourcing their client investments. Multi-asset funds give advisers access to a diversified portfolio that has its asset allocation regularly reviewed to ensure it is suitable to an investor's risk tolerance."

## Reliable yet easy to complete

Royal London's specific requirements for the suitability tool was that it be developed and tested using feedback from real world customers to produce an reliable response but be of fair length so that it didn't take advisers prohibitive time to complete.

"The intermediary channel is extremely important to Royal London as we sell exclusively through advisers," says Blyth. In total, Royal London Intermediary has £25.7 billion in funds under management across funds and model portfolios.

"After testing with a UK sample population of 2,000 respondents, we were able to produce a highly reliable tool with just 12 questions," A2Risk founder Dr Alistair Byrne says.

"It was far shorter than the other suitability tools, available at the time, taking less than 6 minutes to complete, because our questions didn't require the respondent to have detailed financial knowledge."

### Downloaded 1,400 times every month

Royal London supplies the suitability tool as a [downloadable form](#) and [online tool](#) through its Royal London Intermediary website. The questionnaire is downloaded on average 1,400 times every month and has been used to profile the attitudes to risk of tens of thousands of investors.

A2Risk ensure the tool remains accurate by re-surveying the questions against a sample of 2,000 UK respondents every two years. The company also collects qualitative feedback from questionnaire users. So far, only minor adjustments to the questions have been required.

### Pioneering suitability for drawdown

Royal London was also looking at ways of supporting advisers with drawdown portfolios and in 2012 launched a pioneering range of Governed Retirement Income Portfolios.

“This triggered a requirement for a risk profiling tool for the decumulation market,” says Blyth.

A2Risk developed a 12-question suitability tool designed specifically for drawdown at Royal London’s request. “A number of the questions available in suitability tools for accumulation clients are appropriate for decumulation investors,” Byrne says.

“We reformulated and tested our tool resulting in five changed questions that specifically target decumulation investors.”

“Royal London has built a strong relationship with A2Risk over the years,” adds Royal London’s Blyth. “We are particularly impressed with their knowledge of the role of risk profiling within the financial planning process. ↗