

# I answered 'No' to the capacity for loss question and I can't undo it - how can I change this?

Last Modified on 18/11/2021 12:51 pm GMT

Capacity for Loss questions are found in the first steps of the Illustration Journey. This includes a question around what your client can afford to lose, based on their attitude to risk. Completing this questionnaire will populate the Suitability Statement in the Results screen and will add a Statement in the Compliance details tab.

Note: It is not compulsory to answer the question at this stage of the illustration. Leave it blank and continue to the Results screen. Any change made when editing details in the journey or the Advanced Options tab will reset the question and you will be prompted to answer before continuing to the report.

**Capacity For Loss**

Use the Capacity for Loss Questionnaire to audit the discussion around whether committing to an extended term is appropriate for your client.

It will not be appropriate to commit the client to long term savings if they cannot commit to leaving the funds invested long term.

- My Client will need to start spending the investment return at the following point in the future.
  - < 5 yrs
  - 5 to 9 yrs
  - 10 to 14 yrs**
  - 15 to 19 yrs
  - > 20 yrs
- My Client doesn't have any significant outstanding debts and doesn't expect to incur any during the period of the investment (eg, mortgage or credit cards).
  - Strongly Disagree
  - Disagree
  - No Opinion
  - Agree**
  - Strongly Agree
- My Client's spouse, partner or family member is likely to be able and willing to support them financially if circumstances require.
  - Strongly Disagree
  - Disagree
  - No Opinion
  - Agree
  - Strongly Agree**
- It would be relatively easy for my Client to cut expenditure in retirement if circumstances require.
  - Strongly Disagree
  - Disagree
  - No Opinion
  - Agree**
  - Strongly Agree
- My Client is flexible about their investment horizon. They could wait before using their investment.
  - Strongly Disagree
  - Disagree
  - No Opinion
  - Agree**
  - Strongly Agree
- My Client can afford to lose **14.81%** in any one year, as a worst case scenario this could equate to **£28,882.76** loss in the final year of the **10 year** term proposed.
  - Yes**
  - No
- As an adviser, I assess a minimum appropriate term for this investment scenario to be **10 to 14 yrs**

Progress: Outcome | Report | Mark Status as Complete

Term of Investment 10 Years	Initial Amount £200,000.00	Growth Basis Without inflation	Total Solution Cost 0.00%	Investment Risk Category Moderately Cautious (High E...)	Objective Risk Category Moderately Cautious (High E...)	Expected Outcome (Mean Gain) £288,953.86 or 29.00%
Regular Contribution £200.00 / pm	Regular Withdrawal £500.00 / pa	Rebalanced Annually Yes	Possible Max. Loss 12.32% or £49,509.15	Investment Scenario Pathway 8AM Clever MPS 4		Lowest Outcome (Min. Gain) £193,870.00 or -13.45%
						Highest Outcome (Max. Gain) £401,860.00 or 79.40%

Result | Result + Costs | Result + Inflation | Result + Costs & Inflation | Suitability | Compliance Details | Report Content | Advanced Options

Forecast based on strategic asset allocation - No costs

**Asset Allocation**

Forecast based on investment scenario - No costs

**Asset Allocation**

**Suitability Statement**

From the previously completed Capacity for Loss questionnaire, the minimum appropriate term for the investment horizon is **10 to 14 yrs**.

The Value at Risk (min gain) of the **10 year** term is **-12.32%**, lying within the range of the **Moderately Cautious (High End)** Risk Category. This confirms alignment of the investment recommendation with the Moody's investment strategy, where the min gain value does not exceed the risk threshold for the relevant risk category.

The 'min gain' indicates the expected loss for an investment in the 'worst year', assuming a 20 year term. It is equivalent to the 5% worst outcomes (or 1 in 20) from the stochastic simulation whose data underpins the calculations made using this tool.

**Additional Information**

**Forecast based on Strategic Asset Allocations - no costs**

To determine 'the need to take risk', examine projections from your investment strategy (the strategic asset allocation from the appropriate risk band). This

If you answer 'Yes' to this question, it will update on the Results screen & the Compliance tab to show the client can afford to lose the min gain amount.

If you incorrectly select 'No' this will change the statement to show the client cannot afford to lose the min. gain amount.

To change the answer to the question, you can either click on 'Capacity for Loss' in the top breadcrumb to go back and change the answer, or make any amendment to the scenario through the advanced options screen for it to reset the question.

6. My Client can afford to lose 13.79% in any one year, as a worst case scenario this could equate to £34,802.10 loss in the final year of the 10 year term proposed.

Yes No