## Ex-Post Reviews - Capacity for Loss

This article is a continuation of Ex-Post Reviews - Costs & Charges

The **Capacity for Loss** questionnaire for the proposal will need to be completed before continuing through the tabs and onto the **Client Check-In s**creen

Complete the questionnaire:

💿 Review Workbench 🛛 🗠 Stochastic Forecast 🛛 🔊 Determini	istic Forecast 🔥 Suitability	民 Costs & Charges	<sup>⊯</sup> <u>Capacity for Loss</u>	Ocmpliance Details	Report Content				
Proposal						Additional Information			
Capacity for Loss						A Client should not be exposed to risks they do not understand, nor are 'willing and able to take'.			
Use the Capacity for Loss Questionnaire to audit the discussion around wi		The Moody's model calculates a 'min gain' value for the investment scenario which are displayed in question 6.							
It will not be appropriate to commit the client to long term savings if they	The 'min gain' is a stochastic value from the Moody's Analytics model and indicates the extent of losses expected in a 'bad year'.								
<ol> <li>The Client will need to start spending the investment return at the following point in the future.</li> </ol>		defined as the worst performing year in a 20 year term or a 5% probability.							
						Advisers should use the 'min gain' to quantify possible losses in the short term and make a judgement as to whether losses are			
<ol> <li>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).</li> </ol>	Strongly Disagree Disagree	No Opinion Agree	Strongly Agree			affordable to the client. A Client who is unprepared for loss is likely to sell up and crystallise losses, forgoing the opportunity to recover.			
3. My Client's spouse, partner or family member is likely to be able and						The longer money can be invested, the better the returns are likely to be. Capacity for Loss increases with term, so extending and			
willing to support them financially if circumstances require.	Strongly Disagree Disagree	No Opinion Agree	Strongly Agree			recording a client's commitment to their investment horizon is an essential part of investment planning, risk management and proof			
<ol> <li>It would be relatively easy for my Client to cut expenditure in retirement if circumstances require.</li> </ol>	Strongly Disagree Disagree	No Opinion Agree	Strongly Agree			of suitability.			
5. My Client is flexible about their investment horizon. They could wait	Strongly Disagree Disagree	No Opinion Agree	Strongly Agree						
before using their investment.	Strongly blagtee blagtee	No opinion Agree	Strongly Agree						
<ol> <li>The customer can afford to lose 17.39% in any one year, this could equate to £35,142.15 loss in any one year of the 10 Year term proposed.</li> </ol>	Yes No								
7. As an adviser, I assess a minimum appropriate term for this investment scenario to be									
Supporting Notes to meet MiFID Compliance									
Salesforce Sans 💌 12 💌 B I 😐 🕀 🗮									
		c	ontinue to Client Check-In						

You will not be able to proceed to the **Client Check-in** without the Capacity for Loss statement completed.

💿 Review Workbench 🛛 🗠 Stochastic Forecast 🛛 🔊 Determinis	tic Forecast 🔥 Suitability	民 Costs & Charges	≓ Capacity for Loss	Occupiance Details	Report Content	
Proposal Capacity for Loss Use the Capacity for Loss Use the Capacity for Loss Use the Capacity for Loss Questionnaire to audit the discussion around wh It will not be appropriate to commit the client to long term savings if they. 1. The Client will need to start spending the investment return at the following point in the future. 2. My Client doesn't have any significant outstanding debts and doesn't expect to incur any during the period of the investment(eq.	cannot commit to leaving the funds	invested long term.	> 20 yrs			Additional Information A Client should not be exposed to risks they do not understand, nor are willing and able to take. The Moody's model calculates a 'min gain' value for the investment scenario which are displayed in question 6. The 'min gain' is a stochastic value from the Moody's Analytics model and indicates the extent of losses expected in a bad year', defined as the worst performing year in a 20 year term or a 5% probability. Advisers should use the 'min gain' to quantify possible losses in the short term and make a judgement as to whether losses are affordable to the client. A Client who is unorpeated for loss is likely
aberon is aspect to incut any ouring the period or the investmentage, mortgage or credit Cardd). 3. My Client's spouse, partner or family member is likely to be able and willing to support them financially of circumstances require. 4. It would be relatively easy for my Client to ut expenditure in reforment if circumstances require.	Strongly Disagree Disagree Strongly Disagree Disagree Strongly Disagree Disagree	No Opinion Agree	Strongly Agree			to sell up and crystallise losses, forgoing the opportunity to recover. The longer money can be invested, the better the returns are likely to be. Capacity for loss increases with therm, so extending and recording a client's commitment to their investment horizon is an essential part of investment planning, risk management and proof of suitability.
S. My Client is flexible about their investment horizon. They could wait before using their investment. 6. The customer can afford to lose <b>17.39%</b> in any one year, this could equate to <b>£35,142.15</b> loss in any one year of the <b>10 Year</b> term proposed.	Strongly Disagree Disagree Yes No	No Opinion Agree	Strongly Agree			
7. As an adviser, I assess a minimum appropriate term for this investment s	scenario to be 10 to 14 yrs					

You have the opportunity to add any Supporting Notes to meet MiFID Compliance :

Supporting Notes to meet MiFID Compliance

 Salesforce Sans
  $\checkmark$   $\blacksquare$   $\blacksquare$ 

Before moving onto the **Client Check-in**, review the remaining tabs.

For further information on Ex-Post Reviews, see article Ex-Post Reviews - Compliance Details