

# STEWARD

*A Quarterly Publication of Allodium Investment Consultants*

**“ Risk comes from not knowing what you're doing.”**  
~ Warren Buffett

## Assessing Investor Risk Tolerance

I recently attended the annual fi360 ([www.fi360.com](http://www.fi360.com)) conference in Orlando, Florida which gathers fiduciary investment experts from around the country to discuss investment best practices. In a market environment where many investors are questioning the benefits of taking any financial risk at all, my best take-away from this conference was learning more about FinaMetrica's financial risk profiling system.

Accurately assessing an investor's financial risk tolerance is critical to building an appropriate investment portfolio for them. To assess risk tolerance, most investment advisors ask simple risk-assessment questions to determine where an investor lies on the conservative-to-aggressive risk preference scale. Unfortunately, when a financial crisis like we recently went through occurs, this simplistic approach can prove to be inaccurate as financial markets swoon and investors learn what their risk tolerance really is. At this point it may be too late to adjust their portfolios to more accurately reflect their real risk tolerance without incurring investment losses that may have been avoided with a more accurate risk tolerance assessment before their portfolios were constructed.

To more objectively and accurately assess investor financial risk tolerance, FinaMetrica - an Australian firm founded by Geoff Davey - has developed a best-in-class, scientific process for measuring risk tolerance that is backed by years of research. To ensure reliability and validity, FinaMetrica's process uses a 25-question psychometric survey which takes only a few minutes to complete. Psychometrics is a method of survey construction that uses psychology and statistics. The FinaMetrica system is now available in six languages and is used by leading financial advisers in 16 countries. More than 360,000 risk profiles have been completed with FinaMetrica's system since 1999.

The FinaMetrica assessment measures investor financial risk tolerance along three dimensions:

- 1) Perceived Risk - How much risk an investor prefers to take.
- 2) Risk Capacity - How much risk an investor can afford to take.
- 3) Required Risk - How much risk an investor needs to take.

All three dimensions are critical to arriving at an accurate investor risk profile. Once an investor's risk profile is understood, a financial advisor is better able to construct a financial plan and investment portfolio that an investor can remain comfortable with and committed to - without too much anxiety - no matter what the financial markets may do.

FinaMetrica risk profile results also provide a catalyst for a healthy discussion about financial risk management between an investor and their financial advisor. Therefore, we believe that all investors may benefit from reflecting upon their comfort level with their investment portfolio during the recent financial crisis and resulting financial market volatility. Investors should discuss any discomfort they may have regarding their portfolio with their financial advisor to conclude if any adjustments should be made.

If you would like to learn more about FinaMetrica's risk profiling tool or have questions about assessing your own risk tolerance and the appropriate management of investment risk, please contact me. I'd enjoy the opportunity to answer your questions and share more about how we assess investor financial risk tolerance to construct portfolios that meet investor needs while also helping them sleep well at night.

*David Bromelkamp*  
President and CEO

**HEADLINES**

- In the Allodium Team Profile below, we're pleased to introduce our newest member of Allodium - Anne Ward. Anne joined us in August from another investment consulting firm in the Twin Cities. Anne has a CFP® designation and over seven years of investment consulting and comprehensive financial planning experience. We're very fortunate to have Anne join our firm, and look forward to introducing her to our clients. We're certain that they'll enjoy working with her.
- We celebrated our fifth year in business with a client appreciation event on August 12<sup>th</sup> near our Allodium office in the Mill District of Minneapolis. Thanks to all our clients and friends who were able to join us. We look forward to serving our clients and community for many more years to come and very much appreciate the opportunity to do so!
- In August, Dave was featured in an article about non-profit fund raising published by the Ritter Group which provides consulting services in the areas of strategic planning, organizational development and fund raising to non-profit organizations. To read this article, click [here](#).
- FYI - our office will be closed for Thanksgiving on Thursday, November 25 and Friday, November 26.

**UPCOMING EVENTS:**

Allodium will sponsor the following free educational lunch workshops for foundation and endowment leaders:

- Wednesday, December 8, 2010 - How to Develop a Disciplined Investment Process
- Wednesday, March 9, 2011 - How to Manage Investment Risk in Volatile Markets

Please contact Cristy Leaf at 612-230-3706 or [cleaf@aicria.com](mailto:cleaf@aicria.com) to RSVP or to be added to our invitation list for future workshops.

**ALLODIUM TEAM PROFILE:  
ANNE WARD**



**Role At Allodium:** Senior Investment Consultant

**Joined Firm In:** August 2010

**Hometown:** Grew up Plymouth, MN. Now lives in Lakeville.

**Favorite TV Show:** Who has time for TV with two little ones at home? Most of the TV shows I see nowadays are on PBS Kids! But, when time allows, I enjoy watching the Office.

**Favorite Hobbies:** Playing with my two daughters, & in my down time: reading & being outdoors.

**Favorite Vacation Spot:** Rocky Mountain National Park—I love the mountains!

**Favorite Movie:** It's tough to choose just one! I enjoy watching a wide range of movies as you'll see from my favorites: Meet the Parents, Stand & Deliver, Roots & Lord of the Rings

**If I won the lottery I'd...** Keep working as an Investment Consultant as that's my #1 passion. But, also spend more time mentoring youth, establish a family foundation to donate to the charities my family & I care most about & support entrepreneurship by investing in small/start up business.

Click [here](#) to see more about Anne on our website.

**We Appreciate Your Introductions:**

We launched Allodium to provide objective investment advice and personal service to a limited number of individuals, families and organizations. We embrace our responsibility to always act in our clients' best interests. To maximize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks and brokerage firms, and we do not receive commissions for the investment options that we recommend. If you know of a family member, friend or associate who may be looking this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or [dbromelkamp@aicria.com](mailto:dbromelkamp@aicria.com) to arrange a friendly, no-obligation introduction.

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Please contact Cristy Leaf at 612-230-3706 or [cleaf@aicria.com](mailto:cleaf@aicria.com) if you have any comments about this publication or would like to be added to or removed from our mailing list.  
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