

For investment advisers

Knowing your customer and assessing their needs

This factsheet is for you if you provide financial advice to private customers or supervise others who give financial advice to private customers.

It highlights some of the good practices we have seen at firms when assessing customers' needs. You might want to consider your firm's processes for:

- capturing factual information
- 'goal-setting' by customers
- the value of gathering 'soft facts' and

These are only examples. There may be other ways of complying with our principles and rules and you may choose to adopt an alternative approach.

Capturing factual information

Before your firm gives a personal recommendation on a designated investment to a private customer, it must take reasonable steps to find out and record enough detail about the customer relating to the services you are offering. In addition to basic customer information, some of the key areas you may consider include:

- a detailed breakdown of income/expenditure and assets/liabilities
- sufficient details of existing savings/investments/pension and life assurance arrangements
- terms of any wills and details of expected inheritances
- sufficient details of occupation status and prospects
- health details

Soft facts and customer goals

We have seen examples of good practice where the adviser clearly established the goals and aspirations of the customer and clearly matched the recommendations to this information. Areas you may want to consider include:

- What is the previous investment experience and knowledge of the customer? Why did they invest and what were their expectations?
- What are they planning for? Personal 'landmark' dates to plan for such as retirement date, son or daughter's wedding, silver wedding anniversary? Who does the customer want to benefit from the financial plan?

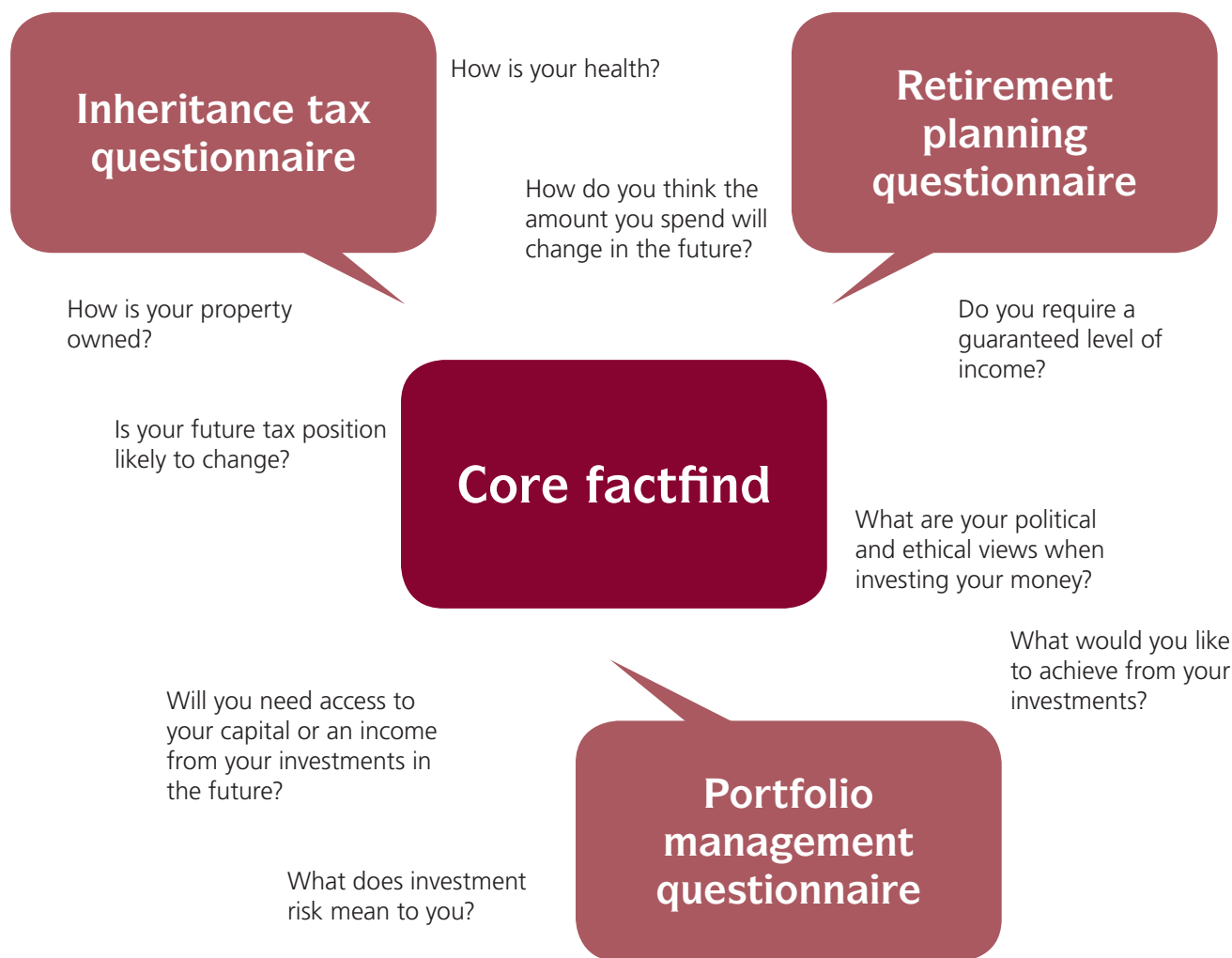
Highlighting good practices we have seen at firms when answering customer's needs.

- If they have several goals, which are the most important to them?
- How much cash does the customer like to hold at all times?
- By how much can an investment fluctuate in value before the customer begins to feel uncomfortable?

When assessing a customer’s needs, make sure you consider their hopes and aspirations plus any beliefs, circumstances or fears and barriers to planning. This will help you clearly establish their priorities and ensure you are treating them fairly. It may also identify the potential for further advice and services.

Are you asking the right questions?

Sometimes a core fact find may not be enough. Gather more of the customer’s views and feelings, to help assess their needs and produce more effective suitability letters.



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