

## Solutions for Powering Robo-Advice

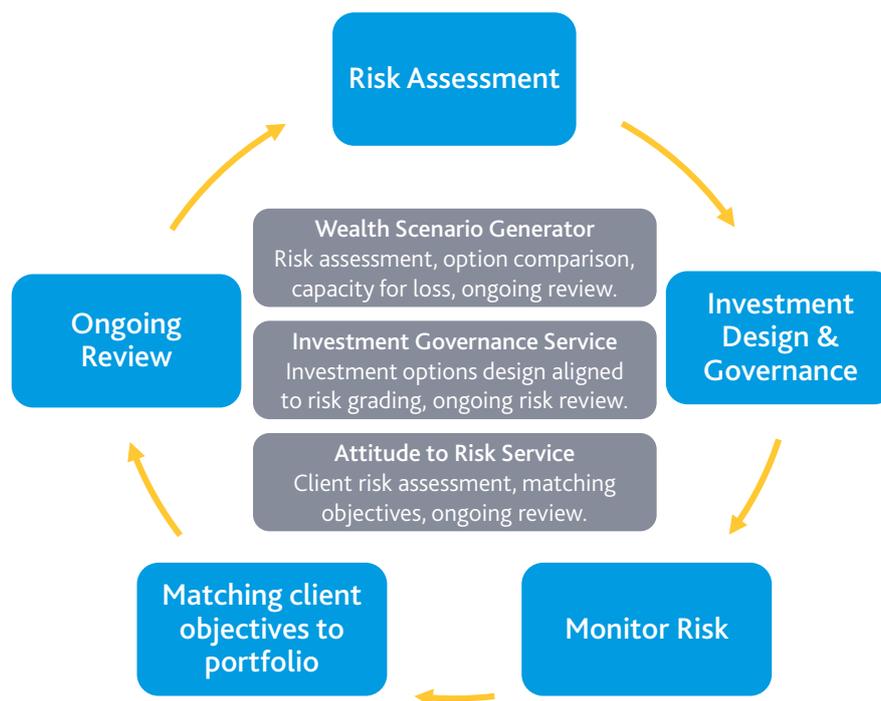
Moody's Analytics provides a suite of products and services for modeling investment products and cash flows, designed to support retail investment advice and financial planning. Our solutions help develop investment propositions, communicate choices available to clients, and support the ongoing review of advice and financial planning.

### THE CHALLENGE: USING TECHNOLOGY TO PROVIDE ROBO-ADVICE AND MANAGE COMPLIANCE RISK

The availability of robo-advice solutions is driving demand for web-based, easy to understand information on the risk and return characteristics of financial planning options. To support the suitability of robo-advice recommendations, many propositions require robust, scalable, and efficient tools that quantify the risk of loss in different investment or retirement scenarios. Without such tools, providers may struggle to provide high quality robo-advice while meeting compliance requirements.

### The Solution: Managing Risk and Suitability in the Advice Process

Communication of risk is central in mitigating compliance risk associated with scalable automated advice or robo-advice solutions. Moody's Analytics solutions generate the information required to demonstrate suitability, and to review plans on an ongoing and highly automated basis. Our modular solutions are based on the measurement and communication of risk in relation to each client's own income or cash flow needs.



## Robo-Advice Challenges and Solutions:

### The Initial Risk Assessment: Matching Clients to Solutions

Moody's Analytics Wealth Scenario Generator can be configured to provide a client-specific assessment of the risk and return characteristics of a particular portfolio, and help align the solution to a client's capacity for loss:

- » Quantitative assessment of a client's capacity for loss.
- » Fully validated and regularly recalibrated economic modeling.
- » Option to embed an Attitude to Risk Questionnaire designed for accumulation or decumulation.
- » Web-based calculation engine design to be integrated into robo-advice planning software.

Profile	Cautious	Moderately Cautious	Balanced	Moderately Adventurous	Adventurous
	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Chance of hitting target amount	10%	32%	59%	68%	70%
Potential Loss	0%	-5%	-10%	-16%	-22%
£1,121,100					
Target £170,300					
Upper Outcome	£300,556	£385,068	£543,859	£791,319	£1,121,036
Mid Outcome	£209,967	£270,445	£331,554	£393,600	£462,133
Lower Outcome	£170,237	£202,236	£203,883	£195,518	£180,017
Required Contribution	£3,750	£1,055	£0	£0	£0
	Select	Select	Select	Select	Select

The Wealth Scenario Generator helps to communicate the risk of potential loss in an investment option, supports selection of suitable investments which match a customer's capacity for loss, and provide a clear audit trail of the suitability process.

- » Demonstrating how the chosen investment portfolio meets the client's objectives.
- » Replaying risk profile, downside risk, and sequence of returns risk.
- » Confirming capacity for loss and flexibility within investment options.
- » Identifying appropriate product mixes.

# Robo-Advice Challenges and Solutions:

## Ongoing Risk Monitoring

The Wealth Scenario Generator can also support ongoing review of the client's portfolio, and highlight the impact of changes to the plan, for instance, changes in economic market conditions, a client's risk appetite, or withdrawal levels:

- » Quantifiable measures for keeping the plan on track.
- » Automated alerts to clients at risk of being off-track.
- » Prompts for regular review, market updates, and insights.
- » Batch processing of client accounts.
- » Client self-service.

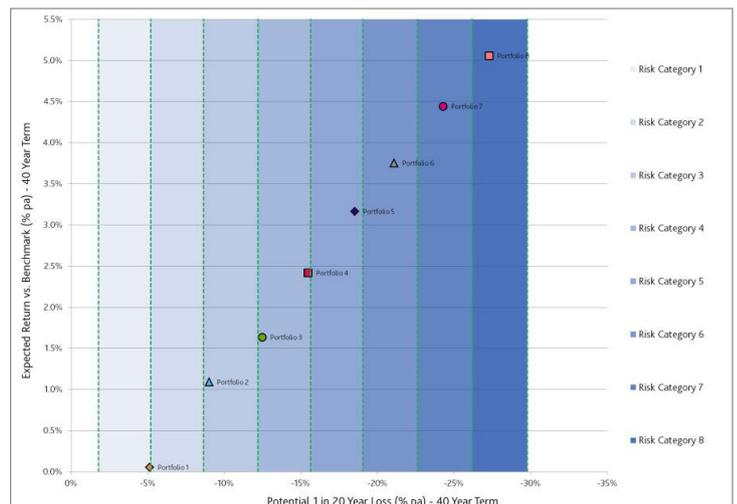
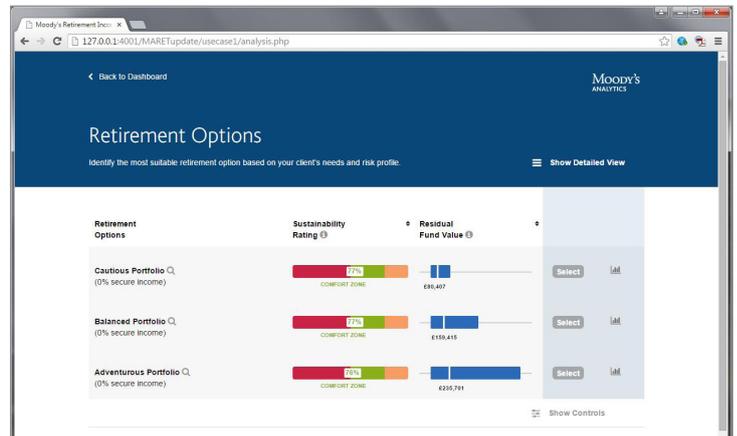
## Example: Retirement Planning

- » Risk metrics based on stated client objectives:
  - Income sustainability.
  - Risk of retirement shortfall.
  - Risk of running out of money.
  - Maximum drawdown.
  - Portfolio value at risk.
- » Allows intuitive comparison of options.
- » Supports "what-if" analysis.

## Designing and Managing Investment Options for Robo-Advice Propositions

Moody's Analytics supplies services that complement the Wealth Scenario Generator. The Investment Governance Service creates investment options optimized against defined savings objectives, such as accumulation, pension savings and income withdrawal, and the design of risk-graded investment options aligned to defined risk profiles and quantitative risk targets.

The Investment Governance Service also allows clients to illustrate and demonstrate the ongoing suitability of the investment solution creating a robust risk governance framework.



# Solutions for Powering Robo-Advice

## A Framework to Support Your Robo-Advice Proposition

Moody's Analytics software and solutions are ideally positioned to support the emerging robo-advice propositions through highly configurable and scalable advice components. Designed to be embedded in existing services, platforms and, advice toolsets, the light technology footprint allows fast and efficient implementation and simple integration via an application programming interface (API).

## About Moody's Analytics

Moody's Analytics, a unit of Moody's Corporation, helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By offering leading-edge software and advisory services, as well as the proprietary credit research produced by Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

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