The Benefits of Incorporating Risk Analytics Into Your Financial Practice

Analytics is a tech term you hear bandied about a lot these days. As with the others, you may think, “Is this something my firm needs? Is it something my clients want?”

While your advisory firm may not require a virtual office in the metaverse (yet), there is a concrete and pressing need for risk intelligence right now.
Risk analytics can help you close business and better serve your existing clients. Here’s how.

Customize the Experience

No two clients are alike. Using a risk analytics tool across your practice helps you cater to each customer individually. This starts before you even begin the portfolio creation process.

Start each client or prospect conversation with a data-driven risk tolerance questionnaire. Instead of relying on an investor to articulate their risk tolerance, use a questionnaire to develop a quantitative understanding of how much risk they are willing to assume. Once you know their risk appetite, you can craft a portfolio to suit their needs.

The proposed portfolio can then be run through stress testing, powered by real-world data. Explore how specific macroeconomic scenarios may impact each client’s holdings, and illustrate the steps you’ve taken to insulate from risk.

Demonstrate the Value of an Investment Professional

One of the biggest hurdles advisors face in closing new business is helping clients understand the value they bring to the table. The prevalence of robo-advisor platforms and investing-focused Subreddits leaves some individuals wondering why they can't just do it themselves.

Stress testing and risk analytics can help you demonstrate your worth to these DIYers. Sure, someone hiding behind an anonymous Reddit username told you to buy GameStop, but is that really a good idea? Risk analytics and stress testing help clients see what they may stand to gain — or lose — when making an investment decision.

Analytics is an equally valuable tool in serving clients with a low risk tolerance. Providing these individuals with a glimpse of hypothetical upside and downside grows trust and calms fears. Seeing a number attached to the potential downside can give nervous clients the confidence they need to leap into investing.

Scale Your Firm More Efficiently

As your firm grows, you need solutions designed to scale with you. While you may be able to get by today without a risk analytics platform, as you look for new clients and close deals, you may need a system that provides a higher level of service.

A manual approach to risk assessment and portfolio creation may work now. But as you win more clients with complex portfolios, tools that automate, refine and speed up your processes are vital.

The dexterity of a technology solution means it can run multiple scenarios each day on any number of permutations of a portfolio. You can provide discerning clients with side-by-side risk comparisons and scale up or down to meet each individual's needs.

Incorporating risk analytics into your workflow can positively impact your firm no matter where you are on your journey. Whether you're a solo practitioner or

institutional investor, there’s never a downside to having more insights to share with your clients. Information and knowledge go hand-in-hand, and demonstrating that you have both is how you build trust and win business.

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