The FinaMetrica risk profiling system has become an important part of the know-your-client process for more than 3,000 largely independent high-end financial advisers in 12 countries. Since commercial release in 1998 more than 350,000 profiles have been completed, the majority in the US, the UK and Australia. The test has been translated into seven languages, most recently Chinese and Afrikaans.

The FinaMetrica system is made up of three parts:

- ❖ a psychometric test of personal financial risk tolerance,

- ❖ a method for taking the results of the test into account in the financial planning process, and

- ❖ educational materials designed to personalise the explanation of investment risk and return to help investors better understand how their investments might perform in the future.

Psychometrics is the blending of psychology and statistics. It is the scientific discipline for testing personal characteristics such as risk tolerance. Psychometrics sets international standards for both the development of tests and for evaluating the qualities of tests. Psychometric standards focus on validity and reliability.

The FinaMetrica system had its beginnings with The Survey of Financial Risk Tolerance authored by Dr. Michael J. Roszkowski, Associate Professor of Psychology at The American College, Bryn Mawr, PA. Dr. Roszkowski is an acknowledged expert in the relationships between psychological and financial variables. Dr Roszkowski continues to have a consulting role with FinaMetrica.

In Australia, psychometric expertise was provided by Drs. Austin Adams and Jim Bright from the Applied Psychology Unit at the University of New South Wales, which has certified that the FinaMetrica test exceeds international psychometric standards.

The test was developed in Australia over four years in the mid 1990s and was launched in late 1998. Initial take up was from small advisery groups but more recently larger organisations including international banks and insurance companies have become users.

The test is also used by leading academic educators and researchers around the world, including those at Texas Tech University. Numerous academic studies have employed the FinaMetrica test and/or FinaMetrica data.