

Investment Preference Pathway — Adviser Guidance Notes

(Using the Quick Guide and Additional Information in practice)

Purpose of the Investment Preference Pathway

The Investment Preference Pathway supports advisers in helping clients make an informed choice about how their money is invested.

It is designed to:

- support clear and consistent client conversations
- enable clients to express preferences in a simple and accessible way
- integrate with existing advice and compliance frameworks
- work across all advice formats, including simplified and comprehensive advice

Key principles:

- The process is client-led and preference-based
- There is no hierarchy between options
- Clients may choose one, multiple, or no specific preference
- The process is designed to support informed choice, not direct outcomes
- Simplicity is intentional — not all clients need detailed documents or to complete questionnaires

This process is designed to support firms in meeting Consumer Duty expectations, by helping clients understand their options and make informed decisions based on what matters to them.

How to use the Quick Guide and Additional Information

Step 1: Before the meeting

Provide the Quick Guide to the client in advance, alongside onboarding or review documents.

- Most clients who read the Quick Guide will arrive able to express an initial preference
- Clients do not need to fully understand all options before the meeting

Step 2: During the meeting

Use the Quick Guide to:

- confirm the client's initial preference
- clarify any uncertainties
- explore whether the client wants a simple or more detailed approach

Use the Additional Information document only where needed:

- if the client asks for more detail
 - if clarification is required
 - or where preferences are more specific
- The Additional Information document does not need to be used as a default with every client

Step 3: Recording preferences

Complete the Investment Preference Pathway Record document.

- This captures the client's informed choice
- It provides evidence for suitability
- It allows both client and adviser reasoning to be recorded

Adapting your approach to the client

Clients with no strong preferences

- It is entirely valid for a client to have no specific preference
- The client may choose a Conventional or Conventional + ESG approach
- Avoid overcomplicating the discussion

Clients with general interest

(but low detail)

- The client may express a broad interest in sustainability or ethics
- They may prefer to leave implementation to fund managers

→ In these cases:

- do not introduce unnecessary questionnaires
- record the preference at a high level

Clients with specific preferences

The client may want to:

- avoid certain sectors
- support specific themes
- or align with particular values

→ In these cases:

- explore preferences in more detail, which may include using a simple questionnaire where appropriate
- consider whether additional information or questionnaires are appropriate

Clients who are unsure

- Reassure the client that uncertainty is normal
- Use the Quick Guide to simplify choices
- Avoid introducing technical language too early

Applying each investment approach

Conventional



- Standard investment process
- No additional preference requirements
- Fund manager discretion applies

Conventional + ESG



- Standard investment process
- ESG factors may be considered by the manager as part of risk management
- No requirement to target specific outcomes

Sustainability



Two possible approaches:

Broad approach

- Includes labelled and non-labelled funds (including overseas)
- Suitable for most clients

A more focused approach

- Uses UK sustainability-labelled funds and non-labelled funds (including overseas)
- More appropriate where the client expresses specific preferences, mostly via a preferences questionnaire
- Choose how sustainability is applied in more detail. This may include focusing on particular themes, outcomes, or using UK sustainability-labelled funds. A questionnaire may be used where appropriate

→ Important:

- Labels are not required
- Not all sustainable funds use a label
- Consider whether a simple or more detailed approach is appropriate
- Consider whether a bespoke solution may be required

Ethical / Values-based



- May involve exclusions or restrictions
- Investment universe may be reduced

For an Ethical/Values-based approach, the client can choose to:

- (1) Simply leave how ethical values are applied to the discretion of the fund manager
- (2) Define preferences in more detail, which may include using a questionnaire where appropriate

→ Consider:

- whether a simple or more detailed approach is appropriate
- whether a bespoke solution may be required

You may also wish to discuss:

Philanthropy



- Not an investment strategy
- May be considered as part of financial planning
- Should be treated separately from investment recommendations

Understanding preferences, expectations and client support

Clients may have different motivations behind their investment preferences.

These may include:

- wanting to focus only on financial outcomes
- wanting to support environmental or social issues
- wanting to avoid certain activities or sectors
- aligning investments with personal beliefs or values

For some clients, these preferences are not simply financial — they may be closely linked to personal beliefs, identity or life experience.

Managing expectations

Clients may have expectations about:

- achieving positive real-world outcomes
- aligning investments with personal values
- or avoiding certain activities

It is important to explain clearly:

- what different investment approaches are designed to do
- how they are applied in practice
- and any limitations

→ Some clients may prioritise preferences in a way that could lead to unintended risk or reduced diversification. Advisers should ensure the client understands these implications and that the recommendation remains suitable.

Important points

- Not all client preferences can always be applied exactly as requested
- There may be trade-offs between preferences, diversification and risk, which should be clearly explained
- Different investments take different approaches to sustainability and ethical/values related considerations
- Where clients express a desire for positive real-world outcomes, ensure expectations are managed, and any limitations are clearly communicated
- Ensure any key discussions, limitations or trade-offs are appropriately recorded

Recognising and responding to client needs

Some clients may find discussions about investment preferences more personal or difficult than expected.

This is because preferences may be linked to:

- beliefs or values
- past experiences
- or concerns about real-world issues

In some cases, this may affect how a client:

- understands information
- engages with decisions
- or feels about the outcomes

It is important to focus on how a client responds, rather than making assumptions based on characteristics alone

Practical indicators

You may notice:

- hesitation or uncertainty when discussing certain topics
- strong emotional responses
- difficulty making decisions
- reduced engagement or confidence



Adviser response

Where this arises, support should be proportionate and straightforward.

This may include:

- slowing the pace of the conversation
- providing clear and simple explanations
- reassuring the client that there are different options
- allowing time to reflect before making decisions

Protected characteristics

Take particular care where preferences may relate to:

- religion or belief
- health or life circumstances
- or other protected characteristics

The aim is not to categorise clients, but to ensure their preferences are understood and handled appropriately.

Clear, well-structured conversations about investment preferences can help identify potential issues early and support good long-term outcomes for clients.

Recording and evidencing suitability

Client investment preferences and objectives form part of the overall suitability assessment.

They can be considered alongside other factors such as risk, time horizon, financial goals and wider circumstances when determining an appropriate investment approach.

Investment preferences form part of the client's overall objectives and characteristics.

They should not be treated in isolation or override core suitability factors such as risk, capacity for loss or financial goals.

Advisers are responsible for determining how preferences can be appropriately reflected within a suitable recommendation.

In practice:

- record the client's stated preferences
- document any discussions or clarifications
- explain how preferences have been applied
- highlight any differences between client expectations and recommended outcomes

Suitability report wording example:

"The recommended investment approach has been developed to reflect your objectives, risk profile and broader preferences.

Your preferences, including [insert specifics which you recorded in the Investment Preference Record document], have been considered in shaping the overall strategy and in the selection of underlying investments.

In some cases, fully meeting all preferences may limit the available investment options or affect risk, return or diversification. Where relevant, these considerations have been discussed with you and are reflected in the recommendation.

This report explains the recommendation and how it is intended to meet your needs, enabling you to make an informed decision."

The objective is not to capture every possible preference, but to evidence that the client has made an informed choice.

Need more info? Please don't hesitate to get in touch with us if you have any questions:

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