

# RISK TOLERANCE QUESTIONNAIRE

Completed By: \_\_\_\_\_

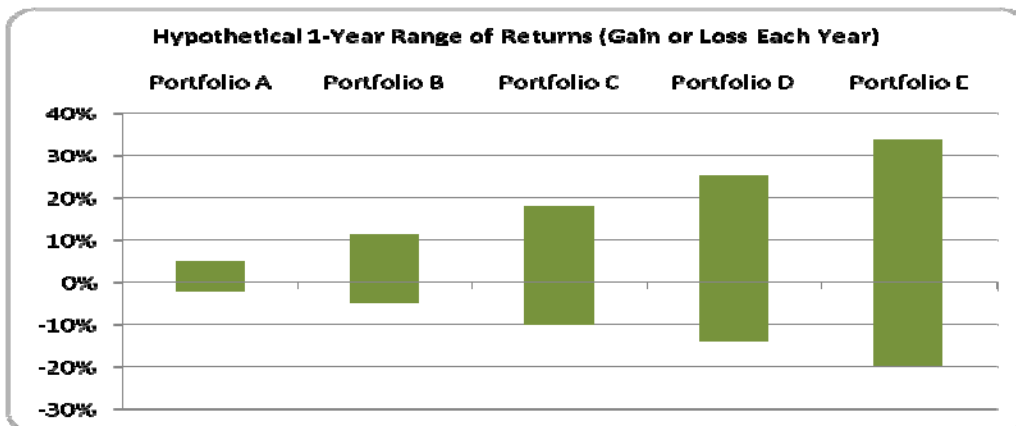
Date: \_\_\_\_\_

## *Risk Tolerance Questions*

Please circle the most appropriate response to each of the following questions:

1. Which statement best describes your level of investment experience?
  - A) I have never invested in stocks, bonds, or mutual funds [0]
  - B) I have invested less than 50% of my investable (net worth less home equity) assets in stocks, bonds or mutual funds [1]
  - C) I have invested more than 50% of my investable assets (net worth less home equity) in stocks, bonds or mutual funds [2]
  - D) In addition to stocks, bonds and mutual funds, I have invested in commodities, options, futures, limited partnerships, international stocks or currency markets, or have invested on margin [4]
  
2. Which statement best describes your long-term investment objectives?
  - A) I am willing to accept substantial market risk and potential loss of principal in pursuit of higher returns. [4]
  - B) I am seeking capital appreciation and am willing to accept some losses for potentially higher returns. [3]
  - C) I am seeking balance between capital appreciation and stability with little fluctuation between gains and losses around my targeted return. [2]
  - D) I can tolerate small, short-term losses but am concerned about protecting the principal. [1]
  - E) I prefer very little or no risk of loss. My main concerns are safety of principal and a stable return. [0]
  
3. Which statement best describes your main source of income?
  - A) Adequate, predictable, and steadily growing. [4]
  - B) Sufficient for the present, but I do not know if it will continue to meet my needs in the future. [2]
  - C) Inadequate and unpredictable. I may need to withdraw some investment assets to meet my current needs. [0]

4. What is your response to the following statement: “Aside from my portfolio, I have adequate liquid assets to meet major expenses in the next 12 months.”
- A) I strongly agree. [4]
  - B) I agree. [3]
  - C) I neither agree nor disagree. [2]
  - D) I disagree. [1]
  - E) I strongly disagree. [0]
5. What percentage of you total net worth (excluding home equity) do you plan to invest?
- A) More than 75%. [1]
  - B) Between 50% and 75%. [2]
  - C) Between 25% and 50%. [3]
  - D) Less than 25%. [4]
6. In general, seeking higher investment returns may expose you to greater volatility and risk of loss. (Risk is defined as the unpredictability of investment returns – the chance that the actual return from investing in an asset class will be different from its assumed return. Risk is measured statistically using standard deviation.) The graph and table below illustrate the *hypothetical performance* of five portfolios and the range of possible returns for each.



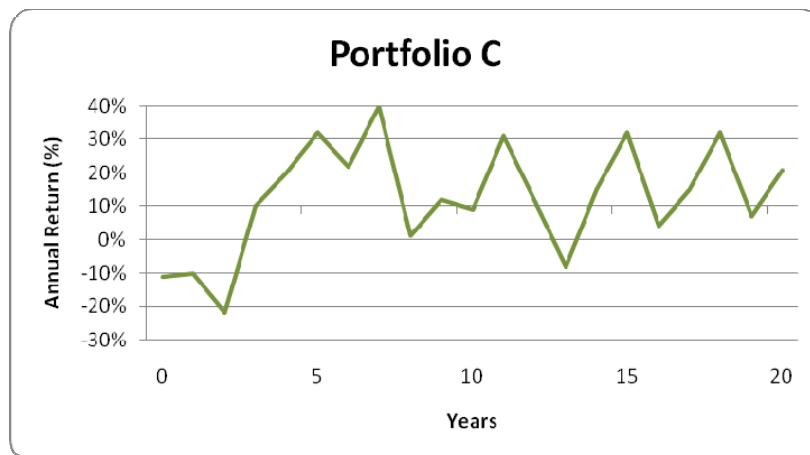
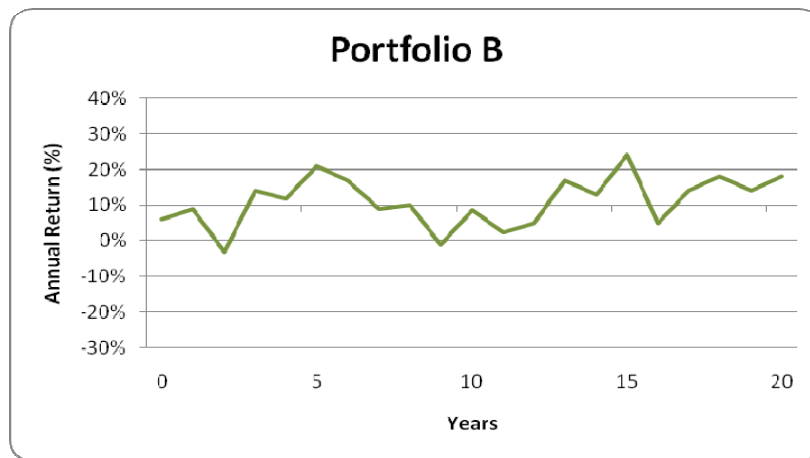
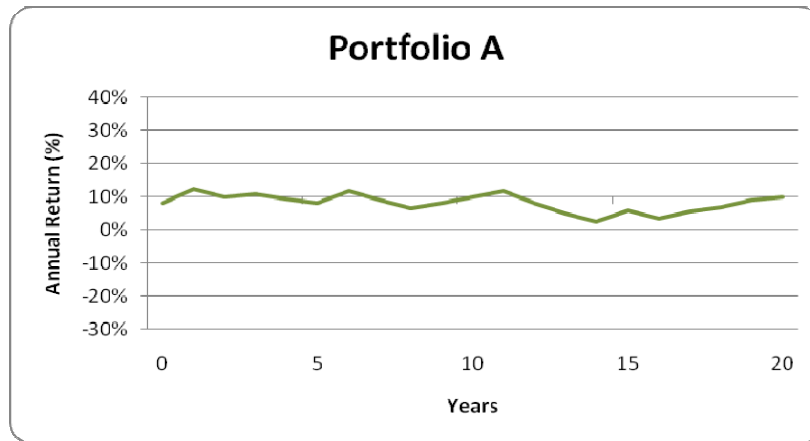
	Hypothetical 1-Year Loss	Hypothetical 1-Year Gain	Hypothetical Long Term Return (Average Annual Total Return over 10 Years)
Portfolio A	-2.0%	5.0%	2.75%
Portfolio B	-5.0%	11.5%	6.00%
Portfolio C	-10.0%	18.0%	8.50%
Portfolio D	-14.0%	25.3%	10.50%
Portfolio E	-19.5%	34.0%	12.00%

Which portfolio best fits your risk tolerance and desire for long-term return?

- A) Portfolio A [0]
- B) Portfolio B [1]
- C) Portfolio C [2]
- D) Portfolio D [3]

E) Portfolio E [4]

7. Short term volatility often accompanies higher long-term return. The graphs below depict the annual total return for each of three *hypothetical* investments over a 20-year time horizon. Generally, lower risk accompanies less volatility of investment returns, as there is less fluctuation around the average.



Which investment best matches your risk and return preferences?

- A) Investment A [0]
- B) Investment B [2]
- C) Investment C [4]

8. If your portfolio is worth \$100,000 today, how large a decline in value could you tolerate before changing your allocation strategy?
- A) 25% or more (portfolio value less than \$75,000) [4]
  - B) 20-25% (portfolio value between \$75,000 and \$80,000) [3]
  - C) 10-20% (portfolio value between \$80,000 and \$90,000) [2]
  - D) 5-10% (portfolio value between \$90,000 and \$95,000) [1]
  - E) Less than 5% (portfolio value greater than \$95,000) [0]

***Time Horizon Questions***

1. When do you expect to begin making withdrawals from this account? (Note: If you plan to withdraw assets in less than one year, please ask about a portfolio for short investment time horizons.)
- A) In 1-2 years. [0]
  - B) In 3-5 years. [1]
  - C) In 6-7 years. [2]
  - D) In 8-11 years. [3]
  - E) In 12 or more years. [4]
2. Once you begin making withdrawals from this account, over what time period will you make the withdrawals?
- A) One lump sum. [0]
  - B) 1-5 years. [1]
  - C) 6-7 years. [2]
  - D) 8 – 11 years. [3]
  - E) 12 or more years. [4]

***Scoring your Risk Tolerance Analysis***

**Step 1a.** Add the points for your response to each of the eight (8) risk tolerance questions. The point value appears in brackets next to each response. Your risk tolerance score will be between 1 and 32.

Your risk tolerance score: \_\_\_\_\_

**Step 1b.** Determine your risk tolerance category based on your score computed in Step 1a.

<b>Your Risk Tolerance Score</b>	<b>Your Risk Tolerance Category</b>
1 – 6 points	Conservative
7 – 13 points	Moderately Conservative
14 – 20 points	Moderate
21 – 26 points	Moderate Growth
27 – 32 points	Growth

Your risk tolerance category: \_\_\_\_\_

**Step 2a.** Add up the points for your responses to the two (2) time horizon questions. The point value appears in brackets next to each response. Your time horizon score will be between 0 and 8.

Your time horizon score: \_\_\_\_\_

**Step 2b.** Determine your time horizon based on your time horizon score computed in Step 2a.

Your Time Horizon Score	Your Time Horizon
0 – 1 points	1 – 2 years
2 – 3 points	3 – 5 years
4 – 5 points	6 – 7 years
6 – 7 points	8 – 11 years
8 points	12 or more years

Your time horizon: \_\_\_\_\_

**Step 3.** Using your risk tolerance category and time horizon, determine your true risk tolerance using the grid below.

Time Horizon / Risk	1 – 2 years	3 – 5 years	6 – 7 years	8 – 11 years	12 or more years
<b>Conservative</b>	Conservative	Conservative	Conservative	Conservative	Conservative
<b>Moderately Conservative</b>	Conservative	Moderately Conservative	Moderately Conservative	Moderately Conservative	Moderately Conservative
<b>Moderate</b>	Conservative	Moderately Conservative	Moderate	Moderate	Moderate
<b>Moderate Growth</b>	Conservative	Moderately Conservative	Moderate	Moderate Growth	Moderate Growth
<b>Growth</b>	Conservative	Moderately Conservative	Moderate	Moderate Growth	Growth