

Your Risk Tolerance

Circle the letters that best describes you. Risk tolerance is largely subjective, so there is no right or wrong answer.

LIFE STAGE

1. What is your current age?

- a. 65 or older
- b. 60 to 64
- c. 55 to 59
- d. 50 to 54
- e. Under 50

2. When do you expect to need to withdraw cash from your investment portfolio?

- a. In less than 1 year
- b. Within 1 to 2 years
- c. Within 2 to 5 years
- d. Within 5 to 10 years
- e. Not for at least 10 years

FINANCIAL RESOURCES

3. How many months of current living expenses could you cover with your present savings and liquid, short-term investments, before you would have to draw on your investment portfolio?

- a. Less than 3 months
- b. 3 to 6 months
- c. 6 to 12 months
- d. More than 12 months

4. Over the next few years, what do you expect will happen to your income?

- a. It will probably decrease substantially
- b. It will probably decrease slightly
- c. It will probably stay the same
- d. It will probably increase slightly
- e. It will probably increase substantially

5. What percentage of your gross annual income have you been able to save in recent years?

- a. None
- b. 1 to 5%
- c. 5 to 10%
- d. 10 to 15%
- e. more than 15%

6. Over the next few years, what do you expect will happen to your rate of savings?

- a. It will probably decrease substantially
- b. It will probably decrease slightly
- c. It will probably stay the same
- d. It will probably increase slightly
- e. It will probably increase substantially

EMOTIONAL RISK TOLERANCE

7. What are your return expectations for your portfolio?

- a. I don't care if my portfolio keeps pace with inflation; I just want to preserve my capital.
- b. My return should keep pace with inflation, with minimum volatility.
- c. My return should be slightly more than inflation, with only moderate volatility.
- d. My return should significantly exceed inflation, even if this could mean significant volatility.

8. How would you characterize your personality?

- a. I'm a pessimist. I always expect the worst.
- b. I'm anxious. No matter what you say, I'll worry.
- c. I'm cautious but open to new ideas. Convince me.
- d. I'm objective. Show me the pros and cons and I can make a decision and live with it.
- e. I'm optimistic. Things always work out in the end.

9. When monitoring your investments over time, what do you think you will tend to focus on?

- a. Individual investments that are doing poorly.
- b. Individual investments that are doing very well.
- c. The recent results of my overall portfolio.
- d. The long term performance of my overall portfolio.

10. Suppose you had \$10,000 to invest and the choice of 5 different portfolios with a range of possible outcomes after a single year. Which of the following portfolios would you feel most comfortable investing in?

- a. Portfolio A, which could have a balance ranging from \$9,900 to \$10,300 at the end of the year.
- b. Portfolio B, which could have a balance ranging from \$9,800 to \$10,600 at the end of the year.
- c. Portfolio C, which could have a balance ranging from \$9,600 to \$11,000 at the end of the year.
- d. Portfolio D, which could have a balance ranging from \$9,200 to \$12,200 at the end of the year.
- e. Portfolio E, which could have a balance ranging from \$8,400 to \$14,000 at the end of the year.

11. If the value of your investment portfolio dropped by 20% in one year, what would you do?

- a. Fire my investment advisor.
- b. Move my money to more conservative investments immediately to reduce the potential for future losses.
- c. Monitor the situation, and if it looks like things could continue to deteriorate, move some of my money to more conservative investments.
- d. Consult with my investment advisor to ensure that my asset allocation is correct, and then ride it out.
- e. Consider investing more because prices are so low.

12. Which of the following risks or events do you fear most?

- a. A loss of principal over any period of 1 year or less.
- b. A rate of inflation that exceeds my rate of return over the long term, because it will erode the purchasing power of my money.
- c. Portfolio performance that is insufficient to meet my goals.
- d. Portfolio performance that is consistently less than industry benchmarks.
- e. A missed investment opportunity that could have yielded higher returns over the long term, even though it entailed higher risk.

SCORING

Give the following points for each answer:

a = 1, b = 2, c = 3, d = 4, e = 5

Life Stage

Questions: 1, 2 = _____

Financial Resources and Emotional Risk Tolerance

Questions: 3 – 12 = _____

Life Stage Score	Your Investment Time Horizon
1 to 3	Short-term (5 years or less)
4 to 6	Intermediate-term (5 to 10 years)
7 to 10	Long-term (over 10 years)
Investment Style	Your Investment Style
5 to 10	Very conservative
11 to 20	Moderately conservative
21 to 30	Moderate
31 to 40	Moderately Aggressive
41 to 50	Very aggressive