Risk Tolerance Questionnaire

(2024)

Different investors have different risk tolerances. Much of the difference stems from time horizon. That is, someone with a short investment time horizon is less able to withstand losses. The remainder of the difference is attributable to the individual's appetite for risk. Volatility can be nerve-wracking for many people, and they are more comfortable when they can avoid it. However, there is a relationship between risk and return. Investors need to recognize this risk/return trade-off. The following risk tolerance questionnaire is designed to measure an individual's ability (time horizon) and willingness (risk tolerance) to accept uncertainties in their investment's performance. The total score recommends which of five distinct risk profiles is most appropriate for the investor.

Investment History

1. What is your experience and overall knowledge of investments?
   - ○ I have no investment experience and a very low knowledge level regarding investments.
   - ○ I have very little investment experience and a fairly low knowledge level.
   - ○ I have some experience investing in mutual funds and am somewhat knowledgeable.
   - ○ I have some experience investing in mutual funds, individual stocks and bonds and am somewhat knowledgeable.
   - ○ I am an experienced investor and have a solid knowledge base regarding investments and am aware that markets can be volatile and unpredictable.

Time Horizon

2. When do you expect to begin withdrawing money from your investment account?
   - ○ Less than 2 years
   - ○ 2 years
   - ○ 3 to 4 years
   - ○ 5 to 7 years
   - ○ 8 to 10 years
   - ○ 11 years or more

3. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?
   - ○ I plan to take a lump sum distribution
   - ○ 1 to 4 years
   - ○ 5 to 7 years
   - ○ 8 to 10 years
   - ○ 11 years or more

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4. Inflation, the rise in prices over time, can erode your investment return. Long-term investors should be aware that, if portfolio returns are less than the inflation rate, their ability to purchase goods and services in the future might actually **decline**. However, portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk.

   Which of the following choices best reflects your attitude toward inflation and risk?

   - ○ My main goal is to avoid loss, even though I may only keep pace with inflation.
   - ○ My main goal is to earn slightly more than inflation, while taking on a low level of risk.
   - ○ My main goal is to increase my portfolio's value. Therefore, I am willing to accept short-term losses, but I am not comfortable with extreme performance shifts that may be experienced in the most aggressive investment options.
   - ○ My main goal is to maximize my portfolio value, and I am willing to take on more extreme levels of risk and performance shifts in my portfolio to do so.

5. The table below presents a hypothetical worst case loss, expected gain, and best case gain of five sample portfolios over a **one-year** period with an initial $100,000 investment. Which portfolio would you prefer to hold?

	Hypothetical Best Base ($)	Expected Gain ($)	Hypothetical Worst Case ($)
○ Portfolio 1	115,200	104,200	91,900
○ Portfolio 2	120,500	105,000	85,500
○ Portfolio 3	125,000	105,800	79,100
○ Portfolio 4	131,600	106,600	71,100
○ Portfolio 5	133,800	107,100	66,600

6. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments have. Considering the above, which statement best describes your investment goals?

   - ○ **Protect the value of my account.** In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments.
   - ○ **Keep risk to a minimum** while trying to achieve slightly higher returns than the returns provided by investments that are more conservative.
   - ○ **Focus more on the long-term investment returns.** Long-Term growth is **equally as important** as managing portfolio risk.
   - ○ **Maximize long-term investment returns**. I am willing to accept large and sometimes dramatic short-term fluctuations in the value of my investments.

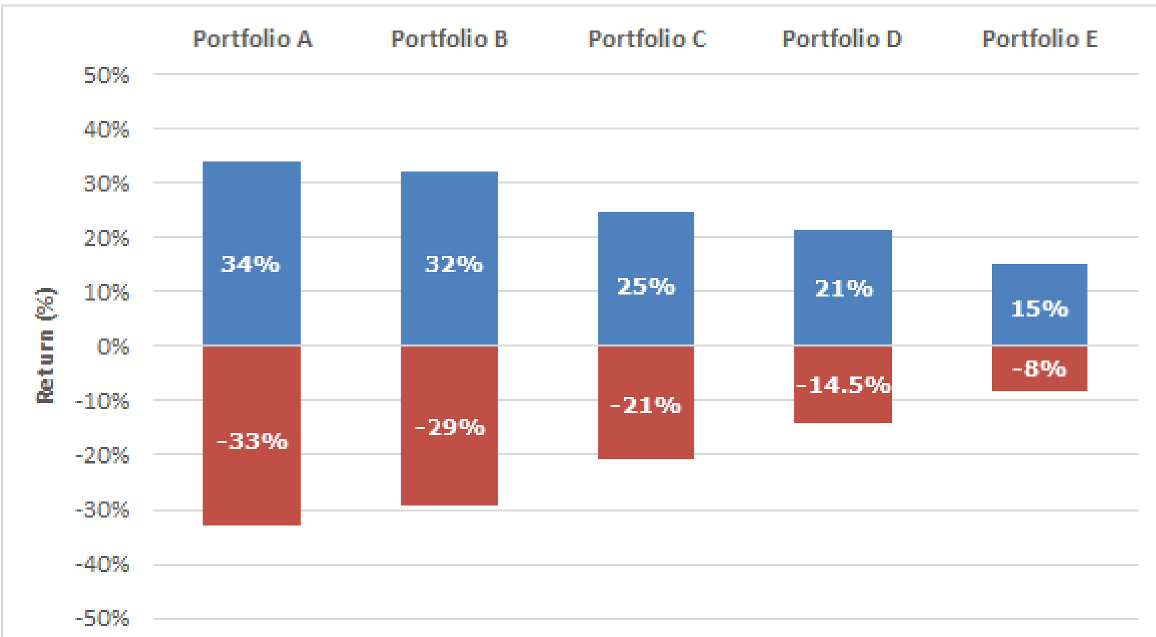
Important: The calculations or other information generated by NaviPlan® version 18.3 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. These calculations are shown for illustrative purposes only because they utilize return data that may not include fees or operating expenses, and are not available for investment. If included, fees and other operating expenses would materially reduce these calculations.

7. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. $1,000 initial investment would now be worth $800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

- ○ I would **not** change my portfolio.
- ○ I would **wait at least one year** before changing to options that are more conservative.
- ○ I would **wait at least three months** before changing to options that are more conservative.
- ○ I would **immediately** change to options that are more conservative.

8. The following graph shows the hypothetical best and worst results of five sample portfolios over a **one-year** holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the highest upside also has the largest downside.

Which of these portfolios would you prefer to hold?



- ○ Portfolio A
- ○ Portfolio B
- ○ Portfolio C
- ○ Portfolio D
- ○ Portfolio E

9. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns. What is your view regarding this statement?

- ○ Strongly disagree
- ○ Disagree
- ○ Somewhat agree
- ○ Agree
- ○ Strongly agree