

Risk Questionnaire

Determining the Appropriate Level of Risk

The purpose of a risk analysis is to assist you in determining the investment strategy that makes the most sense in your particular situation. While never an exact science, thoughtful, truthful answers to the following questions will point the way to a portfolio containing a combination of investment asset classes best suited to your risk tolerance. Of course, your risk tolerance may need reevaluation in the future to ensure that as your risk tolerance changes your portfolio reflects those changes.

Experience

A. In terms of your experience with stocks and bonds (or stock and bond mutual funds), how do you consider yourself as an investor?

1. Very inexperienced
2. Less than average experience
3. Average experience
4. More than average experience
5. Very experienced

Client/Spouse
1 2
Score:

B. What types of changes have you made in your investment portfolio in the last five years?

1. Nearly always toward less risky investments
2. Mostly toward less risky investments
3. No changes or no clear direction of changes with regard to risk
4. Mostly toward more risky investments
5. Nearly always toward more risky investments

Client/Spouse
1 2
Score:

Risk Assessment

C. Assume that you own \$500,000 of financial assets. Then assume that you have the opportunity to make an investment of \$20,000 of your assets into a portfolio that has the following chances of gains and losses. Which of these chances would you take?

1. An even (50-50) chance of gaining \$2,000 or not gaining or losing anything
2. A 70% chance of gaining \$5,000 and a 30% chance of losing \$5,000
3. A 65% chance of gaining \$10,000 and a 35% chance of losing \$10,000
4. A 60% chance of gaining \$15,000 and a 40% chance of losing \$15,000
5. A 55% chance of gaining an additional \$20,000 and a 45% chance of losing \$20,000 (the whole investment)

Client/Spouse
1 2
Score:

Risk Questionnaire

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D. Assume the same chances and investment (\$20,000) as above, but now assume that your total financial assets are \$200,000. Which of the chances would you select?

1. An even (50-50) chance of gaining \$2,000 or not gaining or losing anything
2. A 70% chance of gaining \$5,000 and a 30% chance of losing \$5,000
3. A 65% chance of gaining \$10,000 and a 35% chance of losing \$10,000
4. A 60% chance of gaining \$15,000 and a 40% chance of losing \$15,000
5. A 55% chance of gaining an additional \$20,000 and a 45% chance of losing \$20,000 (the whole investment)

Client/Spouse
1 2
Score:

Risk Preference

E. When making an investment decision where the investment might generate substantial losses as well as substantial gains,

1. I focus on the potential loss almost exclusively.
2. I focus on the potential loss mainly.
3. I focus on the potential loss and the potential gain about equally.
4. I focus on the potential gain mainly.
5. I focus on the potential gain almost exclusively.

Client/Spouse
1 2
Score:

F. When a personal financial decision turns out to be a disappointment,

1. I almost always feel guilty and rotten, as if it is a personal failure.
2. I mainly feel that it is a personal failure.
3. I sometimes feel that it is a personal failure and sometimes that it is just a setback.
4. I mainly feel that it is just a setback.
5. I almost always feel that it is just a setback.

Client/Spouse
1 2
Score:

Behavior Toward Risk

G. Suppose that your portfolio of stocks or stock mutual funds suffered a 10% loss over three months while the general stock market was flat over the same period.

1. I would be very concerned and would quickly shift my portfolio toward less risky investments.
2. I would be concerned and would wait for the portfolio to recover and then shift more of my portfolio allocation to less risky investments.
3. I would wait it out and perhaps reevaluate my portfolio in a few months.
4. I would wait it out and would do nothing that I wouldn't have done anyway.
5. I would look to buy more stocks or stock mutual funds at the depressed price.

Client/Spouse
1 2
Score:

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H. The table below shows the range of returns for five different portfolios over a one-year period (e.g., the C portfolio shows an average annual return of 10.6% with a range of returns from 24.4% to -6.8%). Given this information and \$100,000, in which portfolio would you choose to invest?

| Portfolio | Average | Best Case | Worst Case |
|-----------|---------|-----------|------------|
| A | 5.5% | 7.8% | 2.1% |
| B | 8.9% | 12.1% | -1.3% |
| C | 10.6% | 24.4% | -6.8% |
| D | 12.3% | 31.9% | -14.6% |
| E | 14.8% | 45.2% | -31.0% |

Client/Spouse

1 2

Score:

Security

I. Suppose that your income last year was \$100,000. Which of the following compensation structures corresponds to your ideal for this year? (Assume the bonus is related to your performance. It could be based on your manager's evaluation, commissions you may have earned or any other contractual arrangement you may have with your employer.)

1. \$95,000 salary with bonus potential from \$0 to \$10,000
2. \$80,000 salary with bonus potential from \$0 to \$40,000
3. \$70,000 salary with bonus potential from \$0 to \$80,000
4. \$60,000 salary with bonus potential from \$0 to \$120,000
5. \$50,000 salary with bonus potential from \$0 to \$170,000

Client/Spouse

1 2

Score:

J. Consider your financial situation (your job outlook, and your ability to pay your bills and live a satisfactory life). What degree of confidence do you have that your situation is secure?

1. Very unsure
2. Somewhat unsure
3. Neither sure nor unsure
4. Somewhat sure
5. Very sure

Client/Spouse

1 2

Score:

Risk Questionnaire

Scoring

Client

Spouse

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____
- I. _____
- J. _____

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____
- G. _____
- H. _____
- I. _____
- J. _____

Total: _____

Total: _____

Investment Profile

| Scores Between | Investment Profile |
|----------------|-------------------------|
| 15 or less | Very Conservative |
| 16 and 20 | Conservative |
| 21 and 25 | Moderately Conservative |
| 26 and 35 | Moderate |
| 36 and 40 | Moderately Aggressive |
| 41 and 45 | Aggressive |
| 46 or more | Very Aggressive |

Investor Name: _____ Investor Name: _____

Signature: _____ Signature: _____

Date: _____ Date: _____

Representative Name: _____

Signature: _____