

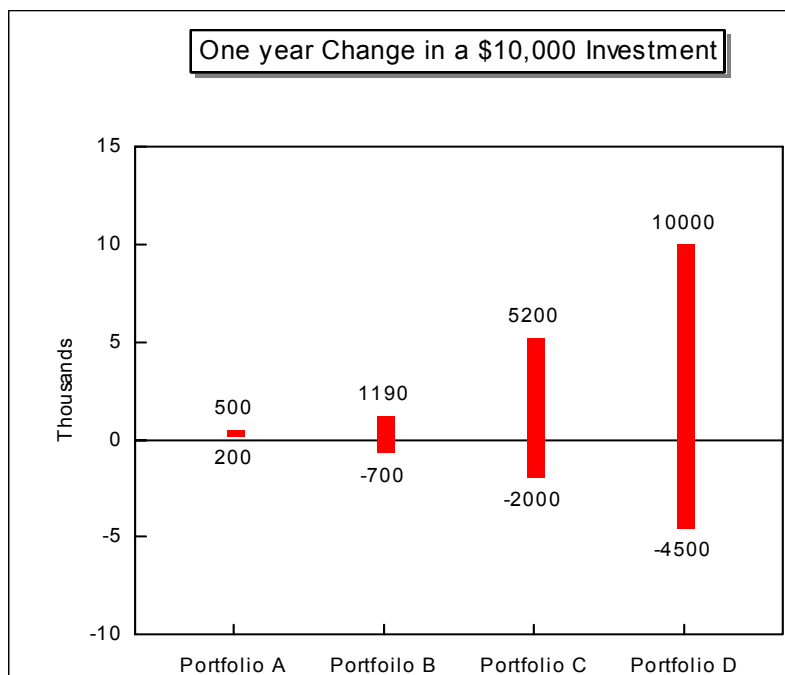
## Risk Tolerance Questionnaire

Name \_\_\_\_\_ Age \_\_\_\_\_

### Question 1

The graph on the right shows the ranges of returns of four different investments over a one year period. For example, if you invest in portfolio C, your worst case scenario is a loss of \$2,000, and your best case scenario is a gain of \$5,200. Given that this is the only information that you have on these four portfolios, which one would you choose to invest in?

- (1) Portfolio A
- (2) Portfolio B
- (3) Portfolio C
- (4) Portfolio D



### Question 2

How do you feel about inflation and its impact on your investments?

- (1) I am satisfied with my investments keeping pace with the rate of inflation. I am willing to sacrifice the potentially higher returns in order to limit the fluctuations in my investments.
- (2) I prefer to achieve returns that are slightly above the rate of inflation. I am willing to assume some fluctuations in my investments in order to achieve returns that are potentially above inflation.
- (3) I prefer that my investments achieve returns much higher than the rate of inflation. I would be willing to assume a greater amount of fluctuation in my investment in order to achieve returns that are potentially much higher than inflation.

### **Question 3**

Suppose that a substantial part of your assets is invested in a stock mutual fund. The stock market has experienced a near-crash, losing 25 percent of its value in one month. This has also happened to your stock fund. What action would you take?

- (1) Sell the stock fund. You are afraid that the stock market is in a downturn and you cannot afford the decrease in value.
- (2) Sell half of your investment in the fund. You think that the market may rebound, but you are not willing to leave all of your investment exposed to further loss.
- (3) Hold the fund. You understand that your investment may be subject to short-term price swings and are comfortable “weathering the storm.”
- (4) Buy more of the stock fund to take advantage of its low price. You are comfortable with market fluctuations and assume that the fund will regain its previous value or increase in value.

### **Question 4**

Once again, assume you have a substantial portion of your assets invested in a stock mutual fund. The stock market has been gradually declining at an average of 2 percent per month. This slow decline is also reflected in your stock mutual fund. Your investment has lost 22 percent of its value from a year ago. You:

- (1) Sell the fund and realize the 22% loss. You do not believe that the fund will regain its value.
- (2) Sell half of your investment in the fund. You are not willing to leave all of your investment at risk for further loss.
- (3) Do nothing. You are comfortable waiting for the stock fund to regain its previous value or increase in value.
- (4) Invest more now because the stock fund is selling for approximately 20% less than it was 12 months ago. You believe that the fund will regain its value or possibly appreciate even higher than its initial value.

### **Question 5**

How do you feel about fluctuations in the value of your portfolio?

- (1) I do not want the possibility of substantial losses in the value of my portfolio. I understand that investments that reduce the risk of large losses also reduce the possibility of achieving returns that outpace inflation. I prefer little fluctuation in the value of my portfolio.
- (2) I can tolerate moderate losses in order to achieve potential favorable returns.
- (3) I can tolerate the risk of large losses in my portfolio in order to increase the potential of achieving high returns.

Some Guidelines for Rating Your Risk Tolerance:

Assign the following point values for your answers to the above questions:

Question 1:

- Answer (1) – 1
- Answer (2) – 2
- Answer (3) – 3
- Answer (4) – 5

Question 2:

- Answer (1) – 1
- Answer (2) – 3
- Answer (3) – 5

Question 3:

- Answer (1) – 1
- Answer (2) – 2
- Answer (3) – 3
- Answer (4) – 5

Question 4:

- Answer (1) – 1
- Answer (2) – 2
- Answer (3) – 3
- Answer (4) – 5

Question 5:

- Answer (1) – 1
- Answer (2) – 3
- Answer (3) – 5

After summing the values for all five questions, a rough guideline of the portfolio you might feel most comfortable choosing for long-term investing is as follows:

5 – 10 points	Conservative
11 – 19 points	Moderate
20 – 25 points	Aggressive

Please remember that in any form of investment there is a risk of loss of principal and that no investment returns can be guaranteed. Historically stocks have yielded a higher total return than bonds. However, stocks generally have a higher probability of fluctuation in value and loss of principal. In addition, the performance of stocks and bonds in the past is no guarantee of their performance in the future. Also, remember that the risk that your investments will not keep pace with inflation must be considered in addition to the risks of fluctuation and loss of principal.

