Risk Profile Questionnaire

Client Name:_____

Account Name/Number:_____

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 investor's appetite for risk. Volatility can be nerve-wracking for many people and they are more comfortable when they can avoid it. Risk and returns are related, however, and the investor needs to recognize the trade-off. The following risk tolerance questionnaire is designed to measure time horizon and tolerance for risk. The total score recommends which of the five portfolios is most appropriate for you the investor.

Time Horizon

Score

1. When do you expect to begin withdrawing money from your investment account?

   a. Less than 1 year (0)
   b. 1 to 2 years (2)
   c. 3 to 4 years (3)
   d. 5 to 7 years (7)
   e. 8 to 10 years (9)
   f. 11 years or more (11)

1. _____

2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?

   a. I plan to take a lump sum distribution (0)
   b. 1 to 4 years (2)
   c. 5 to 7 years (4)
   d. 8 to 10 years (5)
   e. 11 years or more (6)

2. _____

Total Time Horizon Score (Questions 1 & 2) _____

Risk Tolerance

Score

3. Inflation is the rise in prices over time. Long-term investors should be aware that, if portfolio returns are less than inflation, the ability to purchase goods and services in the future might actually **decline**. Portfolios with long-term returns that significantly exceed inflation, however, are associated with a higher degree of risk.

   Which of the following portfolios is most consistent with your investment philosophy?

   a. **Portfolio 1** will most likely exceed long-term inflation by a significant margin and has a high degree of risk. (18)
   b. **Portfolio 2** will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk. (12)
   c. **Portfolio 3** will most likely exceed long-term inflation by a small margin and has a moderate degree of risk. (6)
   d. **Portfolio 4** will most likely match long-term inflation and has a low to moderate degree of risk.(0)

3. _____

4. Portfolios with the highest average returns also tend to have the highest chance of losing money. The table below provides the average dollar return for an investment of $100,000 and possibility of losing money (ending value of less than $100,000) over a one-year holding periods in four different portfolios. Please select the portfolio with which you are most comfortable.

   Probabilities After 1 Year

	Possible Average Dollar Return	Chance of Losing Money	
a. Portfolio A	$105,000	**17%**	(0)
b. Portfolio B	$107,000	**23%**	(8)
c. Portfolio C	$108,000	**29%**	(12)
d. Portfolio D	$109,000	**31%**	(18)

4. _____

Risk Tolerance (Continued)

Score

5. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater price fluctuations and higher potential for loss than investors in more conservative investments. Considering the above, which statement best describes your investment goals?

   a. 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 investment. (0)
   b. Keep risk to a minimum while trying to achieve slightly higher returns than the returns provided by more conservative investments. (5)
   c. Balance moderate levels of risk with moderate levels of returns. (10)
   d. Maximize long-term investment returns. Therefore, I am willing to accept large and sometimes dramatic fluctuations in the value of my investment. (15)

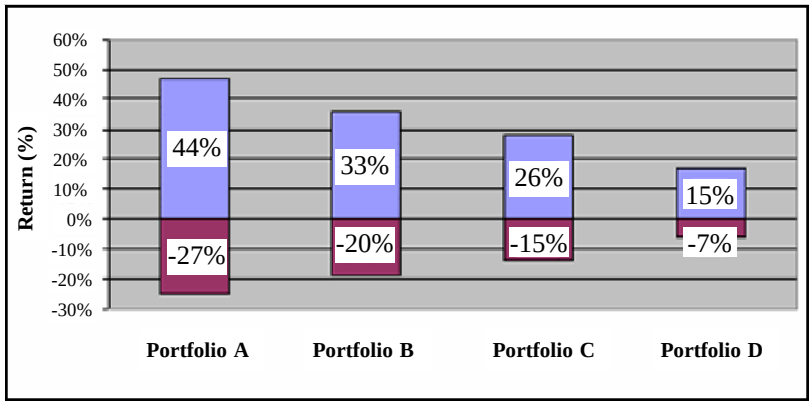
5. _____

6. Historically, markets have experienced periods of substantial short-term price swings (volatility) as well as prolonged down markets. Suppose you owned a well-diversified portfolio that fell by 20% over a short period. Assuming you still have 10 years until you begin withdrawals, how would you react?

   a. I would **not** change my portfolio. (15)
   b. I would **wait at least one year** before changing to more conservative options. (10)
   c. I would **wait at least three months** before changing to more conservative options. (5)
   d. I would **immediately** change to more conservative options. (0)

6. _____

7. The following graphs shows the hypothetical results of four 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 best potential gain also has the largest potential loss.



Which of these portfolios would you prefer to hold?

   a. Portfolio A (19)
   b. Portfolio B (12)
   c. Portfolio C (7)
   d. Portfolio D (0)

7. _____

8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.

   a. Agree (15)
   b. Disagree (8)
   c. Strongly Disagree (0)

8. _____

Total Risk Tolerance Score (Questions 3-8) _____

Recommended Portfolio _____

Client Signature _____ **Date** _____

Questionnaire Scoring System

Ibbotson Associates designed the questionnaire scoring system to assign investors to one of the model portfolios based on their responses on the risk tolerance questionnaire. Like the questionnaire itself, the scoring system is divided into two distinct sections:

1. Time horizon score
2. Risk tolerance score

Time Horizon

Responses to questions 1 and 2 are added together to arrive at the time horizon level.

Question 1	Question 2
A. 0	A. 0
B. 2	B. 2
C. 3	C. 4
D. 7	D. 5
E. 9	E. 6
F. 11	

Risk Tolerance

Responses to questions 3 – 8 are added together to arrive at a risk tolerance score.

Question 3	Question 4	Question 5	Question 6	Question 7	Question 8
A. 18	A. 0	A. 0	A. 15	A. 19	A. 15
B. 12	B. 8	B. 5	B. 10	B. 12	B. 8
C. 6	C. 12	C. 10	C. 5	C. 7	C. 0
D. 0	D. 18	D. 15	D. 0	D. 0	

Scoring Grid Summary

The following scoring grid is designed to provide a synopsis showing how the risk tolerance and the time horizon components are combined to develop a recommended portfolio based upon the answers given in the questionnaire. This summary allows the flexibility to score the questions without the use of a calculator, as the required multiplication is already done. To determine the appropriate portfolio, simply find the intersection of the time horizon level and risk tolerance in the scoring grid. The resulting number is the recommended portfolio.

Risk Tolerance Score ↓	Time Horizon Score → 0 - 2	3 –5	6 - 7	8 - 10	11+ years
0 - 19	Conservative Income	Conservative Income	Conservative Income	Conservative Income	Conservative Income
20 - 39	Conservative Income	Income	Income	Income	Income
40 - 59	Conservative Income	Income	Conservative Growth	Conservative Growth	Conservative Growth
60 - 79	Conservative Income	Income	Conservative Growth	Growth	Growth
80 - 100	Conservative Income	Income	Conservative Growth	Growth	Aggressive Growth