

Risk Tolerance Questionnaire Worksheet

Your advisor has shared this Risk Tolerance Questionnaire with you in anticipation of an upcoming conversation. These 10 questions will help you self-reflect on your willingness to take financial risks, which in turn will help your advisor recommend well-suited investment strategies.

Respond to each question below and capture any notes or questions for your advisor in the space provided. Save a copy of this worksheet for your records and share with your advisor if requested.

Name _____

Date _____

1. Compared to others, how do you rate your willingness to take financial risks?

- Extremely low risk taker
- Very low risk taker
- Low risk taker
- Average risk taker
- High risk taker
- Very high risk taker
- Extremely high risk taker

Notes and Questions:

2. How easily do you adapt when things go wrong financially?

- Very uneasily
- Somewhat uneasily
- Somewhat easily
- Very easily

Notes and Questions:

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3. When you think of the word "risk" in a financial context, which of the following words comes to mind first?
- Danger
 - Uncertainty
 - Opportunity
 - Thrill

Notes and Questions:

4. When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?
- Always the possible losses
 - Usually the possible losses
 - Usually the possible gains
 - Always the possible gains

Notes and Questions:

5. What degree of risk are you currently prepared to take with your financial decisions?
- Very small
 - Small
 - Medium
 - Large
 - Very large

Notes and Questions:

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6. Suppose that 5 years ago you bought stock in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the stock dropped drastically and you sold at a substantial loss.

The company has been restructured under new management, and most experts now expect it to produce better than average returns. Given your bad past experience with this company, would you buy stock now?

- Definitely not
- Probably not
- Not sure
- Probably
- Definitely

Notes and Questions:

7. Investments can go up or down in value and experts often say you should be prepared to weather a downturn. By how much could the total value of all your investments go down before you would begin to feel uncomfortable?

- Any fall would make me uncomfortable
- 10%
- 20%
- 33%
- 50%
- More than 50%

Notes and Questions:

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8. Most investment portfolios have a mix of investments - some of the investments may have high expected returns but with high risk, some may have medium expected returns and medium risk, and some may be low-risk/low-return. (For example, stocks and real estate would be high-risk/high-return whereas cash and CDs (certificates of deposit) would be low-risk/low-return.)

Which mix of investments do you find most appealing? Would you prefer all low-risk/low-return, all high-risk/high-return, or somewhere in between?

	<i>Mix of Investments in Portfolio</i>		
	High Risk / Return %	Medium Risk / Return %	Low Risk / Return %
<input type="radio"/> Portfolio 1	0	0	100
<input type="radio"/> Portfolio 2	0	30	70
<input type="radio"/> Portfolio 3	10	40	50
<input type="radio"/> Portfolio 4	30	40	30
<input type="radio"/> Portfolio 5	50	40	10
<input type="radio"/> Portfolio 6	70	30	0
<input type="radio"/> Portfolio 7	100	0	0

Notes and Questions:

9. With some types of investment, such as cash and CDs (certificates of deposit), the value of the investment is fixed. However, inflation will cause the purchasing power of this value to decrease.

With other types of investment, such as stocks and real estate, the value is not fixed. It will vary. In the short term it may even fall below the purchase price. However, over the long term, the value of the stocks and real estate should certainly increase by more than the rate of inflation.

With this in mind, which is more important to you - that the value of your investments does not fall or that it retains its purchasing power?

- Much more important that the value does not fall
- Somewhat more important that the value does not fall
- Somewhat more important that the value retains its purchasing power
- Much more important that the value retains its purchasing power

Notes and Questions:

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10. Think of the average rate of return you would expect to earn on an investment portfolio over the next ten years. How does this compare with what you think you would earn if you invested the money in one-year CDs (certificates of deposit)?
- About the same rate as from CDs
 - About one and a half times the rate from CDs
 - About twice the rate from CDs
 - About two and a half times the rate from CDs
 - About three times the rate from CDs
 - More than three times the rate from CDs

Notes and Questions: