

Risk Tolerance Analysis Worksheet

This worksheet may help you to determine your Risk Tolerance Level, which can help to guide you in developing the appropriate investment portfolio mix to match your personal comfort level. Most financial professionals agree that an almost inescapable rule of investing is that the investment alternatives which offer you the greatest possible appreciation also offer the greatest possible potential to realize losses. The purpose of this analysis is not to make any specific recommendations as to which investments are best for you, but rather to help you to determine your own personal comfort level in selecting between more aggressive and hence more risky alternatives as opposed to more conservative and hence less risky choices. For couples it is suggested that each of you complete a separate worksheet in order to allow each person's Risk Tolerance to be assessed individually. You can most likely compare and contrast your results more effectively than if you complete one worksheet together.

This worksheet is not intended to be a full and complete analysis of your investment needs and goals, or to produce any specific recommendations for your investment portfolio. You are strongly urged to review the results of this worksheet with your investment professional, your accountant and your tax attorney prior to making any investment decisions.

Please circle the letter preceding the single most applicable response to each question.

- 1) What is your current age? For couples who chose to complete a single worksheet, please use the average of your two ages.
 - A – Over 70.
 - B – 60-70.
 - C – 46-59.
 - D – 30-45.
 - E – Under 30.

- 2) When would you anticipate taking regular distributions from your account?
 - A – Less than 2 years.
 - B – 2 to 5 years.
 - C – 6 to 15 years.
 - D – 15 to 25 years.
 - E – More than 25 years.

- 3) Your risk tolerance describes your willingness to accept fluctuations in your account value in order to achieve your long-term financial objectives. Which statement best describes your feelings about taking risks?
 - A – Avoiding loss in my account is more important to me than experiencing long-term growth.
 - B – I want long-term growth, but I'm more concerned with avoiding losses.
 - C – I am concerned with avoiding losses, but it is more important to achieve long-term growth.
 - D – In order to maximize the chances of long-term growth, I am willing to accept losses.

- 4) While riskier than bond investments, equity investments offer the potential of higher long-term investment returns. Which statement best describes your feeling about investing a portion of your portfolio in equity investments?
- A – I am concerned that equity investments are too risky and would prefer a higher allocation to bonds.
 - B – I understand that there is additional risk with equity investments and would prefer a balanced allocation between equities and bonds.
 - C – I understand that there may be more risks in equity investing, but the opportunity to achieve long-term growth in my portfolio with a higher allocation to equities is worth consideration.
 - D – I understand the risks but believe that the growth opportunities in equities are paramount and would like to maximize those opportunities.
- 5) Given the volatility of investment alternatives, your portfolio value will fluctuate over time. The four choices below show potential investment value ranges after a three-year investment period. If you were to invest \$50,000, which portfolio would you select?
- A – Investment value range of \$48,000 to \$53,000.
 - B – Investment value range of \$45,000 to \$58,000.
 - C – Investment value range of \$40,000 to \$65,000.
 - D – Investment value range of \$35,000 to \$70,000.
- 6) You have an opportunity to invest in an underwater salvage operation to recover sunken treasure. The chances of finding the vessel are 25%, but if recovered, you could earn 50-100 times your investment. How much do you invest of your total \$100,000 investment portfolio?
- A – Nothing.
 - B – \$1,000.
 - C – \$5,000.
 - D – \$10,000.
 - E – \$20,000.
- 7) You have just reached the \$10,000 level on a game show. You can quit now and leave with the \$10,000, or you can bet the entire \$10,000 in one of four categories. What do you do?
- A – Take the \$10,000 and quit.
 - B – Take a 70% chance of winning \$20,000.
 - C – Take a 50% chance of winning \$50,000.
 - D – Take a 20% chance of winning \$75,000.
 - E – Take a 5% chance of winning \$100,000.

- 8) Investing internationally can entail additional risk factors such as currency fluctuation, political upheaval, global economic uncertainty, etc. What percentage of your portfolio would you be comfortable investing internationally?
- A – None.
 - B – 5%.
 - C – 20%.
 - D – 40%.
 - E – 60%.
- 9) It is important to consider the allocation of this component of your investment portfolio in relation to your other financial assets. Your investment experience can often determine your attitude toward ongoing investment selections. Most of your other assets for retirement are invested in:
- A – I don't know how my assets are invested.
 - B – My pension plan and Social Security.
 - C – CDs, savings accounts, and other FDIC-insured accounts.
 - D – A mix of stocks and bonds including stock and bond mutual funds.
 - E – Stocks and/or equity mutual funds.
- 10) Describe your experience and comfort level in making investment decisions.
- A – I am uncomfortable in selecting from the available investment options and the risks associated with making equity investments.
 - B – I am somewhat comfortable in making investment selections, but still desire ongoing professional advice.
 - C – I am reasonably comfortable in making investment selections, but concerned with high-investment value fluctuation.
 - D – I am very comfortable with making investment selections and the risks associated with equity investing.

Date completed (for your future reference) _____

This concludes the worksheet. Please proceed to the following page to score and review the results of your responses.

Please keep in mind that this worksheet is not intended to be a full and complete analysis of your investment needs and goals, or to produce any specific recommendations for your investment portfolio. You are strongly urged to review the results of this worksheet with your investment professional, your accountant and your tax attorney prior to making any investment decisions.

Scoring your worksheet

Please score your responses as follows:

For each A answer, 1 point.

For each B answer, 2 points.

For each C answer, 4 points.

For each D answer, 6 points.

For each E answer, 8 points.

Question	Your Score
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
total	

Your Score	Suggested Strategy
under 15	conservative
from 16 to 30	conservative to moderate
from 31 to 50	moderate
from 51 to 70	moderately aggressive
71 & over	aggressive