

# RISK TOLERANCE QUESTIONNAIRE

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## Time Horizon

1. When do you expect to begin withdrawing money from your investment account?
  - a. Less than 1 year
  - b. 1 to 3 years
  - c. 4 to 7 years
  - d. 8 to 11 years
  - e. 12 years or more
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
  - b. 1 to 3 years
  - c. 4 to 7 years
  - d. 8 to 11 years
  - e. 12 years or more

## Risk Tolerance

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 short-term 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 short-term risk.
  - b. Portfolio 2 will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of short-term risk.
  - c. Portfolio 3 will most likely exceed long-term inflation by a small margin and has a moderate degree of short-term risk.
  - d. Portfolio 4 will most likely match long-term inflation and has a low to moderate degree of short-term risk.

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4. Portfolios with the highest average returns also tend to have the highest chance of losing money. The table below provides the average return and possibility of losing money for an investment in four different portfolios over a one-year holding period. Please select the portfolio with which you are most comfortable.

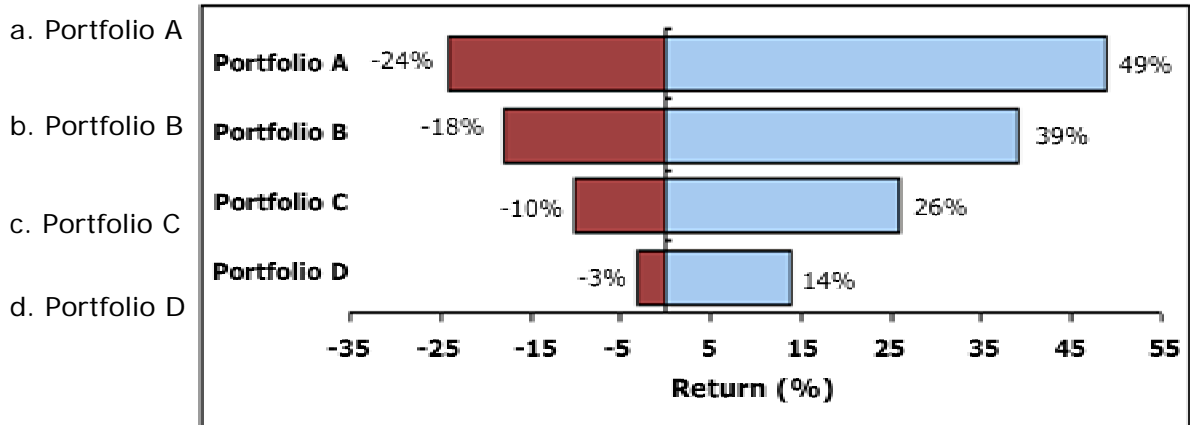
	Probabilities After 1 Year	
	Possible Average Return	Chance of Losing Money
a. Portfolio A	9%	2%
b. Portfolio B	11%	8%
c. Portfolio C	13%	15%
d. Portfolio D	15%	21%

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 investments goals?
- Protect the value of my account. In order to minimize chance for loss, I am willing to accept the lower long-term returns provided by conservative investments.
  - Keep risk to a minimum while trying to achieve slightly higher returns than provided by more conservative investments.
  - Balance moderate levels of risk with moderate levels of returns.
  - Maximize long-term investment returns. Therefore, I am willing to accept large and sometimes dramatic fluctuations in the value of my investments.
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?
- I would not change my portfolio.
  - I would wait at least a year before changing to more conservative options.
  - I would wait at least three months before changing to more conservative options.
  - I would immediately change to more conservative options.

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7. The following graph 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?



8. Investments with higher short-term risk are more likely to have a greater chance of meeting long-term investment goals. Conversely, investments likely to provide stable returns and minimal short-term losses are less likely to meet long-term investment goals. With this in mind, which of the following statements is most consistent with your investment attitudes ?

- I am willing to endure short-term losses to maximize the chance of meeting my long-term investment goals.
- I am equally concerned with avoiding short-term losses and meeting my long-term investment goals.
- Avoiding short-term losses is more important to me than achieving my long-term investment goals.