

Risk Tolerance Questionnaire

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Financial Planning
Services Australia®

Risk Tolerance Questionnaire

This questionnaire is designed to measure your risk tolerance.

Risk tolerance is a measure of your attitudes and perceptions towards the uncertainties associated with investing.

- ▶ A risk-averse investor is less willing to accept the risk of loss and is therefore comfortable with lower returns on their investment; and conversely
- ▶ A risk-tolerant investor is willing to accept a greater risk of loss in exchange for potentially higher investment returns.

Risk tolerance is only one part of the broader financial planning process. Your financial planner will determine the most appropriate portfolio based on your ability to take risk (i.e. risk capacity), financial objectives, financial situation and particular financial needs, while taking the outputs from this questionnaire into account.

This questionnaire does not take into account your risk capacity, financial objectives, financial situation or particular financial needs.

Client/s Name

Client First Name

Client Surname

Partner First Name

Partner Surname

Disclaimer

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These questions have been prepared to assist you and your financial adviser in determining your risk profile. This questionnaire is for information purposes only. Its content is intended to be of a general nature, does not take into account your risk capacity, financial objectives, financial situation or particular financial needs, and is not personal advice under the Corporations Act 2001. Accordingly the results of this questionnaire should not be relied upon and you should obtain further advice from your financial adviser which takes into account your individual circumstances. All investments involve risk, which may result in the loss of money invested. Ibbotson and Morningstar disclaim liability or responsibility to any person for any direct or indirect loss or damage that may result from any act or omission by any person in relation to, or in reliance on, the information supplied in this questionnaire.

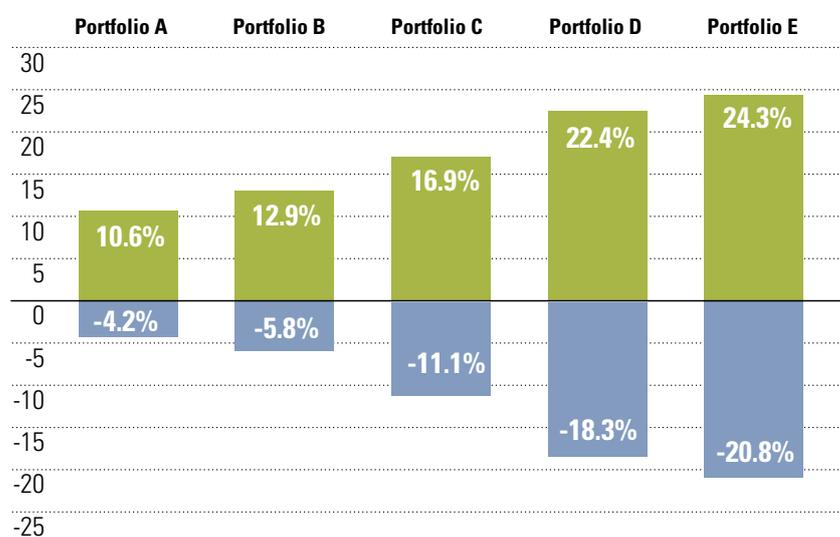
Risk Tolerance

1 Any investment requires taking some level of risk. There are going to be times when the value of your investment rises and falls. Over the next year, is there an amount you cannot afford to have fall in value? For example, you may require funds to make a purchase or payment.

		Client	Partner
A.	No	<input type="radio"/>	<input type="radio"/>
B.	Yes	<input type="radio"/>	<input type="radio"/>
		<i>If Yes, please specify the amount \$</i>	

2 The graph shows the one-year performance of five investment portfolios. The green bars show the maximum return, while the blue bars show the loss each portfolio may experience.

Which of these portfolios would you prefer?



		Client	Partner
A.	Portfolio A	<input type="radio"/>	<input type="radio"/>
B.	Portfolio B	<input type="radio"/>	<input type="radio"/>
C.	Portfolio C	<input type="radio"/>	<input type="radio"/>
D.	Portfolio D	<input type="radio"/>	<input type="radio"/>
E.	Portfolio E	<input type="radio"/>	<input type="radio"/>

3 Investment markets go up and down. If your diversified investment portfolio fell by 20%, how would you react?

		Client	Partner
A.	I would not change my portfolio.	<input type="radio"/>	<input type="radio"/>
B.	I would wait at least one year before changing to options that are more conservative.	<input type="radio"/>	<input type="radio"/>
C.	I would wait at least three months before changing to options that are more conservative.	<input type="radio"/>	<input type="radio"/>
D.	I would immediately change to options that are more conservative.	<input type="radio"/>	<input type="radio"/>

4 For many investors, the possibility of losing money is a key concern. How do you feel about investment losses?		Client	Partner
	A. Investment losses make me very uncomfortable. I check my investments often, so I can sell quickly if they begin to lose money.	<input type="radio"/>	<input type="radio"/>
	B. Investment losses make me uncomfortable, but not uncomfortable enough to sell immediately. If losses occur over several months, I would probably sell.	<input type="radio"/>	<input type="radio"/>
	C. Investment losses in the short-term do not bother me. I would wait an entire year before making changes.	<input type="radio"/>	<input type="radio"/>
	D. I understand that investments can have losses, but also that I have a better chance of reaching my investment goals by sticking to the strategy over the long term. I would not make changes.	<input type="radio"/>	<input type="radio"/>
5 Which of the following choices best reflects your attitude toward inflation and risk?		Client	Partner
	A. I wish to avoid loss, even though I may only keep pace with inflation.	<input type="radio"/>	<input type="radio"/>
	B. I wish to earn slightly more than inflation, while taking on a low level of risk.	<input type="radio"/>	<input type="radio"/>
	C. I wish to increase investment returns and can accept short-term losses. However, I am not comfortable with large losses that may be experienced with high risk investments.	<input type="radio"/>	<input type="radio"/>
	D. I wish to maximise investment returns, and am willing to accept the large potential loss associated with pursuing high returns.	<input type="radio"/>	<input type="radio"/>
6 Most investments go up and down. If your portfolio incurred a loss during any one year, would you sell down your portfolio?		Client	Partner
	A. Only if the investment loses 5%	<input type="radio"/>	<input type="radio"/>
	B. Only if the investment loses 10%	<input type="radio"/>	<input type="radio"/>
	C. Only if the investment loses 15%	<input type="radio"/>	<input type="radio"/>
	D. Only if the investment loses 20%	<input type="radio"/>	<input type="radio"/>
	E. I would not sell despite any loss.	<input type="radio"/>	<input type="radio"/>
7 Investing involves a trade-off between return and risk. Investments with higher returns generally have higher risk (i.e. chance of loss). Investments with lower returns generally have lower risk or chance of loss. Which of the following statements best describes your attitude to risk?		Client	Partner
	A. I am willing to accept lower returns to limit my chance of loss.	<input type="radio"/>	<input type="radio"/>
	B. I am willing to bear some risk and chance for loss to achieve higher returns, but prefer most of my portfolio to be invested in investments with low return/risk.	<input type="radio"/>	<input type="radio"/>
	C. I am willing to accept moderate risk to achieve higher returns. Minimising risk and maximising return are equally important to me.	<input type="radio"/>	<input type="radio"/>
	D. I am willing to accept high risk to achieve high returns on my investments.	<input type="radio"/>	<input type="radio"/>
	E. I am only concerned with maximising investment returns. I am not concerned with risk or loss and will accept significant fluctuations in my portfolio.	<input type="radio"/>	<input type="radio"/>

- 8** The table shows the value of five sample portfolios after one year. The investment is \$100,000 at the beginning of the year. The table shows the hypothetical best case, expected value and worst case scenario. Which portfolio would you prefer to hold?

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Hypothetical Best Case (\$)	110,593	112,870	116,916	122,386	124,283
Expected Value (\$)	105,470	106,500	107,290	108,040	108,385
Hypothetical Worst Case (\$)	95,771	94,169	88,929	81,743	79,228

	Client	Partner
A. Portfolio 1	<input type="radio"/>	<input type="radio"/>
B. Portfolio 2	<input type="radio"/>	<input type="radio"/>
C. Portfolio 3	<input type="radio"/>	<input type="radio"/>
D. Portfolio 4	<input type="radio"/>	<input type="radio"/>
E. Portfolio 5	<input type="radio"/>	<input type="radio"/>

Scoring System

Risk Tolerance Score

Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8
A. 0	A. 12	A. 0				
B. 3	B.8	B. 4	B. 4	B. 3	B. 3	B. 3
C. 6	C. 4	C. 8	C. 8	C. 6	C. 6	C. 6
D. 9	D. 0	D. 12	D. 12	D. 9	D. 9	D. 9
E. 12				E. 12	E. 12	E. 12

Combining the Scores

There are six potential risk profiles/outcomes:

- ▶ No suitable profile – client best suited to a cash deposit account
- ▶ All Income
- ▶ Conservative
- ▶ Balanced
- ▶ Growth
- ▶ High Growth

Summary Scoring Grids

The risk tolerance score can be matched to the relevant profile in the table below.

Risk Tolerance Score	
1-11	All Income
12-32	Conservative
33-53	Balanced
54-74	Growth
75+	High Growth

Additional Adviser Notes

- ▶ **Question 1 is not scored.** If the client cannot afford for an amount to fall in value over the next year, that amount should be invested in a cash account or equivalent.
- ▶ **If an investor has a risk tolerance score of zero,** a cash account should be considered.
- ▶ **The scores for questions 2 and 8 should be the same.** If not, then the questionnaire should be revisited with the client.

Custom Risk Profile

After completing the questionnaire if for some reason you want to deviate from the risk profile result you can use this section to create your own custom risk profile. The reason for change should be clearly documented below.

Client

Custom Risk Profile

Basis for Custom Risk Profile

Partner

Custom Risk Profile

Basis for Custom Risk Profile

Risk Profile Descriptions

Profile	Long-term Asset Mix		Description
	Growth %	Income %	
All Income	0	100	The All Income risk profile is designed for investors with an investment time horizon of one year, who seek the potential for stable income with capital preservation and diversification across multiple asset classes, and investment strategies. A low risk of capital loss can be expected, but overall returns are also likely to be lower.
Conservative	36	64	The Conservative risk profile is designed for investors with an investment time horizon of three years who seek the potential for stable income and some capital growth and diversification across multiple asset classes, and investment strategies. A low to medium risk of capital loss can be expected.
Balanced	58	42	The Balanced risk profile is designed for investors with an investment time horizon of five years who seek the potential for moderate capital growth with some income and diversification across multiple asset classes, and investment strategies. A medium risk of capital loss can be expected.
Growth	80	20	The Growth risk profile is designed for investors with an investment time horizon of seven years who seek the potential for capital growth and diversification across multiple asset classes, and investment strategies. A medium to high risk of capital loss can be expected.
High Growth	90	10	The High Growth risk profile is designed for investors with an investment time horizon of nine years who seek the potential for moderate to high capital growth and diversification across multiple asset classes, and investment strategies. A high risk of capital loss can be expected.

Risk Profile and Client Acknowledgement

Suggested Risk Profile

Client

Partner

Client Acknowledgement and Declaration

I/we acknowledge the suggested risk profile noted above has been generated from the answers I/we provided to questions asked in this risk tolerance questionnaire. I/we declare that the answers provided are true and accurate to the best of my/our knowledge.

I/we acknowledge that this questionnaire does not consider my/our risk capacity, financial objectives, financial situation or particular financial needs and the suggested risk profile is itself insufficient information to determine the most appropriate portfolio for my/our financial objectives, financial situation and particular financial needs

Client Signature

Partner Signature

Date of Completion

Date of Completion

Adviser Acknowledgement and Declaration

I declare that the suggested risk profile noted above has been determined by me based on the answers provided by the client to this risk tolerance questionnaire.

I acknowledge that this risk tolerance questionnaire does not consider the client's risk capacity, financial objectives, financial situation or particular financial needs and the suggested risk profile is itself insufficient information to determine the most appropriate portfolio for the client's financial objectives, financial situation and particular financial needs.

Adviser Signature

Date of Completion

