

# Risk Profile Questionnaire



**Strictly Private & Confidential**

**Client**

**For official use only**

Client Reference

Investment Manager

Financial Planner

**Why are 25 questions needed?**

A person's answer to a specific question may be influenced by a particular experience they have had, or their mood at the time. Or they may have misinterpreted the question. Or they may simply have made a mistake.

Statistical studies are used to determine the number of questions needed to provide a scientifically acceptable level of accuracy in an assessment. The accuracy of a questionnaire is a function, in part, of the square of the number of questions. Because of the nature of risk tolerance more than just a few questions are needed. Twenty would be a minimum. Statistical studies of this questionnaire show that its accuracy exceeds internationally accepted standards.

**What if the situation described in a question has never happened to me, or will never happen to me?**

There are a number of questions that ask you to assume or imagine you are in a certain situation. These questions are designed to gain a picture of what you would do in such circumstances, regardless of whether you have ever been in them or are ever likely to be in them. Please answer as best you can on the available information.

**What if a question asks about a situation where, in real life, I would have (or would seek) more information than is given in the question?**

Some questions require you to make a decision based on limited information. While, in real life, you may wish to obtain more information before making your final decision, these questions are designed to gain an idea of what you would do given the limited information. Please answer as best you can on the available information.

**What if none of the choices in a multiple-choice question is my preferred answer?**

Some questions give you a limited choice of responses and may not include what would be your preferred answer. These are designed to obtain a picture of what you would do given the choices available. Please answer as best you can on the available choices.

You answer a question by selecting one of the options. You select an option by putting a cross in the box in front of it. Please answer all 25 questions. If none of the options is exactly right for you, choose the option that is closest.

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

- |  |   |
|--|---|
| <input type="checkbox"/> Extremely low risk taker. | <input type="checkbox"/> High risk taker.           |
| <input type="checkbox"/> Very low risk taker.      | <input type="checkbox"/> Very high risk taker.      |
| <input type="checkbox"/> Low risk taker.           | <input type="checkbox"/> Extremely high risk taker. |
| <input type="checkbox"/> Average risk taker.       |   |

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

- |   |   |
|---|---|
| <input type="checkbox"/> Very uneasily.     | <input type="checkbox"/> Somewhat easily. |
| <input type="checkbox"/> Somewhat uneasily. | <input type="checkbox"/> Very easily.     |

**3** When you think of the word "risk" in a financial context, which of the following words comes to mind first?

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> Danger.      | <input type="checkbox"/> Opportunity. |
| <input type="checkbox"/> Uncertainty. | <input type="checkbox"/> Thrill.      |

4

Have you ever invested a large sum in a risky investment mainly for the "thrill" of seeing whether it went up or down in value?

- |  |  |
|--|--|
| <input type="checkbox"/> No.                   | <input type="checkbox"/> Yes, somewhat frequently. |
| <input type="checkbox"/> Yes, very rarely.     | <input type="checkbox"/> Yes, very frequently.     |
| <input type="checkbox"/> Yes, somewhat rarely. |  |

5

If you had to choose between more job security with a small pay increase and less job security with a big pay increase, which would you pick?

- Definitely more job security with a small pay increase.
- Probably more job security with a small pay increase.
- Not sure.
- Probably less job security with a big pay increase.
- Definitely less job security with a big pay increase.

6

When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?

- |   |  |
|---|--|
| <input type="checkbox"/> Always the possible losses.  | <input type="checkbox"/> Usually the possible gains. |
| <input type="checkbox"/> Usually the possible losses. | <input type="checkbox"/> Always the possible gains.  |

7

How do you usually feel about your major financial decisions after you make them?

- |  |   |
|--|---|
| <input type="checkbox"/> Very pessimistic.     | <input type="checkbox"/> Somewhat optimistic. |
| <input type="checkbox"/> Somewhat pessimistic. | <input type="checkbox"/> Very optimistic.     |

8

Imagine you were in a job where you could choose whether to be paid salary, commission or a mix of both. Which would you pick?

- |  |   |
|--|---|
| <input type="checkbox"/> All salary.                         | <input type="checkbox"/> Mainly commission. |
| <input type="checkbox"/> Mainly salary.                      | <input type="checkbox"/> All commission.    |
| <input type="checkbox"/> Equal mix of salary and commission. |   |

9

What degree of risk have you taken with your financial decisions in the past?

- |                                      |                                      |
|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Very small. | <input type="checkbox"/> Large.      |
| <input type="checkbox"/> Small.      | <input type="checkbox"/> Very Large. |
| <input type="checkbox"/> Medium.     |                                      |

10

What degree of risk are you currently prepared to take with your financial decisions?

- |                                      |                                      |
|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Very small. | <input type="checkbox"/> Large.      |
| <input type="checkbox"/> Small.      | <input type="checkbox"/> Very large. |
| <input type="checkbox"/> Medium.     |                                      |

11

Have you ever borrowed money to make an investment (other than for your home)?

- |                              |                               |
|------------------------------|-------------------------------|
| <input type="checkbox"/> No. | <input type="checkbox"/> Yes. |
|------------------------------|-------------------------------|

12

How much confidence do you have in your ability to make good financial decisions?

- |   |  |
|---|--|
| <input type="checkbox"/> None.                | <input type="checkbox"/> A great deal. |
| <input type="checkbox"/> A little.            | <input type="checkbox"/> Complete.     |
| <input type="checkbox"/> A reasonable amount. |  |

13

Suppose that 5 years ago you bought shares in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the shares 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 shares now?

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

14

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 feel uncomfortable.
- 10%.
- 20%.
- 33%.
- 50%.
- More than 50%

15

Assume that a long-lost relative dies and leaves you a house which is in poor condition but is located in a suburb that's becoming popular.

As is, the house would probably sell for £150,000, but if you were to spend about £50,000 on renovations, the selling price would be around £300,000. However, there is some talk of constructing a major motorway next to the house, and this would lower its value considerably.

Which of the following options would you take?

- Sell it as is.
- Keep it as is, but rent it out.
- Take out a £50,000 mortgage and do the renovations.

16

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, shares and property would be high-risk/high-return whereas cash and bank deposits 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?

Mix of Investments in Portfolio

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

17

You are considering placing one-quarter of your investment funds into a single investment. This investment is expected to earn about twice the bank deposit rate. However, unlike a bank deposit, this investment is not protected against loss of the money invested.

How low would the chance of a loss have to be for you to make the investment?

- Zero, i.e. no chance of any loss.
- Very low chance of loss.
- Moderately low chance of loss.
- 50% chance of loss.

18

With some types of investment, such as cash and bank deposits, 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 shares and property, 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 shares and property 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.

19

In recent years, how have your personal investments changed?

- Always toward lower risk.
- Mostly toward lower risk.
- No changes or changes with no clear direction.
- Mostly toward higher risk.
- Always toward higher risk.

20

When making an investment, return and risk usually go hand-in-hand. Investments which produce above-average returns are usually of above-average risk. With this in mind, how much of the funds you have available to invest would you be willing to place in investments where both returns and risks are expected to be above average?

- None.
- 10%.
- 20%.
- 30%.
- 40%.
- 50%.
- 60%.
- 70%.
- 80%.
- 90%.
- 100%.

21

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 bank deposits?

- About the same rate as from bank deposits.
- About one and a half times the rate from bank deposits.
- About twice the rate from bank deposits.
- About two and a half times the rate from bank deposits.
- About three times the rate from bank deposits.
- More than three times the rate from bank deposits.

22

People often arrange their financial affairs to qualify for a government benefit or obtain a tax advantage. However a change in legislation can leave them worse off than if they'd done nothing.

With this in mind, would you take a risk in arranging your affairs to qualify for a government benefit or obtain a tax advantage?

- I would not take a risk if there was any chance I could finish up worse off.
- I would take a risk if there was only a small chance I could finish up worse off.
- I would take a risk as long as there was more than a 50% chance that I would finish up better off.

23

Imagine that you are borrowing a large sum of money at some time in the future. It's not clear which way interest rates are going to move - they might go up, they might go down, no one seems to know.

You could take a variable interest rate that will rise and fall as the market rate changes. Or you could take a fixed interest rate which is 1% more than the current variable rate but which won't change as the market rate changes. Or you could take a mix of both.

How would you prefer your loan to be made up?

- 100% variable.
- 75% variable, 25% fixed.
- 50% variable, 50% fixed.
- 25% variable, 75% fixed.
- 100% fixed.

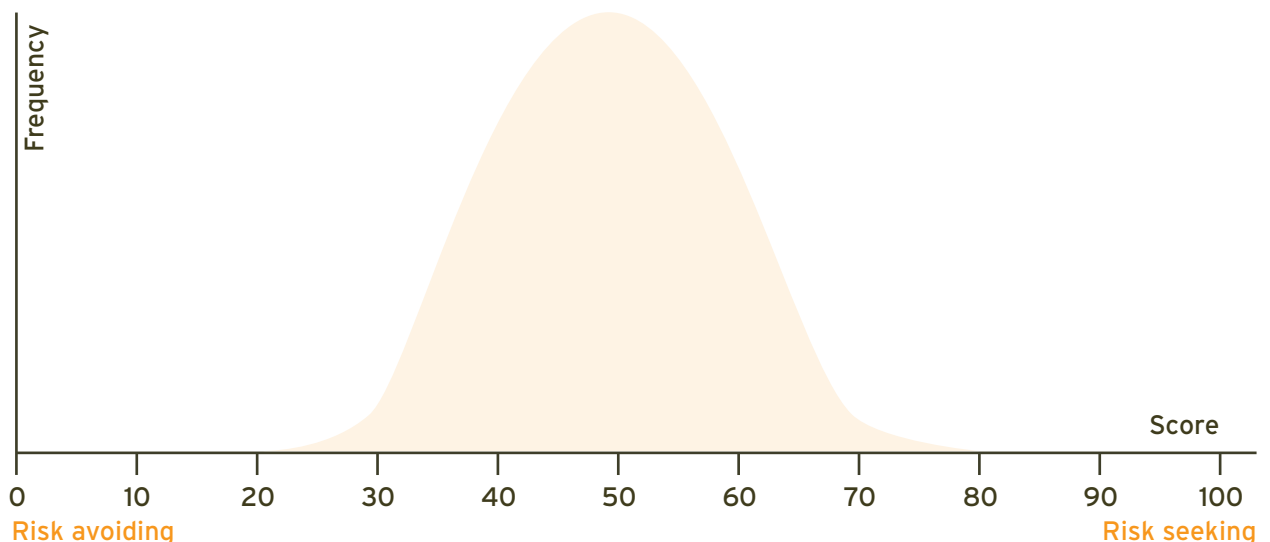
24

Insurance can cover a wide variety of life's major risks - theft, fire, accident, illness, death etc. How much cover do you have?

- Very little.
- Some.
- Considerable.
- Complete.

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This questionnaire is scored on a scale of 0 to 100. When the scores are graphed they follow the familiar bell-curve of the Normal distribution shown below. The average score is 50. Two-thirds of all scores are within 10 points of the average. Only 1 in 1000 is less than 20 or more than 80.



What do you think your score will be?

You may wish to review your answers before they are recorded in the system. Once recorded they cannot be changed. This is done to ensure the integrity of the data. If, later, you wish to change one or more answers, you can only do so by re-doing the whole questionnaire.

You can review your answers by scrolling through the questionnaire. Now is the best time to correct any mistakes or omissions.

<b>Your signature</b>		<b>Date</b>
		<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>