

Determining your Risk Profile - Worksheet

Answering the following questions about investing, will help us determine a suitable investment strategy for your long term goals.

Determining your Investment Risk Profile	
Important Information	
<p>Answering the following questions about investing, will help us determine a suitable investment strategy for your long-term goals.</p> <p>Each individual has different preferences to levels of risk when investing. Risk is the chance that you may lose your money or that the returns on your investments will vary widely from year to year.</p> <p>Some investors may be prepared to accept higher risk investments in search of higher returns while others may prefer lower risk investments.</p>	<p>It is important that you determine a level of risk you are comfortable with and balance that risk against the returns you are seeking on your investment. personal risk</p> <p>The profiling questions are designed to assist you in determining your investment profile and the type of investor you are, based on your personal preferences and life situation. This information will be used in conjunction with your goals to determine an appropriate financial strategy.</p>

For couples, each partner should complete this questionnaire separately.

Which of the following best describes your own experience level as an investor?

1	Client 1	Client 2	Score
Little or no experience in investing money apart from using bank accounts.	<input type="checkbox"/>	<input type="checkbox"/>	1
Mainly bank accounts – cash, term deposits, commercial bills and debentures	<input type="checkbox"/>	<input type="checkbox"/>	2
Cash, fixed interest some shares (EG Telstra, Qantas) and/or investment property.	<input type="checkbox"/>	<input type="checkbox"/>	3
Australian and international shares and/or share funds, options, property, some gearing or know what gearing means.	<input type="checkbox"/>	<input type="checkbox"/>	4

What would you do if the value of your investment fell by 20% percent in its first year because of the markets?

2	Client 1	Client 2	Score
I understand that investment values can fluctuate and would do nothing	<input type="checkbox"/>	<input type="checkbox"/>	4
I would discuss the investment with my adviser and ask for guidance	<input type="checkbox"/>	<input type="checkbox"/>	3
I would find out about safer investments	<input type="checkbox"/>	<input type="checkbox"/>	2
I would withdraw my funds	<input type="checkbox"/>	<input type="checkbox"/>	1

In the context of investing, what best describes your attitude to risk?

3	Client 1	Client 2	Score
It is something to be avoided	<input type="checkbox"/>	<input type="checkbox"/>	1
It is a source of uncertainty and needs to be limited	<input type="checkbox"/>	<input type="checkbox"/>	2
It can create the opportunity for improved returns	<input type="checkbox"/>	<input type="checkbox"/>	3
It is something to be embraced	<input type="checkbox"/>	<input type="checkbox"/>	4

If asked to make your own investment decisions how would you feel?

4	Client 1	Client 2	Score
Not confident at all	<input type="checkbox"/>	<input type="checkbox"/>	1
Somewhat hesitant	<input type="checkbox"/>	<input type="checkbox"/>	2
Reasonably confident	<input type="checkbox"/>	<input type="checkbox"/>	3
Very comfortable	<input type="checkbox"/>	<input type="checkbox"/>	4

Assume that you inherit a blue-chip share portfolio valued at \$100,000 and you do not need the money for any other purpose. Would you:

5	Client 1	Client 2	Score
Move the shares to more speculative and/or international shares and consider borrowing to increase the portfolio performance.	<input type="checkbox"/>	<input type="checkbox"/>	4
Sell 25% and place this money in more conservative investments	<input type="checkbox"/>	<input type="checkbox"/>	3
Sell 75% - 50% and place the money in more conservative investments	<input type="checkbox"/>	<input type="checkbox"/>	2
Sell the entire portfolio immediately to avoid any loss in value	<input type="checkbox"/>	<input type="checkbox"/>	1

How would you feel if a large percentage of your investment portfolio was invested in the share market?

6	Client 1	Client 2	Score
Very comfortable	<input type="checkbox"/>	<input type="checkbox"/>	4
Reasonably comfortable	<input type="checkbox"/>	<input type="checkbox"/>	3
A little hesitant but willing to consider it	<input type="checkbox"/>	<input type="checkbox"/>	2
Not comfortable	<input type="checkbox"/>	<input type="checkbox"/>	1

In order to earn a return above the level of bank interest rates you may need to hold investments that go up and down in value (i.e. have volatility). How important is it to you to protect your investment and minimise the prospect of any fall in the value?

7	Client 1	Client 2	Score
Very important I want capital security at all times. Protecting my existing investment is my main objective. Except for losses associated with inflation, I will not accept any loss of capital no matter how small or short the term of that loss.	<input type="checkbox"/>	<input type="checkbox"/>	-40
Important, but I'm comfortable for at least a small part of my portfolio to have volatility in order to improve returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	2
Somewhat important but I'm prepared to take on a reasonable amount of volatility in order to increase my chance of higher returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	3
Not particularly important as I'm comfortable that having exposure to volatility is the best way to maximise returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	4

Thinking about the major banks, do you consider bank shares to be risky investments?

8	Client 1	Client 2	Score
I consider all shares to be of high risk	<input type="checkbox"/>	<input type="checkbox"/>	1
Moderately risky but will likely to bounce if the market drops significantly	<input type="checkbox"/>	<input type="checkbox"/>	2
Low-moderate risk as the major banks are good investments generally paying good dividends to shareholders	<input type="checkbox"/>	<input type="checkbox"/>	3
Low risk I would prefer shares with more growth potential	<input type="checkbox"/>	<input type="checkbox"/>	4

Investments that go up and down in value in the short-term (I.E. have volatility) are more likely to produce higher returns than investments that remain steady. Are you prepared to experience volatility in your investments in order to increase the chance of higher returns?

9	Client 1	Client 2	Score
Yes, definitely	<input type="checkbox"/>	<input type="checkbox"/>	4
Yes, for a significant part of my investment portfolio	<input type="checkbox"/>	<input type="checkbox"/>	3
Yes, but only for some of my investment portfolio	<input type="checkbox"/>	<input type="checkbox"/>	2
Not at all	<input type="checkbox"/>	<input type="checkbox"/>	1

What percentage of your money would you be prepared to invest in higher-risk investments? (I.E. investments that fluctuate in value, even incurring short to medium term losses, but could return higher gains over the longer term.)

10	Client 1	Client 2	Score
50 – 75%	<input type="checkbox"/>	<input type="checkbox"/>	4
30 – 50 %	<input type="checkbox"/>	<input type="checkbox"/>	3
15 – 30%	<input type="checkbox"/>	<input type="checkbox"/>	2
10 – 15%	<input type="checkbox"/>	<input type="checkbox"/>	1
0 – 5%	<input type="checkbox"/>	<input type="checkbox"/>	0

Assessment	Client 1	Client 2
Total score		
Identified investment Risk Profile		
Does the client(s) agreed with the identified Risk Profile		
Alternatively what Risk Profile does the client(s) say they are?		

X	//
Client 1	
X	//
Client 2	

Score	Risk Profile	Description	Explanation
<1	Cash and or TD Only	Q1 Score <1	Excluding losses caused by inflation, definite need for capital security. No fluctuations in capital value. Will not accept any downside risk. <i>TDs and cash only</i> <i>Consider partial lifetime annuity for retirees if agreeable and make notes that the client understood no return of capital to estate.</i>
10 – 17	≤ 20% growth assets	Defensive	Definite need for a very secure income. Little fluctuations in capital value. Will not accept much downside risk
18 - 27	≤ 40% growth assets	Conservative	Requires a stable income. Can withdraw capital to supplement income if necessary. Expect small fluctuations in income to gain modest capital growth. Requires minimisation of downside risk.
28 – 32	≤ 70% growth assets	Balanced	Desires a reasonably stable income stream, but also desires a steady growth in capital value. Prepared for fluctuations to achieve reasonable capital growth over the medium term. (Greater than 5 years) Sufficient capital available to draw down to supplement income needs.
33 – 37	≤ 80% growth assets	Growth	Little or no need for an ongoing current income from investments. Investment focus is on achieving capital growth with no need to access capital in the medium - long term. (Greater than 7 Years) Prepared to accept fluctuations in capital value to achieve longer term wealth accumulation.
38 - 40	= 100% growth assets	High Growth	No ongoing income needed from investments. Investment focus is on high levels of capital growth with no need to access capital for the long term (greater than 7 years). Prepared to accept wide fluctuations in capital value and may be prepared to invest additional sums during downsize periods.

NOTE:

No individual fits neatly into a specific risk profile and the asset allocations above are indicative only. For example, a score of 30 might require a portfolio with a growth percentage of 40% even though they appear to be balanced and that's fine, they are at the lower end of the scorecard, the corollary of this of course is if a score of 34 is recorded, but the client would prefer upward of 70% a combination of portfolios for those in between.