Risk Tolerance Questionnaire

A deep understanding of what you’re investing for, how long you have to meet your goals and your comfort level with risk are all part of determining the right mix of investments for you.

And knowing how you may react to the ups and downs of the market is important, because too often the reactions to swings in value, not the fluctuations themselves, have the biggest impact on successful long-term investing.

Your answers to the following questions help us better understand your comfort level with risk.

In addition, we’ll consider:

- How much risk you can take, based on your investment time horizon and other factors.
- How much risk may be appropriate for you to take to reach your long-term financial goals.

A clear understanding of these can help you avoid what may be the biggest risk of all: not achieving your long-term financial goals.

**Understanding Your Risk Tolerance**

1. **How concerned are you about inflation?**
   
   Investing involves trade-offs and prioritizing your goals. Stocks typically have more volatility (larger swings in value) than bonds but offer greater growth potential to keep up with inflation. The value of cash and fixed income may not change as much over time, but typically these investments have higher inflation risk (the risk that your money will buy less in the future). Select the statement you most agree with regarding volatility and inflation.

   - **A.** My goal is to minimize swings in portfolio value, even if growth does not keep pace with inflation.
   - **B.** My goal is for growth to at least keep pace with inflation, with the risk of modest swings in portfolio value.
   - **C.** My goal is for growth to exceed inflation, with the risk of modest to larger swings in portfolio value.
   - **D.** My goal is for growth to significantly exceed inflation, with the risk of larger swings in portfolio value.

2. **Which statement best describes your investment objectives for this portfolio?**

   - **A.** **Income:** I want a portfolio designed to generate more consistent, but most likely lower, returns year to year, with a primary focus on current income. I want a low level of volatility and risk of loss, if possible.
   - **B.** **Growth and Income:** I prefer a portfolio that balances my growth objectives with my income needs. I prefer a portfolio with modest amounts of portfolio volatility and risk of loss over time.
   - **C.** **Growth:** I am willing to accept investments with a higher degree of volatility and risk of loss in exchange for the potential for achieving higher average returns over time.
3. How comfortable are you with volatility?  

The chart shows the potential range in values during a given year for three hypothetical portfolios, based on an initial value of $100,000. In general, which portfolio most aligns with your return objectives and comfort with volatility?

### Portfolio A
- Lower volatility, lower return potential
- Possible range: $80,000 to $150,000

### Portfolio B
- Moderate volatility, moderate return potential
- Possible range: $70,000 to $135,000

### Portfolio C
- Higher volatility, higher return potential
- Possible range: $60,000 to $160,000

4. In general, which of the following statements best describes your thoughts regarding the trade-off between returns and volatility?

A. When investing, I am more concerned about my portfolio losing value. The return achieved is of secondary importance.

B. The potential for loss is of equal importance as the return achieved.

C. I am most focused on the return potential, and the potential for losses is of secondary importance.

5. In general, there have been several periods in market history in which the value of the market has dropped 25% or more in a year. If the value of your portfolio fell from $200,000 to $150,000 (25%) in one year, how would you react?

A. I would move my money to different investments to reduce the potential for future losses.

B. I would be concerned about the portfolio and would consider moving into different investments if the losses continued.

C. I would leave my money where it is and continue according to my long-term strategy.

D. I would leave my money where it is and consider investing more.

6. The table below shows hypothetical long-term returns, as well as possible gains and losses in any one year, for three portfolios. Given your return objectives and tolerance for volatility, which portfolio would you be most willing to invest in?

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Long-term Average Return</th>
<th>Possible Gain in One-Year Period</th>
<th>Possible Loss in One-Year Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio A</td>
<td>4%</td>
<td>15%</td>
<td>-10%</td>
</tr>
<tr>
<td>Portfolio B</td>
<td>6%</td>
<td>25%</td>
<td>-20%</td>
</tr>
<tr>
<td>Portfolio C</td>
<td>8%</td>
<td>35%</td>
<td>-30%</td>
</tr>
</tbody>
</table>
Risk Tolerance Questionnaire

Name: _______________________________

**Determining Your Risk Tolerance**

Please enter the answers from the previous six questions into the corresponding boxes on the right and total the points. The highest points are awarded to the most aggressive answer choice. The risk tolerance score ranges from zero (most conservative) to 100 (most aggressive).

**Interpreting your results**

Take the risk tolerance score totaled in the first table and locate it in the second table. This will help identify your overall comfort level with risk.

Based on your risk tolerance and time horizon, we recommend a Portfolio Objective for your goals (such as Retirement) and for each account you hold for that goal (such as your IRA).

Below we highlight our guidance for a retirement goal, which should serve as a starting point as we personalize an investment strategy for your retirement. Since each of your goals may have a different time horizon, the recommended Portfolio Objective for each goal may vary. We should also discuss other factors, such as specific purposes for an account, which could also cause your Portfolio Objective to vary.

<table>
<thead>
<tr>
<th>Your Answer</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Answer Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>5</td>
<td>12</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2</td>
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<td>6</td>
<td>0</td>
<td>8</td>
<td>17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**

**Risk Tolerance Scale**

- 80–100: High
- 60–79: Medium to High
- 40–59: Medium
- 19–39: Low to Medium
- 0–18: Low

**Portfolio Objective Guidance Table: Retirement Goal**

<table>
<thead>
<tr>
<th>Investor Risk Tolerance</th>
<th>Accumulation Years (Preparing for Retirement)</th>
<th>Distribution Years (Living in Retirement)</th>
<th>Retirement Time Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26+ Years Until Retirement</td>
<td>16-25 Years Until Retirement</td>
<td>15 Years or Less Until Retirement</td>
</tr>
<tr>
<td><strong>Early Investing Years</strong></td>
<td>Growth Focus</td>
<td>Growth Focus</td>
<td>Growth Focus</td>
</tr>
<tr>
<td><strong>Good Earnings Years</strong></td>
<td>Growth Focus</td>
<td>Growth Focus</td>
<td>Growth Focus</td>
</tr>
<tr>
<td><strong>High Income and Savings Years</strong></td>
<td>Growth Focus</td>
<td>Balanced toward Growth</td>
<td>Balanced toward Growth</td>
</tr>
<tr>
<td><strong>Late Retirement Years</strong></td>
<td>Balanced toward Growth</td>
<td>Balanced Growth &amp; Income</td>
<td>Balanced Growth &amp; Income</td>
</tr>
</tbody>
</table>

**Note:** Age 70 is the oldest possible retirement age for Portfolio Objective guidance purposes.