# Risk Tolerance Assessment

## Private and Confidential

Client 1 ________________________________

Client 2 ________________________________

Adviser ________________________________

Address ________________________________

### Important Notice to Clients

In order for us to provide financial planning advice to you, we need to have a reasonable basis for that advice. The information requested in this Client Profile is one of the tools we use to establish a basis for the advice we will provide. It is therefore important for you to complete this document as accurately and fully as possible. Failure to do so could result in advice being provided that is not appropriate to your individual needs, circumstances and objectives.

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# Determining Your Investment Risk Profile

When investing it is important that you consider the level of risk as well as the return on an investment in view of your circumstances and investment goals. Risk means different things to different investors. For some, investment risk means the likelihood of a loss of capital, while for others it is the level of volatility of an investment, or the risk of an asset not producing enough to live on.

This Investment Risk Profile questionnaire has been designed to assist you in making an investment decision. It asks some questions regarding your goals, time frames and comfort with investments to provide a guide to your investor profile. Your investor profile then determines a benchmark asset allocation for your investments. Please complete the questions below by choosing the answer which most closely describes you.

**1. For how long would you expect most of your money to be invested before you would need to access it?**

- ☐ Less than 12 months — 10
- ☐ Between 1 and 3 years — 20
- ☐ Between 3 and 5 years — 30
- ☐ Between 5 and 7 years — 40
- ☐ Longer than 7 years — 50

Score

**2. If you consider current interest rates what overall level of return (after inflation) do you reasonably expect to achieve from your investments over the period you wish to invest for?**

- ☐ A reasonable return without losing any capital * — 10
- ☐ 1-3% — 20
- ☐ 4-6% — 30
- ☐ 7-9% — 40
- ☐ Over 9% — 50

Score

**3. Assuming you had no need for capital, how long would you allow a poorly performing investment to continue before cashing it in (assuming the poor performance was mainly due to market influences)?**

- ☐ You would cash it in if there was any loss in value* — 0
- ☐ Less than 1 year — 10
- ☐ Up to 3 years — 20
- ☐ Up to 5 years — 30
- ☐ Up to 7 years — 40
- ☐ Up to 10 years — 50

Score

**4. How familiar are you with investment markets?**

- ☐ Very little understanding or interest — 10
- ☐ Not very familiar — 20
- ☐ Have had enough experience to understand the importance of diversification — 30
- ☐ I understand that markets may fluctuate and that different market sectors offer different income, growth and taxation characteristics — 40
- ☐ I am experienced with all investment classes and understand the various factors that may influence performance. — 50

Score

**5. There is generally a greater tax efficiency when investing in more volatile investments. With this in mind, which of the following would you be more comfortable with?**

- ☐ Preferably guaranteed returns, ahead of tax-savings — 10
- ☐ Stable, reliable returns with minimal tax savings — 20
- ☐ Some variability in returns, some tax savings — 30
- ☐ Moderate variability in returns, reasonable tax savings — 40
- ☐ Higher variability but potentially higher returns, maximising tax savings — 50

Score

6. **What would your reaction be if six months after placing your investments, you discovered that due mainly to market conditions your portfolio had decreased in value by 20%?**

| | | |
|---|---|---|
| ☐ | Horror – Security of your capital is critical and you do not intend to take risks.* | 10 |
| ☐ | You would cut your losses and transfer your funds to more secure investment sectors. | 20 |
| ☐ | You would be concerned, but would wait to see if the investments improve. | 30 |
| ☐ | This was a risk you understood – you would leave your investments in place expecting performance to improve. | 40 |
| ☐ | You would invest more funds to take advantage of the lower unit/share prices expecting future growth. | 50 |

Score

7. **Which of the following best describes your purpose for investing?**

| | | |
|---|---|---|
| ☐ | You have an investment time frame of over 5 years. You understand investment markets and are mainly investing for growth to accumulate long-term wealth, or are prepared to use aggressive investments to provide income. | 50 |
| ☐ | You are not nearing retirement, have surplus funds to invest and are aiming to accumulate long term wealth from a balanced portfolio. | 40 |
| ☐ | You have a lump sum (eg inheritance or a superannuation rollover payment from your employer) and you are uncertain about what sort of investment alternatives are available. | 30 |
| ☐ | You are nearing retirement and you are investing to ensure you have sufficient funds available to enjoy your retirement. | 20 |
| ☐ | You have some specific objectives within the next 5 years for which you want to accumulate sufficient funds. | 20 |
| ☐ | You want to provide a regular income and/or totally protect the value of your investment capital.* | 10 |

Score

Your Score here determines your Investor Risk Profile. An explanation of the profile in relation to your score is detailed over page and will also be provided as part of your written recommendation.

Total Profile

*** If you have answered this question and your total profile score is greater than 100, then detail in the notes below your preference for a greater return against your preference for the protection of your investment capital.**

## Notes

| Investor Profile | Benchmark Asset mix** |
|---|---|
| **Very Conservative "Cash" (0-100 Points)**<br>May be suitable for investors with a short-term investment horizon or a very low tolerance for risk, seeking a return similar to cash rates. | 100% Cash |
| **Conservative "Fixed Interest" (101-140 Points)**<br>May be suitable for investors with an investment horizon of at least 3 years and a low risk tolerance, seeking higher than cash returns over the investment timeframe. | 100% Defensive |
| **Moderately Conservative "Capital Stable" (141- 170 Points)**<br>May be suitable for investors with an investment horizon of at least 3 years and a low to moderate risk tolerance, seeking regular income and the opportunity for some growth over the investment timeframe. | 70% Defensive<br>30% Growth |
| **Moderate "Conservative Growth" (171-200 Points)**<br>May be suitable for investors with an investment horizon of at least 3-5 years and a moderate risk tolerance, seeking a mix of income and growth over the investment timeframe from a well-diversified portfolio. This strategy suits investors aiming for a return higher than what is likely from a portfolio dominated by defensive assets but who want lower volatility than what a share fund would likely generate. | 50% Defensive<br>50% Growth |
| **Assertive "Balanced" (201-250 Points)**<br>May be suitable for investors with an investment horizon of at least 5 years and a moderate risk tolerance, seeking more growth than income over the investment timeframe. This strategy suits investors aiming for a return higher than what is likely from a more defensive portfolio but who want lower volatility than what a share fund would likely generate. | 30% Defensive<br>70% Growth |
| **Moderately Aggressive "Growth" (251- 300 Points)**<br>May be suitable for investors with an investment horizon of at least 5-7 years and a moderate to high risk tolerance, seeking a high exposure to growth assets. | 15% Defensive<br>85% Growth |
| **Aggressive "Share" (301-350 Points)**<br>May be suitable for investors with an investment horizon of at least 7 years and high risk tolerance, comfortable with a share portfolio dominated by Australian and international shares. | 100% Growth |

** This demonstrates the benchmark Defensive/Growth asset mix for each investor profile. Defensive assets, such as cash and fixed interest are expected to grow at a slower rate over the longer term but are expected to experience less volatility. Growth assets, such as property and shares have historically grown at a rate greater than inflation over time and usually produce higher returns than defensive assets but can also demonstrate greater volatility in the short term.

### Acknowledgement

I/ we hereby acknowledge that the concept of risk has been explained and that the above Investor profile is consistent with my/our risk requirements and profile.

Client Name (Print) ______________________________

Signed: ______________________________ Dated: __________________________

Client Name (Print) ______________________________

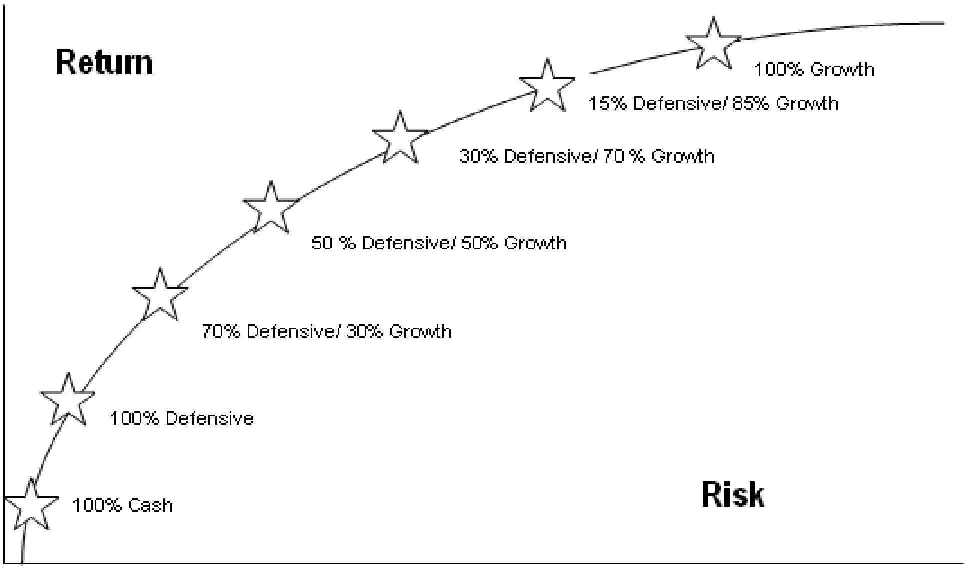
Signed: ______________________________ Dated: __________________________

# Risk & return discussion tools

Having an understanding of what you want your investments to achieve is an important part of the financial planning process.

You must be rational and ensure that your investments assist you in achieving your goals. To do this you must focus on **objective** and **time frame**.

**Risk Profile: Spectrum of Return/Risk (for illustrative purposes)**




**Performance of Asset Classes 2001 - 2015**

| Calendar Year | Cash | Australian Fixed Interest | International Fixed Interest | Listed Property | Australian Shares | International Shares |
|---|---|---|---|---|---|---|
| 2001 | 5.3 | 5.5 | 8.3 | 14.6 | 10.5 | -10.0 |
| 2002 | 4.8 | 8.8 | 11.6 | 11.8 | -8.6 | -27.4 |
| 2003 | 4.9 | 3.1 | 6.6 | 8.8 | 15.0 | -0.8 |
| 2004 | 5.6 | 7.0 | 8.9 | 32.0 | 27.9 | 9.9 |
| 2005 | 5.7 | 5.8 | 3.8 | 12.5 | 22.5 | 16.8 |
| 2006 | 6.0 | 3.1 | 5.4 | 34.0 | 24.5 | 11.5 |
| 2007 | 6.8 | 3.5 | 6.6 | -8.4 | 16.2 | -2.6 |
| 2008 | 7.6 | 15.0 | 9.2 | -54.0 | -38.9 | -24.9 |
| 2009 | 3.5 | 1.7 | 8.0 | 7.9 | 37.6 | -0.3 |
| 2010 | 4.7 | 6.0 | 9.3 | -0.4 | 1.9 | -2.0 |
| 2011 | 5.0 | 11.4 | 10.5 | -1.5 | -11.0 | -5.3 |
| 2012 | 4.0 | 7.7 | 9.7 | 33.0 | 19.7 | 14.1 |
| 2013 | 2.9 | 2.0 | 2.3 | 7.1 | 19.7 | 48.0 |
| 2014 | 2.7 | 9.8 | 10.4 | 27.0 | 5.3 | 15.0 |
| 2015 | 2.3 | 2.6 | 3.4 | 14.3 | 2.8 | 11.8 |
| **Best 1 year return** | **7.6** | **15.0** | **11.6** | **34.0** | **37.6** | **48.0** |
| **Worst 1 year return** | **2.3** | **1.7** | **2.3** | **-54.0** | **-38.9** | **-27.4** |
| **15 year average return** | **4.8** | **6.2** | **7.6** | **9.3** | **9.7** | **3.6** |

**Indices Used**
Bloomberg AusBond Bank Bill Index (formerly the UBS Bank Bill Index)
Bloomberg AusBond Composite 0+ Yr Index (formerly the UBS Composite Bond All Maturities Index)
Barclays Capital Global Aggregate Index (Hedged into A$)
S&P/ASX 200 A-REITs Accumulation Index
S&P/ASX 300 Accumulation Index (All Ords before 1/4/2000)
MSCI World ex-Australia NET WHT

Source: Mercer, Morningstar

*** Illustrative purposes only. It is important to note that past performance is no indication of future performance.**

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## Notes