# Risk Questionnaire

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# Questions

The first and most important step in preparing a tailored financial plan and investment strategy is to ensure we have a complete understanding of your experience with investing, comfort towards the various risks and the reasons you wish to invest. As financial advisers, we have a requirement to ensure any advice we provide is in your best interests and is suited to your situation and expectations. As a first step in the information gathering process, we request that you complete the attached questionnaire to the best of your knowledge.

It is important to keep in mind that our assessment of appropriate strategies and investments does not come solely from the completion of this questionnaire, but takes into consideration our discussions and an assessment of the way you answer various questions. In the sections that follow we have included a number of questions that address both your experience and comfort with investing into various assets as well as providing some real-life situations to determine how you are likely to react should these events occur in the future. We understand that your comfort with risks and the reasons why you invest change over time, as a result, we view this questionnaire as a starting point and an evolving document that will change over time.

## Lifestyle & Experience

**1. Which of the following best describes your current stage of life?**

☐ Younger couple without children. You are planning for the future by establishing a home, either attempting to get into the property market or continuing to rent. You spend a substantial amount of your income on household and discretionary items and are planning on a property purchase soon.

☐ Young (under 40) family who own a home. You have a mortgage and your costs are increasing. You may be living off a single income and maintain only small cash balances.

☐ Mature family. You are likely in your peak earning years and your mortgage is under control. You are receiving two incomes; most school fees have passed and your children have grown up. You are ready to accelerate your investment and savings strategy and are thinking about your retirement.

☐ Transitioning to retirement. You own your own home, you have less financial burdens and a substantial savings capacity. You want to ensure you have the strategies in place to ensure a comfortable retirement.

☐ Retired. You are fully retired and rely on either accumulated funds or investments to fund your lifestyle. You may be receiving a superannuation or government pension and are focused on securing your income over a long period of time.

**2. How secure is your current and future income from sources such as salary, pensions or other investments?**

☐ Not secure.
☐ Somewhat secure
☐ Fairly secure.
☐ Very secure.

**3. How familiar are you with investment matters?**

☐ Not familiar at all with investments and feel uncomfortable with the complexity and options.

☐ Not very familiar when it comes to investments.

☐ Somewhat familiar. You don't fully understand investments, including the sharemarket.

☐ Fairly familiar. You have a basic understanding of the various factors which influence investment performance.

☐ Very familiar. You have used research and other information to make investment decisions. You understand the various factors which influence investment performance.

**4. What sort of assets have you invested into previously, or would be willing to consider in the future: (two columns):**

*i) I have invested previously into:*

☐ Mortgage Trusts
☐ Term Deposits
☐ Bonds – Corporate or Government
☐ Preference Shares
☐ Managed Funds
☐ Direct Property, Residential or Commercial
☐ Private Equity
☐ Unlisted Property Syndicates
☐ Smaller Companies (<$1bn)
☐ International shares – Direct
☐ Australian shares - Direct
☐ Venture Capital
☐ Absolute return funds

*ii) I would be willing to consider investing into the following assets, in the future:*

☐ Mortgage Trusts
☐ Term Deposits
☐ Bonds – Corporate or Government
☐ Preference Shares
☐ Managed Funds
☐ Direct Property, Residential or Commercial
☐ Private Equity
☐ Unlisted Property Syndicates
☐ Smaller Companies (<$1bn)
☐ International shares – Direct
☐ Australian shares - Direct
☐ Venture Capital
☐ Absolute return funds

**5. 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.**

☐ Yes; or
☐ No
If *Yes*, how much?

**6. Which of the following choices best reflects your attitude toward inflation and risk?**

☐ I want to avoid all losses, and understand I may only just keep pace with inflation.

☐ I want to achieve returns that are higher than inflation but only take on a low level of risk.

☐ I want to achieve higher returns and accept some level of short-term losses. I am, however, not comfortable with large losses (exceeding 20%).

☐ I want to maximise investment returns at all costs and am willing to accept the large potential losses associated with seeking higher returns.

**7. How long would you invest the majority of your money before you think you would need access to it? (Assuming you already have plans in place to meet short term cashflow and/or emergencies.)**

☐ In 2 years or less.
☐ Within 3 - 5 years.
☐ Within 6 - 10 years.

# Risk Tolerance & Expectations

☐ Not for 10 + years.

**8. When you think of the word risk, which of the following words come to mind first?**

☐ Loss
☐ Opportunity

**9. The long-term returns of your portfolio will be driven by your allocation between low risk, Capital Stable Assets, and Risky, or market-linked assets. As result it is important to understand the expectations you have regarding the total return of your portfolio. What is your expected annual return? (Please note, the 10-year average inflation rate is currently 2.4%).**

☐ No loss of capital

☐ CPI + 1% (Total Return = 3.4%)

☐ CPI + 1.5% (3.9%)

☐ CPI + 3.0% (5.4%)

☐ CPI + 5.0% or more (7.4%)

**10. Assume you had an initial investment portfolio worth $100,000. If, due to market conditions, your portfolio fell to $85,000 within a short period, say a month, would you:**

☐ Sell your entire portfolio? You did not intend to take risks of this magnitude.

☐ Sell only a portion of your portfolio, cut your losses and reinvest into less volatile investment assets?

☐ Do nothing and wait for performance to improve?

☐ Increase your holding in the investment to lower your average purchase price?

**11. If the value of your investments then fell to $60,000 over the next 12 months, would you:**

☐ Sell your entire portfolio?

☐ Sell only a portion of your portfolio?

☐ Do nothing and wait for performance to improve?

☐ Increase your holding in the investment to lower your average purchase price? You can tolerate short-term losses in return for the potential of future growth.

**12. Suppose a relative left you an inheritance of $100k, stipulating that you invest in ONE of the following choices. Which one would you choose?**

☐ A bank account or term deposit

☐ A managed investment of shares and/or property

☐ A portfolio of listed Australian and overseas shares

☐ A combination of the above.

**13. 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?**

| | A | B | C | D | E |
|---|---|---|---|---|---|
| Best Case | $110,593 | $112,870 | $116,916 | $122,386 | $124,283 |
| Expected Case | $105,470 | $106,500 | $107,290 | $108,040 | $108,385 |
| Worst Case | $95,771 | $94,169 | $88,929 | $81,743 | $79,228 |

**14. If you had the option of choosing between the following two investments, which for comparisons sake hold identical assets, which would you invest into:**

☐ An asset offering daily access to your capital, but also experiencing daily price fluctuations, and offering a yield of 5% per annum;

☐ An asset offering only quarterly access to your capital, monthly price fluctuations and a yield of 9% per annum.

**15. What type of investor would you describe yourself as?**

☐ Prudent: You are a conservative investor whose priority is the safeguarding of your current investment capital over the desire for increasing potential returns.

☐ Wary: You are a wary investor primarily seeking income with some potential for capital growth. You prefer a low level of investment value volatility and are willing to accept lower potential investment returns.

☐ Consistent: You are a balanced investor with some understanding of investment market behavior. You prefer a balance between capital growth and capital security and consistent returns. You are prepared to accept some short-term risk in order to gain longer term capital growth.

☐ Engaged: You are an engaged investor who understands the movement of investment markets. You are most interested in maximising long term capital growth, although you do not wish to make unbalanced investment decisions. You are happy to take calculated risks in order to maximise long term capital growth.

☐ Aggressive: You are an aggressive investor with a strong bias towards investments with high growth potential due to your investment experience. You are willing to accept higher performance fluctuations in return for potentially higher long-term capital growth. You also have a greater focus on the leveraging of your assets to further improve capital growth potential and are willing to accept some illiquidity for higher returns.

**16. Please indicate your level of concern in relation to each of the following factors on the sliding scale provided: (1-10)**

a. Volatility in the daily value of your portfolio

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

b. Drawing an income from your investments

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

c. Growing the value of your portfolio

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

d. Retaining quick access to your capital

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

e. Transparency into the underlying investments

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

f. Keeping fees to a minimum

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

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