Personal Risk Tolerance Assessment

Important

Before making any personal recommendations, we must have reasonable grounds on which to base these recommendations. This means that we must ask you about your current situation, your investment goals, your particular needs and personal goals and aspirations. The information we collect in this form is necessary to enable us to make appropriate recommendations for you and will be used solely for that purpose.

You also need to take responsibility for providing accurate information to allow me to provide suitable advice. Where you choose not to provide information and still request that we provide advice, you need to understand that the advice we provide may not meet your needs or goals. If you do not know the answer to any question, we will assist you to complete it at your interview. We have included an instruction sheet to help you fill out this form.

The information we collect will be kept on your file in a secure manner. We may need to provide some of your personal information to other parties, typically fund managers, insurance providers and our compliance officer. We may also be required to provide your file to the Australian Securities and Investment Commission as part of their regulatory responsibility to monitor and review the way we provide advice to you.

You may have a copy of this form and can review your file should you wish to do so.

Client Name ______________________________________

Adviser ______________________________________

Date ____________________

FSG & Privacy Statement
given / sent to client on

I agree that for the purpose of providing me with personal financial planning advice that my risk tolerance assessment is:

Client 1 Name ______________________________________

Client Signature ________________________ **Date** ___/___/_____

Client 2 Name ______________________________________

Client Signature ________________________ Date ___/___/___ ___

Instructions

While many people think of investment risk as a loss of value (or income) in their investments, we define risk as price volatility—that is a drop in value (or income) of an investment, specifically in the shorter term.

Investment assets are divided into two categories depending on the type and security of their return. Defensive assets (cash and fixed interest) provide security of income (although there may be variability in the level of the income) but generally do not have a growth component. Pure growth assets do not provide an income stream, but are expected to provide high levels of capital growth. Most growth assets, such as shares and investment property pay some level of income (often with taxation benefits) and are also expected to provide capital growth over the mid- to longer-term.

Peoples' attitude towards investment risk is often broken down into general categories that reflect their risk tolerance as compared to other peoples' risk tolerance. This risk tolerance assessment will help your adviser discuss your ability to accept asset price volatility in order to achieve specific investment goals and place you within a general risk tolerance group. Using that grouping and your individual needs and goals, an asset allocation for your investment portfolio will be discussed with you and a final indicative asset allocation will be determined.

The categories that we use are:

❖ **Defensive** investors wish to eliminate all investment price volatility in favour of guaranteed security of their investment. They understand that the trade-off they make is their returns will be related to that of cash investments. They also need to understand that while their capital is secure; their rate of return may vary. **100% Defensive Assets**

❖ **Conservative** investors are willing to accept a measured amount of price volatility in expectation of slightly higher long-term returns. One of their goals is to ensure their investments at least keep pace with inflation so that the value of their investments retains its buying power. They do not expect negative returns. **80% Defensive Asset, 20% Growth Assets**

❖ **Moderately Conservative** investors are more comfortable with price volatility and are willing to accept the possibility of a modest loss in capital value in the medium-term. Over the long-term these investors expect that their growth assets will provide sufficient returns so that their total return will exceed inflation. This means that the real value of their portfolio will grow over time**. 60% Defensive Assets, 40% Growth Assets.**

❖ **Balanced** investors seek a higher level of growth and perhaps some tax effective returns from their portfolio, but they wish to have their growth assets 'balanced' by some defensive assets in order to manage the volatility of their total portfolio. They are willing to accept some short-term risk in order to achieve higher medium to longer term returns. **40% Defensive Assets, 60% Growth Assets**

❖ **Assertive** investors generally have had more experience in investing and understand and are willing to accept a higher level of price volatility when seeking higher returns. They are willing to accept calculated risks in their investments as long as the probability of achieving higher returns is realistic. Assertive investors generally hold a modest level of defensive assets to smooth year-to-year returns. **20% Defensive Assets, 80% Growth Assets**

❖ **Aggressive** investors are generally experienced in investment markets and are willing to take a high level of risk in the short term when seeking high levels of long-term returns. They tend to be fully invested in growth assets and may have significant holdings in what are considered speculative investments. **100% Growth**

Indicative Portfolios

To provide you with an understanding of how a risk tolerance assessment leads to possible asset allocation decisions, we provide you with an example of a portfolio developed for each of the six risk tolerance groupings listed above:

	Cash	Fixed Interest	Property	Australian Equities	International Equities	Defensive Assets	Growth Assets
Defensive	10%	90%	-	-	-	100%	-
Conservative	10%	70%	5%	10%	5%	80%	20%
Moderately Conservative	5%	55%	10%	20%	10%	60%	40%
Balanced	5%	35%	10%	30%	20%	40%	60%
Assertive	5%	15%	10%	40%	30%	20%	80%
Aggressive	-	-	10%	50%	40%	-	100%

As you can see, as the risk tolerance categories indicate clients are willing to take on additional risk seeking to increase their returns, the percentage of money invested in cash and fixed interest (Defensive Assets) decreases and the percentage of money invested in property, Australian Equities and International Equities (Growth Assets) increased.

Your Risk Tolerance Assessment

There are a number of questions listed below and we have provided some possible answers to each question. Please read each question carefully and consider what your answer would be. Then read the provided answers and select the one or more that most closely matches the answer you would have given. There are no correct or incorrect answers.

Please note that your answers are not scored. This risk tolerance assessment is not used to automatically define an investment portfolio for you, but rather as a means of discussing a number of issues with you, so that we come to an agreement on your attitude towards investment risk. Once that agreement is reached, we will discuss the types of assets that are appropriate for you and develop a portfolio that invests in these assets according to your ability to accept investment risk.

There may be times when, in order to achieve your investment goals, you will need to agree to accept a portfolio that has a higher allocation to growth assets than you would be most comfortable with. Where this is the case, the situation will be fully discussed with you and other risk management tools will be used to manage your total portfolio price volatility as much as possible, consistent with your need to achieve higher levels of investment return.

There is a Glossary of Terms at the end of this questionnaire.

	Question	Selection of Answers	Your Selection
1	If you won $25,000, what would you do with it?	A. Pay off some debt B. Make some needed purchases C. Put into my bank savings account D. Put into my superannuation E. Buy some shares F. Take a vacation	
2	Inflation—an increase in the cost of the things you buy—can mean that your savings will not purchase the same amount of goods and service that it currently would. However, to combat inflation, you may need to invest your money in a portion of potentially volatile growth assets.	A. I would prefer to not keep up with inflation rather than risk taking a loss on my savings. B. I would prefer to keep up with inflation, taking as little investment risk as possible. C. It is important that my investments grow somewhat faster than inflation so that the real value of my portfolio continues to grow. I am willing to accept a moderate amount of price volatility to achieve this. D. It is important that I create significant wealth. I am happy to accept price volatility in order to create long-term wealth	
3	Inflation—an increase in the cost of the things you buy—can mean that your savings will not purchase the same amount of goods and service that it currently would. However, to combat inflation, you may need to invest your money in a portion of potentially volatile growth assets.	A. I would not be interested in strategies to lower my tax liability if it means taking additional risk. B. I would consider investing some of my money in well managed companies to receive tax effective income. C. I would consider investing a large portion of my money in well managed companies and property. D. I would consider borrowing money to fund a larger portfolio than I can afford myself to obtain high levels of tax effective income and growth, even if it means taking a large measure of investment risk. E. I would consider investing in schemes that look to provide significant tax advantages.	
4	The ability to turn your savings and investments into cash rapidly is called Liquidity.	A. I want to be able to access all of my personal savings within 24 hours B. I want to be able to access at least 50% of my personal savings within 24 hours C. As long as I have $10,000 in an emergency fund, I would be happy to invest for a 3 to 5 year period. D. As long as I have $10,000 in an emergency fund, I would be happy to invest with a long-term horizon (5 years plus)	

	Question	Selection of Answers	Your Selection
5	Your investments can provide different levels of income and growth.	A. I need my investments to provide a high level of income B. I need my investments to provide a solid level of income and a small amount of long-term capital growth C. I need a balance between income and long-term growth D. I only need a moderate amount of income. I am more concerned to achieve long-term growth E. I do not require much income, preferring to general long-term capital growth from my investments.	
6	How interested are you in actively managing your investments?	A. I review my bank statements and my annual superannuation statements. B. I read all of my statements, all of the information that my superannuation fund sends me and the finance section of the newspaper. C. I have attended investment seminars and enjoy reading about finance. I have switched my superannuation investment options and have bought and sold managed funds D. I take active interest in my investments and have bought and sold shares E. I manage an active portfolio of shares and property and run my own superannuation fund.	
7	What drop in the value of your investments over a year would cause you to be concerned?	A. Any drop in value B. A 5% drop in value C. A 10% drop in value D. A 15% drop in value E. A 20% drop in value	
8	When it comes to making investment decisions, I would	A. Prefer not to make any decisions B. Prefer my financial adviser to make any decisions C. Prefer my financial adviser to discuss with me and help me make a decision D. Prefer my financial adviser to provide me with the facts and I will make the decision E. I make all investment decisions myself.	

	Question	Selection of Answers	Your Selection
9	How would you describe your current situation?	A. Single with few financial commitments, interested in increasing my wealth B. Single with significant debt and other commitments C. Married with few commitments and very little debt, looking to create long-term wealth D. Married with significant commitments, debt and requiring additional income E. Preparing for retirement F. Retired, self-funding and comfortable G. Retired, part or full pension, income does not meet my needs	
10	How familiar would you say you were with investment markets?	A. Very little understanding or interest B. Not very familiar C. Some experience outside of my superannuation D. I understand that markets may fluctuate and that different assets may offer different income, growth and taxation benefits. E. I am an active and experienced investor	
11	What would be your reaction be if your portfolio has dropped by 20% in the last 6 months?	A. Horror. Complain to my financial adviser and expect the loss to be made good B. I would be unhappy, sell my portfolio and invest it in more secure investments C. Recognise that investment markets can be volatile and keep your portfolio, expecting it to improve over the next 6 months D. Invest more money into your portfolio because there will be good buying opportunities	
12	Have you ever bought and sold Australian Shares?	A. No B. Received shares like AMP and NMRA shares, have kept them C. Received some shares (such as AMP, NMRA) and bought some others (i.e. Telstra). Have sold some to raise money D. Have bought and sold shares under recommendation from a stockbroker E. Actively manage my own share portfolio	
13	You may be able to borrow money from a bank or other lender to buy property or shares. Which would you consider?	A. Would not borrow to make an investment B. Might borrow to buy an investment property C. Might borrow to buy a share portfolio that is managed by an investment manager D. Might borrow to purchase direct shares E. Might purchase shares on a margin account	

	Question	Selection of Answers	Your Selection
14	Looking at the descriptions of the general risk tolerance categories and comparing yourself to other people, which category do you think best describes you?	A. Defensive B. Conservative C. Moderately Conservative D. Balanced E. Assertive F. Aggressive	
15	Your superannuation fund has 70% Australian shares and the rest is cash and fixed interest. What do you expect it to earn each year?	A. 5% B. 8% C. 10% D. 12% E. 15%	
16	If inflation is 2% and to have your investments earn more than this, you would have to take additional risk, what long-term return would you expect from your investment?	A. 2% B. 3% C. 5% D. 8% E. 10%	
17	If you have a long-term investment horizon, how long would you be comfortable holding under-performing investments before you sold them?	A. Will not accept any loss B. 6 months C. 1 year D. 2 y ears E. 4 years F. 5 years	
18	Which statement best describes your reasons for investing?	A. You want a regular income and/or total protection of your savings B. You are nearing retirement and are investing to support your lifestyle needs in retirement C. You have a sum of money (inheritance, winnings, superannuation payout) that you want to preserve the value of D. You have some short term goals that need to be met over the next 3-5 years E. You have surplus funds to invest and want a balance of income and growth F. You have a long-term investment horizon and are interested in increasing your personal wealth	

	Question	Selection of Answers	Your Selection
19	Over the past few years, which best describes your investment decisions?	A. Have made no investment decisions B. Have moved my superannuation savings to a lower risk option C. Have moved my personal investments to a lower risk option D. Have moved my superannuation savings/or my personal investments to a higher risk option E. Have moved both my superannuation savings and my personal investments to a higher risk option	
20	Would you want to change your investments in order to obtain a social security benefit?	A. No B. Only if it was a small change and the benefit was significant C. Yes, in order to maximise my total income D. No, I do not ever intend to require social security benefits	
21	People and property are subject to financial loss (due to illness, death, theft, fire, etc). How much insurance cover do you have?	A. Only compulsory B. Some on my property C. Property fully insurance, some personal insurance within my superannuation D. Property fully insured, some personal insurance within my superannuation and a level of cover held personally E. All of my assets, and personal insurance needs are fully covered	

Thank you for completing your assessment. Your financial adviser will discuss your answers with you as part of developing your financial plan.

Glossary of Terms

Some investment terms that you may want defined

Defensive Assets	Generally cash and fixed interest. However, you need to understand that while these investments generally do not have volatile prices, their income returns are generally low and can vary from time to time as interest rates change.
Ease of Management	How much time and effort you are willing to invest in managing your investments. The trade-off is generally the more complex your investments, the more time and effort you will need to invest.
Growth Assets	While these assets may pay an income stream and it may be tax advantaged, the main reason for investing in growth assets is to achieve growth in the value of the assets. This is at a cost, as growth assets (especially shares) tend to have a high level of price volatility.
Inflation	The change in the cost of goods and services over time not due to any real increase in value or quantity of the goods or services
Investment Horizon	For specific investment money, how long you can leave it invested before you require it to meet income needs. For example, you need to have a rather long investment horizon to invest in shares as they are generally recommended as a 7 – 10 year investment.
Investment Risk	A number of risks are associated with investment in different assets. For example, a company may not pay a dividend and thus you would not receive income from your share holding for that year.
Liquidity	The time it takes to convert your assets into cash without taking a penalty for doing so.
Probability	The likelihood that an event will happen. With a defensive asset, the probability that you will get your investment return is high, but the return is low. For growth assets, the probability that you will get your investment return is not so high, but if you do, the return will be high.
Returns	When you save or invest money you expect to receive value in return, usually income or a combination of income, growth and taxation benefits.
Risk Tolerance	Your ability to accept volatility in your investment asset's price as you seek higher long-term returns.
Security	Generally means that you do not want any loss to occur in your investments and would prefer to forego growth opportunities to maintain you investment value
Strategy	A strategy is a set of structural and investment ideas that work together to provide specific outcomes. Strategies can add to or lower the risks associated with investing in certain assets.
Volatility	The rapid swing in investment value generally associated with investing in shares

Complete this section with your adviser

Risk Tolerance worksheet

Question	Defensive	Conservative	Moderately Conservative	Balanced	Assertive	Aggressive
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Other Factors

Factor	Variance to Self-Assessment	Discussion
Current Superannuation Asset Allocation		
Previous Superannuation Asset Allocation		
Current Investment Asset Allocation		
Past Investment Experience		
Short-term Financial Concerns		
Short –term Personal Concerns		
Investment Horizon Issues		
Other Issues		

Summary of Discussion

I agree that for the purpose of providing me with personal financial planning advice that my risk tolerance assessment is:

Client 1 Name ______________________________

Client Signature ______________________________ Date ___/___/______

Client 2 Name ______________________________

Client Signature ______________________________ Date ___/___/___ ___