Risk Tolerance and Return Requirements Questionnaire

Name: ______________________________

Date: ______________________________

Joe Advisor
jadvisor@yourcompany.com

Suite 123, 1234 West Georgia Street
Vancouver, B.C., V7Z 2L5
Phone: 604-123-4567
Fax: 604-123-6789

Your Company Logo Here

Choosing Your Portfolio

When constructing a portfolio, there are two main objectives — **risk tolerance** and **return requirements**. These two objectives pull in opposite directions since most people want a high return with low risk. Unfortunately a higher return usually means higher risk. Because of this conflict, creating a portfolio is often a struggle between the risk you are willing to assume and the return you need to achieve your financial goals. As such, the following questionnaire will help Joe assess your risk tolerance and return requirements so he can work with you to make a better choice of investments for your portfolio.

Your Risk Assessment

The best place to start in setting up your portfolio is to assess your risk tolerance. The following ten questions will be used to gauge your risk tolerance and, possibly, provide a counterbalance to the return you will need to achieve in your portfolio. There are no right or wrong answers in this questionnaire — just circle the answer which best indicates how you feel.

Question 1

Do you worry about what is happening with your investments?

(1) Often

(2) Sometimes

(3) Rarely

Question 2

What would you consider to be the riskiest type of investment you have purchased over the last few years?

(1) I have not purchased any investments in the last few years.

(2) GICs, Canada or Provincial Savings Bonds.

(3) Bonds (other than Savings Bonds).

(4) Mutual Funds / Segregated Funds.

(5) Exchange Traded Funds.

(6) Individual Stocks.

(7) Futures and/or Options.

Question 3

Which of the following statements would you feel most correctly describes your investment philosophy?

(1) I cannot accept any loss in the money I invest.

(2) I prefer to invest in safer, lower return investments.

(3) I am willing to tolerate some ups and downs in the value of my portfolio to achieve overall higher returns in the long run.

(4) My main interest is high, long-term returns and I am not concerned about short-term decreases in my portfolio.

Question 4

If your investment portfolio dropped by 15% after investing for six months, how might you react?

(1) Immediately sell all the investments in my portfolio and transfer the money to another financial management company.

(2) Redefine my investment strategy, sell all my investments and move to a more conservative portfolio.

(3) Wait until market recovers, sell some of my investments, and move to a more conservative portfolio.

(4) Hold my current portfolio allocation and remain focused on my investment goals.

(5) Hold my current portfolio and possibly buy more investments at lower price in order to lower my average cost.

Question 5

How would you describe your flexibility in meeting your financial goals?

(1) I must meet my financial goals within my specific timeframe.

(2) I hope to meet my financial goals by my target date, but I do have some flexibility to wait 1 to 2 years longer than my original target dates to meet the specific dollar requirements.

(3) I understand that I may not achieve my financial goals. If I have not met my specific targets by the original target dates, I will not be overly concerned. I will re-evaluate my goals and either postpone the realization of that them to some future time or eliminate them altogether.

QUESTION 6

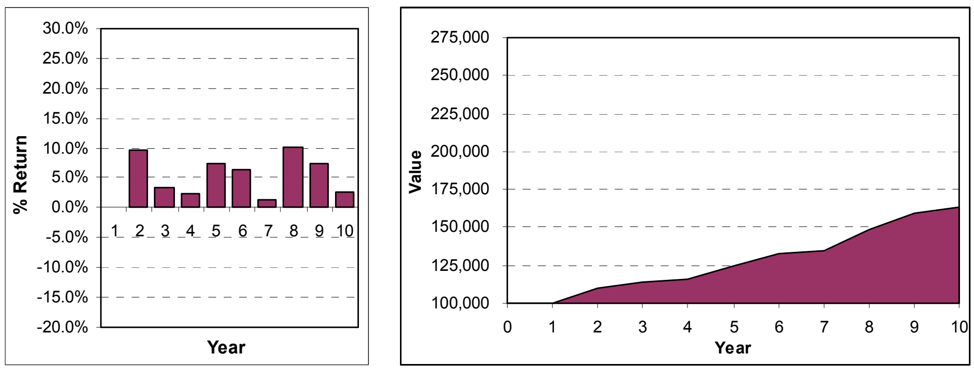
The charts below show annual rates of return earned by three hypothetical investment portfolios over a ten-year period. Each chart also shows the cumulative value of an initial lump sum deposit of $100,000 made at the beginning of year one through to the end of year ten. Given the fluctuation of the returns for these three portfolios and their ending values, which would you choose?

(1) Portfolio A with a 5% average annual return and ending value of about $163,000.

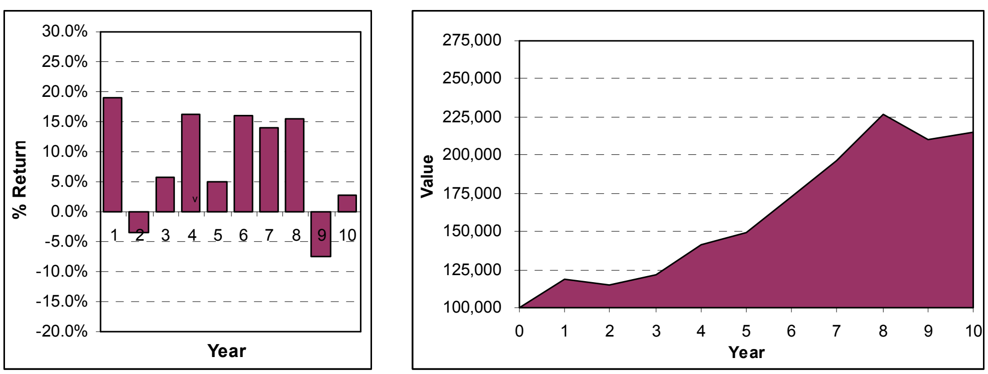
(2) Portfolio B with an 8% average annual return and ending value of about $215,000.

(3) Portfolio C with a 10% average annual return and ending value of about $258,000.

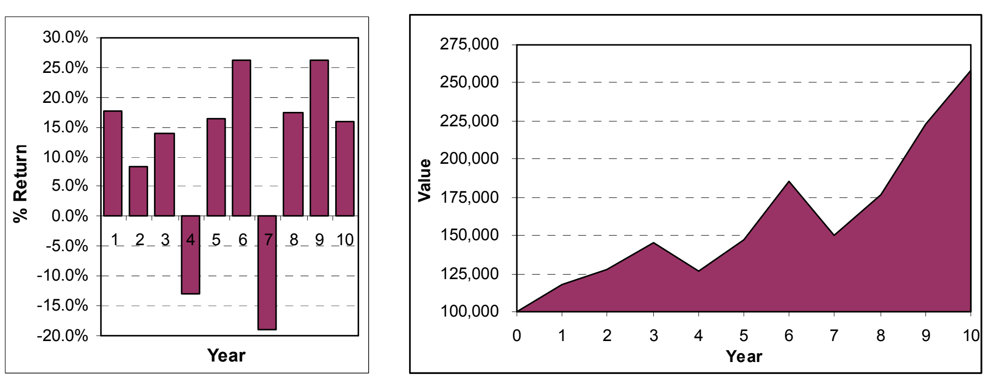
Portfolio A



Portfolio B



Portfolio C



Question 7:

Which statement best describes your investment knowledge?

(1) I have limited knowledge and rely exclusively on my financial advisor.

(2) I understand basic investment principles but I don't actively follow the financial markets.

(3) I have general understanding of financial markets and follow their progress occasionally.

(4) I have a good working knowledge of financial markets and follow the markets actively.

(5) I have considerable knowledge, manage my own portfolio, and follow the financial markets daily.

Question 8:

How do you feel about the risk of inflation eroding the purchasing power of your investment portfolio?

(1) I know prices are rising, but I am not overly concerned about prices changing in the future. These days, inflation is low enough not to be a serious concern.

(2) I am not concerned about inflation in the short term, but over the long term I am concerned.

(3) I am very concerned about the risk of inflation.

Question 9:

Keeping in mind that you are investing for the long term, the value of your investment portfolio will fluctuate with changes in the financial markets. If your portfolio decreases in value because of unfavourable market conditions, how many years are you willing to wait for your portfolio to recover its value?

(1) I'm not willing to experience any decrease in the value of my portfolio.

(2) I'm willing to wait up to 1 year for my portfolio to recover its value.

(3) I'm willing to wait 1 to 3 years for my portfolio to recover its value.

(4) I'm willing to wait 3 to 5 years for my portfolio to recover its value.

Question 10:

Would you use your savings in this investment portfolio to purchase items you require, or to help with unexpected expenses?

(1) Yes

(2) Maybe

(3) No

Your Return Requirements

Now that you have given Joe some indication of how you feel about risk, it is time to find out about your present financial situation and your specific financial objectives. The information you provide will be used to calculate the rate of return you need to achieve in order to make your financial objectives happen. This rate of return will also serve as a guide when choosing the portfolio of investments which will best enable you to achieve your financial objectives.

To fill out this part of the questionnaire, please enter all the information in ***today's*** dollars as it is difficult to consider the effects of inflation over the long term. If anything needs to take inflation into account, just mark "Yes" when asked if it is "Indexed to Inflation". If you need some assistance in filling this section out, please contact Joe and he would be pleased to assist you.

Current Financial Situation

Current Value of Investments	$ ____________
How much will you be adding each year?	$ ____________
For how many years will you be adding this money?	________ Year(s)
Will your annual additions be indexed to inflation?	Yes ____ No ____

Financial Objective 1

Retirement Income	____	Lump Sum or Annual Income Required	$ ____________
Children's Education	____		
Travel	____	Starting in How Many Years?	________ Years
Purchase Home	____		
Leave Estate	____	Lasting for How Long?	________ Year(s)
Other (please specify):	____		
____________________		Indexed to Inflation?	Yes ____ No ____

Financial Objective 2

Retirement Income	____	Lump Sum or Annual Income Required	$ ____________
Children's Education	____		
Travel	____	Starting in How Many Years?	________ Years
Purchase Home	____		
Leave Estate	____	Lasting for How Long?	________ Year(s)
Other (please specify):	____		
____________________		Indexed to Inflation?	Yes ____ No ____

Financial Objective 3

Retirement Income	____	Lump Sum or Annual Income Required	$ ____________
Children's Education	____		
Travel	____	Starting in How Many Years?	________ Years
Purchase Home	____		
Leave Estate	____	Lasting for How Long?	________ Year(s)
Other (please specify):	____		
____________________		Indexed to Inflation?	Yes ____ No ____

Financial Objective 4

Retirement Income	____	Lump Sum or Annual Income Required	$ ____________
Children's Education	____		
Travel	____	Starting in How Many Years?	________ Years
Purchase Home	____		
Leave Estate	____	Lasting for How Long?	________ Year(s)
Other (please specify):	____		
____________________		Indexed to Inflation?	Yes ____ No ____

Financial Objective 5

Retirement Income	____	Lump Sum or Annual Income Required	$ ____________
Children's Education	____		
Travel	____	Starting in How Many Years?	________ Years
Purchase Home	____		
Leave Estate	____	Lasting for How Long?	________ Year(s)
Other (please specify):	____		
____________________		Indexed to Inflation?	Yes ____ No ____

The Next Step. . .

Once you have completed this questionnaire, please return it to Joe. Your answers will be entered into a computer program which will assess your risk tolerance and determine the rate of return you will need to achieve your financial goals. Joe will then analyze the outcome and work together with you to choose the portfolio, and investments, which will best meet your needs.

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