

# RISK TOLERANCE QUESTIONNAIRE

*Personal Accounts*  
*Trusts*  
*IRA Rollovers*  
*Personal Foundations*

Client Name(s) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Advisor \_\_\_\_\_

Date \_\_\_\_\_

## RISK TOLERANCE QUESTIONNAIRE

TrueNorth uses a system made available by FinaMetrica Pty Ltd (FinaMetrica), an international business based in Sydney, Australia. FinaMetrica's specific area of expertise is in helping investors identify their attitudes toward financial risk so that their advisors can help them make better decisions.

FinaMetrica's flagship product is their Risk Profiling System, which was developed in conjunction with the University of New South Wales' Applied Psychology Unit. This system is used by leading financial advisors in 13 countries in seven languages. It is internationally recognized as world's best practice and exceeds international standards for tests of this kind. More than 400,000 risk profiles have been completed using this system, which incorporates:

- a psychometric test of personal financial risk tolerance
- a methodology for incorporating test results into the financial advising process, and
- unique education materials which explain risk and return in the context of a client's risk tolerance.

Once you have completed your risk tolerance questionnaire, we will enter your responses into the FinaMetrica system under a number assigned by TrueNorth. Your name is not used on the FinaMetrica system, and the only information we will utilize to obtain your results is your responses to the questionnaire. Your personal financial information is not a component of this personal risk profiling process and is not shared in any way with FinaMetrica.

Why are couples asked to complete separate questionnaires? It is common for couples to have different risk tolerances – sometimes significantly different. In most cases, they already know which is the more risk tolerant of the two, but usually not the magnitude or detail of the difference. FinaMetrica recommends that couples complete separate questionnaires so that their variance can be identified more precisely. This will also provide couples with an opportunity to decide how to manage the difference.

FinaMetrica's system scores your responses against the system's database. Your results are used to generate a detailed report, and we will share the results with you. This is typically the final step before we finalize our initial investment recommendations with you, and will help to confirm that our advice has taken into consideration your long-term financial needs as well as your tolerance for risk and market volatility.

We will ask you to take this risk tolerance questionnaire from time to time as a means of reassessing your attitudes, preferences and outlook on your personal financial issues in order to capture changes over time. And, if you experience a significant life or financial event (positive or negative), please contact us so that your risk profile can be re-evaluated.

Please let us know if you have any questions about the FinaMetrica system. We look forward to sharing the results of your questionnaire with you!

# Personal Financial Profiling

## Introduction

Most financial decisions involve risk. Different people are comfortable with different levels of risk.

Unlike, say, height or weight, there is no unit of measurement for risk tolerance. A person's risk tolerance can only be measured relative to others on a constructed scale, in much the same way as IQ is measured.

By using the FinaMetrica Risk Tolerance Test, you obtain an accurate assessment of your risk tolerance in terms that are meaningful to you and your advisers. Your Risk Tolerance report will guide you and your advisers in your financial decision making. In particular, the report provides the basis for your instructions to your advisers on the level of risk you would prefer.

In the questionnaire, you are asked about your attitudes, values and experiences. Your answers are scored against the FinaMetrica's database and used to produce a detailed report. The questionnaire takes about 15 minutes to complete.

Developed in conjunction with the School of Psychology at the University of New South Wales, the FinaMetrica Risk Tolerance Test exceeds international standards for tests of this kind.

## Terms and Conditions of Use

### Intellectual Property

You acknowledge and accept that FinaMetrica Pty Limited (FinaMetrica) ACN 081 638 271 Suite 703, Level 7, 31 Market Street, Sydney, NSW, 2000 Australia is the owner and licensor of all the intellectual property rights and copyright in the materials, data and processes comprising the FinaMetrica Risk Profiling system.

### Privacy

These Terms and Conditions must be read in conjunction with FinaMetrica's Privacy Policy and the Privacy Statement for clients of financial advisers or members of the public using the Risk Profiling system. These can be found at [www.riskprofiling.com/privacy](http://www.riskprofiling.com/privacy) and [www.riskprofiling.com/privacy1](http://www.riskprofiling.com/privacy1), respectively.

### Acceptance

By completing your details and signing below, you acknowledge that you have read, understood and accepted the above Terms and Conditions of Use.

Date Completed \_\_\_\_\_

First Name \_\_\_\_\_

Middle Initial \_\_\_\_\_

Last Name \_\_\_\_\_

Signature \_\_\_\_\_

## Risk Tolerance Questionnaire

Please answer all the questions by circling one of the options. Choose the option that best indicates how you feel about each question. If none of the options is exactly right for you, choose the option that is closest.

- 1. Compared to others, how do you rate your willingness to take financial risks?**
  - 1 Extremely low risk taker.
  - 2 Very low risk taker.
  - 3 Low risk taker.
  - 4 Average risk taker.
  - 5 High risk taker.
  - 6 Very high risk taker.
  - 7 Extremely high risk taker.
  
- 2. How easily do you adapt when things go wrong financially?**
  - 1 Very uneasily.
  - 2 Somewhat uneasily.
  - 3 Somewhat easily.
  - 4 Very easily.
  
- 3. When you think of the word "risk" in a financial context, which of the following words comes to mind first?**
  - 1 Danger.
  - 2 Uncertainty.
  - 3 Opportunity.
  - 4 Thrill.
  
- 4. Have you ever invested a large sum in a risky investment mainly for the "thrill" of seeing whether it went up or down in value?**
  - 1 No.
  - 2 Yes, very rarely.
  - 3 Yes, somewhat rarely.
  - 4 Yes, somewhat frequently.
  - 5 Yes, very frequently.
  
- 5. When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?**
  - 1 Always the possible losses.
  - 2 Usually the possible losses.
  - 3 Usually the possible gains.
  - 4 Always the possible gains.
  
- 6. What degree of risk have you taken with your financial decisions in the past?**
  - 1 Very small.
  - 2 Small.
  - 3 Medium.
  - 4 Large.
  - 5 Very large.
  
- 7. Have you ever borrowed money to make an investment (other than for your home)?**
  - 1 No.
  - 2 Yes.

8. Suppose that 5 years ago you bought stock in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the stock dropped drastically and you sold at a substantial loss.

The company has been restructured under new management and most experts now expect it to produce better than average returns. Given your bad past experience with this company would you buy stock now?

- 1 Definitely not.
- 2 Probably not.
- 3 Not sure.
- 4 Probably.
- 5 Definitely.

9. Investments can go up and down in value and experts often say you should be prepared to weather a downturn. By how much could the total value of all your investments go down before you would begin to feel uncomfortable?

- 1 Any fall in value would make me feel uncomfortable.
- 2 10%.
- 3 20%.
- 4 33%.
- 5 50%.
- 6 More than 50%.

10. Most investment portfolios have a mix of investments - some of the investments may have high expected returns but with high risk, some may have medium expected returns and medium risk, and some may be low-risk/low-return. (For example, stocks and real estate would be high-risk/high-return whereas cash and CDs (certificates of deposit) would be low-risk/low-return.)

Which mix of investments do you find most appealing? Would you prefer all low-risk/low-return, all high-risk/high-return, or somewhere in between?

Please select one of the seven portfolios listed below.

Mix of Investment in Portfolio

Portfolio	High Risk/Return	Medium Risk/Return	Low Risk/Return
1	0%	0%	100%
2	0%	30%	70%
3	10%	40%	50%
4	30%	40%	30%
5	50%	40%	10%
6	70%	30%	0%
7	100%	0%	0%

11. With some types of investment, such as cash and CDs (certificates of deposit), the value of the investment is fixed. However inflation will cause the purchasing power of this value to decrease.

With other types of investment, such as stocks and real estate, the value is not fixed. It will vary. In the short term it may even fall below the purchase price. However, over the long term, the value of stocks and real estate should certainly increase by more than the rate of inflation.

With this in mind, which is more important to you, that the value of your investments does not fall or that it retains its purchasing power?

- 1 Much more important that the value does not fall.
- 2 Somewhat more important that the value does not fall.
- 3 Somewhat more important that the value retains its purchasing power.
- 4 Much more important that the value retains its purchasing power.

12. Think of the average rate of return you would expect to earn on an investment portfolio over the next ten years. How does this compare with what you think you would earn if you invested the money in CDs (certificates of deposit)?
- 1 About the same rate as from CDs.
  - 2 About one and a half times the rate from CDs.
  - 3 About twice the rate from CDs.
  - 4 About two and a half times the rate from CDs.
  - 5 About three times the rate from CDs.
  - 6 More than three times the rate from CDs.

## Demographic Questionnaire

Finally, a few questions about yourself to help us better understand the pattern of Risk Tolerance in our community. **Please note that this section is optional and is not part of the scoring process.**

1. **I am**
  - 1 Male.
  - 2 Female.
  
2. **My year of birth is \_\_\_\_\_**
  
3. **The highest education level I attained, or the closest equivalent, is**
  - 1 Did not complete high school
  - 2 Completed high school
  - 3 Trade or diploma qualification
  - 4 University degree or higher qualification
  
4. **Having in mind income from all sources - work, investment, family and government - into which income bracket does your personal before-tax income fall?**
  - 1 Under \$20,000
  - 2 \$20,000 - \$49,999
  - 3 \$50,000 - \$99,999
  - 4 \$100,000 - \$199,999
  - 5 \$200,000 - \$499,999
  - 6 \$500,000 or over
  
5. **Are you married (or in a de facto relationship)?**
  - 1 Yes
  - 2 No
  
6. **If “Yes”, into which income bracket does your combined before-tax income fall?**
  - 1 Under \$20,000
  - 2 \$20,000 - \$49,999
  - 3 \$50,000 - \$99,999
  - 4 \$100,000 - \$199,999
  - 5 \$200,000 - \$499,999
  - 6 \$500,000 or over
  
7. **How many people in your family, beside yourself, do you fully or partially support financially?**  
\_\_\_\_\_
  
8. **Think of your net worth as being what you own, including your family home and other personal-use assets, minus what you owe. Into which bracket does the value of your net worth fall? (If you are married or have a de facto partner, include only your share of jointly owned assets less your share of what you owe jointly.)**

1 Under \$10,000	6 \$200,000 - \$499,999
2 \$10,000 - \$24,999	7 \$500,000 - \$999,999
3 \$25,000 - \$49,999	8 \$1,000,000 - \$1,999,999
4 \$50,000 - \$99,999	9 \$2,000,000 - \$4,999,999
5 \$100,000 - \$199,999	10 \$5,000,000 or over

You may wish to review your answers before returning the questionnaire to your advisers. In order to have your Risk Tolerance report prepared, you must answer all 12 questions in the Risk Questionnaire. Now is the best time to check for omissions and correct any mistakes.

Once your answers are recorded in the FinaMetrica system they cannot be changed. This is done to ensure the integrity of the data. If, later, you wish to change an answer, this can only be done by entering a completely new set of answers which includes the change.