

ATTITUDE TO RISK QUESTIONNAIRE

Client Name:

1. **This first question looks at your capacity for loss. Over the next two years, what would your reaction be to a loss on this investment and how would it impact your overall financial situation?**

- ☐ While I wouldn't be pleased, I do not rely on this money for my current household expenses, and it would not have a significant effect on my overall finances.
- ☐ I would be very concerned because my household expenses and overall finances could be affected by a loss of value in this investment.

2. **When do you expect to start withdrawing money from your investment?**

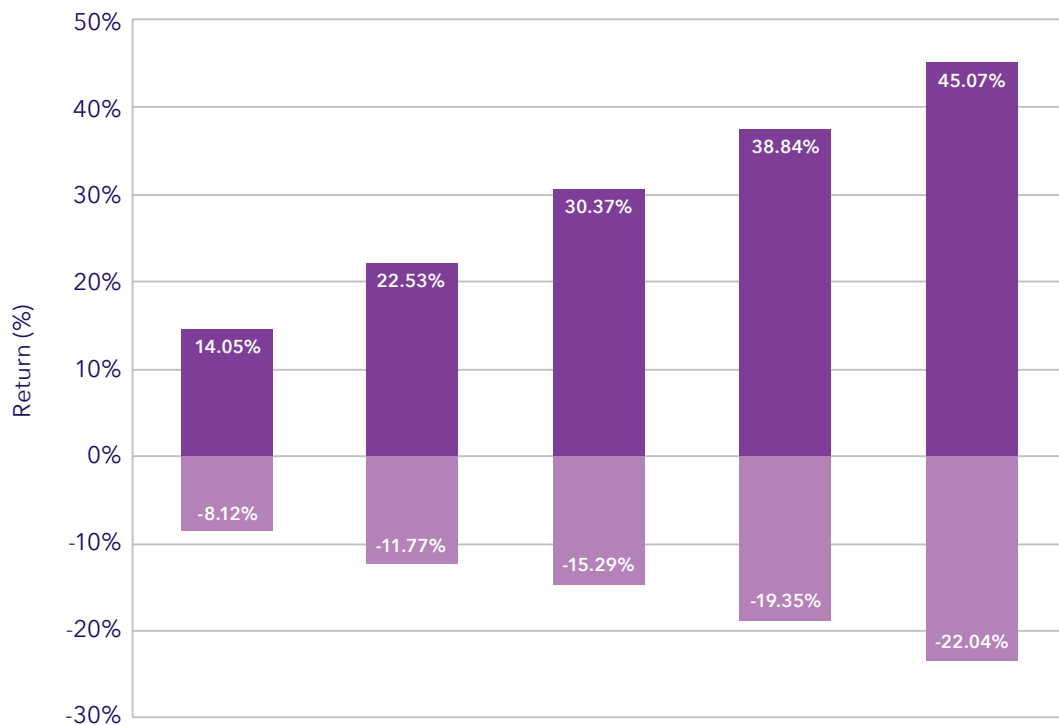
- ☐ Less than 2 years.
- ☐ 2 to 5 years.
- ☐ 6 to 10 years.
- ☐ 11 years or more.

3. **Once you begin withdrawing money from your investment, how long do you expect to continue withdrawing funds?**

- ☐ I plan to make a one-off withdrawal.
- ☐ 2 to 5 years.
- ☐ 6 to 10 years.
- ☐ 11 years or more.

Attitude to Risk Questionnaire

The following graph shows the results of five example portfolios over a one-year period. The best potential gains and the worst potential losses are displayed.



	Portfolio A	Portfolio B	Portfolio C	Portfolio D	Portfolio E
Max Gain	14.05%	22.53%	30.37%	38.84%	45.07%
Max Loss	-8.12%	-11.77%	-15.29%	-19.35%	-22.04%

Note: the portfolio with the best potential gain also has the largest potential loss.

4. Which of these portfolios would you prefer to hold?

- ☐ Portfolio A
- ☐ Portfolio B
- ☐ Portfolio C
- ☐ Portfolio D
- ☐ Portfolio E

The table below displays the worst case losses, expected gains, and best case gains of an investment of £10,000 in five sample portfolios over a one-year period.

	Potential Best Case Gains	Expected Gains	Potential Worst Case Losses
Portfolio A	£1,405	£259	-£812
Portfolio B	£2,253	£449	-£1,177
Portfolio C	£3,037	£600	-£1,529
Portfolio D	£3,884	£727	-£1,935
Portfolio E	£4,507	£826	-£2,204

5. Which of these portfolios would you prefer to hold?

- ☐ Portfolio A
- ☐ Portfolio B
- ☐ Portfolio C
- ☐ Portfolio D
- ☐ Portfolio E

6. You have made an investment of £10,000 and its value falls by 20% to £8,000.

Assuming you still have 10 years until you begin withdrawals, how would you react?

- ☐ I would not change my portfolio.
- ☐ I would wait at least one year before changing to options that are more stable.
- ☐ I would wait at least three months before changing to options that are more stable.
- ☐ I would immediately change to options that are more stable.

7. For many investors, the possibility of losing money is a main concern. How do you feel about investment losses?

- ☐ I check the value of my investments quite often so I can sell quickly if they begin to lose money.
- ☐ Daily losses in the value of my investments make me uncomfortable, but not uncomfortable enough to sell. If losses occur over several months, I would probably sell.
- ☐ Short-term losses in the value of my investments do not bother me. I would wait an entire year before making changes.
- ☐ I understand that investments can have occasional negative annual returns. However, I have a higher chance of reaching my investment goals if I stick with my portfolio over the long term. I would not make changes.

8. Choose the answer that best describes your response to the following statement:

I am comfortable with investments that may frequently experience large losses in value if there is a potential for higher returns.

Does this describe you?

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Somewhat agree
- ☐ Agree
- ☐ Strongly agree

9. Most investments fluctuate year-to-year.

Suppose you invested £10,000 in a portfolio with the intention of holding it for ten years. If this investment lost value during the first year, at what value of your initial £10,000 investment would you sell and move to a more stable investment?

- ☐ £9,500 (5% loss)
- ☐ £9,000 (10% loss)
- ☐ £8,500 (15% loss)
- ☐ £8,000 or less (20%+ loss)
- ☐ I would not sell

10. Investing involves a trade-off between risk and returns.

Historically, investments with higher returns have been associated with greater risk and chance for loss. Alternatively, cautious investments that have had a lower chance for loss also have yielded lower returns. Based on this description of investment characteristics, which of the following statements best describes your attitude to risk?

- ☐ I am most concerned with risk. I am willing to accept the lower returns in order to limit my chance of loss.
- ☐ I am willing to bear some risk and chance for loss in an effort to achieve higher returns, but prefer a significant portion of my portfolio to be invested in cautious assets.
- ☐ I am willing to accept moderate risk in order to achieve higher returns. Minimising risk and maximising return are of equal importance to me.
- ☐ I wish to achieve high returns on my investments. I am willing to accept high risk and chance of loss.
- ☐ I am primarily concerned with maximising the returns of my investments. I am willing to accept significant fluctuations in the value of my portfolio and substantial chance of loss.

11. Over a longer period, risky investments usually generate greater wealth than less risky investments do.

The table below lists the possible values at the end of a five-year investment of £10,000 in five different portfolios. Note that in any given year, risky investments might experience a decline in value that significantly surpasses a decline in the value of less risky portfolios.

	Potential Ending Portfolio Value of £10,000 after 5 years	Potential Worst Ending Portfolio Value of £10,000 after 5 years
Portfolio A	£11,364	£8,829
Portfolio B	£12,459	£8,419
Portfolio C	£13,380	£7,915
Portfolio D	£14,203	£7,228
Portfolio E	£14,871	£6,794

Which of these portfolios do you prefer?

☐

Portfolio A

☐

Portfolio B

☐

Portfolio C

☐

Portfolio D

☐

Portfolio E

Attitude to Risk Questionnaire

Your Attitude to Risk:

- ☐ Defensive
- ☐ Cautious
- ☐ Balanced
- ☐ Growth
- ☐ Aggressive

Attitude Description:

Signature:

Date:



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