

Risk Tolerance Questionnaire

Prepared for: _____ Date Completed: _____

Understanding your tolerance for risk is one step in developing your portfolio's asset allocation. While most define risk as the risk of losing money, risk may have an even broader definition – the risk you do not achieve your long-term goals.

After discussing your financial goals with your financial advisor, use this questionnaire to help highlight the risk you are willing to accept. This questionnaire is designed to help ensure your goals and return objectives are aligned with your risk tolerance. If not, this can serve as the reality check, helping you to understand the trade-offs between your financial goals and the risk required to achieve these goals.

With the help of your financial advisor, complete the questions on the following pages. Together, you can discuss your answers as well as your stage in life, current income needs and time horizon to create a financial strategy that better aligns your goals and tolerance for risk. This questionnaire was developed in partnership with Ibbotson & Associates, a leading authority on risk tolerance.

Understanding Your Risk Tolerance

1. How concerned are you about inflation?

Answer

Investing involves trade-offs and prioritizing your goals. Stocks typically have more volatility (larger swings in value) than bonds but offer greater growth potential to keep up with inflation. The value of cash and fixed income may not change as much over time, but typically these investments have higher inflation risk (the risk that your money will buy less in the future). Select the statement you most agree with regarding volatility and inflation.

- | | | | |
|---|--|---|---|
| A. My goal is to minimize swings in portfolio value, even if growth does not keep pace with inflation. | B. My goal is for growth to at least keep pace with inflation, with the risk of modest swings in portfolio value. | C. My goal is for growth to exceed inflation, with the risk of modest to larger swings in portfolio value. | D. My goal is for growth to significantly exceed inflation, with the risk of larger swings in portfolio value. |
|---|--|---|---|

2. Which statement best describes your investment objectives for this portfolio?

Answer

- | | | |
|---|---|--|
| A. Income: I want a portfolio designed to generate more consistent, but most likely lower, returns year-to-year, with a primary focus on current income. I want a low level of volatility and risk of loss, if possible. | B. Growth and Income: I prefer a portfolio that balances my growth objectives with my income needs. I prefer a portfolio with modest amounts of portfolio volatility and risk of loss over time. | C. Growth: I am willing to accept investments with a higher degree of volatility and risk of loss in exchange for the potential for achieving higher average returns over time. |
|---|---|--|

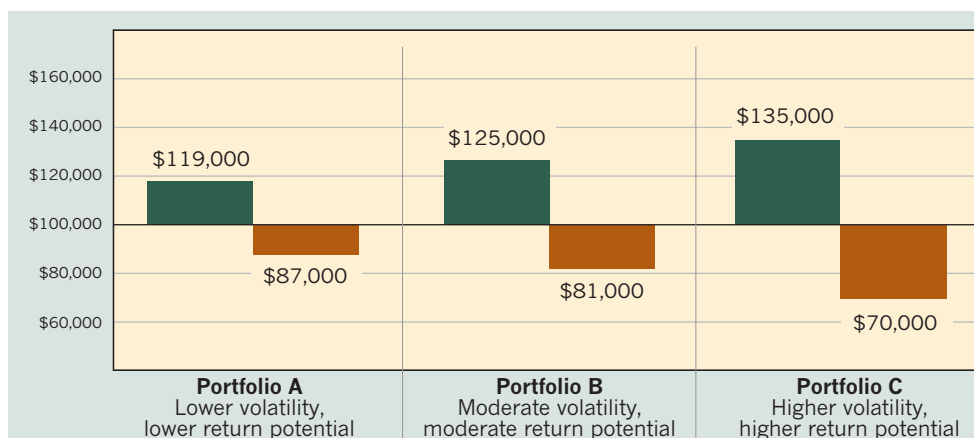
Risk Tolerance Questionnaire

Prepared for: _____

3. How comfortable are you with volatility?

Answer

The chart shows the potential range in values during a given year for three hypothetical portfolios, based on an initial value of \$100,000. In general, which portfolio most aligns with your return objectives and comfort with volatility?



4. In general, which of the following statements best describes your thoughts regarding the trade-off between returns and volatility?

Answer

- A.** When investing, I am more concerned about my portfolio losing value. The return achieved is of secondary importance.
- B.** The potential for loss is of equal importance as the return achieved.
- C.** I am most focused on the return potential, and the potential for losses is of secondary importance.

5. In general, there have been several periods in market history in which the value of the market has dropped 25% or more in a year. If the value of your portfolio fell from \$200,000 to \$150,000 (25%) in one year, how would you react?

Answer

- A.** I would move my money to different investments to reduce the potential for future losses.
- B.** I would be concerned about the portfolio and would consider moving into different investments if the losses continued.
- C.** I would leave my money where it is and continue according to my long-term strategy.
- D.** I would leave my money where it is and consider investing more.

6. The table below shows hypothetical long-term returns, as well as possible gains and losses in any one year, for three portfolios. Given your return objectives and tolerance for volatility, which portfolio would you be most willing to invest in?

Answer

	Long-term Average Return	Possible Gain in One-year Period	Possible Loss in One-year Period
Portfolio A	6.0%	19.0%	-13.0%
Portfolio B	7.5%	25.0%	-19.0%
Portfolio C	9.0%	35.0%	-30.0%

Risk Tolerance Questionnaire

Prepared for: _____

Determining Your Risk Tolerance

Please enter the answers from the previous six questions into the corresponding boxes on the right and total the points. The highest points are awarded to the most aggressive answer choice. The risk tolerance score ranges from zero (most conservative) to 100 (most aggressive).

Interpreting your results

Take the risk tolerance score totaled in the first table and locate it in the second table. This will help identify the level of risk you are willing to take when investing for your long-term financial goals.

Based on your attitude toward risk and your stage of investing, the Portfolio Objective Guidance Table below should serve as a starting point. You also should discuss other factors with your Edward Jones financial advisor, including your current and future income needs, time horizon, amount of existing savings and estate considerations, which may cause you to adjust your Portfolio Objective.

	Your Answer					Answer Value
1		A=0	B=5	C=12	D=17	
2		A=0	B=8	C=16		
3		A=0	B=8	C=16		
4		A=0	B=8	C=17		
5		A=0	B=6	C=12	D=17	
6		A=0	B=8	C=17		
Total						

Risk Tolerance Scale

80 – 100	High
60 – 79	Medium to High
40 – 59	Medium
19 – 39	Low to Medium
0 – 18	Low

Which type of portfolio is most appropriate for you?

How would you describe your stage of investing?

	Early Investing Years: Your first job and not yet started a family
	Good Earnings Years: Stable job, growing family
	Higher Income & Savings Years: Peak of career advancement and earnings; children in or approaching college
	Early Retirement Years: Generally expect to spend 15 years or more in retirement and/or are in your 60s or early 70s
	Late Retirement Years: Generally been retired for more than 10 to 15 years and/or are in your late 70s or older

Portfolio Objective Guidance Table

Investor Life Stages						
Investor Risk Tolerance		Early Investing Years	Good Earnings Years	Higher Income & Savings Years	Early Retirement Years	Late Retirement Years
	High	Growth Focus	Growth Focus	Growth Focus	Balanced toward Growth	Balanced toward Growth
	Medium to High	Growth Focus	Growth Focus	Growth Focus	Balanced toward Growth	Balanced Growth & Income
	Medium	Growth Focus	Growth Focus	Balanced toward Growth	Balanced Growth & Income	Balanced toward Income
	Low to Medium	Growth Focus	Balanced toward Growth	Balanced toward Growth	Balanced Growth & Income	Balanced toward Income
	Low	Balanced toward Growth	Balanced Growth & Income	Balanced Growth & Income	Balanced toward Income	Income Focus