



## Risk Tolerance Questionnaire

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| <b>1</b> | <b>Compared to others, how do you rate your willingness to take financial risks?</b> |
|          | Extremely low risk taker   |
|          | Very low risk taker  |
|          | Low risk taker   |
|          | Average risk taker   |
|          | High risk taker  |
|          | Very high risk taker   |
|          | Extremely high risk taker  |

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| <b>2</b> | <b>How easily do you adapt when things go wrong financially?</b> |
|          | Very uneasily  |
|          | Somewhat uneasily  |
|          | Somewhat easily  |
|          | Very easily  |

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| <b>3</b> | <b>When you think of the word 'risk' in a financial context, which of the following words comes to mind first?</b> |
|          | Danger   |
|          | Uncertainty  |
|          | Opportunity  |
|          | Thrill   |

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| <b>4</b> | <b>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?</b> |
|          | No   |
|          | Yes, very rarely   |
|          | Yes, somewhat rarely   |
|          | Yes, somewhat frequently   |
|          | Yes, very frequently   |

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| <b>5</b> | <b>If you had to choose between more job security with a small pay rise and less job security with a big pay rise, which would you pick?</b> |
|          | Definitely more job security with a small pay rise   |
|          | Probably more job security with a small pay rise   |
|          | Not sure   |
|          | Probably less job security with a big pay rise   |
|          | Definitely less job security with a big pay rise   |

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| <b>6</b> | <b>When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?</b> |
|          | Always the possible losses   |
|          | Usually the possible losses  |
|          | Usually the possible gains   |
|          | Always the possible gains  |

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| <b>7</b> | <b>How do you usually feel about your major financial decisions after you make them?</b> |
|          | Very pessimistic   |
|          | Somewhat pessimistic   |
|          | Somewhat optimistic  |
|          | Very optimistic  |

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| <b>8</b> | <b>Imagine you were in a job where you could choose whether to be paid salary, commission or a mix of both. Which would you pick?</b> |
|          | All salary  |
|          | Mainly salary   |
|          | Equal mix of salary and commission  |
|          | Mainly commission   |
|          | All commission  |

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| <b>9</b> | <b>What degree of risk have you taken with your financial decisions in the past?</b> |
|          | Very small   |
|          | Small  |
|          | Medium   |
|          | Large  |
|          | Very large   |

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| <b>10</b> | <b>What degree of risk are you currently prepared to take with your financial decisions?</b> |
|           | Very small   |
|           | Small  |
|           | Medium   |
|           | Large  |
|           | Very large   |

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| <b>11</b> | <b>Have you ever borrowed money to make an investment (other than for your home)?</b>    |
|           | No   |
|           | Yes  |
| <b>12</b> | <b>How much confidence do you have in your ability to make good financial decisions?</b> |
|           | None   |
|           | A little   |
|           | A reasonable amount  |
|           | A great deal   |
|           | Complete   |

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| <b>13</b> | <b>Suppose that 5 years ago you bought shares in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the shares dropped drastically and you sold at a substantial loss.<br/><br/>The company has been restructured under new management, and most experts now expect its shares to produce better than average returns. Given your bad past experience with this company, would you buy shares now?</b> |
|           | Definitely not   |
|           | Probably not   |
|           | Not sure   |
|           | Probably   |
|           | Definitely   |

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| <b>14</b> | <b>Investments can go up or down in value, and experts often say you should be prepared to weather a downturn. By how much could the total value of <u>all your investments</u> go down before you would begin to feel uncomfortable?</b> |
|           | Any fall would make me feel uncomfortable   |
|           | 10%   |
|           | 20%   |
|           | 33%   |
|           | 50%   |
|           | More than 50%   |

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| <b>15</b> | <p><b>Assume that a long-lost relative dies and leaves you a house which is in a poor condition but located in a suburb that's becoming popular.</b></p> <p><b>As is, the house would probably sell for £150,000, but if you were to spend about £50,000 on renovations, the selling price would be around £300,000. However, there is some talk of constructing a major highway next to the house, and this would lower its value considerably.</b></p> <p><b>Which of the following options would you take?</b></p> |
|           | Sell it as is   |
|           | Keep it as is, but rent it out  |
|           | Take out a £50,000 mortgage and do the renovations  |

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| <b>16</b> | <p><b>Most investment portfolios have a spread 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, shares and property would be high-risk/high-return whereas cash and term deposits would be low-risk/low-return.)</b></p> <p><b>Which spread of investments do you find most appealing? Would you prefer all low-risk/low-return, all high-risk/high return, or somewhere in between?</b></p> |                         |                         |                        |
|           |   | <b>High Risk/Return</b> | <b>Med Risk/ Return</b> | <b>Low Risk/Return</b> |
|           | Portfolio 1   | 0%                      | 0%                      | 100%                   |
|           | Portfolio 2   | 0%                      | 30%                     | 70%                    |
|           | Portfolio 3   | 10%                     | 40%                     | 50%                    |
|           | Portfolio 4   | 30%                     | 40%                     | 30%                    |
|           | Portfolio 5   | 50%                     | 40%                     | 10%                    |
|           | Portfolio 6   | 70%                     | 30%                     | 0%                     |
|           | Portfolio 7   | 100%                    | 0%                      | 0%                     |

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| <b>17</b> | <p><b>You are considering placing one-quarter of your investment funds into a single investment. This investment is expected to earn about twice the bank deposit rate. However, unlike a bank deposit, this investment is not protected against loss of the money invested.</b></p> <p><b>How low would the chance of a loss have to be for you to make the investment?</b></p> |
|           | Zero, i.e. no chance of any loss   |
|           | Very low chance of loss  |
|           | Moderately low chance of loss  |
|           | 50% chance of loss   |

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| <b>18</b> | <p><b>With some types of investment, such as cash and term deposits, the money value of the investment is fixed. However inflation will cause the purchasing power of this money value to decrease.</b></p> <p><b>With other types of investment, such as shares and property, the money 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 money value of the shares and property should certainly increase by more than the rate of inflation.</b></p> <p><b>With this in mind, which is more important to you - that the money value of your investments does not fall or that it retains its purchasing power?</b></p> |
|           | Much more important that the money value does not fall   |
|           | Somewhat more important that the money value does not fall   |
|           | Somewhat more important that the money value retains its purchasing power  |
|           | Much more important that the money value retains its purchasing power  |

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| <b>19</b> | <b>In recent years, how have your personal investments changed?</b> |
|           | Always toward lower risk  |
|           | Mostly toward lower risk  |
|           | No changes or changes with no clear direction                       |
|           | Mostly toward higher risk   |
|           | Always toward higher risk   |

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| <b>20</b> | <b>When making an investment, return and risk usually go hand-in-hand. Investments which produce above-average returns are usually of above-average risk. With this in mind, how much of the funds you have available to invest would you be willing to place in investments where both returns and risks are expected to be above average?</b> |
|           | None  |
|           | 10%   |
|           | 20%   |
|           | 30%   |
|           | 40%   |
|           | 50%   |
|           | 60%   |
|           | 70%   |
|           | 80%   |
|           | 90%   |
|           | 100%  |

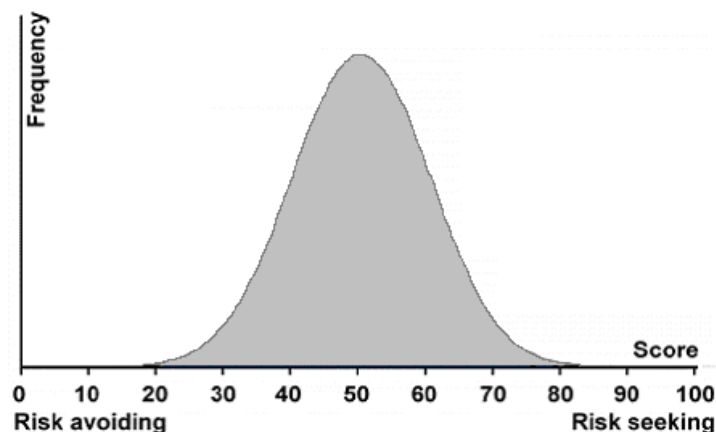
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| <b>21</b> | <b>Think of the average rate of return you would expect to earn on an investment portfolio over the next ten years. How does this compare with what you think you would earn if you invested the money in bank deposits?</b> |
|           | About the same rate as from bank deposits  |
|           | About one and a half times the rate from bank deposits   |
|           | About twice the rate from bank deposits  |
|           | About two and a half times the rate from bank deposits   |
|           | About three times the rate from bank deposits  |
|           | More than three times the rate from bank deposits  |

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| <b>22</b> | <b>People often arrange their financial affairs to qualify for a government benefit or obtain a tax advantage. However a change in legislation can leave them worse off than if they'd done nothing.</b> |
|           | <b>With this in mind, would you take a risk in arranging your affairs to qualify for a government benefit or obtain a tax advantage?</b>   |
|           | I would not take a risk if there were any chance I could finish up worse off   |
|           | I would take a risk if there were only a small chance I could finish up worse off  |
|           | I would take a risk as long as there was more than a 50% chance that I would finish up better off  |

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| <b>23</b> | <p>Imagine that you are borrowing a large sum of money at some time in the future. It's not clear which way interest rates are going to move - they might go up, they might go down, no one seems to know.</p> <p>You could take a variable interest rate that will rise and fall as the market rate changes. Or you could take a fixed interest rate which is 1% more than the current variable rate but which won't change as the market rate changes. Or you could take a mix of both.</p> <p><b>How would you prefer your loan to be made up?</b></p> |
|           | 100% variable   |
|           | 75% variable, 25% fixed   |
|           | 50% variable, 50% fixed   |
|           | 25% variable, 75% fixed   |
|           | 100% fixed  |

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| <b>24</b> | <p><b>Insurance can cover a wide variety of life's major risks - theft, fire, accident, illness, death etc. How much cover do you have?</b></p> |
|           | Very little   |
|           | Some  |
|           | Considerable  |
|           | Complete  |

**25** This questionnaire is scored on a scale of 0 to 100. When the scores are graphed they follow the familiar bell-curve of the Normal distribution shown below. The average score is 50. Two-thirds of all scores are within 10 points of the average. Only 1 in 1000 is less than 20 or more than 80.



What do you think your score will be? (0-100)

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| <b>26</b> | <b>Over what time period would you want to invest?</b> |
|           | Less than 1 year                                       |
|           | 1-5 years  |
|           | 5-10 years   |
|           | 10-20 years  |
|           | More than 20 years                                     |

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| <b>27</b> | <b>How much volatility could you tolerate in the short term?</b> |
|           | A very small amount of short-term volatility                     |
|           | A low amount of short-term volatility                            |
|           | A moderate amount of short-term volatility                       |
|           | A large amount of short-term volatility                          |
|           | A very large amount of short-term volatility                     |

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| <b>28</b> | <b>How much volatility could you tolerate in the long term?</b> |
|           | A very small amount of long-term volatility                     |
|           | A low amount of long-term volatility                            |
|           | A moderate amount of long-term volatility                       |
|           | A large amount of long-term volatility                          |
|           | A very large amount of long-term volatility                     |

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| <b>29</b> | <b>At what age do you intend to retire?</b> |  |
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| Signed | Date |
|--------|------|