

COMPASS POINTE FINANCIAL

Risk Tolerance Questionnaire

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Name:

Age:

Date:

1. The following table represents five hypothetical \$10,000 investments—their expected values after one year and their chances of declining in that year. In which of the investments are you most comfortable investing?

| | <u>Expected value after one year</u> | <u>Probability of value being less than \$10,000 after one year</u> |
|--------------------------|------------------------------------------|-------------------------------------------------------------------------|
| <input type="radio"/> a. | 10,400 | 0.5% (1 in 200) |
| <input type="radio"/> b. | 10,600 | 5% (1 in 20) |
| <input type="radio"/> c. | 10,800 | 12% (1 in 8) |
| <input type="radio"/> d. | 11,000 | 17% (1 in 6) |
| <input type="radio"/> e. | 11,200 | 25% (1 in 4) |

2. Inflation causes prices to rise over time and can greatly erode the return on your investments. Which statement best summarizes your attitude about investments and inflation?

- a. I prefer investment returns that are expected to be substantially higher than inflation over the long run, and I am willing to accept significant short-term fluctuations in value to achieve my goal.
- b. I prefer investment returns that are expected to be moderately higher than inflation, and I am willing to accept moderate short-term fluctuations in value to achieve my goal.
- c. I prefer to minimize short-term fluctuations in value and any potential for loss, even if it means that my investments will only keep pace with inflation over the long run.

3. Below are the probable best and worst case returns for four investments over a one-year period. In which of the investments are you most comfortable investing?

| | <u>Best</u> | <u>Worst</u> |
|--------------------------|-------------|--------------|
| <input type="radio"/> a. | 9.40% | -0.70% |
| <input type="radio"/> b. | 17.20% | -5.50% |
| <input type="radio"/> c. | 33.00% | -12.60% |
| <input type="radio"/> d. | 52.80% | -28.30% |

4. Which of the following statements best describes your attitude toward long-term investing?

- a. Minimizing the chance for loss is my primary concern. Therefore, I am willing to accept the lower returns offered by conservative investments.
- b. I am willing to bear some risk to achieve slightly higher returns, but prefer that the majority of my portfolio be in low-risk investments.
- c. Minimizing risk and achieving higher returns are of equal importance to me. Therefore, I am willing to accept moderate fluctuations in my investment's value in order to achieve moderate returns.
- d. I wish to achieve moderately high returns on my investments. Therefore, I am willing to accept significant short-term value fluctuations.
- e. I am primarily concerned with maximizing investment returns. Therefore, I am willing to accept large and sometimes dramatic fluctuations in my investment's value.

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5. *Statement:* If one of the investments in my diversified portfolio was declining in value, and similar investments in the marketplace were also declining in value, I would move my investment into a different type of investment that was currently experiencing better performance.

- a. *Strongly Agree.* I am not comfortable experiencing any kind of loss while different types of investments are experiencing more favorable performance.
- b. *Agree.* I become uneasy experiencing losses while different types of investments are experiencing more favorable performance.
- c. *Disagree.* Although investment losses make me uncomfortable, I would not make any sudden changes to my diversified portfolio.
- d. *Strongly Disagree.* Since I cannot predict which type of investment will experience more favorable short-term performance, I would retain my investment and follow a consistent long-term investment strategy.

6. You have acquired \$20,000 to invest and have only two options. Which of the following investments would you select given their chances for gain or loss?

- a. Investment 1:
70% chance of gaining \$3,000
30% chance of losing \$1,000
- b. Investment 2:
100% chance of gaining \$1,000

7. Which of the following best describes your behavior regarding declines in investment value?

- a. I check my investments' prices several times a month, and I sell immediately if they begin to decline in value.
- b. Although daily declines in my investments' values make me uncomfortable, I do not sell immediately. If my investments continue to decline substantially over a full quarter, however, I am likely to sell.
- c. I realize there may be substantial day-to-day changes in my investments' values, but I focus on quarterly performance trends and typically wait an entire year before making any changes.
- d. Even if my investments decline significantly over a given year, I continue to follow a consistent, long-term strategy and retain my investments.

8. Which of the following summarizes your feelings about the future of the U.S. economy?

- a. Very optimistic
- b. Somewhat optimistic
- c. Neutral
- d. Somewhat pessimistic
- e. Very pessimistic

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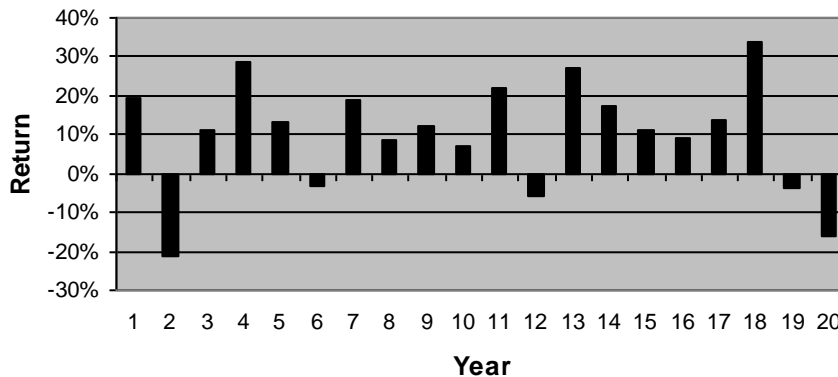
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9. Below are the returns of a hypothetical Investment Product over the past 20 years. Its recent losses are comparable to those of similar investments, and the fundamentals of the product have not changed. If you owned this product, what action would you take at the end of year 20?



- a. Although I would incur a loss, I would immediately sell my investment to prevent further declines.
- b. I would sell a portion of my investment to protect myself from further declines.
- c. Based on the product's long-term performance, I would continue to hold my investment in anticipation of higher future returns.
- d. I would invest more into the product because the price is lower at this time.
10. How do you expect your monthly income to change over the next 10 years?
- a. Increase substantially
- b. Increase slightly
- c. Remain the same
- d. Decrease slightly
- e. Decrease substantially
11. Given your investment goal, when do you expect to begin making withdrawals?
- a. Under 3 years
- b. 3-5 years
- c. 6-8 years
- d. 9-14 years
- e. 15 or more years
12. Once withdrawals begin, over how long of a period do you expect them to continue?
- a. 1-3 years
- b. 4-6 years
- c. 7-9 years
- d. 10-14 years
- e. 15 or more years

Client Signature _____

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This example is for hypothetical purposes only. It is not intended to portray past or future investment performance for any specific investment. Your own investment may perform better or worse than this example. This example does not include taxes or investment costs, which could have a dramatic effect on your results.