**Risk Profile Questionnaire**

Private & Confidential

Prepared For

**Client 1**

|  |  |  |  |
| --- | --- | --- | --- |
| Title |   | Surname |   |
|  |  |  |  |
| Given Name |  |
|  |  |
| Date Completed |  |  | / |  |  | / |  |  |  |

**Client 2**

|  |  |  |  |
| --- | --- | --- | --- |
| Title |   | Surname |   |
|  |  |  |  |
| Given Name |  |
|  |  |
| Date Completed |  |  | / |  |  | / |  |  |  |

**Adviser details**

|  |  |
| --- | --- |
| Adviser Name |   |

# Assessing your Investor Risk Profile

When investing it is important that you consider the level of risk you may be taking on as well as the return you would like to achieve from an investment. You may need to consider a trade-off between the risk you are willing to take and the level of return you would like to achieve, or would need to meet your needs and objectives.

Risk can mean different things to different people. For example, investment risk could mean:

* the possibility of a loss of capital (permanent reduction in value of an investment), or
* the level of volatility of an investment (short-term changes in value - up and down), or
* the risk of an asset not producing enough income to live on, or
* the risk of an asset not growing enough to keep up with the rising cost of living.

By working through this section, our aim is to understand more about:

* your risk tolerance,
* your risk appetite,
* your risk capacity and how to balance this against your desire to achieve your needs and objectives

This will help us work out an appropriate level of investment risk for your personal situation, and the type of investments and strategies that correspond to this.

Risk tolerance

A very important part of giving you appropriate advice is assessing how willing you are to tolerate changes in asset values in the short term. These changes, known as “volatility”, represent one type of investment risk. Investors take risk because they may need or want to trade-off short-term stability in asset values for the possibility of higher investment returns in the long term.

Your risk tolerance has a lot to do with how you feel about these short-term changes in value.

Ultimately, your risk tolerance is the amount of risk that you are prepared to take and the degree of uncertainty or volatility that you are willing to accept when investing to achieve your needs and objectives.

Risk appetite

Risk appetite can be defined as the amount and type of risk that an individual is willing to take in order to meet their needs and objectives. Individuals will have different risk appetites depending on their needs and objectives. A range of appetites exist for different risks and these may change over time.

By using a combination of cash, defensive and/or growth assets, we can create an investment portfolio that is most appropriate for you. Examples of these assets are listed below.

* Cash – bank accounts, term deposits, loan offset accounts.
* Defensive - fixed interest (Australian and international) and bonds (government, corporate).
* Growth - shares (Australian or international) and property

Risk Capacity

Your risk capacity is the extent to which you can withstand the impact of unexpected, negative events, such as a loss of capital or a decline in asset value.

Generally, your risk capacity will be influenced by a range of factors, such as:

* how long you will continue to generate an income from employment or business (the longer you are generating an income, the more time you have to recover from negative events),
* how much you could reduce your expenses before this has an unacceptable impact on your lifestyle (you may be able to give up some items but not what you need or want the most),
* how far away your needs and objectives are and when you are likely to need access to income or your savings to pay for them – your investment timeframe.

You will most likely have needs and objectives that have different timeframes. Typically, the shorter the timeframe for an investment, the lower your capacity to take risk.

Put another way, if something negative occurs during a shorter timeframe, the less time your income, savings or investments have to recover.

Common characteristics and details for each timeframe are provided below:

***Short-term objectives (Investment timeframe – up to 3 years)***

* Generally lump sum in nature, for example, saving $60,000 for a deposit on a house in 3 years.
* May also include short-term income requirements.

***Medium-term objectives (Investment timeframe – between 3 and 5 years)***

* Generally lump sum in nature, for example, saving $20,000 to upgrade a car in 5 years.
* May also include medium-term income requirements.

***Long-term objectives (Investment timeframe – longer than 5 years)***

* Generally focused towards providing a long-term regular income into the future, for example, accumulating sufficient savings to deliver an income of $40,000 per year through retirement.
* May also include your long-term lump sum expenses.
* Planning and ongoing reviews will be critical to the attainment of these objectives.

Your risk capacity will be one of the things we consider in working out the most appropriate investments and strategies for you.

**Questionnaire**

The following questionnaire will help us to assess your tolerance to risk.

**1. How familiar are you with investment markets?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | Very little understanding or interest  | 10 |
| [ ]  | [ ]  | [ ]  | Not very familiar | 20 |
| [ ]  | [ ]  | [ ]  | Experienced enough to understand the importance of not ‘putting all your eggs in one basket’ | 30 |
| [ ]  | [ ]  | [ ]  | I understand that markets may fluctuate and that different market sectors offer different income, growth, and taxation characteristics | 40 |
| [ ]  | [ ]  | [ ]  | I am experienced with all investment classes and understand the various factors that may influence performance | 50 |

**2. Have you ever invested a significant amount of money into an investment that fluctuates up and down in value? How did this make you feel?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | Yes, the fluctuations made me very uncomfortable\* | 10 |
| [ ]  | [ ]  | [ ]  | Yes, the fluctuations made me quite uncomfortable\* | 20 |
| [ ]  | [ ]  | [ ]  | No, I have never invested in this type of investment | 30 |
| [ ]  | [ ]  | [ ]  | Yes, I was quite comfortable with the fluctuations | 40 |
| [ ]  | [ ]  | [ ]  | Yes, I was very comfortable with the fluctuations | 50 |

**3. How would you describe your willingness to take financial risks?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | Very low risk taker\* - I am not willing to take on any additional level of financial risk, even if there is the potential to gain a higher rate of return over the longer term. | 10 |
| [ ]  | [ ]  | [ ]  | Low risk taker\* - I am willing to take on a slight level of financial risk, if there is the potential to gain a slightly higher rate of return above my bank account over the longer term. | 20 |
| [ ]  | [ ]  | [ ]  | Average risk taker - I am willing to take on a moderate level of financial risk, if there is the potential to gain a moderate rate of return over the longer term. | 30 |
| [ ]  | [ ]  | [ ]  | High risk taker - I am willing to take on a high level of financial risk, if there is the potential to gain a higher rate of return over the longer term. | 40 |
| [ ]  | [ ]  | [ ]  | Very high risk taker - I am willing to take on a high level of financial risk including different lending/investment alternatives if there is the potential to gain a higher rate of return over the longer term. | 50 |

*Inflation is the overall general increase in the price of goods and services. As the cost of goods and services increase, the value of your money is going to fall because you won’t be able to buy as much with that money as you previously could. Historically, growth assets have outperformed inflation over the long term but are commonly subject to fluctuations up and down in their value over the short term.*

**4. Which is the most important to you with regard to investing?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | I would prefer to preserve my capital and am willing to accept this may mean my investments will **not keep up with inflation.**\* | 10 |
| [ ]  | [ ]  | [ ]  | I would prefer to preserve my capital. However, I would aim to achieve investment returns that **keep up with inflation.\*** | 20 |
| [ ]  | [ ]  | [ ]  | I would be willing to accept **low levels of fluctuation** common to growth asset values in the short term, with the aim of achieving investment returns that **marginally exceed inflation** over the long term. | 30 |
| [ ]  | [ ]  | [ ]  | I would be willing to accept **moderate levels of fluctuation** common to growth asset values in the short term, with the aim of achieving investment returns that **exceed inflation** over the long term. | 40 |
| [ ]  | [ ]  | [ ]  | I would be willing to accept **high levels of fluctuation** common to growth asset values in the short term, with the aim achieving investment returns that **significantly exceed inflation** over the long term. | 50 |

*One characteristic common to growth assets is that they may fluctuate up and down in value mainly due to short-term volatility.*

**5. How much could your investment fall in value over a short-term period before you feel uncomfortable?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | I would be uncomfortable with any fall in the value of my investments\* | 10 |
| [ ]  | [ ]  | [ ]  | Up to a 5% fall in value | 20 |
| [ ]  | [ ]  | [ ]  | Up to a 10% fall in value | 30 |
| [ ]  | [ ]  | [ ]  | Up to a 25% fall in value | 40 |
| [ ]  | [ ]  | [ ]  | Up to a 50% fall in value | 50 |

**6. What would your reaction be if your portfolio value decreased substantially, mainly due to adverse market conditions?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | Security of my capital is critical, and I do not intend to take risks\* | 10 |
| [ ]  | [ ]  | [ ]  | I would cut my losses and transfer my funds to more secure investment sectors\* | 20 |
| [ ]  | [ ]  | [ ]  | I would be concerned, talk to my adviser, and would wait to see if the investments improve | 30 |
| [ ]  | [ ]  | [ ]  | This was a risk I understood – I would leave my investments in place expecting performance to improve | 40 |
| [ ]  | [ ]  | [ ]  | I would invest more funds to take advantage of the lower unit/share prices expecting future growth | 50 |

**7. Which of the following best describes your general feeling after making a significant financial decision?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |  |
| [ ]  | [ ]  | [ ]  | Very concerned about possible losses\* | 10 |
| [ ]  | [ ]  | [ ]  | Concerned about possible losses\* | 20 |
| [ ]  | [ ]  | [ ]  | Neutral. I would be slightly concerned about losses but also optimistic about potential gains. | 30 |
| [ ]  | [ ]  | [ ]  | Optimistic about potential gains | 40 |
| [ ]  | [ ]  | [ ]  | Very optimistic about potential gains | 50 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Your score here enables us to assess your Investor Risk Profile. An explanation of the profile is detailed on the next page.** | **Total** **Profile Score:** | **Client 1:** |  |
| **Client 2:** |  |
| **Joint:** |  |

**IMPORTANT**: If you have chosen one of the starred answers (marked with and \*) and your total profile score **is greater than 140**, you have indicated both a preference for preservation of your investment capital and a preference for a greater possible return. Please explain below how you would like these two preferences to trade off against each other.

**Please Detail:**

|  |
| --- |
|  |

# Investor risk profile

The table below shows the target cash, defensive and growth asset mix for each investor risk profile.

**Cash** – expected to grow (when interest earned is reinvested) at a slower rate over the long term but with little or no volatility.

**Defensive assets** – such as fixed interest, are expected to grow at a slower rate over the longer term but are expected to experience less volatility than growth assets in the short term.

**Growth assets** – such as shares and property have historically grown at a rate greater than inflation over time and usually produce higher returns than defensive assets over the long term but can also demonstrate greater volatility in the short term. There is a risk that a growth asset may have lost value at the time you want to access it, or even lose value permanently.

|  |  |
| --- | --- |
| **Investor Risk Profile** | **Target Asset Mix** |
| **Growth 15 (100-140 Points)**May be suitable for investors with an investment horizon of at least 2 years and a low risk tolerance, seeking higher than cash returns over the investment timeframe. | **85% Defensive****15% Growth** |
| **Growth 30 (141- 170 Points)**May be suitable for investors with an investment horizon of at least 3 years and a low to moderate risk tolerance, seeking regular income and the opportunity for some growth over the investment timeframe. | **70% Defensive****30% Growth** |
| **Growth 50 (171-190 Points)**May be suitable for investors with an investment horizon of at least 3 years and a moderate risk tolerance, seeking a mix of income and growth over the investment timeframe from a well-diversified portfolio. This strategy suits investors aiming for a return higher than what is likely from a portfolio dominated by defensive assets but who want lower volatility than what a portfolio exclusively made up of shares would likely generate. | **50% Defensive****50% Growth** |
| **Growth 60 (191-220 Points)**May be suitable for investors with an investment horizon of at least 5 years and a moderate risk tolerance, seeking more growth than income over the investment timeframe. Suits investors who desire a modest level of capital stability but are willing to accept moderate investment value volatility in return for potential investment performance. | **40% Defensive****60% Growth** |
| **Growth 70 (221-250 Points)**May be suitable for investors with an investment horizon of at least 5 years and a moderate risk tolerance, seeking more growth than income over the investment timeframe. This strategy suits investors aiming for a return higher than what is likely from a more defensive portfolio but who want lower volatility than what a portfolio exclusively made up of shares would likely generate.  | **30% Defensive****70% Growth** |
| **Growth 85 (251- 300 Points)**May be suitable for investors with an investment horizon of at least 6 years and a moderate to high risk tolerance, seeking a high exposure to growth assets. | **15% Defensive****85% Growth** |
| **Growth 100 (301-350 Points)**May be suitable for investors with an investment horizon of at least 7 years and high risk tolerance, comfortable with a share portfolio dominated by Australian and international shares.  | **100% Growth** |

# Confirming your investor risk profile

It is important that we ensure the investor risk profile assessed for you is suited to your tolerance to investment risk and your risk capacity as generally speaking, the higher the potential return of an investment, the greater the risk.

**Risk Profile Characteristics**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Portfolio Description** | **Growth 15** | **Growth 30** | **Growth 50** | **Growth 60** | **Growth 70** | **Growth 85** | **Growth 100** |
| Split of Assets (%)■ Growth■ Defensive | Chart, pie chart  Description automatically generated | Chart  Description automatically generated | Chart  Description automatically generated with low confidence | Chart  Description automatically generated with medium confidence | Chart, pie chart  Description automatically generated |  | Icon  Description automatically generated |
| Minimum recommended investment horizon | 2 Years | 3 Years | 3 Years | 5 Years | 5 Years | 6 Years | 7 Years |
| Short-term security of initial capital | Very High | High | Moderate | Lower | Lower | Low | Very Low |
| Security of initial capital over recommended investment horizon | Very High | Very High | High | High | High | Moderate | Moderate |
| Ability of portfolio to protect against inflation | Low | Low | Moderate | Usually High | Usually High | Usually High | High |
| **Risk** |
| Standard Deviation | 3.2% | 4.5% | 7.0% | 8.4% | 9.9% | 11.8% | 14.1% |
| Probability of a negative return over a single year | 6.6% | 10.1% | 15.7% | 17.3% | 18.8% | 20.5% | 22.0% |
| Expected negative years out of 20 | 0.7 | 1.0 | 1.6 | 1.7 | 1.9 | 2.0 | 2.2 |
| **Forecast rate of returns (5th to 95th Percentile)** |
| 1 year | 1.2% to 9.4% | -0.1% to 11.7.% | -3.0% to 16.0% | -4.6% to 18.5% | -6.3% to 21.1% | -8.4% to 24.5% | -10.5% to 28.1% |
| 10 years (per annum) | 3.5% to 6.8% | 3.8% to 7.4% | 3.9% to 8.4% | 4.0% to 9.1% | 4.0% to 9.7% | 3.8% to 10.5% | 3.5% to 11.3% |
| **Indicative Asset Allocation** |
| **Growth** | **Total Growth Assets** | **0% - 30%** | **15% - 45%** | **35% - 65%** | **45% - 75%** | **55% - 85%** | **70% - 100%** | **85% - 100%** |
| Australian Equities | 0% - 18% | 0% - 35% | 10% - 35% | 13% - 45% | 15% - 55% | 20% - 60% | 25% - 65% |
| International Equities | 0% - 18% | 0% - 35% | 5% - 35% | 10% - 45% | 15% - 55% | 20% - 60% | 25% - 65% |
| Property & Infrastructure | 0% - 15% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% |
| International Property & Infrastructure | 0% - 15% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% |
| Growth Alternatives | 0% - 10% | 0% - 20% | 0% - 20% | 0% - 20% | 0% - 20% | 0% - 25% | 0% - 30% |
| **Defensive** | **Total Defensive Assets** | **70% - 100%** | **55% - 85%** | **35% - 65%** | **25% - 55%** | **15% - 45%** | **0% - 30%** | **0% - 15%** |
| Defensive Alternatives | 0% - 61% | 0% - 50% | 0% - 50% | 0% - 40% | 0% - 30% | 0% - 20% | 0% - 10% |
| Australian Fixed Income | 0% - 73% | 0% - 60% | 0% - 60% | 0% - 48% | 0% - 35% | 0% - 23% | 0% - 10% |
| International Fixed Income | 0% - 73% | 0% - 60% | 0% - 60% | 0% - 48% | 0% - 35% | 0% - 23% | 0% - 10% |
| Australian Cash | 0% - 100% | 0% - 45% | 0% - 45% | 0% - 33% | 0% - 20% | 0% - 15% | 0% - 10% |
| International Cash | 0% - 10% | 0% - 10% | 0% - 10% | 0% - 10% | 0% - 10% | 0% - 10% | 0% - 10% |

*Please note, the following 2 questions are* ***optional****, however they may help provide a better understanding of your client(s) attitudes and tolerance to risk.*

**We may find that you are not likely to meet your needs and objectives if your long-term savings are invested in accordance with your assessed risk profile.**

**1. Which options below would be your preferred strategies to address this situation?**

|  |  |  |  |
| --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |
| [ ]  | [ ]  | [ ]  | I would maintain the risk in my portfolio and **revise my needs and objectives** accordingly. |
| [ ]  | [ ]  | [ ]  | I would be willing to **work for longer** to assist in meeting my needs and objectives. |
| [ ]  | [ ]  | [ ]  | I would be willing to **sell or downsize other assets** to assist in meeting my lifestyle needs and objectives. For example, downsizing my home or selling my holiday house. |
| [ ]  | [ ]  | [ ]  | I would be prepared to **increase my exposure to growth assets** with the aim of increasing the likelihood of achieving my needs and objectives knowing that this comes with additional risk. |
| [ ]  | [ ]  | [ ]  | I would be willing to consider **borrowing to invest** into growth assets to assist in achieving my needs and objectives. If I did so, I would like to be made aware of the risks of this strategy. |
| [ ]  | [ ]  | [ ]  | Other |

Conversely, we may find that you are likely to exceed your needs and objectives if your long term savings are invested in accordance with your assessed risk profile.

**2. Which options below would be your preferred strategies in this situation?**

|  |  |  |  |
| --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |
| [ ]  | [ ]  | [ ]  | I would reduce the risk in my portfolio by reducing my exposure to growth assets |
| [ ]  | [ ]  | [ ]  | I would retire earlier or reduce my working hours in the lead up to retirement |
| [ ]  | [ ]  | [ ]  | I would maintain the risk in my portfolio and revise up my needs and objectives accordingly, for example increasing assistance to family, making charitable donations etc. |
| [ ]  | [ ]  | [ ]  | Other |

Based on our discussion of the historical outcomes above and our discussion please confirm or otherwise that the following statements for your investor risk profile are accurate?

* You are willing to accept the outcomes that may occur when investing in your assessed investor risk profile.
* You understand that outcomes could be worse than those illustrated above, which may reduce the likelihood of you achieving your needs and objectives, particularly if you invest for shorter than the minimum suggested timeframe.

|  |  |  |  |
| --- | --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |  |
| [ ]  | [ ]  | [ ]  | Yes |
| [ ]  | [ ]  | [ ]  | No  |

If answered “No”, provide details of the investor risk profile that you believe best reflects your situation:

|  |
| --- |
|  |

**AGREED RISK PROFILE** (based on further discussion with adviser)

|  |  |  |
| --- | --- | --- |
| **Client 1** | **Client 2** | **Joint** |
|  |  |  |

# Adviser notes of investor risk profile

In respect to your clients assessed risk profile, detail any discussions specific to cash flow requirements, including cash reserve and annual income needs that the client has requested, and any impact this may have on their risk profile and asset allocation (refer to Client Profile cash reserve needs).

**Please Detail:**

|  |
| --- |
|  |

In respect to your clients assessed risk profile detail any discussions specific to passive/active/dynamic/strategic allocations that you have conducted with the client and the reasons why these types of investments were discussed.

**Please Detail:**

|  |
| --- |
|  |