

TAYLOR & WILLIAMS, INC.  
RISK TOLERANCES AND INVESTMENT PREFERENCES

Client Name: \_\_\_\_\_

*Risk tolerances and investment preferences provide the foundation for determining an appropriate investment portfolio. The following questions address your attitudes toward inflation, the risk-return tradeoff, loss aversion, and investment preferences. The results of this analysis will be used to place you into an asset mix that best fits your investment objectives.*

1. Which of the following statements best describes your approach to inflation?
  - A. I am satisfied with maintaining the purchasing power of my investments (achieving returns equal to the inflation rate).
  - B. I am willing to accept moderate risk to achieve returns slightly higher than the inflation rate.
  - C. I am willing to accept significant risk to achieve returns substantially higher than the inflation rate.
  - D. I wish to achieve moderate returns.
  - E. I wish to achieve moderately high returns on my investments. I am, therefore, willing to accept the short-term fluctuations of higher returning investments.
  - F. I am willing to accept large and sometimes dramatic fluctuations in the value of my investment in an effort to achieve high returns. Maximizing investment returns is my primary concern.
  
2. The table below shows the worst, average, and best probable compound annual return ranges for four hypothetical investments over a five-year holding period. Which of these ranges would be most acceptable to you?
 

5-year Compound Annual Return Projections

	<u>Worst Case</u>	<u>Average</u>	<u>Best Case</u>
Investment A	02.0%	06.5%	11.0%
Investment B	00.0%	08.5%	17.0%
Investment C	-02.5%	10.5%	25.0%
Investment D	-06.0%	12.5%	33.0%
  
3. When purchasing automobile insurance, you look for a policy with:
  - A. A low deductible even though the policy costs more
  - B. A moderate deductible to reduce the cost of the policy.
  - C. A high deductible to attain the lowest policy cost.
  
4. Which best describes your attitude toward investing over the long run?
  - A. I am primarily concerned with protecting the value of my account. I am willing to accept the lower returns of stable investments, which have minimal chance for loss.
  - B. I am willing to take some risk in an effort to achieve higher returns, but prefer the large majority of my portfolio to be invested in low risk assets.
  - C. Achieving higher returns and minimizing risk are equally important to me. I am willing to accept moderate fluctuations in the value of my investment to achieve moderate returns.
  
5. Which best describes your attitude toward investment losses?
  - A. I check the prices of my investments at least several times a month so I can sell quickly if they begin to lose money.
  - B. Daily losses in the value of my investments make me uncomfortable, but do not cause me to immediately sell. If my investments suffer a substantial loss over a full quarter, however, I am likely to sell.
  - C. I realize there may be substantial day-to-day changes in the value of my investments. Although I focus on quarterly performance trends, I usually wait an entire year before making any changes.
  - D. If my investments suffered significant losses over a given year (in a down market), I would continue to follow a consistent, long-term investment plan and retain my portfolio.
  
6. In a declining market, I **usually** sell portions of my riskier assets and put the money into safer assets.
  - A. Strongly agree
  - B. Agree
  - C. Somewhat agree
  - D. Disagree
  - E. Strongly disagree

7. I **anticipate** that money from other sources (Retirement Plans, IRA's, SS, Trusts, or Bequests) will account for the following percentage of my income after retirement.

- A. Less than 10%
- B. 10% - 20%
- C. 21% - 30%
- D. 31% - 40%
- E. More than 40%

8. My **current** Federal tax bracket is:

- 15%     28%     Over 28%

9. Based upon my personal expectations, I believe that **upon retirement** my tax bracket will be:

- A. **Lower** than my current Federal tax bracket.
- B. **Equal to** my current Federal tax bracket.
- C. **Higher** than my current Federal tax bracket.

10. Once fund withdrawals begin from your account, how long do you plan for withdrawals to continue?

- A. One lump sum
- B. 5 years
- C. 10 years
- D. 15 years
- E. Over 15 years

**Investment Time Horizon**

*The length of time you expect to hold an investment and the rate you expect to make withdrawals from it are important factors when determining an appropriate asset allocation.*

11. In approximately how many years to you expect withdrawals from this account to begin?

\_\_\_\_\_ Years

**KEY**

Circle the answers chosen for each question.

- 1. A=0 B=5 C=10
- 2. A=0 B=2 C=5 D=9
- 3. A=0 B=4 C=7
- 4. A=0 B=2 C=5 D=8 E=10

- 5. A=0 B=3 C=5 D=8
- 6. A=0 B=2 C=4 D=8 E=10
- 7. A=0 B=2 C=4 D=7 E=10
- 8. A=0 B=5 C=10
- 9. A=0 B=5 C=10
- 10. A=0 B=2 C=4 D=7 E=10

**INSTRUCTIONS**

**Step 1.** Add totals from the **KEY** above: \_\_\_\_\_

**Step 2.** Calculate Total Time Horizon by adding the total points from **Step 1** to the number of years indicated in **Question 11**.

Total Time Horizon (TTH): \_\_\_\_\_

**Step 3.** Assign a Factoring Score to TTH as follows:

<u>TTH</u>	<u>Factoring Score</u>
0-2 years	0.7
3-5 years	0.78
6-10 years	0.79
11-15 years	0.98
16 or more years	1

Factor Score: \_\_\_\_\_

**Step 4.** Multiply the total from Step 2 by the Factoring Score in Step 3. \_\_\_\_\_

**Step 5.** Evaluate this score according to the following grid:

<u>Min. Score - Max. Score</u>	<u>Portfolio</u>
0 – 23	Conservative
24 – 56	Moderate
57 – 74	Growth
75 and up	Aggressive Growth

*I understand that this client Risk Profile Assessment is for the purpose of assisting Taylor & Williams in the selection of a portfolio for my investment monies. I affirm that the answers to the above questions are correct and represent my views as of the date entered below. I further agree to communicate with Taylor & Williams as necessary when my investment objectives change.*

Portfolio Preference: \_\_\_\_\_

Client Signature: \_\_\_\_\_

Date: \_\_\_\_\_