Risk Questionnaire

INSTRUCTIONS: Complete these eight questions and total the **POINT VALUE** scores for questions 1 & 2 for your **TIME HORIZON** score, and questions 3 through 8 for your **RISK TOLERANCE** score and find the intersection of these scores on the scoring model.

TIME HORIZON SECTION

Question #1:

Do you expect to begin withdrawing money from your investment account within the next 10 years? If so, how soon?

Answers		Point Value
1	No	15
2	Yes, within the next 2 years	0
3	Yes, within the next 3-5 years	5
4	Yes, within the next 6-7 years	7
5	Yes, but not for at least 8-9 years	10

Enter the point value for your answer: _____

Question #2:

If and when you begin withdrawing money from your investment account, over what period of time will the withdrawals last?

Answers		Point Value
1	I will withdraw the entire account balance, all at once, for a specific goal	0
2	Over a 1–3 year period, depleting most or all of the account	1
3	Over a 4-7 year period, depleting most or all of the account	3
4	For more than 7 years, depleting most or all of the account	5
5	When I begin withdrawals, I expect to produce a continuous income stream without depleting the account	16
6	I never plan to make withdrawals from this account	20

Enter the point value for your answer: _____

TOTAL TIME HORIZON SCORE (SUM OF FIRST TWO SCORES): _____

RISK TOLERANCE SECTION

Question #3:

Inflation impacts the effective spending power of your money over time.
To design an appropriate portfolio for you, we need to understand your attitude about the trade-off between preserving spending power versus growing your assets <u>after</u> the effects of inflation

Portfolios that are likely to preserve or increase spending power over long periods of time though, have higher volatility over shorter time periods.

Which best describes your attitude about accepting short-term risk relative to long- term growth?

Answers		Point Value
1	Long-term maximum growth, in excess of inflation, is my primary objective even though the short-term risk will be very high.	15
2	Long-term growth, in excess of inflation, is my primary objective, but I am NOT willing to accept <u>extreme</u> short-term risk.	12
3	I desire a moderate balance between growth, in excess of inflation, and short-term risk.	6
4	My primary objective is to avoid short-term risk even though it is likely that there will be little or no long-term growth in excess of inflation.	0

Enter the point value for your answer: _____

Question # 4:

Investments that are likely to produce higher long-term average returns are also likely to have a greater chance of losing money. Also, for these types of investments, the magnitude of extreme losses increases as well.

The table below demonstrates this trade-off between average return, the likelihood of losing money in any ONE YEAR, AND how extreme declines may be.

Please select the portfolio that most closely balances these trade-offs between risk and return for you.

PORTFOLIO	HYPOTHETICAL MEDIAN RETURN	ODDS OF LOSING MONEY IN ANY ONE YEAR	DOWNSIDE 95%-tile	WORST YEAR	EXPOSURE TO STOCKS
A	9.7%	1 in 3.6	-16%	-39%	100%
B	9.4%	1 in 3.7	-14%	-36%	90%
C	9.1%	1 in 3.9	-12%	-33%	80%
D	8.4%	1 in 4.5	-9%	-26%	60%
E	7.7%	1 in 5.2	-6%	-22%	45%
F	7.0%	1 in 6.0	-5%	-17%	30%

*See Important Disclosures

Answers		Point Value
1	Portfolio A	20
2	Portfolio B	18
3	Portfolio C	12
4	Portfolio D	8
5	Portfolio E	5
6	Portfolio F	-20

Enter the point value for your answer: _____

Question # 5:

Based on the information above, there is obviously a trade-off between risk and return. Which of the following best describes your attitude about this decision in balancing your desire to seek returns relative to the risk you can tolerate?

Answers		Point Value
1	My primary goal is preservation of principal and risk avoidance. I will accept lower returns in an effort to avoid investment risk.	0
2	I want to avoid risk, but will accept a relatively small amount to achieve a slightly higher return.	5
3	I can tolerate a moderate amount of risk in an effort to achieve a moderate amount of growth.	10
4	I want to achieve potentially high returns, and I am willing to accept the high amount of risk associated with this goal.	15

Enter the point value for your answer: _____

Question #6:

To achieve your investment objectives, it is important that you continue with your strategy even in periods of severe short-term price swings (volatility) as well as prolonged down markets. If your portfolio fell by 20% over a short period, assuming you still had several years before you needed the money, how do you think you would respond?

Answers		Point Value
1	I would not make any changes since I anticipated this sort of volatility.	15
2	I would want to reconsider my portfolio allocation, but if the overall market decline for portfolios like mine were similar, I would likely stick to my strategy.	10
3	I would want to reconsider my portfolio allocation and cautiously adjust my portfolio toward more conservative investments over time.	5
4	I would immediately move my investments to very safe and conservative alternatives.	0

**Enter the point value for your answer: _____**

Question #7:

The following graph shows a hypothetical range of returns over any twelve-month period of five sample portfolio allocations. Please note that the highest median hypothetical returns also have the greatest potential losses.

Which of these portfolios would you prefer to hold?

Answers		Point Value
1	Portfolio F	-20
2	Portfolio E	5
3	Portfolio D	8
4	Portfolio C	12
5	Portfolio B	18
6	Portfolio A	20

Enter the point value for your answer: _____

Range of 12 Month Returns
Sample Portfolio Allocations
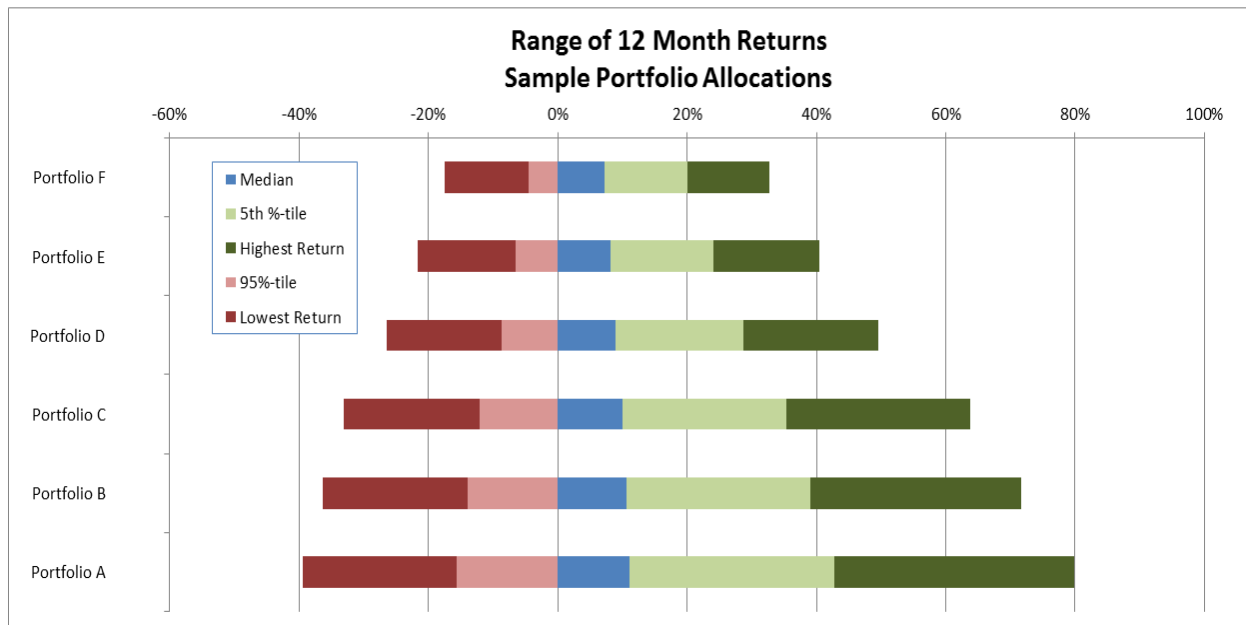
*Return results are calculated from our long-term Capital Market Assumptions – which are anchored in historical market returns. Past performance IS NOT an indication of future results. Actual losses may be greater than illustrated.

Question #8:

> To summarize your objectives, which statement below best describes your overall attitude regarding the trade-off between short-term risk and the possibility of achieving your long-term investment goal?

Answers		Point Value
1	I can accept short-term losses to maximize the potential I will achieve long-term investment goals.	15
2	I am equally concerned with avoiding short-term losses and meeting my long-term investment goals.	8
3	Avoiding short-term losses is more important to me than achieving my long-term investment goals.	0

Enter the point value for your answer: _____

SCORING MODEL & SAMPLE PORTFOLIOS

YOUR TOTAL RISK TOLERANCE SCORE (SUM OF QUESTIONS 3-8): _____

TOTAL TIME HORIZON SCORE (SUM OF QUESTIONS 1-2): _____

Find the Roman numeral that is at the *intersection* of your time horizon and risk tolerance scores.

Risk Tolerance Score		Time Horizon Score (Sum of #1 & #2)			
		< 7	7-12	13-20	>20
<	10	I	I	I	I
11	- 20	I	I	II	II
21	- 35	I	II	II	III
36	- 50	I	II	III	III
51	- 65	I	III	IV	IV
66	- 80	I	IV	IV	V
80	- 100	I	V	VI	VI

Portfolio Allocation	I	II	III	IV	V	VI
Asset Allocation	Risk Averse	Balanced Income	Balanced	Balanced Growth	Growth	Aggressive Growth
Large Cap Stocks	30%	45%	60%	80%	90%	100%
10-year Treasury Bonds	60%	50%	37%	18%	10%	0%
Cash Equivalents	10%	5%	3%	2%	0%	0%

	I	II	III	IV	V	VI
Hypothetical Median Return	7.0%	7.7%	8.4%	9.1%	9.4%	9.7%
Risk (95th %-tile return)	-4.6%	-6.4%	-8.7%	-12.1%	-13.9%	-15.7%
Risk (Standard Deviation)	7.5%	9.3%	11.4%	14.5%	16.2%	17.9%

* Chart above based on our long-term Capital Market Assumptions – which are anchored in historical market returns. Past performance IS NOT an indication of future results. Actual losses may be greater than illustrated.

Important Disclosures:

The results in the table above are materially affected by the capital market assumptions ("CMAs") used by Wealthcare Capital Management LLC ("Wealthcare"). Please note that the portfolio returns above approximate Hypothetical portfolios and do not represent actual returns of any Wealthcare Portfolios.

The **target risk allocations** illustrated are comprised of a mixture of domestic equities (all Large Cap), 10-year U.S. Treasuries and cash (3 month T-bill yield). **This table is intended to help you select your target risk allocation. The actual implementation of your risk allocation - your asset allocation policy and active risk policy - is addressed elsewhere. Research has shown that risk allocation explains 75% or more of your investment experience** (source*: "The Equal Importance of Asset Allocation and Active Management," Xiong, Ibbotson, Idzorek & Chen, Financial Analysts Journal, March/April 2010. CFA INSTITUTE.)*

The Hypothetical Median Return is the median geometric return of the allocation. The Odds of Losing figure represents the chance of the allocation losing money in any given year. The Worst Return is the annual return the allocation has only a 1 in 10,000 chance to achieve in a given year.   Return and risk of loss estimates are calculated based on risk and return assumptions anchored in historical market experience. NOTE: The highest hypothetical portfolio returns typically have the greatest risk of losses*.* Actual losses may be greater than illustrated.

The Exposure to Stocks figures reflect the percentage of equities in each portfolio. Not shown in the chart is the percentage in Taxable Bonds for Portfolios A through F, which, in ascending order, respectively, are 0%, 10%, 18%, 37%, 50% and 60%, with the remainder of each portfolio, after taking the equity percentage into account, allocated to cash.

Source of data analyzed to create the Wealthcare CMA assumptions: For domestic equities, Center for Research in Security Prices ("CRSP"), Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. crsp.uchicago.edu.

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