

**Royal Asset Managers, LLC**  
**Risk Tolerance Questionnaire**

Name \_\_\_\_\_

Date \_\_\_\_\_

1. Compared to others, how do you rate your willingness to take financial risks?

- 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

2. How easily do you adapt when things go wrong financially?

- Nervous, I lose sleep
- Uneasy
- Somewhat easily
- With Confidence

3. Bear markets can cause stock values to drop quickly as they did in December, 2018. In a 30 day period it's possible that stocks can lose 15% or more in value. Fortunately their prices do recover but if you lost 15% within 30 days what would you most likely do? (If you owned investments during a time of real market turmoil select the answer that corresponds to your actual behavior.)

- Sell what's left of the investment
- Sell a portion of the remaining investment
- Hold the investment and wait for recovery
- Buy more of the investment to capitalize on the inevitable recovery

4. When you think of the word "risk" in a financial context, which of the following words comes to mind first?

- Danger
- Uncertainty
- Opportunity
- Excitement

5. I prefer to monitor my investments almost on a daily basis because I don't want to miss a possible warning sign that things could begin to unravel and I'll miss the chance to sell before it's too late.

- Strongly Agree
- Agree
- Not sure
- Disagree
- Strongly Disagree

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6. When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?

- Always the possible losses
- Usually the possible losses
- Both losses and gains
- Usually the possible gains
- Always the possible gains

7. How do you feel about the outlook for your financial situation?

- Very pessimistic
- I think I'll eventually run out of money
- Neutral
- I don't believe the chances for running out of money are high
- Very optimistic

8. If you were in a job where you could choose to be paid in salary, a generous commission plan or a mix of both, which would you pick?

- All salary
- Mainly salary
- Equal mix of salary and commission
- Mainly commission
- All commission

9. What degree of risk have you taken with your financial decisions in the past?

- Very small
- Small
- Medium
- Large
- Very large

10. Generally, I prefer investments with little or no fluctuation in value, and I'm willing to accept the lower return associated with these investments.

- Strongly Agree
- Agree
- Somewhat Disagree
- Disagree
- Strongly Disagree

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**11.** When making a long-term investment, I plan to hold the investment for:

- 1-3 years
- 4-7 years
- 7-9 years
- 9-11 years
- More than 12 years

**12.** For me, investing is a necessary evil that I would prefer to avoid. I experience a regular amount of anxiety about outliving my assets and losing money in my portfolio puts me on edge because I feel like my financial future is too uncertain. How does this statement compare to your personal feelings?

- This matches my opinion
- This comes close to describing my opinion
- I understand this opinion and share some of it
- This has a small resemblance to my personal thoughts
- I don't relate to the fear that this opinion expresses

**13.** In terms of experience, I think the following statement accurately describes me.

- Novice, with little interest in the topic
- Some experience and a desire to learn more
- An average amount of experience with the stock market and its price movements
- I've been a long time investor and have taken business and career risk often
- I possess a superior command of investing and started investing at a young age

**14.** I think that the best way to manage an investment portfolio is to shift money around often so you can catch market trends before they start. I see nothing wrong with selling half or all of my investments and staying in cash until I think the storm has cleared nor do I object to loading up on stock at what appear to be opportune times. I could see having 0% invested in stock in October of this year and having 100% invested in stock in May of the next if I'm convinced that I have good reason to do so.

- Strongly Agree
- Agree
- Somewhat Disagree
- Disagree
- Strongly Disagree

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**15.** 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 all your investments go down before you would begin to feel uncomfortable? (Point: 20% of \$250,000 = \$50,000)

- Any fall would make me feel uncomfortable
- 10%
- 20%
- 33%
- 50%
- More than 50%

**16.** My major objective for my investments is to:

- Preserve my principal
- Earn a steady and reliable income
- Stay ahead of inflation and maintain purchasing power
- Achieve higher returns that are reasonable for the risk taken
- Maximize my return

**17.** Most investment portfolios have a spread of investments – some of the investments may have high expected returns but with a high degree of risk, some may have medium expected returns and medium risk, and some may have low risk and low return. (For example, investments in common stock and real estate would be considered high risk/high return, bonds have average levels of risk/return and cash and bank CD’s would be low risk/low return.)

Which spread of investments do you find most appealing?

	<u>High</u> <u>Risk/Return</u>	<u>Medium</u> <u>Risk/Return</u>	<u>Low</u> <u>Risk/Return</u>
<input type="checkbox"/> Portfolio 1	0%	0%	100%
<input type="checkbox"/> Portfolio 2	0%	30%	70%
<input type="checkbox"/> Portfolio 3	10%	40%	50%
<input type="checkbox"/> Portfolio 4	30%	40%	30%
<input type="checkbox"/> Portfolio 5	50%	40%	10%
<input type="checkbox"/> Portfolio 6	70%	30%	0%
<input type="checkbox"/> Portfolio 7	100%	0%	0%

**18.** You just won the lottery and will receive a lump sum payout of \$100,000 after Uncle Sam takes his fair share. What would you do with the windfall?

- Use about \$20,000 for needed repairs on my home and put the rest in a bank account that pays 1.5%
- Invest all the money and take a somewhat bigger than planned on vacation
- Buy myself or my spouse an expensive gift (\$25,000) and invest the rest
- Spend or invest as much as I’d like because the event has no significant impact on my financial situation

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19. Thinking about the investments you've made or chose not to make over the past several years which one of the following best describes your actual actions or thoughts?

- I have taken low levels of risk and I'm happy to have done so. I have little patience for investment losses
- I could have possibly benefited from adding a little more stock exposure
- I'm satisfied with the balanced risks I've taken
- I added a little more risk because I like the long term return potential of stocks
- Generally I feel that being more aggressive is the best long term approach because I know that long term average returns will work out in my favor

20. When making an investment, risk and return 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 well above average?

- None             20%             40%             60%             80%             100%
- 10%             30%             50%             70%             90%

21. Considering your financial situation, which option appeals most to you for your investments?

- A fixed rate of return of 2.75% for the next 25 years, which might jeopardize your long term purchasing power but you're willing to risk that to avoid losing principal value
- A blend of investments that has some potential for value fluctuation but shouldn't lose more than 8% in any given year and has a high probability of averaging a total return of 4.5% over the next 25 years
- A mix of investments that has averaged a 9% rate of return over the past 90 years but lost 25% in 2008 and is expected to lose money 25% of the time going forward (but still average the 9%)

22. With some types of investments such as cash and time deposits, the money value of the investment is fixed. However inflation will cause the purchasing power of this money value to decrease. With other types of investments such as stocks and real estate, 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 equities and property should certainly increase by more than the rate of inflation.

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?

- 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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**23.** A close relative who you have no reason to distrust is extending an opportunity to you to invest in a business venture that holds real and legitimate promise. It is a small ownership stake in a closely held business that although has not fared well in its initial phase of operation, appears to be on the cusp of significant growth in sales and profits. If things go well this investment could earn a return of 20% each year for the next several years with the potential for a sale of the business at a handsome premium over book value in the next seven to ten years. Just so happens that another relative recently passed away and has left you an inheritance of \$75,000. What would you do with the money from the estate settlement?

- I have no interest in the private equity deal. Sounds too risky to me
- I plan to ask some questions and if satisfied I'll think about investing but I'm not sure
- I'll invest \$10,000 just to keep peace in the family. Invest the rest in diversified stocks and bonds
- I'll review the financial information and discuss it with my accountant and possibly allocate \$25,000 to the deal
- I'll study it in detail and would like to invest at least \$50K. This is the kind of investment that can help diversify my existing portfolio and having the \$75K drop in my lap couldn't have been better timed

**24.** My current and future income sources (for example, salary, Social Security, pension) are:

- Very Unstable
- Unstable
- Somewhat Stable
- Stable
- Very Stable

**25.** Insurance can cover a wide variety of life's major risks – theft, fire, accident, illness, death etc. How much coverage do you have or do you believe you need at this time?

- No life insurance in place and I need to address the issue soon
- Very little coverage exists and my family would suffer if something happens to me
- Some and I need to evaluate possible shortfalls
- Considerable amount of coverage in place, but I have a possible gap
- Complete amount sufficient to provide for survivors or my assets have enough value to provide for their needs

**Name:** \_\_\_\_\_ **Date:** \_\_\_\_\_