

HEFFERNAN RETIREMENT SERVICES

Because You're Different

Investor Risk Profile & Asset Allocation Worksheet

How do you choose the investment mix that's right for you?

Here are some important considerations when choosing your portfolio.

Determining how to allocate your money among major asset classes such as stocks, bonds, and short-term cash reserves may be the most important factor in determining the long-term return and volatility of your portfolio. When it comes to investing, there is a direct relationship between expected returns and risk. The higher the returns or expected payback from your investment, the higher the risk. Before you can decide on a personal asset allocation strategy, you need to consider how much or how little risk you are prepared to take with your money.

Your Time Horizon and Risk Tolerance are important factors to consider when selecting investments for your portfolio.

1. Determine your time horizon for each goal.

Think about your most important financial life goals and estimate when you plan to begin withdrawing your money from your account. How much will you need? If your planned withdrawal date is many years away you may be comfortable with a portfolio that carries a greater potential for appreciation and higher level of risk. There is more time to weather the inevitable ups and downs of the market for long-term goals compared to short-term time frames.

The chart below spells out the relationship between risk and return for the three major asset classes.

Lower Potential Return → Higher Potential Return

	Cash	Bonds	Stocks
Time Horizon	Less than 5 years	5-10 years	Over 10 years
Objective	Preservation of Principal	Income	Growth

Lower Potential Risk → Higher Potential Risk

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2. Determine your risk tolerance.

How do you feel about risk and uncertainty? Some investments fluctuate more dramatically in value than others but also have the potential for higher returns. It's important that you select investments that fit within your level of tolerance for this risk.

Complete an investment risk questionnaire to help determine your Investor risk profile.

Time Horizon	Score

Question 1:

I plan to begin making withdrawals from my investments in:

A.	5 years or less	◉
B.	6-10 years	○
C.	11-20 years	○
D.	21 years or more	○

Question 2:

Once I begin making withdrawals from my investments I will need the funds to last:

A.	Less than 5 years	◉
B.	5-10 years	○
C.	11-15 years	○
D.	16 years or more	○

Risk Tolerance	Score

Question 3:

Perception of Risk: When you think of the word "risk," which of the following comes to mind first?

A.	Loss	◉
B.	Uncertainty	○
C.	Opportunity	○
D.	Thrill	○

Question 4:

Investment Knowledge: When it comes to investing in stock or bond mutual funds, I would describe my knowledge of these investments as follows:

A.	None	◉
B.	Limited	○
C.	Good	○
D.	Extensive	○

Question 5:

Investment Fluctuation: I am willing to accept some degree of fluctuation in my investments over time.

A.	Strongly Disagree	◉
B.	Disagree	○
C.	Agree	○
D.	Strongly Agree	○

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Question 6:

Risk and Inflation: I am willing to take on additional risk in order for my investments to keep pace with inflation

A. Strongly Disagree	◉
B. Disagree	○
C. Agree	○
D. Strongly Agree	○

Question 7:

Future Risk Perception: Assume that your financial plan shows that you are likely to run out of money during retirement. Which of the following actions would you perceive as the best way to prevent that from happening?

A. Lowering your future expectations	◉
B. Saving more	○
C. Selling assets	○
D. Taking on more risk with your investments	○

Question 8:

Short-Term Gains and Losses: Assume you had an investment portfolio with a balance of $100,000. Given the best and worst case returns of the four investment choices below, which would you prefer over the course of a one- year period?

A. $10,000 gain best case; $0 loss worst case; $4,500 average gain	◉
B. $18,000 gain best case; $12,000 loss worst case; $6,000 average gain	○
C. $26,000 gain best case; $18,000 loss worst case; $8,000 average gain	○
D. $35,000 gain best case; $30,000 loss worst case; $12,000 average gain	○

Question 9:

Risk Need: Given your current financial situation, which of the following describes your need to take risk with your finances in order to accomplish your primary goal?

A. I need to take extremely little to no financial risk to accomplish my goal.	◉
B. I need to take a little financial risk to accomplish my goal.	○
C. I need to take a moderate amount of financial risk to accomplish my goal.	○
D. I need to take considerable amount of financial risk to accomplish my goal.	○

Question 10:

Matching Risk with Goals: When thinking about using your investments to reach important life goals, where would you place yourself on the following scale? (Pick one)



1	2	3	4	5	6	7	8	9	10
◉	○	○	○	○	○	○	○	○	○

I need to minimize my losses and fluctuation as much as possible

I need to maintain a balanced mix of investments with some fluctuation, growth, and income.

I need my money to grow as much as possible regardless of risk or fluctuation

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Your Risk Profile: Total Points: 11

(11 to 21 Points) Conservative:

Conservative investors tend to prefer current income and stability. They are most concerned with capital preservation and hold larger positions in fixed income investments and cash equivalents.

(22 to 29 Points) Moderately Conservative:

Moderately conservative investors prefer current income and relative stability. They want access to some investments with an opportunity to increase in value.

(30 to 39 Points) Moderate:

Moderate investors tend to seek solid growth with relative stability. They are willing to take some risk and feel more comfortable in a balanced portfolio with a mix of stocks and bonds.

(40 to 47 Points) Moderately Aggressive:

Moderately aggressive investors tend to hold larger positions in established large-cap and international equity companies with slightly less exposure to market volatility and other risks compared to aggressive investors.

(48 to 54 Points) Aggressive:

Aggressive investors tend to hold the largest percentage of positions in stocks (i.e., large-cap, small-cap, and international) that seek to potentially generate higher returns. Aggressive portfolio strategies in general can expose investors to a higher degree of market volatility (including loss of principal) along with other types of increased risks.

3. Review sample asset allocation models.

Now that you know your time horizon and risk profile, you can make some asset allocation choices. The chart below provides sample allocations based on these factors. Remember, these guidelines are for illustrative purposes only and should serve merely as a starting point for your decisions. Don't forget that some goals have multiple time horizons. If you are planning to retire in the next 5 years, it can actually be a long-term goal if you plan to be in retirement for 20 years.

Risk Category	Sample Asset Allocation Models
Conservative	20-30% Stocks, 55-65% Fixed Income, 15-25% Cash
Moderately Conservative	30-40% Stocks, 50-60% Fixed Income, 10-15% Cash
Moderate	50-60% Stocks, 35-45% Fixed Income, 5-10% Cash
Moderately Aggressive	60-70% Stocks, 15-25% Fixed Income, 5-10% Cash
Aggressive	80-90% Stocks, 5-15% Fixed Income, 5% Cash

4. Balance risks, time frames and investments.

Only you can decide the appropriate investment mix that is right for you. By understanding these three components you will be better prepared to make investment decisions. The final decision is always yours!

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