

Risk Tolerance Assessment Worksheet

Chapter 11.1: Understanding and Managing Risk

Instructions for Using This Worksheet

This worksheet will help you assess your personal risk tolerance through a series of financial scenarios. Follow these steps:

1. Read each scenario carefully and consider how you would genuinely respond
2. Select the option that best reflects your preferences and comfort level
3. Score your responses using the point system provided
4. Add up your points to determine your overall risk tolerance profile
5. Complete the reflection questions to gain deeper insights

Remember, there are no "right" or "wrong" answers—this assessment is about self-awareness, not judgment.

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Part 1: Risk Tolerance Scenarios

Scenario 1: Unexpected Money

You receive \$1,000 unexpectedly. What would you do with this money?

- ☐ Put it all in a safe savings account (1 point)
- ☐ Put half in savings and invest half in a moderate-risk mutual fund (2 points)
- ☐ Invest it all in a diversified stock portfolio (3 points)
- ☐ Invest it all in a high-risk, high-potential-return opportunity (4 points)

Scenario 2: Career Choice

You're choosing between job offers. Which would you prefer?

- ☐ Stable company, predictable salary, minimal advancement opportunities (1 point)
- ☐ Established company, modest growth potential, good benefits (2 points)
- ☐ Growing company, performance-based bonuses, good advancement potential (3 points)

- ☐ Startup with low base salary but significant equity if successful (4 points)

Scenario 3: Emergency Fund

How much would you ideally keep in an emergency fund?

- ☐ 12+ months of expenses (1 point)
- ☐ 6 months of expenses (2 points)
- ☐ 3 months of expenses (3 points)
- ☐ 1 month of expenses or less (4 points)

Scenario 4: Investment Loss

If your investments lost 20% of their value in a market downturn, what would you do?

- ☐ Sell everything to prevent further losses (1 point)
- ☐ Sell some investments and move to safer options (2 points)
- ☐ Hold steady and make no changes (3 points)
- ☐ Buy more while prices are low (4 points)

Scenario 5: Retirement Planning

Which retirement investment approach appeals to you most?

- ☐ Mostly fixed income, prioritizing protection of principal (1 point)
- ☐ Balanced portfolio with moderate growth and moderate security (2 points)
- ☐ Growth-oriented portfolio with some volatility (3 points)
- ☐ Aggressive growth approach accepting significant fluctuations (4 points)

Part 2: Calculate Your Risk Tolerance Score

Add up the points from all five scenarios:

Scenario 1: Unexpected Money _____ points

Scenario 2: Career Choice _____ points

Scenario 3: Emergency Fund _____ points

Scenario 4: Investment Loss _____ points

Scenario 5: Retirement Planning _____ points

Total Score _____ points

Interpreting Your Score:

5-8 points: Conservative Risk Tolerance

You prefer safety and stability over higher potential returns. You're uncomfortable with significant uncertainty and prioritize protecting your assets. You're likely to focus on preserving capital and maintaining a substantial emergency fund. For investments, you prefer fixed-income securities and guaranteed returns over stocks or other volatile assets.

9-13 points: Moderate Risk Tolerance

You seek a balance between safety and growth. You're willing to accept some fluctuations in exchange for better long-term results, but you still want to limit significant losses. You're likely comfortable with a diversified portfolio that includes both growth-oriented and stability-focused investments. You understand the importance of both risk and protection.

14-17 points: Above-Average Risk Tolerance

You're comfortable taking calculated risks to achieve better returns. Short-term market fluctuations don't overly concern you, as you focus on long-term growth. You're likely willing to maintain a growth-oriented investment approach even during market downturns. You prioritize opportunity over security in many cases.

18-20 points: High Risk Tolerance

You're very comfortable with risk and volatility in pursuit of higher returns. You view market downturns as potential opportunities rather than threats. You prioritize maximum growth potential over stability or security. You're likely willing to invest heavily in stocks, startups, or other high-risk/high-reward opportunities.

[This space would contain a visual representation of the risk tolerance spectrum]

Part 3: Risk Tolerance Reflection

Complete these reflection questions to gain deeper insights into your risk tolerance and its implications for your financial decisions.

1. How accurately does this assessment reflect your risk tolerance? Explain why.

2. In what areas of your life are you more risk-averse, and where are you more risk-tolerant?

3. What factors have shaped your current risk tolerance level?

4. How might your risk tolerance influence your financial decisions in the areas below?

Insurance choices:

Saving and investing:

Career and education:

Major purchases (housing, vehicles, etc.):

5. How might your risk tolerance change as your life circumstances evolve?

