

Risk Tolerance Assessment Worksheet

Student Name: _____

Date: _____

Introduction

This worksheet will help you assess your personal risk tolerance and understand how it might affect your saving and investment decisions. Risk tolerance refers to your personal comfort level with potential fluctuations in your investments. Understanding your risk tolerance is crucial for making financial decisions that align with your goals and comfort level.

Part I: Risk Tolerance Assessment

Answer the following questions honestly based on how you would actually react in each situation. There are no right or wrong answers - the goal is to better understand your personal comfort with financial risk.

Question 1: Time Horizon

When do you expect to need most of the money you're saving or investing?

- ☐ Within the next 1-2 years
 - ☐ Within 3-5 years
 - ☐ Within 6-10 years
 - ☐ More than 10 years from now
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Question 2: Market Declines

If you invested \$10,000 and its value dropped to \$8,500 after one month, what would you do?

- ☐ Sell everything to prevent further losses
 - ☐ Sell some investments to reduce risk
 - ☐ Do nothing and wait for the value to recover
 - ☐ Buy more investments while prices are lower
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Question 3: Return Expectations

Which investment outcome would you prefer?

- ☐ A guaranteed 3% annual return with no possibility of loss
 - ☐ A potential 6% annual return with some risk of minor losses
 - ☐ A potential 9% annual return with moderate risk of losses
 - ☐ A potential 12% annual return with significant risk of large losses
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Question 4: Risk vs. Return

Which statement best describes your attitude toward investment risk?

- ☐ I'm very uncomfortable with any investment losses and prefer stability
- ☐ I'm willing to accept small fluctuations to achieve slightly higher returns
- ☐ I can tolerate moderate fluctuations for the prospect of better returns

- ☐ I'm comfortable with significant fluctuations for the chance of maximum returns

Question 5: Financial Goals

Which of these best describes your primary financial goal?

- ☐ Preserving my savings and minimizing losses is my top priority
- ☐ Growing my savings moderately while limiting risk is important to me
- ☐ Achieving strong growth over time, accepting some market volatility
- ☐ Maximizing long-term growth, accepting significant market volatility

Part II: Scoring Your Risk Tolerance

Score your answers according to the following point system:

- For each "a" answer: 1 point
- For each "b" answer: 2 points
- For each "c" answer: 3 points
- For each "d" answer: 4 points

| Question | Your Answer (a, b, c, or d) | Points |
|------------------------|-----------------------------|--------|
| 1. Time Horizon | | |
| 2. Market Declines | | |
| 3. Return Expectations | | |
| 4. Risk vs. Return | | |
| 5. Financial Goals | | |
| Total Score | | |

Risk Tolerance Profile

| Score Range | Risk Tolerance Profile | Description |
|-------------|------------------------|---|
| 5-10 | Conservative | You prefer stability and are uncomfortable with significant fluctuations. Capital preservation is your primary focus. |
| 11-15 | Moderate | You can tolerate some ups and downs for the possibility of higher returns. You seek balance between growth and stability. |
| 16-20 | Aggressive | You're comfortable with substantial fluctuations for the potential of maximum returns. Long-term growth is your priority. |

My Risk Tolerance Profile

Based on my score, my risk tolerance profile is: _____

Part III: Investment Options Based on Risk Tolerance

| Risk Tolerance Profile | Typical Investment Allocation | Suitable Investment Types |
|------------------------|---|---|
| Conservative | <ul style="list-style-type: none">• 60-70% Cash & Cash Equivalents• 20-30% Bonds• 10-20% Stocks | <ul style="list-style-type: none">• High-yield savings accounts• Certificates of deposit (CDs)• Money market accounts• Treasury bills• Government bonds• Blue-chip dividend stocks |
| Moderate | <ul style="list-style-type: none">• 30-40% Cash & Cash Equivalents• 30-40% Bonds• 30-40% Stocks | <ul style="list-style-type: none">• Balanced mutual funds• Index funds• Corporate bonds• Municipal bonds• Blue-chip stocks• Dividend-paying stocks• Real estate investment trusts (REITs) |
| Aggressive | <ul style="list-style-type: none">• 5-15% Cash & Cash Equivalents• 15-25% Bonds• 60-80% Stocks | <ul style="list-style-type: none">• Growth stocks• Small-cap stocks• International stocks• Emerging market funds• Sector-specific funds• High-yield corporate bonds• Real estate |

Part IV: Reflection

Based on your risk tolerance assessment, answer the following questions:

1. Does your risk tolerance profile (Conservative, Moderate, or Aggressive) surprise you? Why or why not?

2. Which investment options from the chart above seem most appropriate for your risk tolerance level? Why?

3. How might your risk tolerance change for different financial goals (e.g., short-term savings vs. retirement)?

| | |
|---|--|
| 4. How does understanding your risk tolerance help you make better financial decisions? | |
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Key Takeaways

Understanding your risk tolerance is essential for making investment decisions that you can stick with through market fluctuations. Remember:

- There is no "right" or "wrong" risk tolerance - what matters is finding an approach that aligns with your goals and comfort level
- Risk tolerance may change throughout your life based on age, goals, financial situation, and experiences
- Time horizon (when you'll need the money) should significantly impact your investment approach
- Diversification can help manage risk while still pursuing appropriate returns