**Advanced Money School Lesson 4 Worksheet: Your Risk Tolerance and Suggested Asset Allocation**

The following questions will help you determine your tolerance for investment risk and suggest a target asset allocation for your investment portfolio. Risk tolerance is an extremely personal characteristic and results are only a suggestion. Ultimately, you must decide for yourself how much risk you’re willing to take on in pursuit of higher investment returns.

1. How old are you?
   1. Under 30 (5 points)
   2. 30 – 40 (4 points)
   3. 40 – 50 (3 points)
   4. 50 – 60 (2 points)
   5. Over 65 (0 points)
2. When do you plan begin withdrawing money from your investments?
   1. 2 years or less (0 points)
   2. 2-5 years (2 points)
   3. 5-10 years (3 points)
   4. 10-20 years (4 points)
   5. More than 20 years (5 points)
3. In late 2008 and again between February and March 2020, stocks lost 30% or more in value. If you owned stocks during either of these periods, what did you do? (If you did not own stocks, answer how you think you would’ve reacted.)
   1. Sold all your stocks (0 points)
   2. Sold some stocks (2 point)
   3. Hold onto your stocks (do nothing) (4 points)
   4. Buy more stocks (5 points)
4. Choose the statement that most reflects how you feel:
   1. I prefer very stable investments that rarely lose value. (0 points)
   2. I prefer a conservative investment portfolio that will appreciate slowly with limited potential for loss. (2 points)
   3. I prefer a balance of risk and reward. I’m OK with some volatility, but I don’t want to lose my shirt. (3 points)
   4. I’m OK with some risk if it means my money has the chance to really grow. (4 points)
   5. I want to invest aggressively to maximize returns even though I know I may have to live through market downturns in which I lose 30% or more in the short-term. (5 points)
5. I would describe my comfort level with investing as:
   1. I know nothing. What are bonds!? (0 points)
   2. I know a little bit about investing, but I’m not very comfortable yet. (2 points)
   3. I know a little bit about investing, and I’m confident I will learn more as I go. (3 points)
   4. I’m comfortable with investing. (4 points)
   5. I’ve comfortable and experienced with investing. I’m a financial professional or I have been investing in stocks since I was a kid. (5 points)
6. Describe how stable you believe your income will be for the remainder of your career:
   1. Not stable (for example, I don’t have much education or marketable skills and am frequently unemployed) (0 points)
   2. Unstable (I rely mostly on gig work or low-paid jobs that come and go) (2 points)
   3. Kind of stable (I have a good job, but I sometimes worry it will always be this way) (3 points)
   4. Stable (I have a good job and valuable skills that make me confident about my future earning potential) (4 points)
   5. Very stable (I’m a tenured professor, a career serviceperson, a healthcare professional, or have other skills that will ALWAYS be in demand) (5 points)
7. The following answers show the best 1-year return and worst 1-year loss of three hypothetical $10,000 investments. Which of the following investments would you make?
   1. Worst year: $150 loss; Best year: $500 gain. (0 points)
   2. Worst year: $1,000 loss; Best year: $2,000 gain. (3 points)
   3. Worst year: $3,500 loss; Best year: $4,200 gain. (5 points)

Tally your total score based upon the point values after each answer. You’ll end up with a number between 0 and 35. Now, multiply that number by 3. Here’s what each score range translates to in terms of risk tolerance and recommended asset allocation.

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| **Score** | **Risk tolerance** | **Asset allocation** |
| 0 | None | Very conservative. Although you may not want to stomach ANY risk and keep your money in savings accounts, remember that inflation is a constant. You may not want to invest in stocks and bonds, and that’s OK, but you might want to consider other products that can help you generate income in retirement. If you’re this uncomfortable with risk, I would recommend working with a fee-only financial planner to look at your options. |
| 6 - 34 | Very Low | Conservative. 20% stocks and 80% bonds. |
| 35 - 49 | Low | Somewhat conservative. 30% stocks and 70% bonds. |
| 50 - 69 | Moderate | Balanced. Between 40% and 60% stocks and between 40% and 60% bonds. |
| 1. - 85 | High | Aggressive. 80% stocks and 20% bonds. |
| 86 - 105 | Very High | Very aggressive. Up to a 100% stock portfolio. |