

# **IRESS RiskProfiler**

## **Questionnaire**

## Questionnaire

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

**Signature**

:

**Financial Adviser**

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

**Please complete the questionnaire and return it to your financial adviser.**

### About Risk Tolerance Testing

The IRESS Risk-Profiler questionnaire has been designed to assist your financial adviser to assess your risk tolerance in relation to financial risk. The results of the questionnaire are to be used as a guide for your financial adviser in addition to other information in regard to your personal circumstances to develop appropriate recommendations.

Once your financial adviser has assisted you to identify your risk tolerance it will be used by your financial adviser in conjunction with other information such as your objectives, personal financial situation and other relevant personal information to develop recommendations to achieve your life style planning goals.

An individual's risk tolerance is an important factor in making investment decisions and may also be used in other contexts such as risk insurance, risk management etc.

The most important factor in making investment decisions is to have an understanding of the risks involved in making such decisions. Financial or investment risk is generally defined as the risk that the investment decision may not meet expectations or not achieve an individual's stated objectives. Risk tolerance is a measure of an individual's level of comfort in relation to investment or financial risk.

### The IRESS Risk-Profiler Questionnaire

Risk tolerance testing is not only a measure of an individual's psychological aspects towards financial risk, but considers many other factors that are predictors of an individual's risk tolerance. Some of these predictors include your locus of control, general knowledge and past experiences.

IRESS Risk-Profiler is a multi-dimensional tool that combines demographic, socio-economic, financial knowledge, locus of control and other factors into a single tool to assist in determining an individual's risk tolerance. IRESS Risk-Profiler has been designed to determine many of the key predictors of an individual's risk tolerance. The question segments cover the following areas:

- Demographic data collection.
- General investment knowledge.
- Measurement of psychological aspects such as attitudes to investment, emotions, personal beliefs and knowledge levels.
- Hypothetical situations.
- An individual's locus of control (an individual's perceived ability to control their future).
- Past experiences.
- Attitudes towards different types of risk.
- An individual's views on investment time frames.

**How do I answer the questionnaire?**

The questions have been provided to you in a multiple-choice format. Please provide only one answer to each question. As you have a limited choice of answers, you may find that none are your preferred answer to a particular question. Please do your best to select an answer from those available.

**Why are so many questions required?**

There are a total of 29 questions. The first 4 of these are questions to collect demographic information about you. The number of questions is required in order to provide an accurate assessment of your risk tolerance. As we explained above, there are many different individual aspects or risk tolerance predictors that need to be measured.

**How do I answer questions that contain hypothetical situations?**

There are questions in the IRESS Risk-Profiler questionnaire that are based on hypothetical situations. These questions are designed to assess how you may react in a similar situation, even though you may not have been in this situation. Please do your best to imagine the situation and provide an answer.

**The Role of Your Financial Adviser**

Your financial adviser will use your risk tolerance assessment in addition to other personal information to develop appropriate recommendations. Your risk-tolerance report is designed to assist your financial adviser in satisfying their legal requirements including “know your client rule”. Section 945A (1) of Corporations Act 2001 which requires financial planners to have a “reasonable basis for making a recommendation” this is dealt with further under ASIC policy statement 175. As your risk tolerance will change dependant upon your experiences and further education your financial adviser may also reassess your risk tolerance periodically.

**The Role of Monash University**

The Department of Econometrics and Business Studies at Monash University has publicly endorsed IRESS Risk-Profiler as an appropriate method for assessment of an investor’s investment risk grouping. Monash University has conducted statistical analysis of the results obtained by the product and has confirmed that the results meet a high degree of measurement accuracy. Monash University will continue to be involved with the on-going development of IRESS Risk-Profiler.

This report has been prepared on the basis of and in reliance on information supplied in response to the IRESS Risk-Profiler questionnaire. Xplan Technology Pty Ltd (ABN 67 095 619 837) cannot guarantee the accuracy or validity of the risk tolerance assessment or the information entered into the questionnaire. The financial planner providing any general or specific advice must provide an assessment of the client’s financial situation in compliance with the Corporations Act 2001 (Cth), regulations and legislative requirements including the Privacy Act 1988 (Cth). Xplan Technology Pty Ltd does not accept any liability, whether direct, indirect arising from the use of information contained in this report. You agree to defend, indemnify and hold harmless, Xplan Technology or any of its subsidiary companies and their employees, contractors, agents, affiliates, directors and officers from any and all third party claims, demands, liabilities, costs or expenses, including any legal fees (on an indemnity basis) arising from or in any way relating to or arising out of any damage or loss of any nature whatsoever that results, directly or indirectly, from yours or any other persons reliance or use of this reporting whatsoever.

## Section 1

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1.1 What is your marital status?

- Never married
- Divorced
- Separated
- Widowed
- Defacto
- Married
- Do not wish to answer

1.2 In which sector are you currently employed or sector you were previously employed?

- Unemployed
- Labourers
- Production and transport workers
- Clerical, service and sales
- Tradespersons
- Managers and professionals
- Do not wish to answer

1.3 What is your age?

- Less than 18
- 18-24
- 25-29
- 30-39
- 40-49
- 50-59
- 60-64

1.4 What is your gender?

- Male
- Female
- Do not wish to answer

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**Section 2**

2.1 I usually get what I want in life.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

2.2 If I do not succeed on a task, I tend to give up.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

2.3 I never try anything that I am not sure of.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

2.4 A person can get rich by taking risks.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

2.5 Persistence and hard work usually lead to success.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

## Section 3

3.1 When considering taking financial risks, how do you view yourself?

- A very low risk taker
- A low risk taker
- A moderately low risk taker
- An average risk taker
- A moderately high risk taker
- A high risk taker
- A very high risk taker

3.2 Which of the following statements best describes your investment knowledge and understanding when considering investment?

- I have profited from investing in shares and managed funds based on my own research and knowledge
- I have invested in shares and managed funds and I have gained a significant amount of knowledge through this experience
- I have invested in shares and managed funds in the past and I have gained some knowledge through this experience
- I have had investments in shares and managed funds without gaining much knowledge in this area
- I have never invested in shares or managed funds and I have virtually no knowledge in this area

3.3 Investment is too difficult to understand.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

3.4 I am more comfortable putting my money in a bank account than in the share market.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

3.5 Making money in shares and bonds is based on luck.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

3.6 The best way to reduce financial risk is to diversify.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

3.7 During times of higher inflation it can be more expensive to borrow money due to high interest rates.

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree

3.8 Many types of investments can fluctuate up and down in value. Financial services professionals state that you should be able to endure downturns in the value of your investments over short-term periods. Based on the answers below, by how much could your investment fall in value over a short-term period before you feel uncomfortable?

- I would be uncomfortable with any fall in the value of my investments
- Up to a 5% fall in value
- Up to a 10% fall in value
- Up to a 25% fall in value
- Up to a 33% fall in value
- Up to a 50% fall in value
- A fall in value of more than 50%

## Section 4

- 4.1 When you have made a significant financial decision, which of the following best describes how you usually feel after making such a decision.
- Very pessimistic
  - Somewhat pessimistic
  - Neither pessimistic nor optimistic
  - Somewhat optimistic
  - Very optimistic
- 4.2 If you were confronted with a significant financial decision in relation to an investment, would you be more concerned about the potential losses or the potential gains?
- Always the potential losses
  - Usually the potential losses
  - Equally concerned about the losses and gains
  - Usually the potential gains
  - Always the potential gains
- 4.3 Have you ever invested a significant amount of money into an investment that fluctuates up and down in value, how did it make you feel when the investment fell in value?
- Highly anxious
  - Moderately anxious
  - Slightly anxious
  - Not worried at all
  - I have never invested in this type of investment
- 4.4 When financial decisions you have made in the past have not turned out to be as successful as you had planned, which of the following statements best describes how you felt?
- Highly anxious
  - Moderately anxious
  - Slightly anxious
  - Not worried at all
- 4.5 If you have ever borrowed money to make an investment other than your home, what type of investment was it?
- An investment property
  - Managed Funds
  - Shares
  - A mix of two or more of the above
  - I have never borrowed to invest in any of these investments

4.6 Based on your answer to question 4.5, how did borrowing to invest make you feel?

- Very stressed
- Somewhat stressed
- Did not concern me
- Confident
- Excited
- Not applicable

## Section 5

- 5.1 Suppose you unexpectedly inherited a large sum of money, you are debt free and wanted to invest the money for your future. Which of the following investments would you consider most appropriate?
- Invest the majority in cash and term deposits
  - Invest the majority in real estate
  - Invest the majority in shares
  - A mix of two or more of the above
  - Spend it all
- 5.2 Suppose that two years ago you purchased shares in a company that was recommended to you by experts due to the future business prospects of that company. After a two year period of the share market in a downward trend (a bear market) the shares of the company were trading at a lower price than what you paid for them.
- You subsequently receive expert advice that confirms that even though the share price is lower due to the share market conditions over the last two years, the future prospects of the company are even stronger than previously advised. Given that your shares in this company are already trading at a loss, would you buy more shares in this company based on the latest expert advice?
- Definitely not
  - Probably not
  - Not sure
  - Probably
  - Definitely
- 5.3 A retirement income stream provides regular income usually in the form of a pension payment and is generally purchased using your savings and superannuation benefits. Retirement income streams come in many forms and vary as to the level of flexibility and control that a person has over the income stream, the underlying investment and whether or not your beneficiaries will receive the remaining value of your investment in the event of your death.
- Assume you invested your life savings into a retirement income stream, what are the features that would be the most important to you?
- Ability to access your capital at any time and retain control over the investment strategy, however the income stream would not be guaranteed for life
  - Receiving a lower less flexible income stream that is guaranteed to last the life-time of you and your partner with no residual value paid to your estate in the event of your deaths
  - Do not have a preference
- 5.4 Investment gearing is the process of borrowing money to invest, although gearing can increase the potential return significantly and often provide taxation benefits; it also significantly increases the level of risk.
- Suppose a financial planner recommended that you borrow money to invest in a portfolio of managed funds and shares, which of the following would best describe your reaction?
- I would see this as an opportunity to significantly increase my wealth and would not be concerned about the increased risk
  - I would consider the opportunity but would feel uneasy about the increased risk
  - I would never agree to borrow money to invest as I consider the risk too high

- 5.5 One of the major aspects of financial planning is to organise your financial affairs to minimise the impact of taxation and maximise any available government benefits, such as the age pension or similar benefit. After organising your financial affairs in this way, a change in legislation could leave you in a worse position or no better off.

In consideration of this issue, would you organise your affairs in this way in order to qualify for a government benefit or to minimise taxation, and bear the risk that the legislation may change?

- I would not take a risk if there were any chance that legislation could change and leave me in a worse position
- I would take a risk if there was a relatively low chance that the legislation could change leaving me in a worse position
- I would only take a risk if there was at least a 50% chance or greater that I would be in a better position

- 5.6 Suppose that you have set an objective to retire at a particular age and have also determined the lifestyle you require in retirement. Your financial planner has advised you that in order to achieve the lifestyle you require in retirement at the specified age, you will need to make investments of a higher mark than you would normally feel comfortable with. Which of the following options would you feel most comfortable with?

- I would rather take a higher risk investment than alter my retirement objectives
- I would rather take a combination of higher risk investment as well as altering my retirement objectives
- I would rather alter my retirement objectives than take any more risk