Reset Form

PORTFOLIO ADVISORY SERVICES RISK TOLERANCE QUESTIONNAIRE

Cetera INVESTMENT ADVISERS LLC

Client Name ____________________ Date ____________

Registered Representative Name ____________________ Rep Number ____________

1. When do you expect to begin withdrawing money from your investment account?
   - ☐ A. Less than 2 years
   - ☐ B. 2 years
   - ☐ C. 3 to 4 years
   - ☐ D. 5 to 7 years
   - ☐ E. 8 to 10 years
   - ☐ F. More than 10 years

2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?
   - ☐ A. I plan to take a lump sum distribution
   - ☐ B. 1 to 4 years
   - ☐ C. 5 to 7 years
   - ☐ D. 8 to 10 years
   - ☐ E. More than 10 years

3. Which of the following choices best reflects your attitude towards inflation and risk?
   - ☐ A. My main goal is to avoid loss, even though I may only keep pace with inflation.
   - ☐ B. My main goal is to earn slightly more than inflation, while taking on a low level of risk.
   - ☐ C. My main goal is to increase my portfolio's value. Therefore, I am willing to accept short-term losses, but I am not comfortable with extreme performance shifts that may be experienced in the most aggressive investment options.
   - ☐ D. My main goal is to maximize my portfolio value, and I am willing to take on more extreme levels of risk and performance shifts in my portfolio to do so.

4. The table below presents a hypothetical worst case loss, expected gain, and best case gain of five sample portfolios over a one-year period with an initial $100,000 investment:

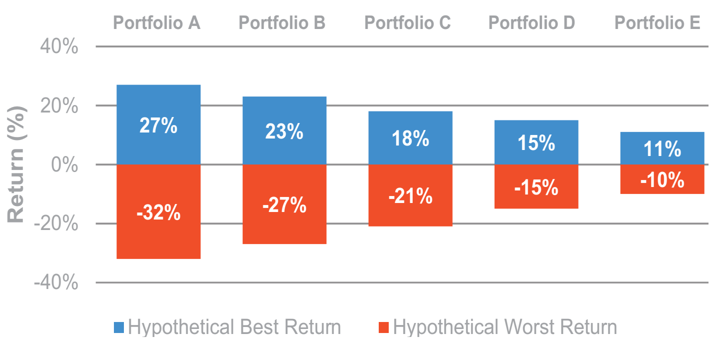
	Hypothetical Best Case	**Expected Gain**	**Hypothetical Worst Case**
Portfolio 1	$111,300	$104,300	$90,200
Portfolio 2	$114,500	$105,300	$84,700
Portfolio 3	$118,500	$106,200	$78,700
Portfolio 4	$123,100	$107,100	$72,800
Portfolio 5	$126,700	$107,900	$68,200

   Which portfolio would you prefer to hold?
   - ☐ A. Portfolio 1
   - ☐ B. Portfolio 2
   - ☐ C. Portfolio 3
   - ☐ D. Portfolio 4
   - ☐ E. Portfolio 5

5. Investing involves a trade-off between risk and return. Which statement best describes your investment goals?
   - ☐ A. Protect the value of my account. In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments.
   - ☐ B. Keep risk to a minimum while trying to achieve slightly higher returns than the returns provided by investments that are more conservative.
   - ☐ C. Focus more on the long-term investment returns. Long-term growth is equally as important as managing portfolio risk.
   - ☐ D. Maximize long-term investment returns. I am willing to accept large and sometimes dramatic short-term fluctuations in the value of my investments.

6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. $1,000 initial investment would now be worth $800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?
   - ☐ A. I would not change my portfolio.
   - ☐ B. I would wait at least one year before changing to options that are more conservative.
   - ☐ C. I would wait at least three months before changing to options that are more conservative.
   - ☐ D. I would immediately change to options that are more conservative.

7. The following chart shows the hypothetical best and worst results of five sample portfolios over a one-year holding period. Note that the portfolio with the highest upside also has the largest downside.



   Which portfolio would you prefer to hold?
   - ☐ A. Portfolio A
   - ☐ B. Portfolio B
   - ☐ C. Portfolio C
   - ☐ D. Portfolio D
   - ☐ E. Portfolio E

8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns. What is your view regarding this statement?
   - ☐ A. Strongly disagree
   - ☐ B. Disagree
   - ☐ C. Somewhat agree
   - ☐ D. Agree
   - ☐ E. Strongly agree

Morningstar Investment Management LLC (Morningstar Investment Management) designed the questionnaire scoring system to assign individuals to a risk profile based on their responses from the risk tolerance questionnaire.

Like the questionnaire itself, the scoring system is divided into two distinct sections:

- Time horizon score
- Risk tolerance score

Each section is scored separately, and then combined to form a total score. Morningstar Investment Management uses the total score to make the profile recommendation. The sections below discuss this process.

Time Horizon Score

The time horizon portion of the scoring is taken from questions 1 and 2. The score on these two questions determines the time horizon level. The time horizon level is used to assign various time horizon factors.

Each time horizon level gives the investor access to certain profiles and restricts access to others. Investors that score into the shorter time horizon levels are not given access to the more aggressive profiles. This is consistent with Morningstar Investment Management's belief that individuals with shorter-term horizons should hold portfolios that are more conservative.

Within each time horizon level, Morningstar Investment Management allows an investor's risk tolerance to determine the appropriate profile. If an investor's risk tolerance suggests a profile that is restricted (due to the time horizon level), Morningstar Investment Management recommends a more appropriate profile for that investor's specific time horizon level. This process allows conservative investors with short time horizons to score into a profile matched to their risk tolerance while at the same time protecting aggressive investors with short time horizons from excess risks.

Risk Aversion Score

The risk aversion portion of the scoring is taken from questions 3 through 8. The score on these questions determines the risk aversion level. Where the primary purpose of the time horizon score is to find the investors ability to take on risk, the main goal of the risk aversion portion of the questionnaire is to capture how much risk the investor is willing to take.

The risk aversion level is comprised of many different concepts uncovered by behavioral economists in recent decades, including loss aversion, risk-reward tradeoff, inflation risk, and the ability to stay the course. An investor who feels uncomfortable with extreme volatility or the possibility of large losses to their portfolio is placed in a more conservative profile, while an investor who is willing to accept greater risk is placed in a more aggressive profile.

Find two scores per the process outlined below:

1. Time horizon score
2. Risk aversion score

Time Horizon Score

Add the time horizon score from questions 1 and 2. The score on these questions determines the time horizon level. The table below shows the point value of each answer choice in the time horizon section:

Question 1	Question 2
A. 0 B. 1 C. 3 D. 7 E. 9 F. 11	A. 0 B. 2 C. 4 D. 5 E. 6

Time Horizon Score = sum of values of question 1 through question 2 **Your score is: ____________**

Risk Aversion Score

Take the risk aversion score from questions 3 through 8. Morningstar Investment Management assigns a point value to each response according to the investor's risk aversion. The highest points are awarded to the most aggressive answer choice. The risk aversion score ranges from zero (most conservative) to 100 (most aggressive).

The points assigned to each question are as follows:

Question 3	Question 4	Question 5	Question 6	Question 7	Question 8
A. 0 B. 6 C. 11 D. 17	A. 0 B. 4 C. 8 D. 12 E. 17	A. 0 B. 5 C. 10 D. 17	A. 16 B. 10 C. 5 D. 0	A. 17 B. 13 C. 9 D. 5 E. 0	A. 0 B. 5 C. 9 D. 13 E. 16

Risk Aversion Score = sum of values of question 3 through question 8 **Your score is: ____________**

Scoring into a Risk Tolerance Profile

The summary scoring grid below facilitates the final profile recommendation process by combining the time horizon and risk aversion scores. To use the scoring grid, find the time horizon score on the horizontal axis and the risk aversion score on the vertical axis. The intersection of these two points is the recommended profile.

Summary Scoring Grid

Risk Aversion Score	Time Horizon Score				
	1-2	3-5	6-7	8-10	11+
0-14	Profile 1	Profile 1	Profile 1	Profile 1	Profile 1
15-35	Profile 1	Profile 2	Profile 2	Profile 2	Profile 2
36-63	Profile 1	Profile 2	Profile 3	Profile 3	Profile 3
64-84	Profile 1	Profile 2	Profile 3	Profile 4	Profile 4
85-100	Profile 1	Profile 2	Profile 3	Profile 4	Profile 5

Note: If an investor has a time horizon score of zero, even the most conservative profile may not be an appropriate option. The investor should speak to an investment advisor before selecting a portfolio.

Summary Scoring Grid Key

Profile 1	=	Income or Capital Preservation - 100% Fixed Income - 25% Equity/75% Fixed Income
Profile 2	=	Income & Growth - 30% Equity/70% Fixed Income - 45% Equity/55% Fixed Income
Profile 3	=	Growth & Income - 50% Equity/50% Fixed Income - 65% Equity/35% Fixed Income
Profile 4	=	Growth - 70% Equity/30% Fixed Income - 85% Equity/15% Fixed Income
Profile 5	=	Aggressive Growth - 90% Equity/10% Fixed Income - 100% Equity

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