

R L CAPITAL, LLC
Risk Tolerance Questionnaire

Client

Date

This questionnaire will be used by me to evaluate your level of risk tolerance. It will help me determine the level of risk you are willing to accept for your investment portfolio. More risk usually means more volatility. However, you can always moderate risk through diversification and time.

According to the dictionary, the definition of risk is “the possibility of suffering harm or loss.” The great trade-off in investing is between risk and reward. Risky investments usually offer the hope of a higher return as compared to safe investments. To be a successful investor, it is important to understand the nature of the risks that you face, and your attitude toward these risks.

When you invest in the stock market, there is risk involved; the possibility of loss always exists. Even when investing in bonds there is risk involved. Stockholders and bondholders face some of the following risks: company-specific risk, credit risk, market risk, regulation risk and purchasing power risk. A classic mistake investors make is stashing all their money in nice, quiet certificates of deposit or treasury bills, only to discover that their buying power has been decreased over time due to inflation.

Avoidance of risk prevents some investors from doing as well financially as they might otherwise. Yet it’s an unpleasant surprise when investors find that their choices are riskier than they were expecting. This was the hard lesson investors learned with internet stocks from 2000 through 2002. Some internet stocks dropped by 99% or more during those two years. The NASDAQ itself (an index of the 100 largest NASDAQ stocks) dropped about 80% between March 2000 and October 2002. This means that many NASDAQ stocks dropped by much more than 80% during that time frame. To break even when you have incurred a loss of 80%, you need to gain 400%!

So the question becomes, how much risk can you live with? That could depend on several factors, such as: How old are you? What is your earning potential? What is your investment horizon?

Please answer the following questions by circling one of the options. Choose the option that best indicates how you feel. If none of the options are exactly right for you, choose the option that comes closest to how you feel. After answering the questions, I will look at your “risk” score. This is one of several factors we will use to decide on a course of action for your investments.

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1. You have recently received some good news - you are one of 10 finalists in a prize contest, only one of whom will win \$1 million. You are told that nine of the ten finalists will actually win nothing. You have the choice to either take \$125,000 right now, or take your chances that you will be the lucky winner of the \$1 million. Which do you choose?
 - A. Take the \$125,000 – you like a sure deal.
 - B. Take your chances on the \$1 million.
 - C. Ask your astrologer what to do.

2. If you were working in a job where you could choose between making a salary, a commission, or a mixture of both, which would you choose?
 - A. All salary
 - B. Mainly salary
 - C. Equal mix of salary and commissions
 - D. Mainly commissions
 - E. All commissions

3. Would you rather have excellent job security with a very small pay raise, or less job security with a much larger pay raise?
 - A. Definitely more job security with a very small pay raise
 - B. Probably more job security with a very small pay raise
 - C. Probably less job security with a much larger pay raise
 - D. Definitely less job security with a much larger pay raise

4. What degree of risk have you taken with financial decisions in the past?
 - A. No risk – I have made no investments other than money market accounts and certificates of deposit.
 - B. Small degree of risk – I have bought a few stocks or mutual funds.
 - C. Medium degree of risk – I have purchased several stocks or mutual funds.
 - D. Large degree of risk – I have had large portions of my investments in the stock market or in equity mutual funds.

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5. Compared to other people, how would you rate your willingness to take financial risks?
- A. I do not want to take any financial risks and will accept small, safe returns.
 - B. I will take a very small amount of financial risk with some of my investments with the chance of earning slightly higher returns.
 - C. I am a moderate financial risk taker – I would like some of my money invested for the possibility of earning higher returns.
 - D. I am somewhat comfortable taking financial risks with a moderately large portion of my investments.
 - E. I like to take financial risks with the majority of my investments for a chance to earn higher returns.
6. In the future, what degree of risk are you willing to take with your financial decisions?
- A. Small degree of risk - I want to purchase mostly short-term bonds, certificates of deposit and money market instruments.
 - B. Medium degree of risk – I would like a mixture of fixed-income instruments (bonds) and stocks.
 - C. Large degree of risk – I want to be fully or almost fully invested in the stock market.
7. When things go wrong financially, or if an investment you own turns sour, how easily do you cope?
- A. Very uneasily – I feel under tremendous strain.
 - B. Somewhat uneasily – I am not happy about this situation.
 - C. Somewhat easily – I hope that things will turn around.
 - D. Very easily – I know that things will turn around one day.
8. Have you ever borrowed money to make an investment? If not, would you ever?
- A. Yes, I have borrowed money.
 - B. No, I have not, but I would consider it.
 - C. No, I have not and would not borrow money to make an investment; that's too risky.

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9. When investing in the stock and bond markets, your investments can go down. Sometimes your investments can go down substantially. What percentage could your investments go down before you start to feel very uncomfortable?
- A. 10%
 - B. 20%
 - C. 30%
 - D. 40%
 - E. 50%+
10. If you owned a stock that had increased in value 100% (i.e. you have doubled your money), and the prospects for the company still looked good, but the stock seemed a little pricey at the current level, what would you most likely do?
- A. Sell the entire position because the stock is "pricey"
 - B. Sell half the position and hold onto the other half in hope that the stock will continue to rise
 - C. Hold the entire position because the company's prospects still looked good
 - D. Take your investment advisor out for a nice steak and lobster dinner

SCORING Circle your answer

Points

Question 1 - A.= 0, B.= 5	_____
Question 2 - A.= 0, B.= 2, C.= 4, D.= 6, E.= 8	_____
Question 3 - A.= 0, B.= 2, C.= 4, D.= 6	_____
Question 4 - A.= 0, B.= 3, C.= 6, D.= 10	_____
Question 5 - A.= 0, B.= 2, C.= 5, D.= 8, E.= 10	_____
Question 6 - A.= 0, B.= 5, C.= 10	_____
Question 7 - A.= 0, B.= 2, C.= 4, D.= 6	_____
Question 8 - A.= 5, B.= 3, C.= 0	_____
Question 9 - A.= 0, B.= 2, C.= 5, D.= 8, E.= 10	_____
Question 10 - A.= 0, B.= 3, C.= 6	_____

TOTAL POINTS = _____

- 60 to 76 points - you have a very high risk tolerance.
44 to 59 points - you have a moderately high risk tolerance.
29 to 43 points - you have a moderate risk tolerance.
15 to 28 points - you have a moderately low risk tolerance.
0 to 14 points - you have a very low risk tolerance.

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ADDITIONAL QUESTIONS

+ What is your planned cash flow into or out of your investment portfolio over the next several years? Do you plan to contribute regularly to your investment portfolio, to let it sit and accumulate, or to withdrawal monies from your portfolio?

- A. I will continue to put excess cash into my investment portfolio.
- B. I may be able to put more cash into my investment portfolio.
- C. I will have no cash inflows or outflows in my investment portfolio.
- D. I may have to take money out of my investment portfolio.
- E. I will have to take money out of my investment portfolio.

+ How many years can you let your money grow before you will need to tap into your investments?

- A. Less than 5 years
- B. 5 – 10 years
- C. 11 – 15 years
- D. More than 15 years