Try a risk-appetite questionnaire

There are 2 ways to get it done:
1. Go directly to the websites of <u>robo-advisors</u> and click the "let's get started" button to get to the risk questionnaire
2. Or you can google "investment risk tolerance" or "investment risk appetite" and use an independent source

Bottom line: The more specific the questions, the more useful your answers will be in gauging your comfort level with risk. But you should realize that no matter how sophisticated the questionnaire, "you never can tell" until you actually experience an investment loss.

You can supplement a risk questionnaire with our worst-case loss tables. They allow you to experience the gains and losses as you examine investment results in various scenarios.

Investment risk questionnaires will ask 3 types of questions:

I. **Personal**
   - Your age, income (and whether you expect it to grow or stay the same), your assets (savings, houses) and debt (sometimes called 'liabilities')
   - What you're saving for and in how many years you'll need the money, what is your investment experience, what other investment you have and whether you have any investment restrictions

II. **Behavioural**
   - How you'd react if you lost something of value
   - What gambles you would / would not take
   - Would you sell a money-losing investment, hold on to it, or perhaps add to it

III. **Questions about your financial goals**
   - Are you looking to preserve capital, provide a steady stream of income, seek substantial asset growth, or balance income and growth

Here's an example. Answers YES to the first 3 questions and a preference for Scenario A suggest you may have a low risk appetite and may want to opt for conservative investments

Q1. Would it be stressful to watch your investments go down in value in a short period time, like 3 months?

Q2. Would you pull money out of an investment if it was losing money over a short period?

Q3. Do you expect to achieve your financial goals in less than 10 years?

Q4. Would you prefer Scenario A: a small gain with a risk of a small loss, or Scenario B: a large gain with a risk of a large loss?

Once you choose the questionnaire you want to complete, do it more than once, changing your answers to a few key questions one at a time – see how the recommended portfolio changes. It'll help you understand how this system works.
   - Consider changing your age, amount of money you are investing, estimated time when you'll want to use the money (your investment horizon), and your level of expertise. And of course the answers to the behavioural questions.