|  |
| --- |
| VOLATILITY TOLERANCE QUESTIONNAIRE*Where do you stand on the volatility spectrum? Are you a gambler, very conservative, or somewhere in between? Answer with the mindset as if you just went through a difficult economic time. It is better to err on the conservative side. If your spouse is more conservative than you, tilt your answers to his or her side.* *This is a Microsoft Word document that can be filled out on your computer. After you and your spouse have completed this form, please email it to Karen@ContourFinancial.com.* |
| *Client Name:* | *Spouse Name:* | *Date:* |

|  |
| --- |
| **POINTS TO CONSIDER REGARDING YOUR VOLATILITY TOLERANCE** |
| *Volatility ≠ Risk* – Almost all financial professionals use these terms interchangeably, yet they are different\*: 1. *Risk* – The chance that you will not reach your goal, which is usually funding your retirement.
2. *Volatility* – The fluctuations that your investments make either above or below the expected rate of return over a certain time frame.

*\*Risk and volatility are actually opposite. Investments that are considered stable (e.g. – cash & CDs) tend to appreciate little, increasing the risk that you won’t reach your long-term goals. Equity investments (e.g. – mutual funds) fluctuate over the short-term, but over many years provide the growth that is needed to reach your long-term goals.* |
| *Goals Change –* Goals change as you go through life. We recommend that you review your goals every five years, or when a life event occurs (e.g. – married, divorced, new child, etc.). |
| *Volatility Tolerance Changes –*Similar to goals, your tolerance for volatility changes depending on your life circumstances. This is why we recommend that you revisit your volatility tolerance every five years, or when a life event occurs (e.g. – married, divorced, new child, etc.). |
| *Don’t Rely Too Much on Formulas –* For example, a popular yardstick to determine optimal equity exposure was to take your age and subtract it from 100. This was the percentage of your portfolio to keep in equities. The problem is that people have different personalities, goals, tolerance to volatility, net worth, living expenses, etc. One size does not fit all. |
| *Inflation, the Silent Killer –* Year after year, your $100,000 portfolio loses approximately $3,000 in purchasing power. A conservative investor with a long-projected life expectancy is most vulnerable to this slow but steady destruction of capital.  |
| *Volatility Versus Returns –* The higher the return you seek, the greater the volatility you will experience over the short-term. The key is to add time to the mix. Volatility, although high for a one year period, will drop significantly for a well-constructed portfolio when evaluated over a five to ten year period. Equities should never be held to fund short-term goals.  |

|  |
| --- |
| *Marital Discord* – Are you and your spouse both on the same page with how much volatility you can stand? It is important that you both come to an agreement, and then answer this questionnaire be together.  |
| *Properly Balanced? –* Stock markets may crash in one day similar to 1987, or drop substantially over a few years as in 1928-1932. Fixed income investments can likewise suffer horrible periods such as 1976-1981. Are you familiar with how well-diversified portfolios can mitigate such extreme swings? |
| *Asset Allocation is Internal, Never External –* How do we handle your investments? The steps are:1. Discuss your background, income, expenses, goals, etc.
2. Through both discussion and this form, determine where you are on the volatility spectrum, which ranges from conservative to aggressive.
3. Follow up with what we determine your volatility to be, and seek your feedback.
4. Build a proposed portfolio based on your confirmed volatility tolerance, and agree to a proposed portfolio.
5. Implement and monitor the portfolio.
 |
| *Timing* – This doesn’t work for two reasons. First you have to know when to sell. People tend to sell at the market bottom. Then, they frequently do not re-enter until after the market rebounds. |
| *Bridging Shortfalls –* We sit down together and agree that you are a moderate investor. Turns out that you won’t be able to retire at age 61 and reach your goals with a moderate portfolio. To bridge the gap, the option of increasing equity exposure to increase the return seems appealing. The problem is volatility. When the market declines beyond your tolerance, positions are sold at the worst time. Other options are available to close the gap. Perhaps retiring at age 65 or 70 instead of age 61 makes the difference. Working part-time in retirement for a few years or shaving a few thousand off of living expenses may be the answer. There are often solutions available that are not too painful to cover the shortfall. |
| *Comment on any of the points above or any additional that you may have:* |

|  |
| --- |
| **QUESTIONS TO CONSIDER-SINGLE ANSWER***Choose one option for each of the following questions:*  |
|

|  |
| --- |
|  |

When you hear the term *long-term investing*, to you that means looking out at least years. |
| Your target long-term rate of return you hope to earn on your $100,000 portfolio is:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |  |
| --- | --- |
| $3k-$5k |  |

 |

|  |  |
| --- | --- |
| $6k-$8k |  |

 |

|  |  |
| --- | --- |
| $9k-$11k |  |

 |

|  |  |
| --- | --- |
| $12k-$14k |  |

 |

|  |  |
| --- | --- |
| $15k or ↑ |  |

 |

 |
| Are you and your spouse of the same mindset or far apart when it comes to investing? How would you describe your personal investment attitude towards volatility on a scale of 1 to 10? Conservative means a portfolio with minimal (never zero) volatility, whereas aggressive is a portfolio with very high volatility.

|  |
| --- |
| *Conservative<--------------------------------------------***Client***----------------------------------------------->Aggressive* |
|

|  |  |
| --- | --- |
| 1 |  |

 |

|  |  |
| --- | --- |
| 2 |  |

 |

|  |  |
| --- | --- |
| 3 |  |

 |

|  |  |
| --- | --- |
| 4 |  |

 |

|  |  |
| --- | --- |
| 5 |  |

 |

|  |  |
| --- | --- |
| 6 |  |

 |

|  |  |
| --- | --- |
| 7 |  |

 |

|  |  |
| --- | --- |
| 8 |  |

 |

|  |  |
| --- | --- |
| 9 |  |

 |

|  |  |
| --- | --- |
| 10 |  |

 |

|  |
| --- |
| *Conservative<------------------------------------------***Spouse***-------------------------------------------->Aggressive* |
|

|  |  |
| --- | --- |
| 1 |  |

 |

|  |  |
| --- | --- |
| 2 |  |

 |

|  |  |
| --- | --- |
| 3 |  |

 |

|  |  |
| --- | --- |
| 4 |  |

 |

|  |  |
| --- | --- |
| 5 |  |

 |

|  |  |
| --- | --- |
| 6 |  |

 |

|  |  |
| --- | --- |
| 7 |  |

 |

|  |  |
| --- | --- |
| 8 |  |

 |

|  |  |
| --- | --- |
| 9 |  |

 |

|  |  |
| --- | --- |
| 10 |  |

 |

 |

|  |
| --- |
| **QUESTIONS TO CONSIDER-PLEASE ELABORATE** |
| *You are currently at the end of a bull (positive) or bear (negative) market that has run for several years. Are you getting the urge to increase (decrease) your equity holdings because of this trend? Do you stay the course?* |
| *Your $100,000 portfolio has lost $40,000 in value over a few days due to a terrorist attack. My impulse is to:* |
| *Have you ever had difficulty sleeping as you fretted over your portfolio or other financial matters?* |
| *Are investment gains driven primarily by being well-diversified, or through skill in choosing individual investments?* |
| *How have you arrived at your investment decisions in the past? Who were the people with whom you consulted, or did you handle the decision process alone?*  |
| *If married, is your spouse actively involved with financial decisions?* |
| *Do you and your spouse discuss financial matters frequently? Do you ever argue over money?* |

|  |
| --- |
| **QUESTIONS TO CONSIDER-PLEASE ELABORATE *(cont’d)*** |
| *What are the biggest mistakes you personally made with your finances in the past?* |
| *What did you most admire in financial professionals with whom you worked?* |
| *What did you least admire in financial professionals with whom you worked?* |
| *Have you ever been unhappy with the investment recommendations or results of a financial professional?* |

|  |
| --- |
| **VOLATILITY TOLERANCE QUESTIONNAIRE** |
|  | The results from the questions below are input into an allocation model. This will also help us to gain a better understanding of your volatility tolerance. There is the old saying that a bear market shows your true volatility tolerance, so answer these questions from the point of view that economic conditions are worse than they are currently. Please answer as follows: 1 = Strongly Disagree; 2 – Disagree; 3 = Neutral; 4 = Agree; 5=Strongly Agree |
| **#** | **Volatility Assessment Questions** | **Answer**  |
| 1 | My debts are under control and I have no problem in paying my bills. |  |
| 2 | I have enough taxable investments saved to cover living expenses for emergencies:* *Single & Working – 8 Months*
* *Married & Working – 12 Months*
* *Single or Married & Retired – 16 Months*
 |  |
| 3 | I have enough insurance coverage. |  |
| 4 | My net worth has grown at a steady, substantial rate over the past ten years. |  |
| 5 | My major source of income:* Since I am working, is my salary. I am secure in my job and receive steady raises.
* Since I am retired, is my dividends and interest. They are adequate, predictable, and steadily growing.
 |  |
| 6 | I have:* Either no children or children that do not rely on my income or investment portfolio for financial support.
* Parents that are in good health and self sufficient. They do not rely on my income or investment portfolio for financial support.
 |  |
| 7 | Need for fund withdrawals:* My salary or interest income is sufficient to cover all my monthly expenses. Withdrawal of principal to pay bills is unnecessary or a very small percentage of my assets.
* Although unseen events occur, I do not anticipate the need to liquidate any investments to cover upcoming projects (E.G. Big vacation, home remodeling, car purchase, etc.)
 |  |
| 8 | Protecting my investments from any short-term loss is not important to me.  |  |
| 9 | If my $100,000 portfolio would lose $20,000 tomorrow, I would view this as an opportunity to buy into the stock market at reduced prices. |  |
| 10 | If my $100,000 portfolio would lose $40,000 tomorrow, I would view this as an opportunity to buy into the stock market at reduced prices. |  |
| 11 | Severe economic downturns, such as the Great Depression or Tech Bubble, can result in several years of negative stock market returns. I am willing to ride out the downturn for as many years as necessary.  |  |

|  |
| --- |
| **VOLATILITY TOLERANCE QUESTIONNAIRE *(cont’d)*** |
| 12 | I view annual inflation of $3,000 on the purchasing power of my $100,000 portfolio as one of the biggest threat. Beating inflation by earning over $3,000 annually is an important investment objective. |  |
| 13 | How often do I actively check my portfolio and/or market conditions? (#1 being more than once a day, #2 daily, #3 weekly, #4 monthly and #5 quarterly or less). |  |
| 14 | Each year, the value of your portfolio will fluctuate as markets change. If you invested $100, which of the following portfolios below would you choose not knowing as to whether you would have, very poor, normal or very good market conditions: |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **DISCRETIONARY OR NON-DISCRETIONARY***This section is for clients opening up an account at Charles Schwab through Contour Financial only*How do you want to have your account(s) established? *Choose one option:*

|  |  |
| --- | --- |
| **X** | **Account Type** |
|  | *Discretionary* - Contour Financial can execute trades on your behalf without prior authorization. |
|  | *Non-discretionary* - Contour Financial must first seek authorization before trading on your account. |

 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **ACCOUNT FEE DEDUCTION***This section is for clients opening multiple accounts at Charles Schwab through Contour Financial only.* If you have a mix of taxable and tax-deferred accounts, we often recommend that all fees be deducted from your taxable account. This allows for your retirement plan to compound tax free, and these fees may be deductible on your tax return. *Choose one option:*

|  |  |
| --- | --- |
| **X** | **Fee Option** |
|  |

|  |
| --- |
|  |

*Aggregate* – Combine all our fees into one and deduct them from the account. |
|  | *Pro Rata* – Deduct each account with the applicable fees. |

 |

By completing and signing this questionnaire you agree that its contents were discussed and explained. You agree that your answers are correct to the best of your knowledge. You understand that this questionnaire does not make or imply any guarantee regarding the attainment of your financial objective. You also understand it is your responsibility to make us aware of any changes in your personal or financial circumstances.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CLIENT’S SIGNATURE’S***I (We) have reviewed and answered carefully this Volatility Tolerance Questionnaire. (Note: All principals to the account must copy and paste their signature below. If any signatory is a fiduciary, the capacity in which he or she is acting should be indicated.)*

|  |  |  |  |
| --- | --- | --- | --- |
| *Client’s Signature:*

|  |
| --- |
|  |

 | *Client’s Printed Name:* | *Date:* |
| *Spouse’s Signature:*

|  |
| --- |
|  |

 | *Spouse’s Printed Name:* | *Date:* |

 |