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**CLIENT**

**FACT FIND**

**Financial Planning**

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Your risk profile

Risk and return are closely related. In general, the higher the degree of risk associated with an investment, the higher the rate of return an investor would expect to receive for taking on that level of risk. This is the risk/return trade-off, and is part of the process in selecting an appropriate asset allocation and specific investments for your portfolio.

This is a generic risk profiler and accordingly should be consulted with a financial adviser and discussed due to the varying needs of the individual prior to making investment decisions.

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|  | Risk Profile |
| **Client 1** |  |
| **Client 2** |  |
| **Joint** |  |

Risk profile questionnaire

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Risk tolerance questions | | Point(s) | | Client 1 | | Client 2 | | Joint | |
| **1** | | **Over the next year, is there an amount you cannot afford to have fall in value? For example, you may require funds to make a purchase or payment.** | | | | | | | |
| a. Yes – specify the amount $\_\_\_\_\_\_\_\_\_ | N/A | 🞏 | | 🞏 | | 🞏 | |
| b. No | 0 | 🞏 | | 🞏 | | 🞏 | |
| **2** | | **The graph below shows the potential one year performance of six investment portfolios. The green bars show the potential gains, while the blue bars show the potential loss each portfolio could experience.**    Note - actual portfolio outcomes could fall outside these ranges  **Assuming annual returns fall in this range most of the time, which of these portfolios would you prefer?** | | | | | | | |
| a. Portfolio A | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. Portfolio B | 2 | 🞏 | | 🞏 | | 🞏 | |
| c. Portfolio C | 4 | 🞏 | | 🞏 | | 🞏 | |
| d. Portfolio D | 5 | 🞏 | | 🞏 | | 🞏 | |
| e. Portfolio E | 8 | 🞏 | | 🞏 | | 🞏 | |
| f. Portfolio F | 14 | 🞏 | | 🞏 | | 🞏 | |
| **3** | | **Investment markets go up and down. If your diversified investment portfolio fell by 20% over a short period, how would you react?** | | | | | | | |
| a. I would **not** change my portfolio. | 14 | 🞏 | | 🞏 | | 🞏 | |
| b. I would **wait at least one year** before changing to options that are more conservative. | 8 | 🞏 | | 🞏 | | 🞏 | |
| c. I would wait **at least three months** before changing to options that are more conservative. | 4 | 🞏 | | 🞏 | | 🞏 | |
| d. I would **immediately change** to options that are more conservative. | 0 | 🞏 | | 🞏 | | 🞏 | |

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| Risk tolerance questions | | Point(s) | | Client 1 | | Client 2 | | Joint | |
| **4** | | **For many investors, the possibility of losing money is a key concern. How do you feel about investment losses?** | | | | | | | |
| a. Investment losses make me **very uncomfortable**. I check my investments often, so I can **sell quickly** if they begin to lose money. | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. Investment losses make me **uncomfortable**, but not uncomfortable enough to sell immediately. If losses occur over **several months**, I would probably sell. | 4 | 🞏 | | 🞏 | | 🞏 | |
| c. Investment losses in the short-term **do not bother me**. I would wait **an entire year** before making changes. | 8 | 🞏 | | 🞏 | | 🞏 | |
| d. I understand that investments can have losses, but also that I may have a better chance of reaching my investment goals by sticking to the strategy over the long-term. **I would not make changes.** | 14 | 🞏 | | 🞏 | | 🞏 | |
| **5** | | **Which of the following choices best reflects your attitude toward inflation and risk? Inflation is an economic situation in which the general price of goods and services increases resulting in the same dollar buying less goods and services than before.** | | | | | | | |
| a. My main goal is to avoid loss, even though I may only keep pace with inflation. | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. My main goal is to earn slightly more than inflation while taking on a low level of risk. | 4 | 🞏 | | 🞏 | | 🞏 | |
| c. My main goal is to increase investment returns and can accept short-term losses. However, I am not comfortable with the larger losses and performance shifts that may be experienced with the most aggressive investments. | 8 | 🞏 | | 🞏 | | 🞏 | |
| d. My main goal is to maximise investment returns, and will accept the larger potential losses and performance shifts (especially in the short-term) that can be associated with pursuing higher returns. | 14 | 🞏 | | 🞏 | | 🞏 | |
| **6** | | **Most investments go up and down. If your portfolio incurred a loss during one year, would you sell down your portfolio?** | | | | | | | |
| a. Only if the investment loses 10% | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. Only if the investment loses 15% | 2 | 🞏 | | 🞏 | | 🞏 | |
| c. Only if the investment loses 20% | 4 | 🞏 | | 🞏 | | 🞏 | |
| d. Only if the investment loses 25% | 5 | 🞏 | | 🞏 | | 🞏 | |
| e. Only if the investment loses 30% | 8 | 🞏 | | 🞏 | | 🞏 | |
| f. I would not sell despite any loss | 14 | 🞏 | | 🞏 | | 🞏 | |

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| Risk tolerance questions | | Point(s) | | Client 1 | | Client 2 | | Joint | |
| **7** | | **Investments with higher returns generally have higher risk (that is a higher chance of loss). Investments with lower returns generally have lower risk or chance of loss. Which of the following statements best describes your attitude to risk?** | | | | | | | |
| a. I am willing to accept lower returns to limit my chance of loss. | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. I am willing to bear some risk and chance for loss to achieve higher returns, but prefer most of my portfolio to be invested in investments with low return/risk. | 3 | 🞏 | | 🞏 | | 🞏 | |
| c. I am willing to accept moderate risk to achieve higher returns. Minimising risk and maximising return are equally important to me. | 5 | 🞏 | | 🞏 | | 🞏 | |
| d. I am willing to accept high risk to achieve high returns on my investments. | 8 | 🞏 | | 🞏 | | 🞏 | |
| e. I am only concerned with maximising investment returns. I am not concerned with risk or loss and will accept significant short-term fluctuations in my portfolio. | 16 | 🞏 | | 🞏 | | 🞏 | |
| **8** | | **The table shows the hypothetical value of six sample portfolios after one year. The investment is $100,000 at the beginning of the year. Three return scenarios are shown: very strong, average and very poor. Which portfolio would you prefer to hold?**    Note - this is a hypothetical example portfolio designed to elicit a psychological response.  Actual portfolio outcomes may be different to the ranges shown above. | | | | | | | |
| a. Portfolio 1 | 0 | 🞏 | | 🞏 | | 🞏 | |
| b. Portfolio 2 | 2 | 🞏 | | 🞏 | | 🞏 | |
| c. Portfolio 3 | 4 | 🞏 | | 🞏 | | 🞏 | |
| d. Portfolio 4 | 5 | 🞏 | | 🞏 | | 🞏 | |
| e. Portfolio 5 | 8 | 🞏 | | 🞏 | | 🞏 | |
| f. Portfolio 6 | 14 | 🞏 | | 🞏 | | 🞏 | |

Risk profile results

* **Question 1** is not scored. If you cannot afford for an amount to fall in value over the next year, that amount should be invested in a cash account or equivalent.
* **The scores for questions 2 and 8 should be the same.** If not, then the questionnaire should be revisited.

**Client 1**

|  |  |  |  |
| --- | --- | --- | --- |
| **Total points** |  | **Risk profile** |  |

**Client 2**

|  |  |  |  |
| --- | --- | --- | --- |
| **Total points** |  | **Risk profile** |  |

**Joint**

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| --- | --- | --- | --- |
| **Total points** |  | **Risk profile** |  |

Risk profile overview

Based on your answers to the previous risk profiling questions, you have fallen within the following risk profile.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Risk profile | Points | Time frame | Description | |
| Defensive | 0-11 | 2 years | The Defensive risk profile is designed for investors with a minimum two-year timeframe or those that seek a portfolio invested predominantly in interest bearing assets, with a small proportion of growth assets. This portfolio also suits investors who give a high priority to the preservation of capital (while understanding loss is still possible) and are therefore willing to accept lower potential investment performance, hence the 85 percent exposure to defensive assets (cash and fixed interest).  *If the risk tolerance score is zero, a cash account should be considered.* |  |
| Conservative | 12-29 | 3 years | The Conservative risk profile is designed for investors with a minimum three-year timeframe or those who seek a diversified portfolio of interest bearing and growth asset classes, with an emphasis on interest bearing assets. This portfolio also suits investors seeking a lower level of investment value volatility, and therefore willing to accept lower potential investment performance, hence the 70 percent exposure to defensive assets (cash and fixed interest. |  |
| Balanced | 30-44 | 5 years | The Balanced risk profile is designed for investors with a minimum five-year timeframe. This portfolio also suits investors who desire a modest level of capital stability but are willing to accept moderate investment value volatility in return for commensurate potential investment performance, hence the 50 percent exposure to growth assets (shares, listed property and infrastructure) and 50 percent exposure to defensive assets (cash and fixed interest). |  |
| Growth | 45-59 | 7 years | The Growth risk profile is designed for investors with a minimum seven-year timeframe or those who are willing to accept higher levels of investment value volatility compared to more defensive options in return for higher potential investment performance. Some exposure to interest bearing assets is still desired, but the primary concern is a higher return, hence the 70 percent exposure to growth assets (shares, listed property and infrastructure). |  |
| High growth | 60-74 | 9 years | The High Growth risk profile is designed for investors with a minimum nine-year timeframe or those who are willing to accept high levels of investment value volatility in return for high potential investment performance. The 85 percent exposure to growth assets (shares, listed property and infrastructure) means that capital stability is only a minor consideration. |  |
| High growth plus | 75-100 | 10 years + | The High Growth Plus profile is designed for investors with a minimum ten-year timeframe or those who are willing to accept very high levels of investment value volatility to maximise potential investment performance. The 95 percent exposure to growth assets (shares, listed property and infrastructure) means that capital stability is not a consideration. |  |

Strategic asset allocation and risk profiles

This table provides an overview of the defensive/growth splits and underlying asset allocations for the risk profiles. These target asset allocations are subject to change dependent on the long term expected returns of each asset class.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Assets classes | | Defensive | | Conservative | Balanced | Growth | | High Growth | High Growth Plus | |
| **Defensive Assets** | | | | | | | | | |  |
| Cash | 28% | | 21% | | 10% | 4% | 2% | | 2% |  |
| Fixed Interest – Australian | 31% | | 25% | | 20% | 12% | 5% | | 0% |  |
| Fixed Interest – International | 26% | | 21% | | 17% | 10% | 5% | | 0% |  |
| Diversified Alternatives (Defensive)\*\* | 0% | | 3% | | 3% | 4% | 3% | | 3% |  |
| **Growth Assets** | | | | | | | | | |  |
| Australian Shares | 5% | | 10% | | 18% | 25% | 31% | | 38% |  |
| International Shares\* | 7% | | 12% | | 21% | 30% | 38% | | 46% |  |
| Australian Listed Property | 0% | | 0% | | 0% | 2% | 3% | | 0% |  |
| International Listed Property | 0% | | 2% | | 4% | 3% | 4% | | 4% |  |
| Global Infrastructure | 3% | | 3% | | 4% | 6% | 6% | | 4% |  |
| Diversified Alternatives (Growth)\*\* | 0% | | 3% | | 3% | 4% | 3% | | 3% |  |
| Total Defensive Assets | | 85% | | 70% | 50% | 30% | | 15% | 5% | |
| Total Growth Assets | | 15% | | 30% | 50% | 70% | | 85% | 95% | |
| **Additional Information** | | | | | | | | | |  |
| Minimum investment Timeframe (years) | 2 | | 3 | | 5 | 7 | 9 | | 10 |  |

\* International share allocation can be a combination of hedged and unhedged strategies; a ratio of 45% / 55% is recommended. International Shares may also include an allocation to emerging markets depending upon client’s circumstances.

\*\* Diversified Alternatives have been classified as both defensive and growth assets at a ratio of 50% / 50%. For this purpose we have split the asset class into growth and defensive for the above table and on Compass/Xplan.

Client risk profile acknowledgement

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| --- | --- | --- | --- | --- | --- |
| Client risk profile acknowledgement | | Client 1 | Client 2 | Joint | |
| **Agree** | I agree with the category assigned above and believe this is a true reflection of my attitude towards risk and understand that this profile will be considered in the advice process. | 🞏 | 🞏 | 🞏 |  |
| **Disagree** | I disagree with the category assigned (please complete the alteration of risk profile section on the following pages). | 🞏 | 🞏 | 🞏 |  |

Alteration of risk profile

After completing the questionnaire if for some reason you want to deviate from the risk profile result you can use this section to adjust your risk profile. The reason for change should be clearly documented below.

Client 1

|  |  |
| --- | --- |
| Altered risk profile |  |
| Rationale behind the alteration |  |
| Consequences of alteration (completed by adviser) |  |

Client 2

|  |  |
| --- | --- |
| Altered risk profile |  |
| Rationale behind the alteration |  |
| Consequences of alteration (completed by adviser) |  |

Joint

|  |  |
| --- | --- |
| Altered risk profile |  |
| Rationale behind the alteration |  |
| Consequences of alteration (completed by adviser) |  |