

Finding A Suitable Investment Strategy

Three paper airplanes are shown flying from left to right across the page. The top one is orange and is positioned above a curved dotted line. The middle one is white and is positioned above a straight dotted line. The bottom one is white and is positioned above another straight dotted line. The background is a solid light blue color.

Your investment strategy should reflect the kind of investor you are — your **Personal Investor Profile**. This worksheet will help you determine your profile and match it to an Investment Strategy that's designed for investors, like you.

The short quiz measures two key factors:

Your Time Horizon

When will you begin withdrawing money from your account and at what rate? If it's many years away, there may be more time to weather the market's inevitable ups and downs and you may be comfortable with a portfolio that has a greater potential for appreciation and a higher level of risk.

Let's find your Time Horizon Score on page 2.

Your Risk Tolerance

How do you feel about risk? Some investments fluctuate more dramatically in value than others but may have the potential for higher returns. It's important to select investments that fit within your level of tolerance for this risk.

Let's find your Risk Tolerance Score on page 2.

Time Horizon

Answer the two following questions below and circle the number of points for each answer. Then combine the points and write the total in the Time Horizon Score below.

1) I plan to retire and begin withdrawing money from my retirement account:

- Less than 3 years 1
- 3–5 years 3
- 6–10 years 7
- 11 years or more 10

2.) Once I retire, I plan on withdrawing fund from my retirement account for:

- Less than 2 years..... 1
- 2–5 years..... 3
- 6–10 years..... 7
- 11 years or more..... 10

Enter the total points from questions 1 and 2. **Time Horizon Score:** _____

If your time horizon score is less than 3, stop here. If your score is 3 or more, continue to risk tolerance.

A score of less than 3 indicates a very short investment time horizon. For a short time horizon, a relatively low-risk portfolio of 40% short-term (average maturity of five years or less) bonds or bond funds and 60% cash investments is suggested, as stock investments may be significantly more volatile in the short term.

Risk Tolerance

Answer the following questions, circle the points and write the total in the Risk Tolerance Score below.

3.) When I invest my money, I am:

- Most concerned about my investment losing value..... 0
- Equally concerned about investment losing or gaining value 4
- Most concerned about my investment gaining value 8

4.) I would describe my knowledge of investments as:

- None..... 1
- Limited 3
- Good 7
- Extensive 10

5.) What type of investments, if any, do you currently hold or have held in the past?

- None..... 0
- Insurance Annuities..... 2
- Mutual Funds 6
- Stocks and Bonds..... 8

Example: If you have a 403(b) or 401(k) account with a "Target Retirement 2045" fund you score would be a 6.

6.) Consider this scenario:

Imagine that in the past three months, the overall stock market lost 25% of its value. An individual mutual fund investment you own also lost 25% of its value. What would you do?

- Sell all of my shares 0
- Sell some of my shares..... 2
- Do nothing 5
- Buy more shares 8

7.) Review the chart below:

We've outlined the most likely best case and worst-case annual returns of five hypothetical investment plans.

Which range of possible outcomes is most acceptable to you?

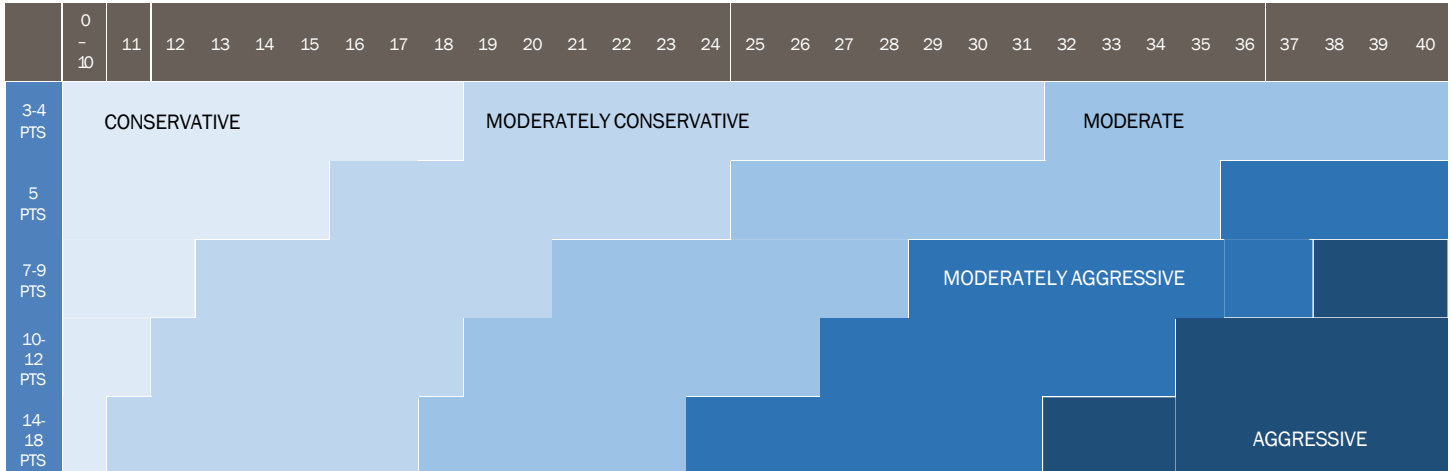
The figures are hypothetical and do not represent the performance of any particular investment.

PLAN	AVG ANNUAL RETURN	BEST-CASE	WORST-CASE	POINTS
A	7%	16%	-5%	0
B	9%	25%	-12%	3
C	10%	33%	-18%	6
D	11%	42%	-24%	8
E	12%	50%	-28	10

Enter the total points from questions 3 through 7. **Risk Tolerance Score:** _____

Your Investment Profile

Determine your Investment Profile with your **Time Horizon Score** and your **Risk Tolerance Score**. Locate the intersection point on the chart below to find your **Investment Profile**. Then, match it to the coinciding Investment Strategy.



Investment Strategies

The investment strategies, below, show how different types of investors might allocate their contributions among different investment categories. Please note, these examples simply reflect an established approach to investing/allocating contributions among different investment categories and are not based on market forecasts. It's important to periodically review your investment strategy to make sure it continues to be consistent with overall goals.

CONSERVATIVE	MODERATELY CONSERVATIVE	MODERATE	MODERATELY AGGRESSIVE	AGGRESSIVE
<ul style="list-style-type: none"> For investors who seek current income and stability and are less concerned about growth. 	<ul style="list-style-type: none"> For investors who seek current income and stability with modest potential for increase in the value of their investment. 	<ul style="list-style-type: none"> For the long-term investors who do not need current income and want some growth potential. Likely to see some fluctuations in value, but presents less volatility than the overall equity market. 	<ul style="list-style-type: none"> For long-term investors who want good growth potential and do not need current income. Exposure to a fair amount of volatility, but not as much as a portfolio invested exclusively in equities. 	<ul style="list-style-type: none"> For a long-term investors who want high growth potential and have no need for current income. May see substantial year-to-year volatility in value in exchange for potentially higher long-term returns.
Avg. Annual Return: 7.3%	Avg. Annual Return: 9.5%	Avg. Annual Return: 11%	Avg. Annual Return: 12%	Avg. Annual Return: 13.1%
Best Year: 23.2%	Best Year: 26.5%	Best Year: 29%	Best Year: 32.4%	Best Year: 35.8%
Worst Year: -2.4%	Worst Year: -11.5%	Worst Year: -19.8%	Worst Year: -28.1%	Worst Year: -36.4%



Source: Data provided by Morningstar, Inc. The return figures for 1980–2020 or the compounded annual average and the minimum and maximum annual total returns of hypothetical asset allocation plans. The asset allocation plans are weighted averages of the performance of the indices used to represent each asset class in the plans, include reinvestment of dividends and interest, and are re-balanced annually. The indices representing each asset class in the historical asset allocation plans are S&P 500® index (large-cap stocks), Russell 2000® Index for the period of 1980-2020 (small-cap stocks); Bloomberg Barclays U.S. Aggregate Bond Index for the period 1976-2020 (fixed income); and Ibbotson U.S. 30-day Treasury Bill index for the period 1980-2020, 3-month U.S. Treasury Bills for the period 1978-2020 (cash investments). Indices or unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no guarantee of future results