

Risk Profiling System

FinaMetrica[®]

The FinaMetrica[®] risk profiling system has become an important part of the know-your-client process for more than 3,000 largely independent high-end financial advisers in 12 countries. Since commercial release in 1998 more than 350,000 profiles have been completed, the majority in the US, the UK and Australia. The test has been translated into seven languages, most recently Chinese and Afrikaans.

The FinaMetrica[®] system is made up of three parts:

- A psychometric test of personal financial risk tolerance,
- a method for taking the results of the test into account in the financial planning process, and
- educational materials designed to personalize the explanation of investment risk and return to help investors better understand how their investments might perform in the future.

Psychometrics is the blending of psychology and statistics. It is the scientific discipline for testing personal characteristics such as risk tolerance. Psychometrics sets international standards for both the development of tests and for evaluating the qualities of test. Psychometric standards focus on validity and reliability.

The FinaMetrica[®] system had its beginnings with The Survey of Financial Risk Tolerance authored by Dr. Michael J. Roszkowski, Associate Professor of Psychology at The American College, Bryn Mawr, PA. Dr. Roszkowski is an acknowledged expert in the relationships between psychological and financial variables. Dr. Roszkowski continues to have a consulting role with FinaMetrica[®].

In Australia, psychometric expertise was provided by Drs. Austin Adams and Jim Bright from the Applied Psychology Unit at the University of New South Wales, which has certified that the FinaMetrica[®] test exceeds international psychometric standards.

The test was developed in Australia over four years in the mid 1990s and was launched in late 1998. Initial take up was from small advisory groups but more recently larger organizations including international banks and insurance companies have become users.

The test is also used by leading academic educators and researchers around the world, including those at Texas Tech University. Numerous academic studies have employed the FinaMetrica[®] test and/or FinaMetrica[®] data.

FinaMetrica Questionnaire

Name :

In the risk tolerance questionnaire which follows, you will be asked 25 questions about your attitudes, values and experiences with regard to financial risk. The questionnaire takes about 15 minutes to complete. Your answers are scored in the FinaMetricaPro system's database, by way of an objective statistical comparison against the answers given by a sample of the adult population to produce a detailed Risk Profile report.

Why are 25 questions needed? A person's answer to a specific question may be influenced by a particular experience they have had, or their mood at the time. Or they may have misinterpreted the question. Or they may simply have made a mistake.

Statistical studies are used to determine the number of questions needed to provide a scientifically acceptable level of accuracy in an assessment. The accuracy of a questionnaire is a function, in part, of the square of the number of questions. Because of the nature of risk tolerance, more than just a few questions are needed. Twenty would be a minimum. Statistical studies of this questionnaire show that its accuracy exceeds internationally accepted standards.

What if the situation described in a question has never happened to me, or will never happen to me? There are a number of questions that ask you to assume or imagine you are in a certain situation. These questions are designed to gain a picture of what you would do in such circumstances, regardless of whether you have ever been in them or are ever likely to be in them. Please answer as best you can on the available information.

What if a question asks about a situation where, in real life, I would have (or would seek) more information than is given in the question? Some questions require you to make a decision based on limited information. While, in real life, you may wish to obtain more information before making your final decision, these questions are designed to gain an idea of what you would do given the limited information. Please answer as best you can on the available information.

What if none of the choices in a multiple-choice question is my preferred answer? Some questions give you a limited choice of responses and may not include what would be your preferred answer. These are designed to obtain a picture of what you would do given the choices available. Please answer as best you can on the available choices.

You answer a question by selecting one of the options. You select an option by filling in the circle in front of it. Please answer all 25 questions. If none of the options is exactly right for you, choose the option that is closest.

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Intellectual Property

You acknowledge and accept that FinaMetrica Pty Limited (FinaMetrica) ACN 081 638 271 Level 3, 31 Market Street, Sydney, NSW, 2000 Australia is the owner and licensor of all the intellectual property rights and copyright in the materials, data and processes comprising the FinaMetrica Risk Profiling system which is operated by PIEtech, Inc. (PIE) as FinaMetricaPro within PIE's MoneyGuidePro financial planning software using technology licensed from FinaMetrica.

Privacy

You agree that FinaMetrica may use the risk tolerance and demographic data you supply for FinaMetricaPro for research and to further develop the system and may combine this data with similar data from other people PROVIDED THAT any information which could identify you personally has been removed from the data by PIE. The full FinaMetricaPro Privacy Statement is available at www.risk-profiling.com/privacypolicy.htm.

ACCEPTANCE OF TERMS AND CONDITIONS OF USE

By signing this declaration, I acknowledge I have read and understood and hereby accept the above Terms and Conditions of Use.

Date Completed: _____

First Name: _____

Middle Initial: _____

Last Name: _____

Email Address (if any): _____

Signature: _____

Date of Birth _____

FinaMetrica Questionnaire

Name :

1. Compared to others, how do you rate your willingness to take financial risks?
 - Extremely low risk taker.
 - Very low risk taker.
 - Low risk taker.
 - Average risk taker.
 - High risk taker.
 - Very high risk taker.
 - Extremely high risk taker.
2. How easily do you adapt when things go wrong financially?
 - Very uneasily.
 - Somewhat uneasily.
 - Somewhat easily.
 - Very easily.
3. When you think of the word "risk" in a financial context, which of the following words comes to mind first?
 - Danger.
 - Uncertainty.
 - Opportunity.
 - Thrill.
4. Have you ever invested a large sum in a risky investment mainly for the "thrill" of seeing whether it went up or down in value?
 - No.
 - Yes, very rarely.
 - Yes, somewhat rarely.
 - Yes, somewhat frequently.
 - Yes, very frequently.
5. If you had to choose between more job security with a small pay increase and less job security with a big pay increase, which would you pick?
 - Definitely more job security with a small pay increase.
 - Probably more job security with a small pay increase.
 - Not sure.
 - Probably less job security with a big pay increase.
 - Definitely less job security with a big pay increase.
6. When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?
 - Always the possible losses.
 - Usually the possible losses.
 - Usually the possible gains.
 - Always the possible gains.
7. How do you usually feel about your major financial decisions after you make them?
 - Very pessimistic.
 - Somewhat pessimistic.
 - Somewhat optimistic.
 - Very optimistic.
8. Imagine you were in a job where you could choose whether to be paid salary, commission or a mix of both. Which would you pick?
 - All salary.
 - Mainly salary.
 - Equal mix of salary and commission.
 - Mainly commission.
 - All commission.
9. What degree of risk have you taken with your financial decisions in the past?
 - Very small.
 - Small.
 - Medium.
 - Large.
 - Very Large.

FinaMetrica Questionnaire

Name :

10. What degree of risk are you currently prepared to take with your financial decisions?
- Very small.
 - Small.
 - Medium.
 - Large.
 - Very large.
11. Have you ever borrowed money to make an investment (other than for your home)?
- No.
 - Yes.
12. How much confidence do you have in your ability to make good financial decisions?
- None.
 - A little.
 - A reasonable amount.
 - A great deal.
 - Complete.
13. Suppose that 5 years ago you bought stock in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the stock dropped drastically and you sold at a substantial loss.
- The company has been restructured under new management, and most experts now expect it to produce better than average returns. Given your bad past experience with this company, would you buy stock now?
- Definitely not.
 - Probably not.
 - Not sure.
 - Probably.
 - Definitely.
14. Investments can go up or down in value, and experts often say you should be prepared to weather a downturn. By how much could the total value of all your investments go down before you would begin to feel uncomfortable?
- Any fall would make me feel uncomfortable.
 - 10%.
 - 20%.
 - 33%.
 - 50%.
 - More than 50%.
15. Assume that a long-lost relative dies and leaves you a house which is in poor condition but is located in a suburb that's becoming popular.
- As is, the house would probably sell for \$300,000, but if you were to spend about \$100,000 on renovations, the selling price would be around \$600,000. However, there is some talk of constructing a major highway next to the house, and this would lower its value considerably.
- Which of the following options would you take?
- Sell it as is.
 - Keep it as is, but rent it out.
 - Take out a \$100,000 mortgage and do the renovations.

FinaMetrica Questionnaire

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16. Most investment portfolios have a mix of investments - some of the investments may have high expected returns but with high risk, some may have medium expected returns and medium risk, and some may be low-risk/low-return. (For example, stocks and real estate would be high-risk/high-return whereas cash and CDs (certificates of deposit) would be low-risk/low-return.)

Which mix of investments do you find most appealing? Would you prefer all low-risk/low-return, all high-risk/high-return, or somewhere in between?

Mix of Investments in Portfolio

	High	Medium	Low
	Risk/Return	Risk/Return	Risk/Return
<input type="radio"/> Portfolio 1	0 %	0 %	100 %
<input type="radio"/> Portfolio 2	0 %	30 %	70 %
<input type="radio"/> Portfolio 3	10 %	40 %	50 %
<input type="radio"/> Portfolio 4	30 %	40 %	30 %
<input type="radio"/> Portfolio 5	50 %	40 %	10 %
<input type="radio"/> Portfolio 6	70 %	30 %	0 %
<input type="radio"/> Portfolio 7	100 %	0 %	0 %

17. You are considering placing one-quarter of your investment funds into a single investment. This investment is expected to earn about twice the CD (certificate of deposit) rate. However, unlike a CD, this investment is not protected against loss of the money invested.

How low would the chance of a loss have to be for you to make the investment?

- Zero, i.e. no chance of any loss.
- Very low chance of loss.
- Moderately low chance of loss.
- 50% chance of loss.

18. With some types of investment, such as cash and CDs (certificates of deposit), the value of the investment is fixed. However inflation will cause the purchasing power of this value to decrease.

With other types of investment, such as stocks and real estate, the value is not fixed. It will vary. In the short term it may even fall below the purchase price. However over the long term, the value of the stocks and real estate should certainly increase by more than the rate of inflation.

With this in mind, which is more important to you - that the value of your investments does not fall or that it retains its purchasing power?

- Much more important that the value does not fall.
- Somewhat more important that the value does not fall.
- Somewhat more important that the value retains its purchasing power.
- Much more important that the value retains its purchasing power.

19. In recent years, how have your personal investments changed?

- Always toward lower risk.
- Mostly toward lower risk.
- No changes or changes with no clear direction.
- Mostly toward higher risk.
- Always toward higher risk.

FinaMetrica Questionnaire

Name :

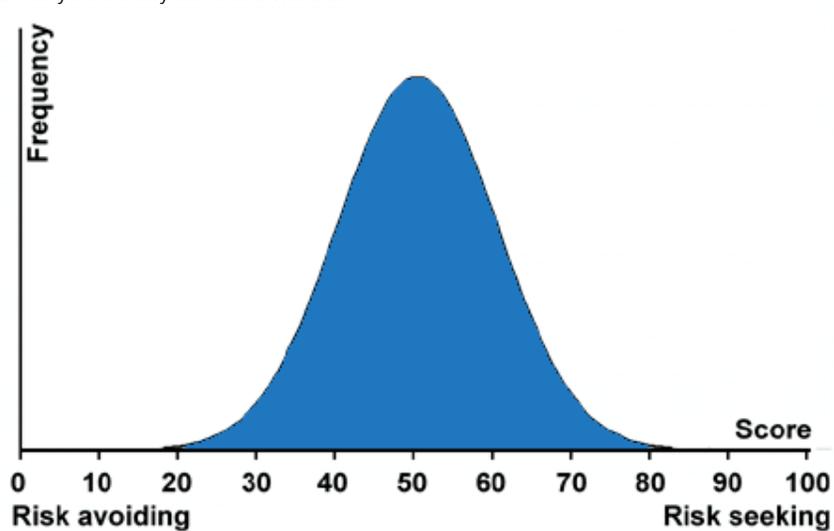
20. When making an investment, return and risk usually go hand-in-hand. Investments which produce above-average returns are usually of above-average risk. With this in mind, how much of the funds you have available to invest would you be willing to place in investments where both returns and risks are expected to be above average?
- None.
 - 10%.
 - 20%.
 - 30%.
 - 40%.
 - 50%.
 - 60%.
 - 70%.
 - 80%.
 - 90%.
 - 100%.
21. Think of the average rate of return you would expect to earn on an investment portfolio over the next ten years. How does this compare with what you think you would earn if you invested the money in one-year CDs (certificates of deposit)?
- About the same rate as from CDs.
 - About one and a half times the rate from CDs.
 - About twice the rate from CDs.
 - About two and a half times the rate from CDs.
 - About three times the rate from CDs.
 - More than three times the rate from CDs.
22. People often arrange their financial affairs to qualify for a government benefit or obtain a tax advantage. However a change in legislation can leave them worse off than if they'd done nothing.
- With this in mind, would you take a risk in arranging your affairs to qualify for a government benefit or obtain a tax advantage?
- I would not take a risk if there was any chance I could finish up worse off.
 - I would take a risk if there was only a small chance I could finish up worse off.
 - I would take a risk as long as there was more than a 50% chance that I would finish up better off.
23. Imagine that you are borrowing a large sum of money at some time in the future. It's not clear which way interest rates are going to move - they might go up, they might go down, no one seems to know.
- You could take a variable interest rate that will rise and fall as the market rate changes. Or you could take a fixed interest rate which is 1% more than the current variable rate but which won't change as the market rate changes. Or you could take a mix of both.
- How would you prefer your loan to be made up?
- 100% variable.
 - 75% variable, 25% fixed.
 - 50% variable, 50% fixed.
 - 25% variable, 75% fixed.
 - 100% fixed.
24. Insurance can cover a wide variety of life's major risks - theft, fire, accident, illness, death etc. How much coverage do you have?
- Very little.
 - Some.
 - Considerable.
 - Complete.

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25. This questionnaire is scored on a scale of 0 to 100. When the scores are graphed they follow the familiar bell-curve of the Normal distribution shown below. The average score is 50. Two-thirds of all scores are within 10 points of the average. Only 1 in 1000 is less than 20 or more than 80.

What do you think your score will be?



Your predicted score