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Investment Risk Tolerance Quiz

How willing are you to accept risks with your retirement savings?

Find out by taking this quiz to get an idea of your risk tolerance—one of the fundamental issues to consider when planning your retirement strategy. Be sure to work with your financial professional to get a more accurate assessment of your risk tolerance level. You can then work together to develop a retirement strategy that reflects your risk tolerance level, values and goals.

Click on the box for the response that best describes you. There are no “right” or “wrong” answers. Just enjoy and see what the quiz reveals—or confirms—about you. Be sure to choose only one answer for each question.

1. In general, how would your best friend describe you as a risk taker?
 - ☐ a. A real gambler.
 - ☐ b. Willing to take risks after completing adequate research.
 - ☒ c. Cautious.
 - ☐ d. A real risk avoider.
2. You are on a TV game show and can choose one of the following. Which would you take?
 - ☒ a. A cash prize of \$1,000.
 - ☐ b. A 50% chance at winning \$5,000.
 - ☐ c. A 25% chance at winning \$10,000.
 - ☐ d. A 5% chance at winning \$100,000.
3. You have just finished saving for a “once-in-a-lifetime” vacation. Three weeks before you plan to leave, you lose your job. You would:
 - ☒ a. Cancel the vacation.
 - ☐ b. Take a much more modest vacation.
 - ☐ c. Go as scheduled, reasoning that you need the time to prepare for a job search.
 - ☐ d. Extend your vacation, because this might be your last chance to go first class.
4. If you unexpectedly received \$20,000 to invest, what would you do?
 - ☒ a. Deposit it in a bank account, money market account or an insured CD.
 - ☐ b. Invest it in safe, high-quality bonds or bond mutual funds.
 - ☐ c. Invest it in stocks or stock mutual funds.

Continued ...

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5. In terms of experience, how comfortable are you investing in stocks or stock mutual funds?

- ☐ a. Not at all comfortable.
- ☒ b. Somewhat comfortable.
- ☐ c. Very comfortable.

6. When you think of the word “risk,” which of the following words comes to mind first?

- ☐ a. Loss
- ☒ b. Uncertainty
- ☐ c. Opportunity
- ☐ d. Thrill

7. Some experts are predicting the value of assets such as gold, jewels, collectibles and real estate (hard assets) will rise, while bond prices may fall. However, experts tend to agree that government bonds are relatively safe. Most of your investment assets are now in high-interest government bonds. What would you do?

- ☐ a. Hold the bonds.
- ☒ b. Sell the bonds, put half the proceeds into money market accounts, and the other half into hard assets.
- ☐ c. Sell the bonds and put the total proceeds into hard assets.
- ☐ d. Sell the bonds, put all the money into hard assets, and borrow additional money to buy more.

8. Given the best and worst case returns of the four investment choices below, which would you prefer?

- ☐ a. A \$200 gain best case; \$0 gain/loss worst case.
- ☒ b. A \$800 gain best case; \$200 loss worst case.
- ☐ c. A \$2,600 gain best case; \$800 loss worst case.
- ☐ d. A \$4,800 gain best case; \$2,400 loss worst case.

9. In addition to whatever you own, you have been given \$1,000. You are now asked to choose between:

- ☒ a. A sure gain of \$500.
- ☐ b. A 50% chance to gain \$1,000 and a 50% chance to gain nothing.

Continued ...

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10. In addition to whatever you own, you have been given \$2,000. You are now asked to choose between:

- ☐ a. A sure loss of \$500.
- ☒ b. A 50% chance to lose \$1,000 and a 50% chance to lose nothing.

11. A relative left you an inheritance of \$100,000, stipulating in the will that you invest all the money in one of the following choices. Which one would you select?

- ☒ a. A savings account or money market mutual fund.
- ☐ b. A mutual fund that owns stocks and bonds.
- ☐ c. A portfolio of 15 common stocks.
- ☐ d. Commodities like gold, silver and oil.

12. If you had to invest \$20,000, which of the following investment choices would you find most appealing?

- ☐ a. Invest 60% in low-risk investments, 30% in medium-risk investments and 10% in high-risk investments.
- ☒ b. Invest 30% in low-risk investments, 40% in medium-risk investments and 30% in high-risk investments.
- ☐ c. Invest 10% in low-risk investments, 40% in medium-risk investments and 50% in high-risk investments.

13. Your trusted friend and neighbor, an experienced geologist, is putting together a group of investors to fund an exploratory gold mining venture. The venture could pay back 50 to 100 times the investment if successful. If the mine is a bust, the entire investment is worthless. Your friend estimates the chance of success is only 20%. If you had the money, how much would you invest?

- ☐ a. Nothing.
- ☒ b. One month's salary.
- ☐ c. Three months' salary.
- ☐ d. Six months' salary.

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Your score is based on the following key:

Scoring

My Score

1.	a = 4	b = 3	c = 2	d = 1	2
2.	a = 1	b = 2	c = 3	d = 4	1
3.	a = 1	b = 2	c = 3	d = 4	1
4.	a = 1	b = 2	c = 3		1
5.	a = 1	b = 2	c = 3		2
6.	a = 1	b = 2	c = 3	d = 4	2
7.	a = 1	b = 2	c = 3	d = 4	2
8.	a = 1	b = 2	c = 3	d = 4	2
9.	a = 1	b = 3			1
10.	a = 1	b = 3			3
11.	a = 1	b = 2	c = 3	d = 4	1
12.	a = 1	b = 2	c = 3		2
13.	a = 1	b = 2	c = 3	d = 4	2

Total: 22

Score

Risk tolerance level

0 to 18	Low tolerance for risk	Conservative
19 to 32	Average/moderate tolerance for risk	Moderate
33 to 47	High tolerance for risk	Aggressive

Were you surprised at your risk tolerance level? If so, why?

No, I was not surprised because i see myself as an investor who does not fear risking but at the same time does not risk too much.

Developed by two university personal finance professors, Dr. Ruth Lytton at Virginia Tech and Dr. John Grable at Kansas State University.

Source: Grable, J.E., & Lytton, R.H. (1999). Financial risk tolerance revisited: The development of a risk assessment instrument. *Financial Services Review*, 8, 163-181. NDSU Extension Service, North Dakota State University of Agriculture and Applied Science, and U.S. Department of Agriculture cooperating. Duane Hauck, Director, Fargo, North Dakota. Distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914.