AChor	/MBF30	\Box
ACHUL		$\overline{}$

Name:	
Date	

Worksheet 7-3: Creating Investment Portfolio

You become an investment advisor and you create investment portfolio for your client.

For the two clients below, create an investment portfolio for each client based on the completed Risk Tolerance Questionnaire.

Client 1: Mr. and Mrs. Safe

Mr. and Mrs Safe are in their 60's and both of them are retired. They receive regular pension income. Their house and their car are both paid off. They are debt free with a saving of \$10000, earning little interest sitting in a savings account.

		Risk	Tolerance Question	onnaire .	
(ii) E	or each of the Enter the point	nts correspond	uestions, select the ans ding to your response e brackets (). to the categories given	inside the brackets (().
1. Fo	r how many	years are you	investing?		
•	less than 3 ye 3 – 10 years more than 10		(4 points) (8 points) (12 points)		(4)
2. W	hat is your p	urpose for inv	esting?		
Ō	savings savings/inves investment		(3 points) (7 points) (13 points)		(3)
3. Ho	w much risk	are you com	fortable with?		
zero to some risk moderate risk moderate to high risk		(2 points) (7 points) (12 points)		(7)	
4. W	hat is your p	ersonal financ	cial situation?		
not secure, in debt or just meeting expenses secure, some money to invest very secure, extra money to invest		meeting expenses est	(-5 points) (1 point) (3 points)	(3)	
5. W	hat knowled	ge do you hav	e about investments?		
Ť	none to basic knowledgeat expert		(-3 points) (0 point) (3 points)		(_3)
				Total Points:	14
Recon	nmendation	for Investmen	t Portfolio		
< 20 points: 100% in saving/low-risk investments					
20 – 3	0 points:	5% to 20% in savings/low-risk investments 60% to 80% in moderate-risk investments 35% to 0% in higher-risk investments			
31 – 4	5 points:	0% to 5% in savings/low-risk investments 40% to 50% in moderate-risk investments 60% to 45% in higher-risk investments			

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	Date:	WS 7-3

Client 2: Mr. Young

Mr. Young is married with 2 young children. He is a senior manager of a big corporation. He has not paid off his home mortgage. His wife stays home with the kids. He recently inherited \$5000. He would like to invest this money for any future emergency.

Risk Tolerance Questionnaire

Instruction:	lowing as	sections select the a	nswer that best descri	ibe your situation
(i) For each of the foll (ii) Enter the points co	rresnone	ling to your respons	e inside the brackets	().
(iii) Add all the points	inside the	brackets ().	•	
(iv) Compare your tota	al points	to the categories give	en below for your "Re	ecommendation".
1. For how many years	are you			
 less than 3 years 		(4 points)		
• 3 – 10 years		(8 points)		(12.)
more than 10 year	S	(12 points)		(12)
2. What is your purpos	se for inv	esting?		
savings		(3 points)		
savings/investmen	t	(7 points)		<u> 20</u> 1
• investment		(13 points)		(7)
3. How much risk are	you comf	ortable with?		
 zero to some risk 		(2 points)		
• moderate risk		(7 points)		
 moderate to high risk 		(12 points)		(7)
4. What is your person	al financ	ial situation?		
not secure, in deb			(-5 points)	
• secure, some money to invest		(1 point)		
 very secure, extra 			(3 points)	(<u>-5</u>)
5. What knowledge do	you have	e about investments	?	
• none to basic know		(-3 points)		
knowledgeable		(0 point)		
• expert		(3 points)		\bigcirc
			T	21
			Total Points:	21
Recommendation for Ir	vestmen	t Portfolio		
< 20 points: 100°	% in savi	ng/low-risk investm	ents	
20 – 30 points: 5%	to 20% i	n savings/low-risk ir	vestments	
60%	50% to 80% in moderate-risk investments			
		n higher-risk investi		
31 – 45 points: 0%	to 5% in	savings/low-risk inv	vestments	
40%	40% to 50% in moderate-risk investments			
60%	to 45%	in higher-risk inves	tments	