



## Determine Your Risk Tolerance

With investing, there's always a risk of losing some or even all of your money if the investment doesn't perform well. That's why you should never invest money you can't afford to lose. In general, the greater the risk of a loss on an investment, the greater the potential return. The lower the risk of loss, the lower the potential return.

It's important that you feel comfortable with the way your money is invested. Assess your risk tolerance with this quick, five question quiz. Ask an investment professional to help you create a portfolio that best meets your goals, timeline, and risk tolerance.

### Risk Tolerance Survey

1. With which types of savings or investments are you most comfortable?
  - a. Money market accounts.
  - b. Government savings bonds.
  - c. Corporate bonds or bond funds.
  - d. Stocks or stock funds.
2. After you make a savings or investment decision, you feel:
  - a. Worried.
  - b. Satisfied.
  - c. Hopeful.
  - d. Invigorated.
3. Say you invest \$20,000. Each of the following answers shows the range of returns that your investment may experience after just one year, based on the underlying holdings. Which investment would you be most comfortable holding?
  - a. \$21,000 – \$19,000.
  - b. \$23,000 – \$17,000.
  - c. \$27,000 – \$13,000.
  - d. \$30,000 – \$10,000.
4. For the last five years, your investment has returned an average 10% per year—in line with other similar investments. However, it loses 20% over the next year. What do you do?
  - a. Sell all of the investment.
  - b. Sell a portion of the investment.
  - c. Nothing.
  - d. Buy more of the same investment.
5. Which phrase best describes your take on life?
  - a. Proceed with caution—take no unnecessary risks.
  - b. Take small, measurable risks and patiently pursue your dreams.
  - c. Prepare well, but follow your goals without fear.
  - d. No hesitation—go for it!

## **Determine your risk tolerance (continued)**

### **If you selected mostly (a)s:**

You are highly risk-averse. You're also a strong candidate to learn as much as you can about investing because the more you know about risk-and-reward potential, the better you can manage your portfolio to take advantage of growth opportunities.

### **If you selected mostly (b)s:**

You are somewhat risk-averse, but you understand the importance of investing and do so with a measure of caution and calculated risk. You would probably benefit from a diversified portfolio. An investment advisor can help you determine your personal allocation strategy. It's important to remember to build in some component of growth in your portfolio in order to mitigate the impact of taxes and inflation.

### **If you selected mostly (c)s:**

You understand the concept of risk and are prepared to deal with the consequences in an effort to attain greater growth opportunities. You seem comfortable with your investment selections, which generally are the product of research and a balanced strategy that combines conservative-, medium-, and high-growth oriented investments.

### **If you selected mostly (d)s:**

You like taking risks and probably have an aggressive growth-oriented portfolio. If you are quite young (in your 20s or 30s) with sufficient income so that you're not dependent on your investments, taking the high-risk road may reward you over time. However, make sure that your equity holdings are diversified and always maintain a long-term perspective.

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