

Client Name	
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Risk Tolerance

“The risk that you are willing to accept in the pursuit of your financial goals”. Risk appetite or Risk tolerance is the investor’s emotional or psychological willingness to accept risk, it is the level of risk that the investor wants to take. This should be less of a driver to investment decision making because it is generally a subjective measure. Risk tolerance also refers to how the investor would cope with permanent investment losses or the volatility of a certain investment, i.e. how the return or value of the investment moves up and down from month to month or year to year.

Questions that the investor should ask themselves include:

Risk Tolerance Questions	Answer and notes
Do I take on abnormal risks in my personal or professional life?	
How would I react to a large loss during a particular investment year?	
How would I feel if I permanently lose a part of my investment capital?	
How much am I willing to permanently lose in adverse investment outcome?	
How does my family perceive risk and how has this changed my preferences?	
How much financial knowledge do I have?	

Risk Capacity

“The risk that you can afford to take”. This is the level of risk that the investor can take and it is normally the largest driver of an individual’s investment decisions. It is the ability of an investor to assume a certain level of risk and strictly speaking it is an objective measure.

Questions that the investor should ask themselves include:

Risk Capacity Questions	Answer and notes
What stage of life am I in and what is my earnings prospects going forward?	
What are my main investment goals or objectives?	
What return do I need to reach these goals or objectives?	
Can I take more/less risk in certain investments because I am conservative/aggressive in others?	
What is the term that I am willing to invest for?	
How much of my total wealth am I investing?	
When am I planning to make withdrawals from my investment(s)?	

Risk capacity illustrations

APPROPRIATE INVESTMENT TERM	RISK CAPACITY	RELATIVE ASISA CATEGORY BENCHMARK	POSSIBLE ABSOLUTE BENCHMARK PER ANNUM OVER THE FULL TERM	LARGEST CAPITAL LOSS EXPECTATION	SELECTED <input checked="" type="checkbox"/>
0-12 MONTHS	Very Low	SA Money Market Category	Money Market Linked	-1,50%	
12-24 MONTHS OR LONGER	Low	SA Income Variable Term Category	Money Market plus 1-2% p.a.	-4,00%	
24-36 MONTHS OR LONGER	Medium Low	SA Multi-Asset Low-Equity Category	Inflation plus 2-3% p.a.	-10,00%	
36-60 MONTHS OR LONGER	Medium	SA Multi-Asset Med-Equity Category	Inflation plus 3-4% p.a.	-15,00%	
48-72 MONTHS OR LONGER	Medium High	SA Multi-Asset High-Equity Category	Inflation plus 4-5% p.a.	-25,00%	
72 MONTHS AND LONGER	High	SA General Equity Category	FTSE/JSE All Share Index beating	-45,00%	
AT LEAST 84 MONTHS AND LONGER	Very High	Custom/Specific Category	Custom Benchmark Definition	Benchmark Linked	

Bringing the two concepts together

It is important to note that these two concepts don't always match up. An individual may have a very long investment term which would mean that their risk capacity is high, but they may be very averse to risk personally and their risk tolerance or appetite may therefore be much lower. It is the responsibility of your financial planner to help you to identify your risk appetite and understand your personal risk capacity & tolerance. You and your planner should have a frank discussion regarding risk to find the middle ground between the risk capacity (normally the planner's main focus) and the risk tolerance (normally the client's main focus).

From a client's point of view there is an element of self-discovery required in this exercise while the planner should disregard his/her own emotional biases as well and provide the most prudent advice considering: the client's preferences, investment objectives, current investment environment, client specific considerations, available structures/products and sound investment theory.

Risk Profile Comments/ Objectives	

1. The Financial Planner has explained and discussed the above with me in detail and I understand the selections that I have made.
2. Furthermore I understand that the returns and risks discussed are only expectations and subject to market exigencies and external factors.

 Client Signature
 Date: _____

 Financial Planner Signature
 Date: _____