

## What's Your Risk Profile? Test #2

This test also contains quite a bit of sophisticated "investment" language. If you don't understand the question, or any of the options given as answers, you should automatically choose "a" as your answer.

1. Six months after you buy an equity mutual fund, the value of your investment increases by 20%. Your first reaction is to:
  - a) Sell it and take your profit.
  - b) Hold it, hoping the price goes up even further.
  - c) Buy more, since there is real money to be made here.
2. You've bought a stock that's dropped 20% of its value in the past two weeks. You:
  - a) Sell it and get into something safer.
  - b) Hold it, hoping the price goes back up.
  - c) Buy more. The lower price is a real deal.
3. You've lost \$500 at the track. How much are you willing to risk to get back your \$500?
  - a) \$0
  - b) \$250
  - c) \$500
4. You and two friends are each holding one ticket for a lottery. One of those tickets has won \$100,000, but you don't know which. You:
  - a) Sell your ticket to one of other guys for \$1,000.
  - b) Agree to split the money three ways.
  - c) Go for broke. You want the whole \$100,000.
5. You're offered an opportunity to invest in a new diamond mine. If the mine is successful, you could get back 50 to 100 times your investment. If it's a dud, your investment would be worthless. There's a one in five chance that the mine will come in. How much would you invest?
  - a) Nothing.
  - b) One month's salary.
  - c) Six months' salary.
6. You've inherited a house that's a wreck but located in a very good part of town. You:
  - a) Sell it.
  - b) Put some money into it and then rent it until you can sell it for a good price.
  - c) Tear it down and finance a new home, then hope it sells for a handsome profit.

Give yourself one point for each "a" answer, three points for each "b" answer, and five points for each "c" answer. If you scored . . .

More than 23 points. You'd be considered a high- to moderately high-risk investor and could call yourself "growth-oriented." While you're probably very comfortable with high degrees of risk when there are potentially higher returns, don't get cocky!

Between 14 and 23 points, you'd be considered an average to low-risk investor, so call yourself "balanced." You're willing to take calculated risks but you can't stomach losing too much money. Make sure you balance those risks with some safer investments.

Less than 13 points. You're a very low-risk investor, so call yourself "conservative." You're uncomfortable with risk, so stick with the investments you know well and that guarantee your principal.