

PRISM Wealth-Building Process: Assessing Your Risk Tolerance

Goal: _____

This worksheet will help you assess how much risk you should take to achieve a specific goal based on the timing of the goal (both when it will be reached and how long it will last) and your psychological and financial ability to withstand market volatility. Enter the number of points for each of the answers and total the scores for each section. See the online article for an interactive spreadsheet. Note: If investing for more than one goal, fill out a separate Risk Tolerance Worksheet for each goal.

Timing of Goal

How far out into the future is the goal?

Short-term — Five years or less 1 ____
Intermediate — Five to 10 years 3 ____
Long-term — More than 10 years 6 ____

Over what time period do you anticipate spending money on the goal?

Short-term — Five years or less 1 ____
Intermediate — Five to 10 years 3 ____
Long-term — More than 10 years 6 ____

Relative to your wealth, how large of a withdrawal will your goal require over a period of five years or less?

High — More than 25% of wealth 1 ____
Moderate — 10% to 25% of wealth 3 ____
Low — Less than 10% of wealth 6 ____

Timing Score (total of scores above)

Based on your score, your timing risk is:
Short-term 3–5
Intermediate 6–11
Long-term 12–18

Financial and Psychological Risk

During drops in the stock market, have you:

Significantly reduced your exposure to stocks and stock funds 1 ____
Somewhat reduced your exposure to stocks and stock funds 3 ____
Maintained your allocation or bought more stocks 6 ____

How much of your spending needs are covered by non-portfolio income?

None 1 ____
Some 3 ____
All 6 ____

How would you describe your knowledge of key investing concepts?

Basic/Low 1 ____
Moderate 3 ____
High 6 ____

Financial/Psychological Tolerance Score (total of scores above)

Based on your score, your financial and psychological tolerance is:
Low 3–5
Moderate 6–11
High 12–18

In the grid below, mark the box corresponding to both your timing risk score and your financial and psychological tolerance score. Then find the same box in the shaded grid to identify your risk tolerance.

Timing Risk

		Short-Term 3–5	Intermediate 6–11	Long-Term 12–18	(Put an "X" in the box that best describes you)
Financial / Psychological Tolerance	Low 3–5				
	Moderate 6–11				
	High 12–18				

Timing Risk

		Short-Term 3–5	Intermediate 6–11	Long-Term 12–18
Financial / Psychological Tolerance	Low 3–5	Very Conservative	Cons. to Mod.	Mod. to Aggr.
	Moderate 6–11	Conservative	Moderate	Aggressive
	High 12–18	Cons. to Moderate	Mod. to Aggr.	Aggressive

Risk Tolerance Definitions

Very Conservative: No ability to withstand market swings; will need to withdraw a significant amount of money from portfolio/savings in less than 5 years; spending on goal not covered by other sources of income; little to no understanding of key investing concepts

Conservative: Limited ability to withstand market drops of up to 15% without panic; limited sources of income beyond portfolio/savings to spend on goal; will need to withdraw money within 5 years to 10 years; basic understanding of key investing concepts

Moderate: Ability to withstand market drops of up to 20% to 25% without panic; will/may need to begin withdrawing money from portfolio/savings within 10 years; portfolio withdrawals relative to wealth are moderate; some sources of income outside of portfolio help cover spending on goal; generally understand key investing concepts

Aggressive: No need to take withdrawals in the short-term or shorter-term withdrawals are low relative to wealth; non-portfolio income can cover a significant portion of spending needs; ability to handle market swings without panic; possess understanding of key investing concepts

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[Goals should be listed on the Identifying and Prioritizing Your Financial Goals Worksheet](#)