

Principal Securities

# Asset allocation questionnaire





Wish you could strike a balance between risk and reward when investing? We can help — by guiding you to identify your investment time horizon and appetite for risk.

Answer the following questions as precisely as possible, choosing only one answer for each. Fill in the “Add Points” and “Total Points” bubbles as you go. When you’ve completed the questions, see which Model Portfolio best aligns with your point totals.

**Time horizon**

1. When do you expect to withdraw money from your investment account?

- Less than 2 years ..... 0 points
- 2 years ..... 1 points
- 3 to 4 years ..... 3 points
- 5 to 7 years ..... 7 points
- 8 to 10 years ..... 9 points
- 11 years or more ..... 11 points

0 Add Points

2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?

- I plan to take a lump sum distribution ..... 0 points
- 1 to 4 years ..... 2 points
- 5 to 7 years ..... 4 points
- 8 to 10 years ..... 5 points
- 11 or more years ..... 6 points

0 Add Points

Total Time Horizon Points (add Questions 1 and 2)

0 Total Points

## Risk tolerance

3. Inflation — the rise of prices over time — can erode your investment return. Long-term investors should be aware that if portfolio returns are less than the inflation rate, their ability to purchase goods and services in the future might actually decline. However, portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk. Which of the following choices best reflects your attitude toward inflation and risk?

- My main goal is to avoid loss even though I may only keep pace with inflation ..... 0 points
- My main goal is to earn slightly more than inflation while taking on a low level of risk ..... 6 points
- My main goal is to increase my portfolio's value. Therefore, I'm willing to accept short-term losses but I'm not comfortable with extreme performance shifts that may be experienced in the most aggressive investment options ..... 11 points
- My main goal is to maximize my portfolio value and I'm willing to accept more extreme levels of risk and performance shifts in my portfolio to do so ..... 17 points

0 Add Points

4. The table below presents a hypothetical worst case loss, expected gain, and best case gain of five sample portfolios over a one-year period with an initial \$100,000 investment.

Which portfolio would you prefer to hold?

Portfolios	Hypothetical best case (\$)	Expected gain (\$)	Hypothetical worst case (\$)
Portfolio A	\$115,000	\$104,600	\$89,000
Portfolio B	\$119,000	\$105,600	\$85,000
Portfolio C	\$125,000	\$106,600	\$77,000
Portfolio D	\$132,000	\$107,600	\$70,000
Portfolio E	\$135,000	\$108,300	\$66,000

- Portfolio A ..... 0 points
- Portfolio B ..... 4 points
- Portfolio C ..... 8 points
- Portfolio D ..... 12 points
- Portfolio E ..... 17 points

0 Add Points

5. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments. Considering this, which statement best describes your investment goals?

- Protect the value of my account. In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments ..... 0 points
- Keep risk to a minimum while trying to achieve slightly higher returns than the returns provided by investments that are more conservative..... 5 points
- Focus more on the long-term investment returns. Long-term growth is equally as important as managing portfolio risk..... 10 points
- Maximize long-term investment returns. I am willing to accept large and sometimes dramatic short-term fluctuations in the value of my investments. .... 17 points

0 Add Points

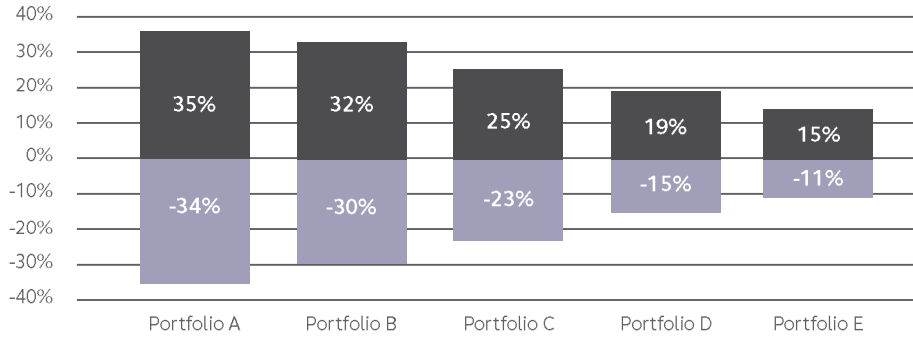
6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20 percent (i.e., \$1,000 initial investment would now be worth \$800) over a short period consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

- I would not change my portfolio ..... 16 points
- I would wait at least one year before changing to options that are more conservative ..... 10 points
- I would wait at least three months before changing to options that are more conservative ..... 5 points
- I would immediately change to options that are more conservative ..... 0 points

0 Add Points

7. The following graph shows the hypothetical best and worst results of five sample portfolios over a one-year holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the highest upside also has the largest downside.

Which portfolio would you prefer to hold?



- Portfolio A ..... 17 points
- Portfolio B ..... 13 points
- Portfolio C ..... 9 points
- Portfolio D ..... 5 points
- Portfolio E ..... 0 points

0 Add Points

8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns. What is your view regarding this statement?

- Strongly Agree ..... 16 points
- Agree ..... 13 points
- Somewhat Agree ..... 9 points
- Disagree ..... 5 points
- Strongly Disagree ..... 0 points

0 Add Points

Total Risk Tolerance Points (add Questions 3 through 8)

0 Total Points

## Scoring grid summary

**Your time horizon and risk tolerance scores are used to match you with a Model Portfolio.**

In the chart below, find your Time Horizon Score across the top row. Then, find your Risk Tolerance Score in the left-side column. Where the two intersect is the Model Portfolio recommended as best for your present investment time horizon and investing risk tolerance.

Time Horizon Score					
Risk Tolerance Score	1* - 2	3 - 5	6 - 7	8 - 10	11+
0 - 14	Model 1 Conservative	Model 1 Conservative	Model 1 Conservative	Model 1 Conservative	Model 1 Conservative
15-35	Model 1 Conservative	Model 2 Moderately conservative	Model 2 Moderately conservative	Model 2 Moderately conservative	Model 2 Moderately conservative
36-63	Model 1 Conservative	Model 2 Moderately conservative	Model 3 Moderate	Model 3 Moderate	Model 3 Moderate
64-84	Model 1 Conservative	Model 2 Moderately conservative	Model 3 Moderate	Model 4 Moderately aggressive	Model 4 Moderately aggressive
85-100	Model 1 Conservative	Model 2 Moderately conservative	Model 3 Moderate	Model 4 Moderately aggressive	Model 5 Aggressive

2016 Morningstar Investment Management LLC. All Rights Reserved. Used with Permission.

\*If your time horizon score is 0 or 1, even the most conservative profile may not be an appropriate option for you. Speak to an investment advisor before selecting a portfolio.

The Risk Tolerance Questionnaire and accompanying scoring methodology (collectively, the “RTQ”) are made available through a license agreement between Morningstar Investment Management LLC, and Principal Securities, Inc. This material is provided for educational purposes only and should not be the sole basis for making an investment decision. The RTQ is not to be considered investment advice or establishing any kind of advisory relationship with Morningstar Investment Management LLC or Principal Securities, Inc. or their affiliates. The RTQ is intended to assist in identifying an investor’s general attitude towards investment risk. Morningstar Investment Management does not endorse and/or recommend any specific financial products that may be used in conjunction with the RTQ. Investors are strongly encouraged to consult a financial professional for assistance in developing a portfolio specific to their needs and objectives and/or to obtain the financial product’s prospectus (or its equivalent) prior to investing.

Morningstar Investment Management LLC is a registered investment adviser and subsidiary of Morningstar, Inc. Neither Morningstar Investment Management LLC nor Morningstar, Inc. are affiliated with any member company of the Principal Financial Group.

Securities and advisory products offered through Principal Securities, Inc., 800.247.1737, Member SIPC. Principal National, Principal Life and Principal Securities are members of the Principal Financial Group®, Des Moines, IA 50392.



[principal.com](http://principal.com)

© 2017 Principal Financial Services, Inc.

MM9219-01 | 08/2017 | t170504081w