

# Goals & Risk Profile Workbook



FINANCE & FURY PODCAST  
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# Financial Goal Setting

To make an investment plan, you will need to first identify the financial goals that are important to you. This will allow for you to plan and then implement a strategy to meet these goals successfully. Depending on the timeframe for each goal, you can break them down in the following terms:

## Short-Term Goals:

Short term goals are typically expenses anticipated in the next few years. Usually these require additional savings to achieve due to the short timeframe (usually under 3 years) attached to these goals.

### Common Short-Term Goals:

- Buying a car
- Holiday
- Getting married
- Purchasing a home

Achieving these is more about minimising risk due to the short time horizon. The funds need to both be secure and accessible while still being able to contribute personally.

### Potential Investment Strategies:

- Savings account or Term Deposits
- Monthly savings

## Medium-Term Goals:

Medium-term goals are typically expenses or accomplishments for within the next 4 to 7 years. Depending on your priorities, Short Term Goals may supersede your Mid-Term goals. It is important to not allow for this to happen if the short-term goal is a lower priority than the mid-term goal.

### Common Mid-term Goals:

- Paying for children's education
- Purchasing a larger or second home
- Paying down debt
- Travelling
- Increasing passive incomes or wealth

Planning for mid-term goals creates the need of balancing investment growth and financial security.

### Potential investment strategies:

- A balanced investment between Growth and Defensive assets
- Monthly savings or investment strategies
- Regular debt repayment strategies

## Long-term goals:

Long Term Goals are normally those you wish to achieve in a time period that is greater than 7 years. It is never too early to begin planning for major financial goals. Time is the best asset on your side.

### Common long-term goals:

- Living comfortably in retirement – Financial Independence
- Financial security
- Providing ongoing support of an inheritance for children
- Ongoing travel or holidays

Realising your long-term goals allows for additional growth-oriented investment strategies.

### Potential investment strategies:

- Growth investments such as shares (including Exchange Traded Funds or Listed Investment Companies) and property
- Using leverage strategies through borrowing to invest
- Monthly savings or salary sacrifice into superannuation

## Re-evaluating Goals and Prioritising

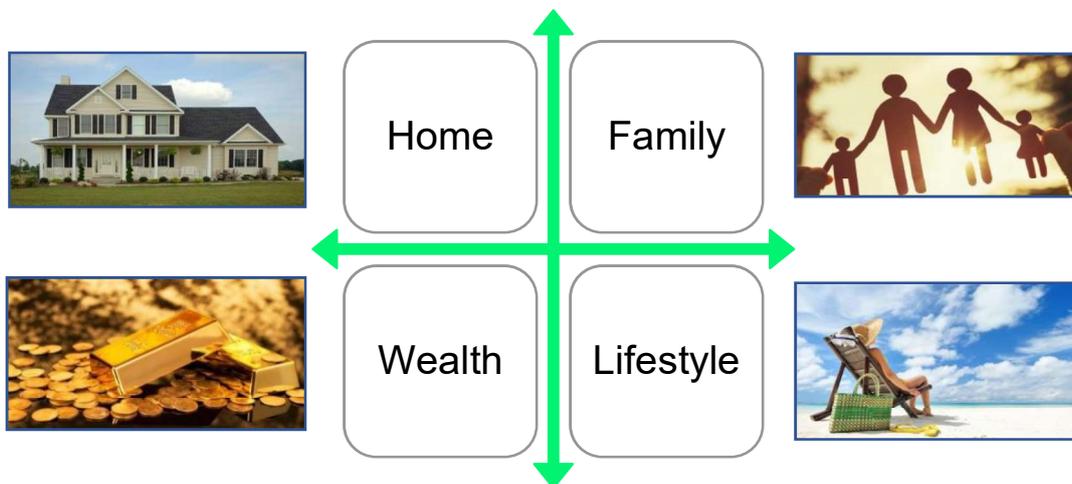
Your financial goals will likely change over time as your circumstances change. Your goals therefore require ongoing reviews of at least once a year to track how you are progressing and if any strategy or priority changes need to occur.

- Are there any goals which are no longer important or have been updated?
- Have we made progress on a goal? If not, why not?
- What investment vehicle is appropriate for your goal?
- Is the rate of return you are experiencing adequate to meet your goals?

## About you

### Question 1:

Rank which of the following are the most to least important to you at your current stage of your life?



### Financial Wants and Frustrations matrix:

#### Question 2:

What are some current frustrations with your financial situation?

#### Question 3:

What does your ideal financial situation look like?

#### Question 4:

What fears or behaviours are holding you back?

#### Question 5:

What are your investment and retirement aspirations?

### Question 6:

List 5 things you would spend more time doing if you weren't required to work:

1.
2.
3.
4.
5.

# GOAL PLANNING

	Goal	Why is it important to you?	How much you will need?	Target date
<u>Question 1</u> Financial Goals - Short Term				
<u>Question 2</u> Financial Goals - Medium Term				
<u>Question 3</u> Financial Goals – Long Term				
	Passive Income Requirement <sup>1</sup>	Investment income yield (%)	Number of years	Investment Value <sup>2</sup>
<u>Question 4</u> Financial Independence Target				

<sup>1</sup>**Passive Income Requirement** = What your current annual essential expenses are, minus any expenses in the future which may not be present (such as children or debt repayment). You can also include any additional expenses such as holidays or changes to your lifestyle.

<sup>2</sup>**Investment Value** = (Passive income requirement / Investment income yield (%)) X (1 + Inflation of 2.5% p.a.)<sup>Number of years</sup>  
 Example: Passive income requirement = \$80,000 | Investment income yield = 5% | Number of Years = 20  
 Investment Value = \$80,000 / 0.05 X 1.025<sup>20</sup> = \$2,621,786 would generate an income of approximately \$131,090 p.a



# Risk Profile Questionnaire

Points	Personal	Person 1	Person 2
Question 1: How experienced, or knowledgeable are you in financial markets?			
1	I have investments across major asset classes. I understand the various factors which influence portfolio performance		
2	I am experienced with one particular investment		
3	I understand that markets fluctuate and that different asset sectors offer different income, growth and taxation characteristics		
4	I have just enough experience to understand some aspects of investment Markets		
5	I have very little understanding of investment markets		
Question 2: How would you rate your experiences (if any) with your investments?			
1	I have had positive experiences with investing that outweigh the negative, and accept that markets go up and down. I understand risk versus return trade-off.		
2	Whilst I have had a negative experience with investing, I understand this is part of the risk versus return trade-off.		
3	I have never had a bad experience with my investments.		
4	I am not familiar with investments, or have never invested before.		
5	I have previously lost money as an investor and am extremely concerned about any future losses.		
Question 3: What is the most aggressive investment you have made?			
1	Direct shares		
2	Managed funds		
3	Investment property		
4	Own home		
5	High interest savings and/or Bank account		
Question 4: How confident are you to manage your investments?			
1	Very Confident		
2	Slightly confident		
3	Unsure		
4	Slightly hesitant		
5	Not confident at all		
Question 5: Would you prefer to have an active 'hands on strategy', or something passive?			
1	High involvement		
2	Some involvement		
3	I don't have a preference		
4	Little involvement		
5	I am unsure		
<b>Total Personal Points</b>			

Points	Volatility		Person 1	Person 2
Question 1: In a 12-month period, by what percentage would your investments have to fall in value before you feel concerned?				
1	More than 30%			
2	Up to 30%			
3	Up to 20%			
4	Up to 10%			
5	Up to 5 %			
Question 2: If your investment portfolio was to fall in value by 25%, how would you feel?				
1	Unconcerned but anticipating future investment opportunities			
2	Unconcerned but not making any further investments			
3	Concerned			
4	Very concerned			
5	I would not want to experience an investment fall in value			
Question 3: If you invested \$100,000 today, which range of portfolio values would you be comfortable with in 1 years' time?				
1	Portfolio 1: Best case: \$124,283 Worst case: \$79,228	Expected value: \$108,585		
2	Portfolio 2: Best case: \$122,386 Worst case: \$81,743	Expected value: \$108,040		
3	Portfolio 3: Best case: \$116,916 Worst case: \$88,929	Expected value: \$107,290		
4	Portfolio 4: Best case: \$112,870 Worst case: \$94,169	Expected value: \$106,500		
5	Portfolio 5: Best case: \$110,593 Worst case: \$95,771	Expected value: \$105,470		
Question 4: What level of volatility is acceptable to you over a one-year timeframe?				
1	Very high levels +/- 40%			
2	High levels - +/- 30%			
3	Average levels +/- 20%			
4	Low Levels +/- 10%			
5	Very low Levels +/- 5%			
Question 5: What financial risk (volatility) is acceptable to meet your long-term return?				
1	I want to maximise potential returns regardless of risk			
2	A high degree of risk would be acceptable for a large increase in potential returns			
3	A moderate degree of risk would be acceptable for a medium increase in potential returns			
4	A limited degree of risk would be acceptable for a slight increase in potential returns			
5	Security of capital is required regardless of potential returns			
<b>Total Volatility Points</b>				

Points	Investment performance and Behaviours	Person 1	Person 2
Question 1: What long term return would you expect from your investments?			
1	8% or above per annum		
2	6 - 8% per annum		
3	4 - 6% per annum		
4	2 - 4% per annum		
5	0 - 2% per annum		
Question 2: Which of the following best describes your requirements for any current investments you own, or plan to purchase?			
1	I would have no requirement to access any invested capital and wish to focus on long term capital growth and reinvesting the income		
2	I may require a small amount of the investment income, but I am mainly concerned with capital growth and reinvesting the income		
3	I might require an equal combination of investment drawing on any income and capital growth		
4	I require all of the investment income with drawing on the capital over time		
5	I may require all of my investment in the near future		
Question 3: If a correction in financial markets lead to a decrease in your investment value by 20%, how would you respond?			
1	I would invest a large amount of additional funds expecting future growth		
2	I would invest a small amount of additional funds, expecting future growth		
3	I would leave the investment in place and wait to see if the investment Improves		
4	I would cut my losses and transfer some of my funds into more secure asset sectors		
5	I would cut my losses and transfer all of my funds into more secure asset sectors		
Question 4: At what rate would you want your investments to outpace the inflation rate (assuming inflation is 2.5% p.a.)?			
1	I am comfortable with larger short-term losses in order to beat inflation over the longer term		
2	I am comfortable with smaller medium-term losses in order to beat inflation over the longer term		
3	I am conscious of the effects of inflation, but would prefer a position that limits short to medium-term losses		
4	I am conscious of the effects of inflation, but would prefer a position that limits short to short-term losses		
5	Inflation may erode my savings over the long term, but I have little tolerance for short to medium-term losses		
Question 5: If financial markets decline, at what level of loss would you consider selling an investment?			
1	I would never sell		
2	Once the loss reached 50%		
3	Once the loss reached 25%		
4	Once the loss reached 10%		
5	I wouldn't want to see a loss in my investment value		
<b>Total Investment performance and Behaviours Points</b>			

# Score Calculation

Total each the score from the 'Personal' Risk Profile questions below:

	Person 1	Person 2
Personal total		
Question 1: Which of the personal profiles below matches your total?		

Please note that this profile may not reflect the type of investor you are, or investment strategy to select. It is simply to be used as a general outline to help clarify an appropriate investment strategy. If you are unsure about this, please seek assistance before making any investment decisions.

## Personal Profiles

Point Range	Profiles	Description
10 or less	Hands on	Based around your answers, you are confident to select the investments. Put together a tailored portfolio around your needs.
11 - 19	Passive investor	Based around your answers, it may be best to let the markets determine your returns through investing in a wide allocation of index funds.
20 or Above	Outsource	Based around your answers, it may be best to seek help before making any further investment decisions.

## Risk Profile

	Person 1	Person 2
Investment performance and Behaviours		
Volatility		
<b>Total Sums</b>		
Question 2: Which of the following investment profiles best match your total sum?		

Please note that this risk profile may not reflect your true investment profile. It is simply to be used as a general outline to help point you towards answering questions on your views on volatility and investment behaviours. If you are unsure about this, please seek assistance before making any investment decisions.

# Investment Profiles

Please note that these profiles are for illustration purposes only and should not be used as the sole criteria for any investment decision making.

Point Range	Profiles	Description
14 or less	High Growth	A 100% growth-based portfolio with no exposure to income assets. It has a strong emphasis on maximising capital growth over the long term. The portfolio is likely to produce a minimal, tax effective income. Investors should expect high short-term fluctuations in values and a higher chance of capital loss. However, they are prepared to accept this as a trade off in achieving their long-term investment objective.
15 - 22	Growth	A growth-oriented portfolio that is best suited to long-term investors. A small income exposure should slightly reduce the shorter-term fluctuations of the portfolio's value. It is best suited to a long-term investor who can accept some investment risk over the long-run. The income stream may be partially tax effective and the portfolio has a high exposure to share and property to provide long-term investment growth.
23 - 30	Balanced	Using a slightly higher exposure to growth assets than income assets, this portfolio is expected to have lower short-term fluctuations in value than the other growth-based investment portfolios. Its aim is to produce capital growth in a medium- to long-term time frame. It has a "balanced" exposure to shares, property and fixed income assets, while the income generated by the portfolio may be partially tax effective.
31 - 38	Conservative	For investors who are seeking an income stream with some capital growth attached. It has a high exposure to fixed income securities, but also includes exposure to share and property markets. It is suited to medium-term investors who are seeking a reasonable degree of capital stability, but who also want to protect their assets from inflation. Some tax relief on income may be available from franking credits.
46 or above	Defensive	This is an income-focused portfolio that has a small exposure to growth assets. The main emphasis is on generating income, with some capital risk in order to achieve overall portfolio growth. It is expected to have a low fluctuation in short-term value, with some small shorter-term capital risk. The income generated by the portfolio may have a small tax benefit from some share dividend franking credits. It is suited to an investor who either seeks a high level of income or has a relatively short investment time frame.

## Illustration Allocations for Risk Profiles

(Please note this does not include direct property)

	High Growth	Growth	Balanced	Conservative	Defensive
Cash	0%	2%	5%	8%	15%
Australian Fixed Interest	0%	8%	10%	20%	25%
International Fixed Interest	0%	10%	20%	22%	30%
<b>Defensive Total</b>	<b>0%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>70%</b>
Australian Shares	50%	36%	32%	24%	14%
International Shares	40%	34%	25%	20%	10%
Property & Infrastructure	10%	10%	8%	6%	6%
<b>Growth Total</b>	<b>100%</b>	<b>80%</b>	<b>65%</b>	<b>50%</b>	<b>30%</b>