

Identifying your Investor Profile

Name _____

Date _____

Determining risk tolerance

One of the first steps in developing an investment strategy is to identify your tolerance for risk as an investor, referred to as your Investor Profile. It can depend on the goals you are investing toward, as well as your personality, in making investment decisions.

Merrill Edge® has identified investor profiles that generally coincide with the ways in which investors characterize themselves, their objectives, and their feelings about risk. Each investor profile—Conservative, Moderately Conservative, Moderate, Moderately Aggressive and Aggressive—has an associated asset allocation based on your overall risk tolerance.

Review the investor profile descriptions on page 5 and the investor profile models on page 6 to identify the Investor Profile that best describes your investment objectives. Or you can complete the self-evaluation to help identify your personal investment preferences. This evaluation will measure your reaction to market volatility and help you identify your investment objectives.

Investor Profile self-evaluation

Please read and answer the following questions. Then, use the scoring process to identify the Investor Profile that corresponds to your feelings about investing. A description of each profile is provided on page 5. Your Investor Profile will be based on all of your responses collectively, with no single question being the determining factor.

1 When you invest money, what is your primary goal?

- a. Preserve the value of my investments. I want to minimize the risk of my investments losing value.
- b. Emphasize current income. My investments should be relatively safe.
- c. Generate current income. However, I would also like to build the value of my investments gradually over time. I am willing to expose my investments to a moderate level of risk.
- d. Have the value of my investments grow over time. However, I would also like to generate some current income. I am willing to expose my investments to a fair level of risk.
- e. Have the value of my investments grow substantially over time. I do not need to generate current income. I am willing to expose my investments to a considerable level of risk.

2 The degree to which the value of an investment increases and decreases is called volatility (one measure of risk). More volatile investments generally offer greater long-term growth potential than less volatile investments, but they may produce greater losses. How much volatility are you comfortable with?

- a. As little as possible. I want to focus on current income and stability of value even if it means that my total returns are relatively small.
- b. Some. I am willing to accept occasional losses in value as long as my investments have some potential for growth over time.
- c. Moderate. I am willing to take moderate risk as long as my investments have a greater potential for growth over time.
- d. A considerable amount. I am willing to take a substantial risk in pursuit of higher total returns.

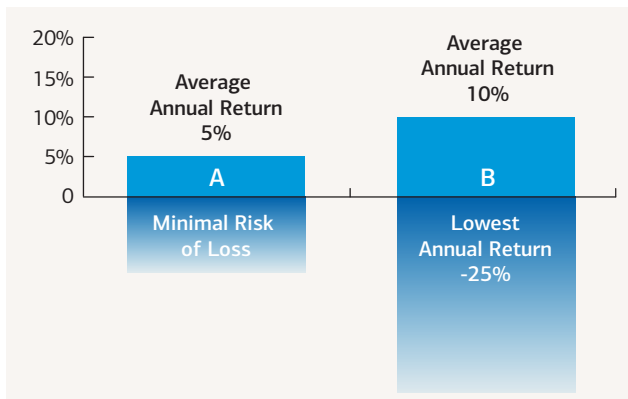
3 Extremely conservative investments sometimes earn less than the inflation rate. This may result in the loss of purchasing power. With respect to your investment objectives, which of the following is most true?

- a. My investments should be safe, even if it means my returns do not keep pace with inflation.
- b. I am willing to risk an occasional loss of investment value so that my investments may grow at about the same rate as inflation over time.
- c. It is important that my investments grow somewhat faster than inflation. I am willing to accept some risk to achieve this goal.
- d. My investments should grow much faster than inflation. I am willing to accept considerable risk to achieve this goal.

4 You understand the value of investments will fluctuate over time, depending on the amount of risk taken. What is the approximate loss in any one-year period that you would be willing to accept before deciding to change your investments?

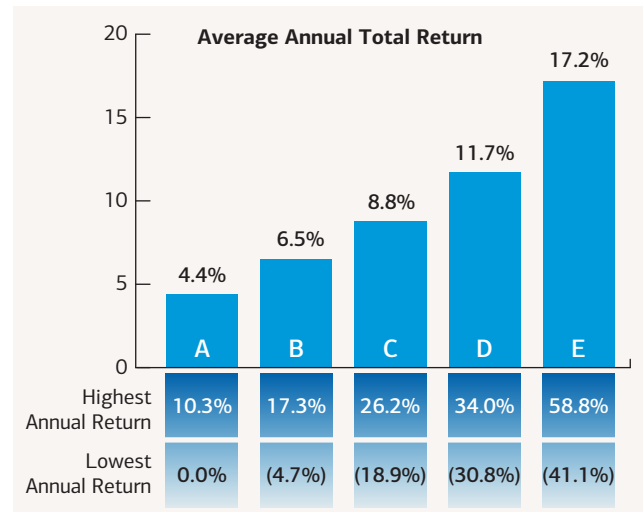
- a. Less than (5%)
- b. (5%) to (10%)
- c. (10%) to (15%)
- d. (15%) to (25%)
- e. (25%) or more

5 Consider two different investments: Investment A, which provides an average annual return of 5% with a minimal risk of loss of value, and Investment B, which provides an average annual return of 10% and a potential loss of 25% or more in any year. How would you divide your investment dollars?



- a. 100% in Investment A and 0% in Investment B
- b. 80% in Investment A and 20% in Investment B
- c. 50% in Investment A and 50% in Investment B
- d. 20% in Investment A and 80% in Investment B
- e. 0% in Investment A and 100% in Investment B

6 If you could choose only one of the five hypothetical portfolios characterized below, which would you select?



- a. Portfolio A
- b. Portfolio B
- c. Portfolio C
- d. Portfolio D
- e. Portfolio E

Note: These hypothetical portfolios do not correspond to the Merrill Lynch Investor Profile models. "A" represents the least risk, whereas "E" represents the highest risk. No time frame is provided for the swing between the lowest annual return and highest annual return possibilities, and this graph is used to determine risk tolerance only.

7 When is the earliest you anticipate needing all or a substantial portion of your investment assets?

- a. Short term — 0 to 2 years
- b. Medium term — More than 2 but less than 5 years
- c. Long term — 5 years or more

8 Are your total investment assets less than \$1 million?

- a. Yes
- b. No

9 If your response to Question 8 is No, is the amount you are investing less than 10% of your total investment assets?

- a. Yes
- b. No

Determination of Investor Profile model

STEP 1 For easy reference, list your answer to each question in the box above the question number. Then, circle the number of points awarded for your response to each question, add the points and record your total points in the box to the right.

My answers							Total points
Questions	1	2	3	4	5	6	
a	1	1	1	1	1	1	
b	3	3	3	3	3	3	
c	5	7	7	5	5	5	
d	7	9	9	7	7	7	
e	9			9	9	9	

STEP 2 List your answers to questions 7–9 in the boxes above the question numbers, and circle your response below.

My answers			
Questions	7	8	9
a	Short	Yes	Yes
b	Medium	No	No
c	Long		

STEP 3 Find the matrix that corresponds to your total points. Read down and across, using your responses to the selected questions, to identify your Investor Profile.

My Investor Profile

If your total points are 6–15 and:

Response to Question 3	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a	Conservative	Conservative	Conservative
b, c or d	Conservative	Conservative	Moderately Conservative

If your total points are 16–25 and:

Response to Question 1	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a	Conservative	Conservative	Moderately Conservative
b, c or d	Moderately Conservative	Moderately Conservative	Moderately Conservative
e	Moderately Conservative	Moderately Conservative	Moderate

If your total points are 26–34 and:

Response to Question 1	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a or b	Moderately Conservative	Moderately Conservative	Moderate
c	Moderately Conservative	Moderate	Moderate
d or e	Moderate	Moderate	Moderately Aggressive

If your total points are 35–44 and:

Response to Question 8	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a – Yes	Moderate	Moderate	Moderately Aggressive
b – No	Proceed to next chart		

Response to Question 9	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a – Yes	Moderate	Moderately Aggressive	Aggressive
b – No	Moderate	Moderate	Moderately Aggressive

If your total points are 45–54 and:

Response to Question 7		
a – SHORT	b – MEDIUM	c – LONG
Moderate	Aggressive	Aggressive

Investor Profile sample scoring

The scoring procedure involves four steps:

1. Totaling your points per your responses to 1–6.
2. Identifying your responses to 7–9.
3. Selecting the correct scoring matrix per your total points.
4. Responding to the questions in the matrix per your previous answers.

If you have difficulty understanding this procedure, refer to the sample test below.

Time frame to invest: More than two but less than five years

My answers							Total points 36
Questions	1	2	3	4	5	6	
a	1	1	1	1	1	1	
b	3	3	3	3	3	3	
c	5	7	7	5	5	5	
d	7	9	9	7	7	7	
e	9			9	9	9	

My answers			
Questions	7	8	9
a	Short	Yes	Yes
b	Medium	No	No
c	Long		

If your total points are 35–44 and: ←

Response to Question 8	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a – Yes	Moderate	Moderate	Moderately Aggressive
b – No		Proceed to next chart	

Response to Question 9	Response to Question 7		
	a – SHORT	b – MEDIUM	c – LONG
a – Yes	Moderate	Moderately Aggressive	Aggressive
b – No	Moderate	Moderate	Moderately Aggressive

The investor scored 36 points and therefore selects the 35–44 scoring matrix to identify her Investor Profile. She pencils in her response to Question 8 on the matrix, reads across and follows the directions to proceed to the next matrix. On the next matrix, she fills in her responses to Questions 9 and 7, and reads across and down from her answers to find her Profile—Moderate.

Investor Profile descriptions

The chart on the right shows the target asset allocation for each investor profile and a corresponding description. The investor profiles do not consider alternative investment exposure.

An individual's profile as an investor can depend on several criteria, including:

- **The goal and its time frame**

Investors who have multiple goals often are willing to take more risk with some goals than with others. Generally, a critical goal or an objective that has a time frame of less than three years may dictate a conservative investing approach. Less critical goals or objectives with time horizons of more than three years may allow for a more aggressive investing approach, because there is generally time to recover from market downturns.

- **Personality**

Some people's personalities are simply geared toward lesser or greater risk taking.

- **Income and asset base**

The larger your income and asset base, the more risk you may be willing to take, at least for some subset of your investments. This is because you have a greater ability to recover from investments that may not perform as expected. Conversely, some investors with a large asset base may feel more comfortable with a more conservative approach, knowing they do not need to take on additional risk in order to meet their goals.

CONSERVATIVE TARGET ALLOCATION

Stocks 20%	For investors who are predominately risk-averse. Primary focus is on portfolio stability and preservation of capital. Investors using this model should be willing to achieve investment returns (adjusted for inflation) that are low or, in some years, negative, in exchange for reduced risk of principal loss and a high level of liquidity. A typical portfolio will be heavily weighted toward cash and fixed income investments.
Bonds 55%	
Cash 25%	

MODERATELY CONSERVATIVE TARGET ALLOCATION

Stocks 40%	For investors who are somewhat risk-averse. Primary focus is to achieve a modest level of portfolio appreciation with minimal principal loss and volatility. Investors using this model should be willing to absorb some level of volatility and principal loss. A typical portfolio will include primarily cash and fixed income investments with a modest allocation to equities.
Bonds 50%	
Cash 10%	

MODERATE TARGET ALLOCATION

Stocks 60%	For investors who are willing to take a moderate level of risk. Primary emphasis is to strike a balance between portfolio stability and portfolio appreciation. Investors using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will primarily include a balance of fixed income and equities.
Bonds 35%	
Cash 5%	

MODERATELY AGGRESSIVE TARGET ALLOCATION

Stocks 70%	For investors who are willing to take a fair amount of risk. Primary emphasis is on achieving portfolio appreciation over time. Investors using this model should be willing to assume a high level of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes but will be primarily weighted toward equities.
Bonds 25%	
Cash 5%	

AGGRESSIVE TARGET ALLOCATION

Stocks 80%	For investors who are willing to take substantial risk. Primary emphasis is on achieving above-average portfolio appreciation over time. Investors using this model should be willing to assume a significant level of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes but will be heavily weighted toward equities.
Bonds 15%	
Cash 5%	

Merrill Lynch has changed the allocations for each model in the past and might change the allocations in the future, depending upon research and investment strategy recommendations. These target allocations are current as of August 2013.

Investor Profile models

The grid to the right illustrates the trade-offs that must be considered when designing an investment strategy. Your Merrill Edge Financial Solutions Advisor™ can help you find a balance between risk and return potential to create an investment strategy tailored to your specific goals.

INVESTOR PROFILE MODEL	RISK POTENTIAL	RETURN POTENTIAL	TARGET ASSET ALLOCATION
	LESS ← → MORE	LESS ← → MORE	
Conservative			Stocks 20% Bonds 55% Cash 25%
Moderately Conservative			Stocks 40% Bonds 50% Cash 10%
Moderate			Stocks 60% Bonds 35% Cash 5%
Moderately Aggressive			Stocks 70% Bonds 25% Cash 5%
Aggressive			Stocks 80% Bonds 15% Cash 5%

Merrill Lynch has changed the allocations for each model in the past and might change the allocations in the future, depending upon research and investment strategy recommendations.

Although the Investor Profile asset allocation does not consider alternative investments, certain investments in the Portfolios you select based on your investor profile may be classified as alternative investments. These may include investments in asset classes such as commodities and real estate, as well as investments in non-traditional funds (“NTFs”). NTFs are investments such as mutual funds and exchange-traded funds (“ETFs”) that we classify as alternative investments because of the investment strategies used and/or the alternative asset exposure they provide. Merrill Lynch may classify these investments, including NTFs, as ‘Alternative Investments’ on your asset allocation reporting because we believe that may be a more accurate characterization of the risk/return attributes of these investments than classifying them as stocks. The alternative investment exposure is anticipated to be minimal.

The Investor Profile model allocations are prepared by the Investment Management & Guidance Group (IMG). The views expressed are those of IMG only and are subject to change. This information should not be construed as investment advice. It is presented for information purposes only and is not intended to be either a specific offer by any Merrill Lynch entity to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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