Investment Portfolio

Using the new Statement of Cash Flows and Net Worth Summary for Joe and Sally Williams and the Asset Allocation Questionnaire below, develop an investment portfolio that is appropriate based on the Williams’ time frame and risk tolerance. Allocate their portfolio among the following asset classes on a percentage basis (e.g., 33% cash, 34% bonds, 33% equities):

* Cash
* Bonds
* Equities

Be sure the total equals 100%, and justify how you arrived at your allocation.

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| Identify potential goals that Joe and Sally have and evaluate strategies to help clients achieve their goals. |
| Construct/create a (very) basic personal financial statements for Joe and Sally (cash flow and Balance Sheet statments)  and use ratios or other techniques to analyze these statements. |
| Evaluate the need for credit/ planned borrowing to meet household consumption or asset acquisition (such as a car). |
| Identify possible strengths and weaknesses in Joe and Sally's initial situation and determine opportunities for problem solving. |

**Joe and Sally Williams**

**Asset Allocation Questionnaire**

1. What is your time horizon for this investment?
   1. Short-term (less than 1 year)
   2. Intermediate-term (1–7 years)
   3. Long-term (7+ years)
2. How would you describe your investment experience?
   1. None
   2. Some
   3. Extensive
3. Do you intend to withdraw retirement savings from nonretirement expenses?
   1. Yes; for immediate goals, I would make significant withdrawals.
   2. Yes, but only in an emergency.
   3. I have no intention of withdrawing for nonretirement investments.
4. How long would your long-term savings last in the event of an emergency?
   1. 0–3 months
   2. 3–11 months
   3. 1 year or more
5. How much monthly income is used to pay installment debt (not mortgage)?
   1. I have no installment debt.
   2. Less than 25% is used for installment debt.
   3. 25–50% is used for installment debt.
   4. More than 50% is used for installment debt.
6. Describe your expected future salary or earnings in the next 5 years.
   1. I do not expect it to exceed inflation.
   2. I expect it to keep pace with inflation.
   3. I expect it to exceed inflation.
7. Would you take more risk for your investment to exceed inflation?
   1. Yes
   2. Maybe some
   3. Definitely not
8. How would you react to a steep decline in the equity market?
   1. I would be comfortable and see it as a buying opportunity.
   2. I would be comfortable but do nothing.
   3. I would be uncomfortable but do nothing.
   4. I would be uncomfortable and switch to less volatile investments.
9. If you had $100,000 invested and it lost $20,000 (20%), how would you react?
   1. Sell the investment entirely.
   2. Hold on to it, and do nothing.
   3. See it as a buying opportunity, and invest more.
10. If the portfolio in question 9 dropped another 15% ($12,000), how would you react?
    1. Sell the investment entirely.
    2. Hold on to it and do nothing.
    3. See it as a buying opportunity, and invest more.

**Scoring:**

* 0–18: Conservative
* 18–26: Moderate to Conservative
* 27–35: Moderate
* 36–44: Moderate to Aggressive
* 45+: Aggressive

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| --- | --- | --- | --- | --- | --- |
| Question | A | B | C | D | Score |
| 1 | 0 | 5 | 10 |  | 10 |
| 2 | 0 | 2 | 5 |  | 2 |
| 3 | 0 | 3 | 6 |  | 6 |
| 4 | 1 | 4 | 7 |  | 1 |
| 5 | 10 | 7 | 4 | 0 | 4 |
| 6 | 2 | 4 | 6 |  | 6 |
| 7 | 5 | 3 | 1 |  | 5 |
| 8 | 8 | 5 | 3 | 0 | 3 |
| 9 | 0 | 3 | 7 |  | 3 |
| 10 | 0 | 5 | 10 |  | 5 |
| Total |  |  |  |  | 45 |