

LOS 14.e, f, SN Bk 2 p.54, CFAI Vol. 2 p.106

Private Wealth Management

Investor Personality Types: Questionnaire

- Focuses on non-investment related questions
 - Our personalities are shaped by our socioeconomic backgrounds, personal experiences, and wealth level
 - These elements determine our **risk tolerance** and **decision-making style**
- Places investors into four general categories:
 - **Cautious, methodical, spontaneous, and individualistic**

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Investor Personality Types

1. Cautious

- Decisions based on **feelings** and past experiences
- **Most risk averse/low risk tolerance**
- Strong desire for financial security
- Focus on low-risk investments, avoids losses
- Can over-analyze, fear action
- Low portfolio turnover and volatility

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Investor Personality Types (Cont.)

2. Methodical

- Decisions based on **thinking**
- **Less risk averse, more risk tolerant than Cautious**
- Lots of research leads to no emotional attachments
- Make conservative decisions
- Difficult to advise due to their confidence in their research methodologies

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Investor Personality Types (Cont.)

3. Individualistic

- **Thinking**, insightful based investor
- **Less risk averse**, more risk tolerant than Methodical
- Spend time doing research
- Confident and independent in their decisions
- Not afraid to question adviser if conflict arises with their research conclusions

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Investor Personality Types (Cont.)

4. Spontaneous

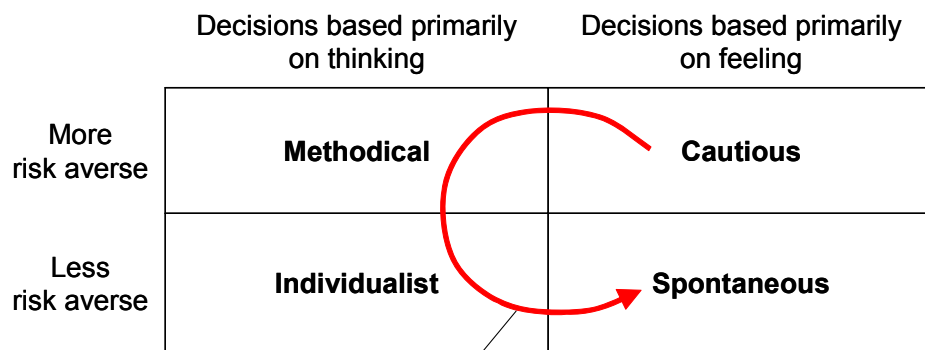
- Decisions based on **feelings**
- **Less risk averse**, more risk tolerant
- Like to hold the latest hot investment trend
- High portfolio turnover and high trading costs
- Know they are not experts but doubt all investment advice

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Investor Personality Types: Risk Tolerance



Increasing Risk Tolerance (willingness)

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