What is your comfort zone for investing?

Estimate your risk tolerance

AIG Retirement Services

Investing made easy

Sometimes it may seem that your financial picture resembles the jumbled pieces of a jigsaw puzzle. Fortunately, AIG Retirement Services can help you sort the pieces and fit them together. We can help you:

- Define your financial needs and goals
- Determine how much investment risk you are willing to accept
- Understand the trade-off between risk and reward
- Learn about a wealth of investment choices
- Determine a diversified investment mix that suits your situation

Estimate your **risk tolerance**

By answering these eight questions and adding their point total, you can get a rough estimate of your risk tolerance, which is one criterion in making an investment decision.

Name: ____

1 In how many years do you expect to begin making withdrawals from your retirement account(s)?

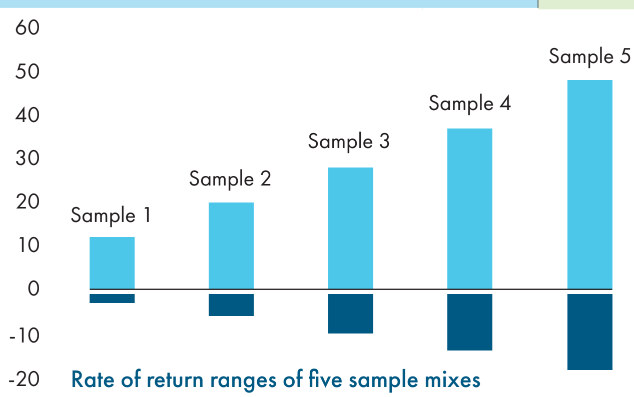
		Score
Fewer than 5 years	0	
5-9 years	4	
10-14 years	8	
15 years	12	
more than 15 years	18	

2 Once you begin making withdrawals, how many years do you expect to continue making withdrawals?

		Score
Lump-sum payment or full withdrawal over fewer than 5 years	0	
5-9 years	6	
10-14 years	10	
15 years	14	
more than 15 years	18	

3 The graph below shows a one-year range of returns for five hypothetical investment mixes. In which of these mixes would you prefer to invest?

		Score
Sample 1	0	
Sample 2	3	
Sample 3	6	
Sample 4	9	
Sample 5	13	



Rate of return ranges of five sample mixes

4 The five hypothetical samples shown in the table below represent a best-case and a worst-case result for an investment of $100,000 after one year. Which range of possible results would you prefer?

	Potential best case	Potential worst case
Sample 1	$115,590	$94,430
Sample 2	$121,250	$91,690
Sample 3	$133,520	$84,040
Sample 4	$139,540	$80,180
Sample 5	$151,740	$72,100

		Score
Sample 1	0	
Sample 2	3	
Sample 3	6	
Sample 4	9	
Sample 5	13	

5 How would you respond to the following statement? I am comfortable with investments that may frequently experience large declines in value if there is a potential for high returns.

		Score
Strongly disagree	0	
Disagree	2	
Somewhat agree	4	
Agree	7	
Strongly agree	10	

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6 If the value of a hypothetical investment increases by 15% over four months while similar investments increase by 5%, which of these strategies are you most likely to follow?

		Score
Sell the entire investment now to realize the gain and move to a more conservative investment to protect the gain.	0	
Sell some of the investment now and move the proceeds to a more conservative investment to lock in a portion of the gain.	4	
Continue holding the investment.	9	

7 Suppose you invested $30,000 with the intention of holding the investment for 10 years. If this investment lost value during the first year, at what value of your initial $30,000 investment would you sell and move to a more stable investment?

		Score
$28,500	0	
$27,000	2	
$25,500	4	
$24,000 or less	7	
I would not sell	10	

8 The following table shows the average return and probability of experiencing a loss in five different hypothetical investments over a two-year holding period. Which of the following investments would you prefer?

	Likely return	Odds of loss		Score
Investment 1	5%	9 out of 100	0	
Investment 2	6%	11 out of 100	3	
Investment 3	9%	17 out of 100	6	
Investment 4	10%	19 out of 100	9	
Investment 5	12%	22 out of 100	13	

Total score for questions 1 & 2 only: __________

Total score for questions 1 through 8: __________

Find a sample mix

First, total the scores for your answers to questions 1 and 2 and locate the time horizon column that reflects this number. Next, total the scores for your answers to questions 1-8 and locate the row that reflects this total. This letter in the box where your column and row intersect represents a sample mix that relates to your estimated tolerance for risk.

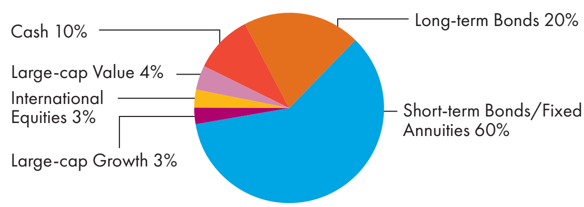
	Time Horizon Score				
Point total for your answers to questions 1 & 2	0	4 or 6	8 or 10	12, 14 or 18	22+
Total Score					
Point total for your answers to questions 1-8					
0-20	A	A	A	B*	C*
21-27	A	A	B	C*	C*
28-45	A	B	C	D	D*
46-59	A	C	D	D	E
60+	A	D	E	F	G

* Conservative investors need to evaluate whether they want a somewhat more aggressive mix simply because they have a long investment time horizon.

A

Very Conservative — Sample A

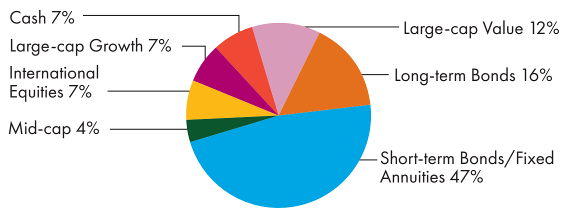
This sample mix might suit investors whose main goal is principal preservation and liquidity. In order to minimize a decline in principal, a very conservative investor will accept lower returns.



B

Conservative — Sample B

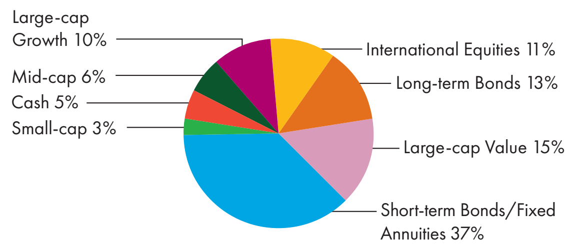
This sample mix might suit investors who view principal preservation as being very important. Conservative investors can accept small, short-term declines in value in order to achieve some portfolio growth.



C

Moderately Conservative — Sample C

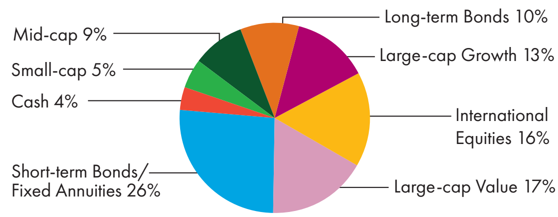
This sample mix might suit investors who are concerned with principal preservation. Moderately conservative investors seek higher returns with minimal risk and can tolerate some volatility.



D

Moderate — Sample D

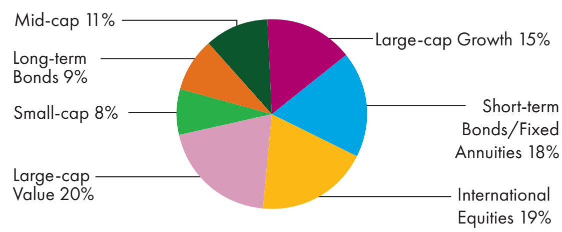
This sample mix might suit investors who are willing to accept some fluctuations of principal for the potential to achieve a better return.



E

Moderately Aggressive — Sample E

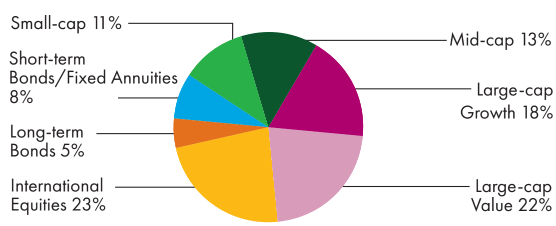
This sample mix might suit investors who are willing to tolerate greater fluctuations of principal in an attempt to achieve an even higher return.



F

Aggressive — Sample F

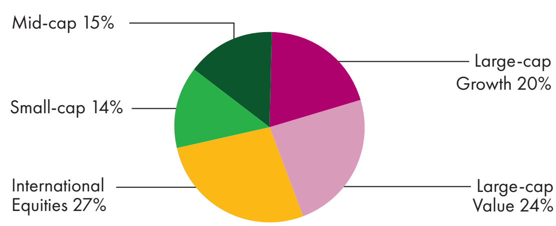
This sample mix might suit investors who are seeking high returns and are willing to accept much greater fluctuations of principal for the opportunity to achieve long-term gains.



G

Very Aggressive — Sample G

This sample mix might suit investors who are seeking maximum returns and will accept substantial fluctuations of principal for the potential to achieve long-term gains.



- Generally, higher potential returns involve greater risk and short-term volatility. For example, small-cap, mid-cap, sector and emerging funds can experience significant price fluctuation due to business risks and adverse political developments.
- International and global funds can experience price fluctuation due to changing market conditions, currency values, and economic and political climates.
- High-yield bond funds, which invest in bonds that have lower ratings, typically experience price fluctuation and a greater risk of loss of principal and income than when investing directly in U.S. government securities such as U.S. Treasury bonds and bills, which are guaranteed by the government for repayment of principal and interest if held to maturity. Fund shares are not insured and are not backed by the U.S. government, and their value and yield will vary with market conditions.
- Interest rates and bond prices typically move inversely to each other; therefore, as with any bond fund, the value of an investment in this fund may go up if interest rates fall, and vice versa.
- Mortgage-related funds' underlying mortgages are more likely to be prepaid during periods of declining interest rates, which could hurt the fund's share price or yield and may be prepaid more slowly during periods of rapidly rising interest rates, which might lengthen the fund's expected maturity.
- Investors should carefully assess the risks associated with an investment in the fund.

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VC 15612 (07/2019) J304701 EE