investment choices
2012–2013

# I want to focus on my goals and needs

## asset allocation risk tolerance questionnaire

### for employer-sponsored retirement plans



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## Introduction

This questionnaire will help you designate contributions in your retirement plan funded by a variable deferred annuity. You should consider the amounts and allocations of your other assets held outside of this product, as well as your expected income from Social Security and any defined benefit pension plans.

Retirement plan investing requires attention to the following two concepts:

- **Time horizon** - your capacity to take on risk (based on the timeframe in which you may need to access your money), and
- **Risk aversion** - your unwillingness to take on risk (established by evaluating your comfort with volatility in your portfolio).

This risk tolerance questionnaire has been designed to measure your capacity (time horizon) and unwillingness to take on risk (risk aversion).

Please answer the questions in this booklet to help establish your current profile. Once it's completed, you will be able to use the outcome to identify which of the available asset allocation models is likely appropriate for you.

After you select an asset allocation model on page 4, note the following when choosing investment options:

- Individual investment options will typically hold a portion of their assets in cash equivalents to meet purchase and redemption orders, and to meet other short-term investment needs.
- Depending on the product you purchase, you may select among various types of investment options including stocks and fixed-income options. The Guaranteed Interest Option (GIO) is a fixed-income option that offers principal safety and interest rate guarantees. Assets in the GIO are backed by AXA Equitable's general account.

# Common Market-Based Risks

As you consider where to invest your retirement plan assets, it's important to be aware of the potential risks involved. While all market-based investments offer the potential for significant long-term rewards, they also include risks that the general condition of the underlying markets or the issuer may change thereby decreasing the investment's value.

While there are many potential rewards with investing, if you are not comfortable with market-based investments, there may be other investment strategies the product offers that can help you diversify your retirement funds for growth potential at a pace that suits your risk tolerance.

**Stocks**

Investors can potentially benefit from stocks (e.g., large, mid- and small-capitalization and international equities) through capital appreciation, i.e., rise in stock price resulting from an increase in underlying market values. Many stocks may also pay dividends periodically.

Stocks of small- or mid-capitalized companies may also be subject to varying levels of "capitalization risk." Since these types of companies tend to have access to fewer resources, this may make them more vulnerable to adverse business or economic conditions than larger companies.

**Fixed-Income Investments**

These types of investments (e.g., aggregate bonds) primarily provide a "fixed" rate of return and are considered less risky than stocks, however, these investments are generally not as potentially financially rewarding. Fixed-income investments may appreciate in value, especially during periods of decreasing interest rates. U.S. Treasuries are considered the "safest" investment.

Fixed-income investments are often subject to "interest rate risk." This type of risk means that if interest rates rise, their prices generally decrease and the investment may lose value. In addition, high-yield fixed-income investments typically have a greater "credit risk" of default than investment grade fixed-income investments.

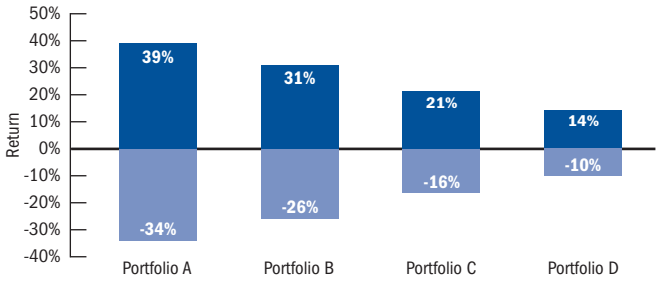
**Foreign Securities**

While potentially more rewarding, investments in foreign securities may be subject to greater risk than stocks and fixed-income investments.

In addition to fluctuating "currency exchange risk," which is the risk from the change in price of one currency against another, investments in foreign securities often have a "political risk" depending upon the country's political, social, and economic conditions. As such, these risks are generally greater in less developed countries than in developed countries.

It is also important to be aware that all market-based investments have potential market "liquidity risks." For example, during volatile market periods, especially in times of great price declines, whole or specific markets may be temporarily closed in order to restore trading equilibrium.

## Risk Aversion: Answer six questions.

| Question | Answer | Response | Score |
|---|---|---|---|
| **1. Which of the following would you prefer for your account?** | a. Small but steady returns with little risk | a | 0 |
| | b. Average returns with some risk | b | 4 |
| | c. Above average returns with above average risk | c | 8 |
| | d. The potential for well above average returns with significant risk | d | 12 |
| | e. Maximum returns with the highest risk | e | 15 |
| **2. What would you do if your account suddenly lost 20% of its value, assuming you have ten years until you begin withdrawals?** | a. Change to investments that are more aggressive | a | 18 |
| | b. Do nothing | b | 12 |
| | c. Wait one year before moving to more conservative investments | c | 5 |
| | d. Immediately move all my assets to more conservative investments | d | 0 |
| **3. Inflation, the rise in prices over time, can erode your investment return. With respect to inflation, do you want your investments to:** | a. Keep pace with inflation (lower degree of risk) | a | 0 |
| | b. Slightly exceed inflation (moderate degree of risk) | b | 6 |
| | c. Exceed inflation (moderate to higher degree of risk) | c | 12 |
| | d. Significantly exceed inflation (higher degree of risk) | d | 18 |
| **4. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.** | a. Agree | a | 15 |
| | b. Disagree | b | 8 |
| | c. Strongly disagree | c | 0 |
| **5. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. Please select the portfolio with which you are most comfortable:** | a. A portfolio that may return 4% a year on average, but has a 27% chance of experiencing a decline in value in any given year | a | 0 |
| | b. A portfolio that may return 5% a year on average, but has a 28% chance of experiencing a decline in value in any given year | b | 6 |
| | c. A portfolio that may return 7% a year on average, but has a 30% chance of experiencing a decline in value in any given year | c | 11 |
| | d. A portfolio that may return 9% a year on average, but has a 31% chance of experiencing a decline in value in any given year | d | 16 |
| **6. Which of these portfolios would you prefer to hold?** | **Hypothetical Portfolio Results (One-Year Holding Period)**<br>Potential Gain And Potential Loss Shown For Each Portfolio<br>  <br> | | |
| | a. Portfolio A | a | 18 |
| | b. Portfolio B | b | 12 |
| | c. Portfolio C | c | 7 |
| | d. Portfolio D | d | 0 |

**Risk Aversion Score (Questions 1–6)** _____

## Time Horizon: Answer two questions.

| Question | Answer | Response | Score |
|---|---|---|---|
| 1. When do you expect to begin withdrawing money from this account? | a. Less than 1 year | a | 0 |
| | b. 1 to 2 years | b | 1 |
| | c. 3 to 4 years | c | 3 |
| | d. 5 to 7 years | d | 7 |
| | e. 8 to 10 years | e | 9 |
| | f. 11 years or more | f | 11 |
| 2. Once you begin withdrawing money from this account, how long do you expect the withdrawals to last? | a. I plan to take a lump sum distribution | a | 0 |
| | b. 1 to 4 years | b | 2 |
| | c. 5 to 7 years | c | 4 |
| | d. 8 to 10 years | d | 5 |
| | e. 11 years or more | e | 6 |

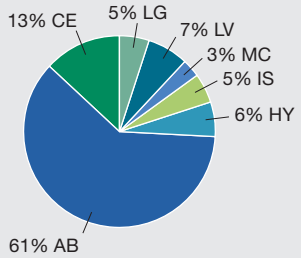
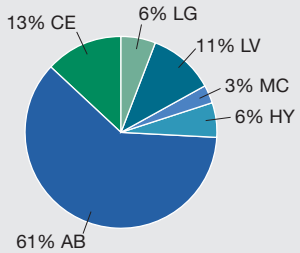
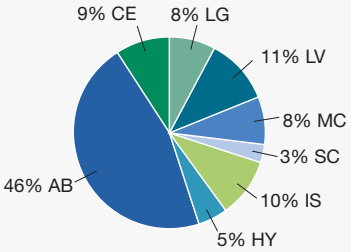
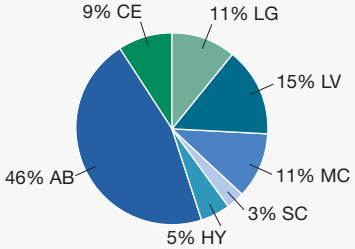
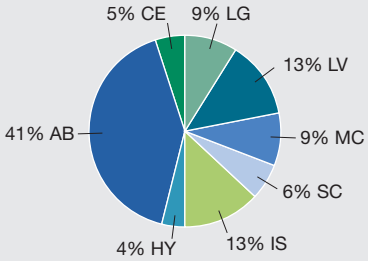
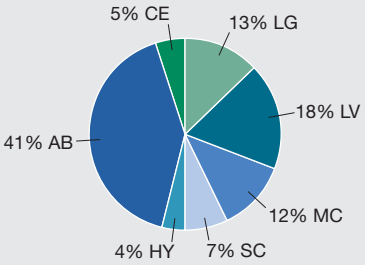
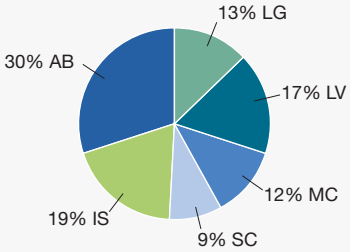
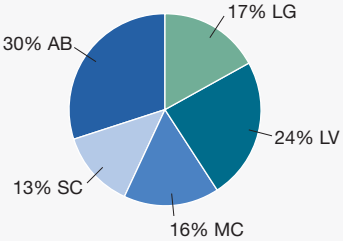
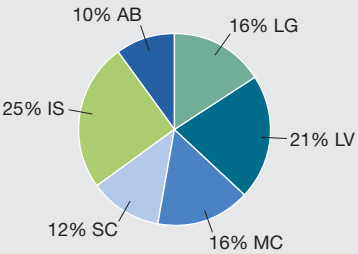
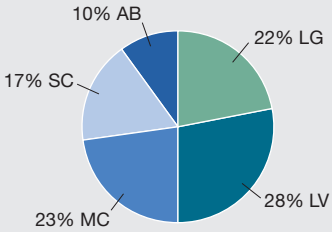
**Time Horizon Score (Questions 1–2)** _____

## Select a Risk Profile: Use your Risk Aversion Score and Time Horizon Score to find your Risk Profile in the table below.

| Risk Aversion Score | Time Horizon Score* 1 - 2 | 3 - 5 | 6 - 7 | 8 - 10 | 11+ |
|---|---|---|---|---|---|
| 0 - 13 | Conservative | Conservative | Conservative | Conservative | Conservative |
| 14 - 30 | Conservative | Conservative-Plus | Conservative-Plus | Conservative-Plus | Conservative-Plus |
| 31 - 55 | Conservative | Conservative-Plus | Moderate | Moderate | Moderate |
| 56 - 82 | Conservative | Conservative-Plus | Moderate | Moderate-Plus | Moderate-Plus |
| 83 - 100 | Conservative | Conservative-Plus | Moderate | Moderate-Plus | Aggressive |

*If your time horizon score is zero, or you are not comfortable with market-based investment risks, even the most conservative portfolio may not be an appropriate investment option. Please speak with your financial professional before selecting a Risk Profile.

# Asset Allocation Models

| Domestic/International Models | | Domestic Only Models |
|---|---|---|
|   | **Conservative** asset allocation strategies are most appropriate for investors seeking low volatility and a steady average rate of return potentially equal to or slightly exceeding the targeted rate of return on a fixed-income portfolio by investing a small portion in stocks. |   |
|   | **Conservative-Plus** asset allocation strategies are most appropriate for investors seeking potential returns above the average targeted return from a fixed-income portfolio accompanied with some volatility experienced from investing a portion in stocks. |   |
|   | **Moderate** asset allocation strategies are most appropriate for investors seeking above average returns with increased volatility experienced from investing in a balanced portfolio of both fixed-income investments and stocks. |   |
|   | **Moderate-Plus** asset allocation strategies are most appropriate for investors seeking high potential returns with the expectation of significant volatility in any given year resulting from a portfolio with more stocks than fixed-income investments. |   |
|   | **Aggressive** asset allocation strategies are most appropriate for investors seeking the greatest potential return with extreme volatility in any given year from a portfolio invested mostly in stocks. |   |

LG = Large Cap Growth Stocks | LV = Large Cap Value Stocks | MC = Mid Cap Stocks | SC = Small Cap Stocks
IS = International Stocks | HY = High Yield Bonds | AB = Aggregate Bonds | CE = Cash Equivalents

Not all investment products offer all risk profiles.

## Risk Profile: Please complete the information below in order to maintain a record of your Risk Profile.

**My Risk Profile (check one of the following):**

❑ Conservative ❑ Conservative-Plus ❑ Moderate ❑ Moderate-Plus ❑ Aggressive

**Include International Stocks:**

❑ Yes ❑ No

**Check one of the following:**

❑ I elect to base my Risk Profile upon the results of this questionnaire.

❑ Although the results suggest the _____ Risk Profile, for purposes of this purchase, I've elected to have the _____ Risk Profile.

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❑ Although the results suggest the _____ Risk Profile, for purposes of this purchase, I would like to allocate _____%[1] of my investments into the Guaranteed Interest Option (GIO). The GIO offers principal and interest rate guarantees. By doing this I forego participation in the equity market at this time. I understand that I can transfer at any time into any of the other available investment options, subject to the transfer restrictions described in the prospectus.

Client (please print) _____

Client (signature) _____ Date _____

1 There may be allocation restrictions. Refer to the prospectus.

## About This Risk Tolerance Questionnaire

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