

A guide for the investor who refuses easy labels.

The DIY Investor's *Risk Profiling* Toolkit.



A self-assessment of the risk you *can* take, the risk you'll *actually* take, and the risk you *understand*. No label at the end. No product to buy.

FORMAT

10 *pages*

TIME TO READ

14 *minutes*

TOOLKIT RUN

110 *minutes*

I. WHY THIS TOOLKIT EXISTS

Risk isn't a label. It's a *fingerprint*.

*Most online risk profilers ask five questions and brand you "Conservative".
Then they quietly point you toward whatever they happen to be selling.*

Your financial life cannot be decided by a five-minute test. The problem isn't a shortage of risk profilers — it's that risk gets oversimplified by them. Reduced to one word. Stitched to one product.

Risk is a unique combination of three separate things: *capacity* (what your finances can absorb), *tolerance* (what your behaviour shows you can absorb), and *knowledge* (whether the first two answers can be trusted at all).

A label collapses these into a single word and quietly hides the contradictions between them. This toolkit refuses to do that.

It walks you through the three dimensions one at a time, scores each on its own, and leaves the synthesis to you — because pretending an algorithm can fuse capacity, tolerance and knowledge into one number is precisely the dishonesty that has cost Indian retail investors a great deal of money.

"Three honest scores, kept visible, are worth more than one confident label that hides the contradictions."

— THE PREMISE

WHAT THE TOOLKIT DOES

- Separates what you **can** take from what you *think* you can take.
- Tracks how your risk profile **shifts** over time.
- Shows you where your own answers contradict each other.
- Is built to make you *think* — not to impress.

WHAT IT DOES NOT DO

- Recommend products. Ever.
- Sort you into a category labelled "*Moderate*".
- Tell you to lock in 60% equity.
- Replace a fee-only adviser.

II. BEFORE YOU BEGIN

Sit with this like a piece of *writing*, not a quiz.

Block off sixty to ninety minutes. The score is only as accurate as the honesty you bring to it.

- i.* Block **sixty to ninety uninterrupted minutes**. Sit with this the way you would sit with a piece of writing – slowly. Not the way you would sit with a quiz.

 - ii.* Have your **last three months of bank statements** open. Several questions require numbers you do not remember off the top of your head.

 - iii.* Keep your **insurance policy documents** to hand – term, health, critical illness, and any endowment or ULIPs.

 - iv.* Have a **list of your current investments** ready. You will be asked the Three-Sentence Test for each one.

 - v.* Decide, in advance, that you will **not optimise your answers** to look better. The tool is the mirror; the mirror is useless if you have already done your hair.
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ON HONESTY

Your first instinct is usually closer to the truth than your second. Pick the first.

If a question makes you uncomfortable, you are probably close to something real. Sit with the discomfort before you answer. Do not reword it. Do not reframe it. Do not tell yourself the safer version of the answer.

If you have no investing history yet, the behavioural questions ask you to *imagine* how you would respond. Be honest about the imagining – a tolerance score earned by surviving a real market fall is worth far more than one earned by picturing one.

III. THE ORDER TO WORK THROUGH IT

Nine steps. One hundred and ten *honest* minutes.

Work in order. Each step builds on the last. Resist the urge to skip Dimension 2 because the numbers feel less concrete — that is exactly the dimension that decides whether you keep your investments through a downturn.

№	STEP	WHAT IT IS	MINUTES
i.	Profile Setup BASELINE	Your financial baseline. Filled <i>once</i> — every other sheet pulls from it. Take your time here; everything compounds.	10 MIN
ii.	Dimension 1 · Capacity STRUCTURAL	What your finances can absorb. Mostly numbers — emergency fund, debt ratio, insurance, dependents.	15 MIN
iii.	Dimension 2 · Tolerance BEHAVIOURAL	How you behave under stress. Slow down here. The pull to inflate your answers is strongest in this section.	20 MIN
iv.	Dimension 3 · Knowledge CALIBRATOR	What you actually understand about what you own. Costs, taxes, benchmarks, real returns.	15 MIN
v.	Goals QUANTIFIED	Each goal quantified, with a timeline, with inflation factored in. A goal without a number is a wish.	10 MIN
vi.	Investment Inventory THREE-SENTENCE TEST	Every holding. The Three-Sentence Test applied to each. If you cannot pass it, you do not know your risk.	15 MIN
vii.	Results & Profile Report THREE SCORES	Your three scores side by side, and a written report on what they actually mean for you.	10 MIN
viii.	Bias Modules TARGETED READING	Read <i>only</i> the modules your answers flagged. Loss aversion. Herding. Recency. Each carries an exercise and a pre-commitment rule.	10 MIN
ix.	Annual Tracker YEAR-ON-YEAR	Record your scores. Set a calendar reminder for the same date next year. Year-on-year is where the value compounds.	5 MIN

TOTAL HONEST TIME *110 minutes*

IV. THE THREE DIMENSIONS, SIDE BY SIDE

Three instruments. *No average.*

Each dimension is measured on its own scale and read on its own dial. The point is never to combine them — it is to keep all three in view at once.



Capacity

DIMENSION ONE

What can your finances structurally absorb?

Income stability. Emergency-fund coverage. EMI as a share of take-home. Term and health cover. Dependents. Will and nominees.

OBJECTIVE

Does not depend on how you feel about the markets this month.



Tolerance

DIMENSION TWO

What does your behaviour show you can absorb?

Past behaviour in real falls. Reaction to recommendations. Frequency of checking. Stress scenarios — a 35% drawdown, a 40% FOMO pitch.

SUBJECTIVE

Frequently overestimated by those who have not yet seen a real bear market.



Knowledge

DIMENSION THREE

How reliable are the first two scores?

The Three-Sentence Test. Total annual cost awareness. Tax-regime fluency. Benchmark literacy. The arithmetic of real, post-tax returns.

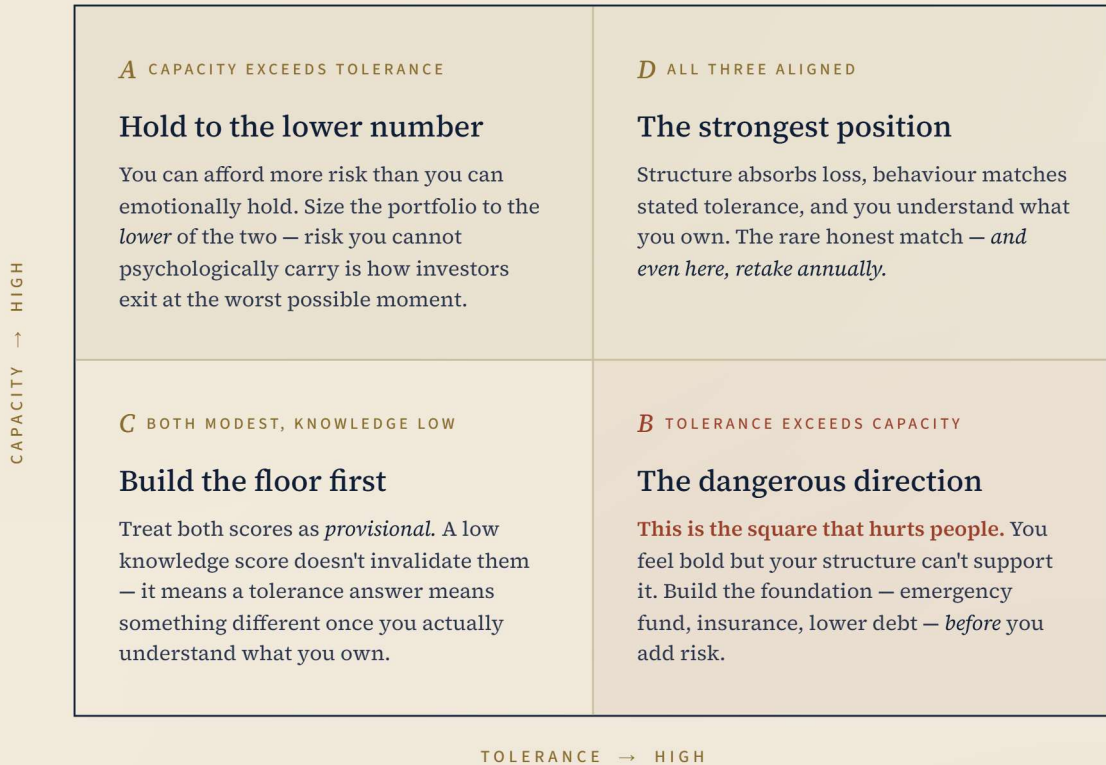
CALIBRATOR

A low knowledge score makes the other two provisional, not invalid.

V. HOW TO READ THEM TOGETHER

The map is the *gap*.

Plot capacity against tolerance and four territories appear. Where you land tells you what to do next — and the most dangerous square is not the one most people fear.



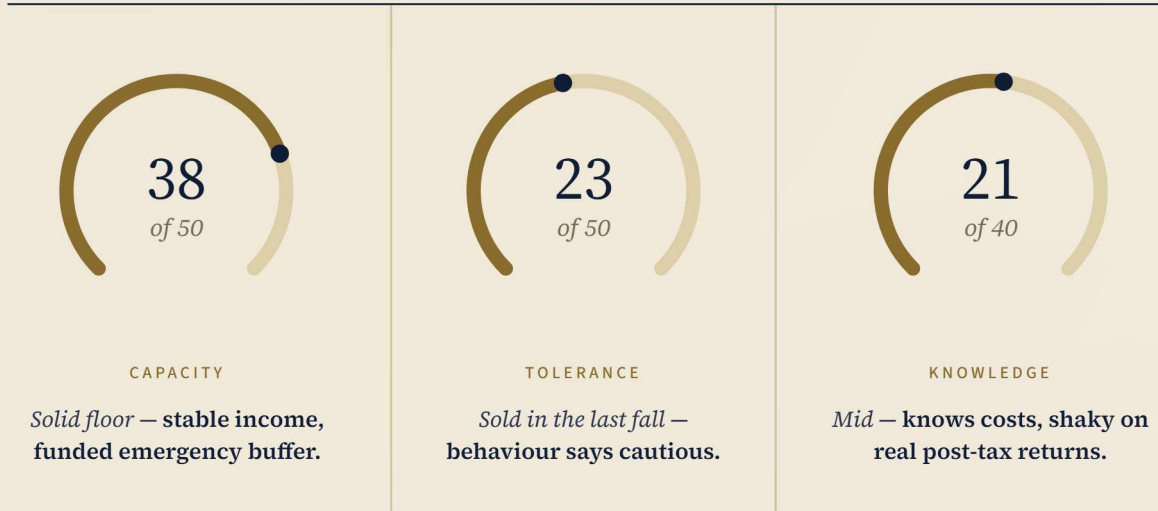
THE THIRD AXIS

Knowledge doesn't sit on this map — it sits *underneath* it. A high knowledge score makes wherever you land trustworthy; a low one turns every square into a pencil sketch. Read the matrix first, then ask how much you'd bet on your own answers.

VI. WHAT A FINISHED PROFILE LOOKS LIKE

Three scores, read *against* each other.

ILLUSTRATION ONLY Ananya, 34 — salaried, one dependent, four years investing.



WHAT THE GAP SAYS

Capacity is ahead of tolerance.

On paper Ananya can take more risk than she did. But in the last drawdown she **sold** — so her real tolerance, the behavioural one, sits well below her structural capacity. This is *Cross-reading A*.

The honest move is to size her equity to the *lower* number, not the higher one. A portfolio built to her capacity would be a portfolio she abandons in the next fall.

WHAT SHE DOES NEXT

Close the gap before adding risk.

Her middling knowledge score makes both numbers *provisional*. The first year's work isn't a new asset allocation — it's the two flagged bias modules and the real-returns arithmetic.

Retaken after one more market cycle, a tolerance score earned by *staying invested* would be worth far more than today's. *That* is the trajectory the toolkit is built to reveal.

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What you *did* in the
last downturn is your
real risk tolerance.

Hypothetical answers from investors without market history are not lies. They are forecasts. Treat them as such — provisional, untested, useful only until reality offers better data.

THE TOLERANCE PRINCIPLE

VII. WHEN TO RETAKE

Annually. And after life moves.

Your profile shifts as your life shifts. Tracking those shifts honestly, year after year, is what makes this toolkit actually pay off.

ONCE A YEAR, WITHOUT FAIL

The annual retake

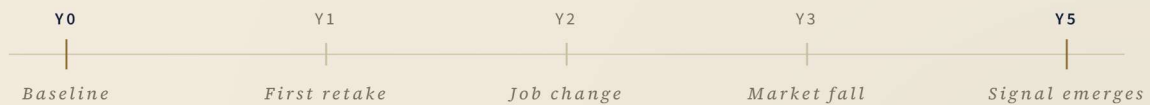
Set a calendar reminder for the same date next year. Tie it to something memorable — your birthday, your first job anniversary, the day you opened your demat account.

A high tolerance score from someone with no market history is not the same as a high tolerance score from someone who stayed invested through a real thirty per cent fall. The difference only becomes visible in the second reading.

ALSO RETAKE AFTER —

- A job change, or any material change in income stability.
- A marriage, separation, or the addition of a financial dependent.
- A parent's health event, or the loss of a household earner.
- A major inheritance, windfall, or sale of a significant asset.
- A real market loss of more than twenty per cent in your own portfolio.
- Any moment you catch yourself acting differently from how you thought you would.

A FIVE-YEAR ARC



*Five honest retakes turn one snapshot into a **trajectory**. By year five, the trajectory tells you more about your real risk profile than any single assessment ever could.*

VIII. IN CLOSING

Begin when you're ready to be *honest*.

This toolkit will not flatter you. It will not assign you a category. It will not tell you what to buy. What it will do — if you let it — is hand you a mirror clear enough to see the gap between what you say about risk and what you actually do with it.

Sit with that gap. Close it where you can. Plan for it where you cannot. And come back, every year, to see what shifted.

NEXT

Open the toolkit. Begin with *Profile Setup*.



FULL DISCLAIMER

This toolkit is for financial education and self-awareness only. It is not investment advice, a product recommendation, or a solicitation to buy or sell any security or instrument. Accuracy depends entirely on the honesty and accuracy of your answers. Your profile is not static and must be reviewed annually or after any significant life change. Consulting a SEBI-Registered, fee-only Investment Adviser is the recommended first step before any significant investment decision. This document carries no warranty, expressed or implied, as to completeness, accuracy, or suitability for any specific individual's financial circumstances.