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| **A Financial Professional Can Help Determine Your Risk Tolerance****As a young investor, you benefit from having a long investment horizon before you retire. You’ll continually have to make investment decisions that will be greatly influenced by your tolerance for risk. Let your financial professional help you assess your risk tolerance and see how it fits into the big picture for retirement planning.**Risk tolerance is a measure of the amount of market risk you are willing to assume. That is, it expresses how sensitive you are to the markets’ ups and downs. Financial professionals gauge risk tolerance using questionnaires and calculators to categorize you as an aggressive, moderate, or conservative investor.**The first step is to understand risk.** In the investment world, risk is a product of uncertainty. Specifically, risk acknowledges that investors are uncertain whether an investment might produce an unexpected return or even lose all its value. When risk leads to good returns, we call it an opportunity. Different ideas about risk are what enable markets to operate, as they create the conditions for a continual auction between buyers and sellers.**Risk is the price of reward.** The old saying, “nothing ventured, nothing gained” certainly pertains to the investment markets. In this context, it means you can’t earn a return without taking on risk. Volatility, or the extent to which prices fluctuate, is the indication of how much risk you assume. High volatility (as measured historical standard deviation of price movements) increases the likelihood of large movements up or down. If you are an aggressive investor, your portfolio will be loaded with highly volatile securities like small-cap stocks. If you are conservative, predictability is your preference and you mostly own low-volatility instruments like cash and high-quality bonds.**Factors that influence risk tolerance.** Over the long run, a riskier (i.e., higher volatility) portfolio had a greater potential to outperform a safer one. Thus, investment horizon is a major factor when considering risk tolerance, because a young investor has many years to recover from mistakes and to ride out bad markets without panicking. Another factor is your net worth. If you have enough money to spend without dipping into your retirement portfolio, you have a greater capacity for risk. There are also psychological and experiential components, as some people just can’t bear the idea of losing money, especially if they did so in the past.**Your financial professional can help.** As a young investor, you can afford to adopt an aggressive stance you can slowly moderate as you age. A professional can help you identify your current risk tolerance versus the ideal for your age and income. Part of this task is to explain the risks of being too conservative in terms of lost opportunities. They can also explain how diversification and asset allocation can help you manage your risk.**Retirement investing is important.** When retirement is many decades away, you may find it hard to properly gauge how vital it is to create and stick to a retirement plan. Yet that long investment horizon is your greatest ally in preparing for a comfortable retirement. Contact me to discuss how we can work together to determine the risk tolerance you are comfortable with.There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification and Asset Allocation do not protect against market risk. Past performance is no guarantee of future results.

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