

Investment: it's more of an art than a science. It's about striking a balance between your tolerance and capacity for risk, and what you want to achieve.

We hope you find this quick summary a useful 'thought-starter'. And of course, if you'd like to have a more detailed conversation specific to your personal needs, we welcome you to browse our member directory for an investment adviser near you.

A well-designed investment portfolio can be a strong tool in creating personal wealth, financial resilience and of course, that nest-egg to power the after-work life you've imagined and the financial security to enjoy it.

If you are taking your first steps into investment, spend some time pondering the following...

Investment: it's personal

Like in all things life, all investments come with risk. Even options that are considered 'safer' like fixed-term investments can run the risk of delivering lower than expected returns over time, due to factors such as inflation and tax. But before you dive into choosing types of investments, you first need to understand the 'type' of investor you are.

Understanding your personal tolerance and capacity for risk

Investments are a journey, and can come with many up and downs. So one of the first things you need to well and truly understand about yourself, is your **personal tolerance for risk**; that is your level of comfort with volatility and loss.

Based on what you know of yourself, **how would you respond to ups and downs?** If the market turned, would it create an unmanageable level of anxiety, or would you take it in your stride? Investments, like all things money, are an emotional decision as well as financial, so understanding your

tolerance for risk plays a big role in choosing, and managing, the investment types and mix for your personal needs.

The next key ingredient is **understanding your risk capacity**; that is, based on your financial situation, what level of loss you could you weather. If you are in a strong financial position, then it's likely that your capacity for risk and possible loss is higher. On the other hand, if you have little financial leeway and a loss could impact the outcome you have planned for, your capacity for risk is likely on the low end of the continuum. It's not necessarily going to happen, but it's important to consider the "what-ifs".

Again, it's about striking a balance between your tolerance and capacity for risk and the return you want to achieve: the three very much go hand-in-hand. For example, a low capacity for risk combined with a high risk tolerance can be a recipe for disaster if not carefully managed. Conversely, a high capacity for risk, combined with a low tolerance, could mean missing out on the potential for higher returns.

What's your balancing act? Have a think about these questions:

- How well would I cope with investment ups and downs over time?
- What do I need my investments to return, to achieve the outcome I want? What role will my investments play in creating financial security – for my goals and for

my retirement?

- What level of loss could I withstand? If my investments didn't achieve the outcome I planned for, what would be the impact on my financial security and life goals?
- What is my investment timeframe? Is it long enough to withstand short-term volatility, or is my window too short for higher levels of risk?

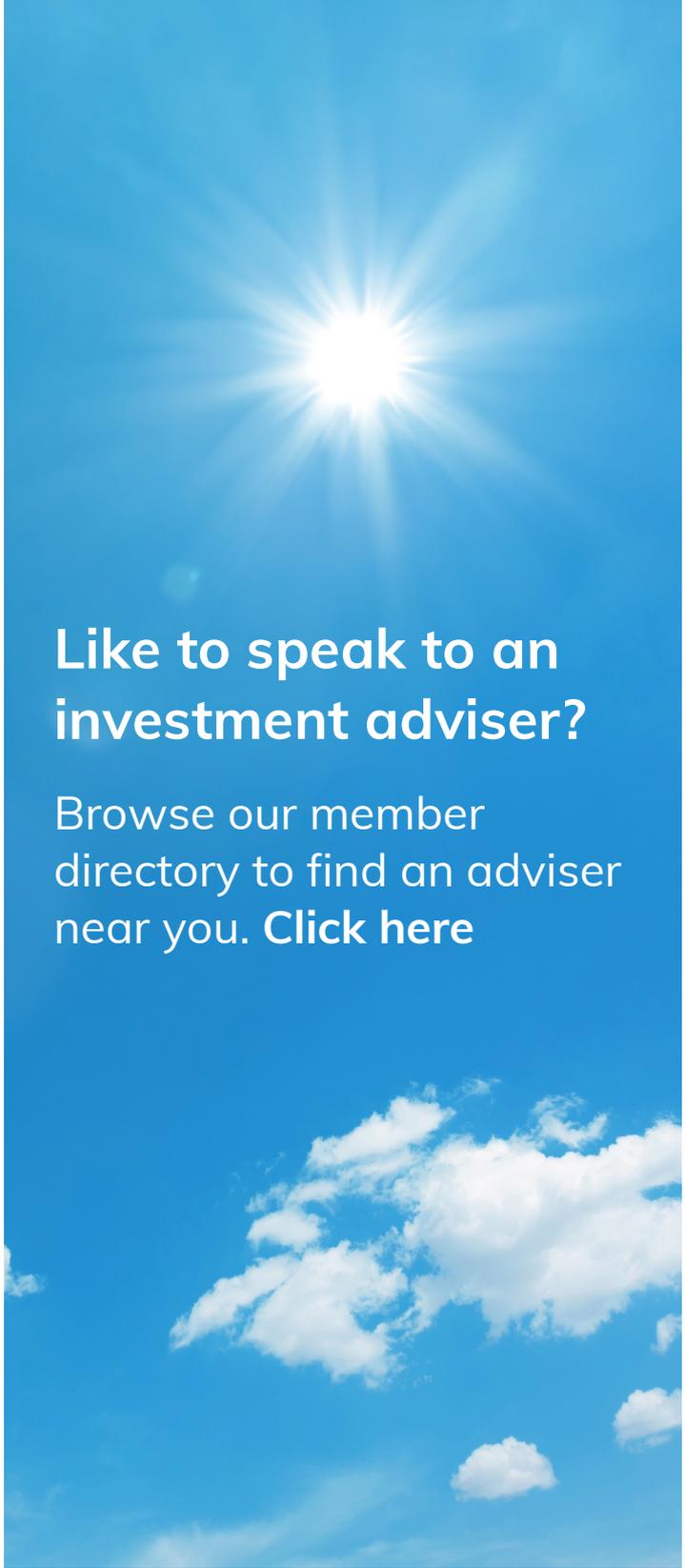
Getting the mix right

Once you understand your risk tolerance and risk capacity, you'll be ready to explore your investment portfolio options and the weighting given to cash, fixed interest, property and shares (otherwise known as asset allocation).

A well-designed and managed investment portfolio can be a powerful tool in building financial resilience and of course, creating financial security for the "after-work party".

Like help with the detail? You might like to have a conversation with an investment adviser - an expert who can help you assess your investment 'persona', the appropriate asset allocation for your needs, and managing risk through diversification.

Please note that the content provided in this article is intended as an overview and as general information only. Please use your discretion and seek advice before making any decisions based on the information provided in this article.



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