

Your Attitude to Risk



When making investments, it's important to determine your views on risk and how much you are willing to accept in your investment portfolio.

Possible client questions



"What is the risk-return trade-off?"



"How much risk can I tolerate?"



"I don't like change. Why can't I keep my investment portfolio unchanged for long periods of time?"

Facts / Key learnings



Risk versus return

While it's impossible to completely eliminate investment risk, this can be managed within an investment portfolio. Some investors are comfortable with higher investment risk because they are aiming for higher returns in the longer term. Others may prefer less risky investments because they are content with more modest returns. Taking the highest level of risk does not guarantee the highest level of returns.



Changing risk/return appetite

It's prudent to reassess your risk-return appetite periodically and adjust your portfolio accordingly. This is because your risk-return appetite isn't static and evolves with you. For instance, you may be comfortable with higher risks when you have no immediate need for capital and are targeting higher returns. However, your circumstances may change requiring regular access to capital or income from your investments. As a result, adjusting your portfolio to meet your needs is key.



Matching your risk attitude

The amount of risk you are prepared to take depends on your comfort level, investment objectives and time horizon. Risk exposure can be adjusted by constructing the right portfolio to meet your needs. It's therefore critical to ensure that your choice of portfolio actually matches the risk you are comfortable to accept.



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