

Avoiding Risk Can Be Risky

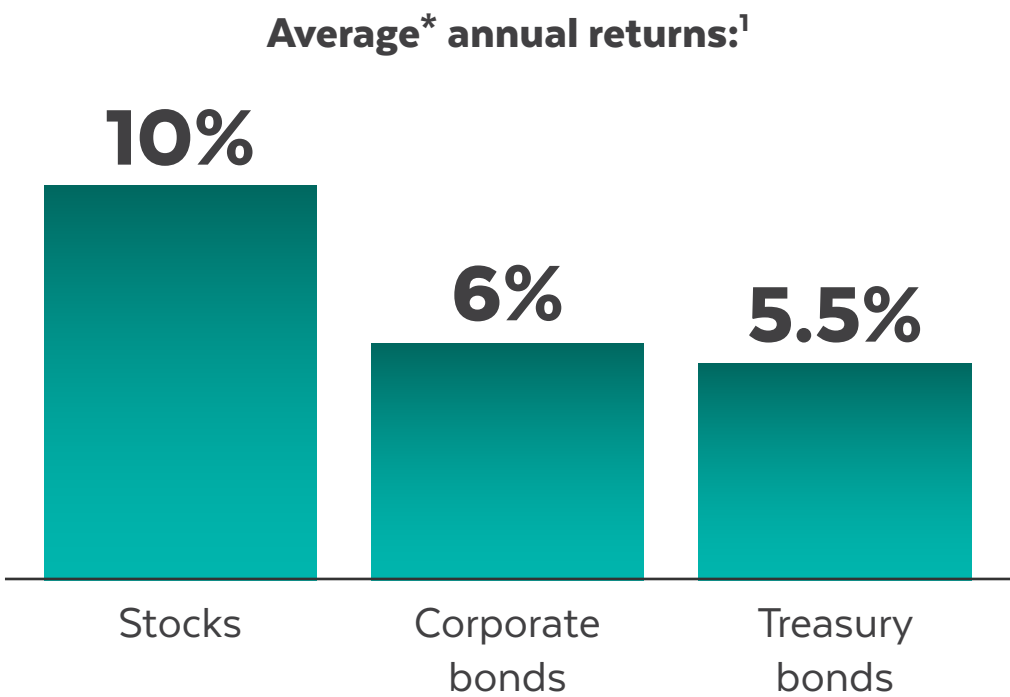
Don't let fear drive your investment decisions



Risk and return go hand in hand. You'll have trouble growing your investments if you attempt to avoid all risk.

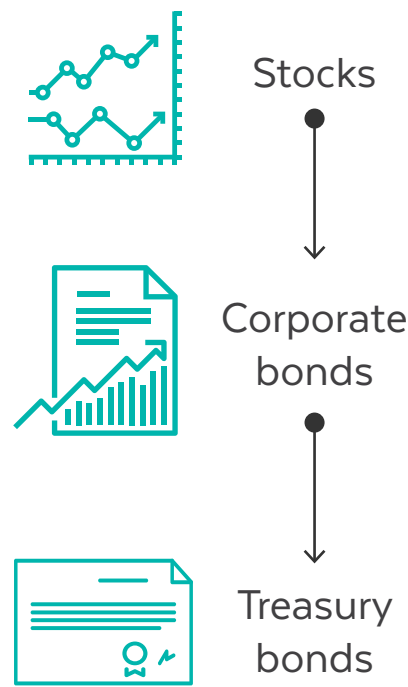
Taking higher risk offers the potential for higher rewards:

For example, stocks historically provide a higher return than bonds. But the tradeoff of a higher return is a higher level of risk.



*Source: Financial Industry Regulatory Authority (FINRA)

Risk, highest to lowest:



Strike a balance between your risk tolerance and your risk capacity:

Risk tolerance:

Amount of risk you are emotionally comfortable with

- Could you watch your balance fall 20% and not panic? Then you probably have a **HIGH** risk tolerance.
- Would a 5% loss cause you to lose sleep? Then your risk tolerance is **LOW**.

Risk capacity:

Amount of risk recommended to reach your long-term goals

- Can you achieve your long-term goals with only modest investment returns? Then you have a relatively **LOW** risk capacity.
- Do you have time until you retire? Then you have a **HIGH** risk capacity.

Consider these hypothetical scenarios:

Profile	Risk Tolerance	Risk Capacity	Challenges
Kevin, 30 years until retirement	<div><div>↓</div><div>●-----●-----●</div><div>LOWHIGH</div><div>Low:</div><div>Scared of losses</div></div>	<div><div>●-----●-----↓</div><div>LOWHIGH</div><div>High:</div><div>Needs growth</div></div>	<ul style="list-style-type: none">• Simply avoiding losses would make it impossible to retire comfortably• Investing just for key growth could cause Kevin to panic and ditch his stocks after a downturn
Alice, 3 years until retirement	<div><div>●-----●-----↓</div><div>LOWHIGH</div><div>High:</div><div>Loves the thrill of the market</div></div>	<div><div>↓</div><div>●-----●-----●</div><div>LOWHIGH</div><div>Medium:</div><div>Needs modest growth</div></div>	<ul style="list-style-type: none">• Investing too much in stocks could put Alice's savings at risk on the brink of retirement

¹ “The Reality of Investment Risk,” March 6, 2015, Financial Industry Regulatory Authority