**Factors which determine your Risk Profile:**

Written by R. A. Stewart

Your risk profile is the amount of risk you are advised to take with your investments. There are many factors which determine your risk profile with the main one being whether the money you are investing is needed in the short term, medium term, or long term.

Short term is when you need the money within 12 months

Medium Term is when you need the money within 5 years

Long term is when you need the money in more than five years time

Here are the main factors in determining your risk factor:

**Factor 1: Your age**

Young people have one thing in their favour which the older ones don't have and that is time. The young ones have more time to recover from financial setbacks such as a share market crash, a job loss, or whatever, therefore are about to invest in growth funds which can be volatile. Older people need to be a little more conservative. New Zealand financial advisor Frances Cook has a formula for working out what percentage of your portfolio should be in shares; it is this: subtract your age from 100. Even if you are in your twenties that does not mean you should be reckless with your money and invest into some kind of risky venture.

**Factor 2:Your health**

Your health is a major factor in determining your risk factor. If you have a health condition which requires or may require expensive medical treatment in the future then investing in growth funds may not be your best option because you do not want to lose your money just when you need it. This does not mean that you should not invest anything in growth funds but just not most of it. It may be a good idea to set up a bank account for those medical bills.

**Factor 3: Your Personal Circumstances**

Your own personal circumstances need to be taken into account. If you are single with no commitments then you will be able to take more risks with your money than someone who is married with children.

**Factor 4: Your Debts**

Your debts are a big factor in what you should do with your money. There is no point in investing your money at 5% interest when you are paying 15% interest on your loans. People with debts have a responsibility to pay off their own debts and need to prioritise that before turning their attention to investing.

**Factor 5: Your Temperament**

Your temperament is a factor. If you are going to lose sleep at the thought of losing your money; something which can happen if you are investing in the share market, then going for more conservative funds is better for you but when it comes to long term investing such as your retirement fund then investing too conservatively will mean that you will likely end up with a lot less money in the kitty when you retire.

About this article

This article is of the opinion of the writer and may not be applicable to your own personal circumstances, therefore discretion is advised.

You may use this article as content for your blog or ebook. Feel free to share this article with others.

www.robertastewart.com