**Your Financial Risk Profile**

Your risk profile is your tolerance to risk when you are investing your money. Your personal circumstances are what determines your risk profile.

To boil it all down to one factor, your timeline is the big factor to consider. If you are young, in your twenties or thirties then you have more time to recover from a market melt down than someone in their sixties.

This does not necessarily mean that the young ones should invest all of their money in high risk high return stocks because you could be in your twenties and have a short to medium timeframe with your investments.

It all depends on what you are going to use the money for.

Split it up in three categories:

Short term money is when you need the money for emergencies and everyday living expenses.

Medium term money is when you need the money within 5 years

Long term money is when you do not need the money for more than 5 years

Short term money

Rainy day account

Every day expenses

School fees

Medium term money

Saving for a car

Saving for an overseas holiday

Long term money

Saving for a mortgage

Contributions to your retirement fund

There has never been so many opportunities for the ordinary man and woman

in the street to get involved in the markets with so many investing apps available.

You can invest in direct companies or in managed funds.

The latter is recommended.

Managed funds come in three categories:

Growth Funds (long term)

Balanced Funds (medium term)

Conservative Funds (short term)

Growth Funds have the most potential to increase your wealth but you have to be patient because investing in the share market is a long term game.

Balanced funds are a combination of Growth and Conservative Funds.

Conservative funds are less volatile than growth or balanced funds but they have less potential to increase your wealth apart from just keeping ahead of inflation.

Once you have established your timeline for when you need the money then you can choose the appropriate investment.

One thing to add here is that if you have a rainy day or emergency account then this money is best left in an ordinary savings account at your local bank rather than invested in a conservative managed fund and the reason for this is that fees are higher with managed funds than at your local high street bank.

As already mentioned, your age is a factor in your risk profile but does that mean retired people should not invest in growth funds? Not at all, as long as you're prepared to stomach any market meltdowns which could see your nest egg dwindle. People are living longer these days so a person retiring at 65 may have another 20 years of life ahead of them.

That being said;it is important to enjoy all of the things which money can buy such as life experiences and not just hoard your money for the sake of it.

Every one’s personal situation is unique and a strategy needs to take all of this into account. Setting goals which are your own is important and not just trying to follow what others are doing. They have their own life to live and you have yours.

I am not saying that you should ignore sound wise advice, but rather listen and use your own sound judgment.

Taking responsibility for your own choices in life applies to your finances as well. Obtaining advice on where to invest is not a license to use your advisor as a scapegoat if your investments are not doing as well as you had hoped. Investing requires patience and time.

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