Your investing risk profile and what it is.

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Your risk profile is the level of risk you can take with your investments based on your personal circumstances and your timeline.

The number one question to ask before deciding where to invest your money is, “Will the loss of my capital affect my lifestyle?”

Here is an example of how this may occur.

Suppose you are saving for a car and you decide to use an online investing platform such as sharesies or robinhood to save for that car. You also decide that you will invest your money in growth funds and your savings are going well for a while and just when you are a month away from purchasing your car, the market takes a dive. (as it has after Trump imposed tariffs on imports).

Your planned purchase of that car now has to be put on hold which has affected your lifestyle.

On the flip side of this is that you can purchase more unit trusts than previously so that when the market rebounds your savings will grow faster.

There are three options when investing in managed funds; growth, balanced, or conservative.

Growth funds have the most potential to grow your money but they are also the fund with the most risk.

Conservative funds are the safest option but they are also the least profitable.

Balanced funds are a combination of growth funds and conservative funds.

Your risk profile will determine where you are going to invest your money and this is dependent on when you need the money.

This can be classified into any one of three categories:

1. Long-term money

2. Medium-term money

3. Short-term money.

It is possible to fall into more than one category as an investor depending on when you need to access your money.

For example: Your retirement fund if you are young is classed as long-term money, but your rainy day fund is short-term money.

Long-term money is money needed after five years.

Medium-term money is money needed between 1-5 years

Short-term money is money needed within a year.

Long-term money may be money saved for a house-deposit or your retirement.

Medium-term money might be money being saved for an overseas holiday or a vehicle.

Short-term money might be money being reserved for unexpected bills which crop up or an overseas holiday you intend to take within twelve months.

There are so many investing apps available these days that setting something up for a specific savings project is a simple process.

The current share market falls should not be much of a concern to investors who are in the correct type of funds. Your financial plan has to consider the worst case scenario of a share market crash. Hopefully, a 1987 Black Monday, type of crash will not happen.

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