HBKS® Wealth Advisors

Risk Tolerance

How Much Investment Risk Can You Take?

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MARKETS HAVE INHERENT VOLATILITY, swinging up and down, but over time the American financial markets produce great wealth for those who participate. Consider that from 1975 to 2015 the Standard & Poor's 500 Index increased in value an average of 11.92 percent annually — despite such major downturns as the '89-'91 savings and loans crisis, the 2000 dot-com bubble and the 2007 credit crisis. Investments reward time IN the market not trying to time it.

Investing is not supposed to give you ulcers. It should be your way of building wealth in order to help achieve your financial objectives. Still, it's natural to get nervous about your portfolio during a market downturn. The key is not letting your emotions override your financial strategy. If you do, you not only take the downside loss, but then you miss out on the rebound gains.

So how do you invest for the long-term but still sleep soundly at night? That's the job of a strategy called "asset allocation." It's why your financial advisor talks to you about how much risk you can stomach — how much risk is appropriate for you and your financial goals.

Financial planning is more than how much money you can make in the market.

There are essentially three levels of risk tolerance:

- **Aggressive:** These investors accept substantial fluctuations in account values, including down or bear markets lasting one, two, three years. Their portfolios tend to be more weighted with equities as opposed to bonds and cash. Generally young investors with many years of building wealth ahead of them can be more aggressive.
- **Moderate:** The portfolios of people with a moderate degree of risk tolerance tend to include more bonds, treasuries and cash in their mix than do the aggressive investors.
- **Conservative:** These investors are willing to accept lower returns in exchange for safety, so they tend more toward investments like corporate and government bonds and money market funds.

Investing should be your way of building wealth in order to help achieve your financial objectives.

Your risk tolerance can be affected by other financial considerations. If you have a pension, social security, an inheritance or other sources of income that make you less reliant on your portfolio, you might be willing to tolerate additional risk in exchange for the chance to earn greater returns. And if you have gone through various market swings, watched the markets swoon then bounce back, you are likely to be more risk tolerant because you can remain steadfast during a bear or down market. John Bogle, the founder of Vanguard, the largest provider of mutual funds, says, "Time is your friend and impulse is your enemy."

Financial planning is more than how much money you can make in the market. By utilizing your advisor, you can work together to establish your investment goals and create an allocation based on your risk tolerance and decide how much you need to save to turn those goals into a reality. While keeping your goals in mind, its going be hard not to be a successful investor.

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Denise Williams is a financial advisor in the Naples, Florida, office of HBKS® Wealth Advisors. She joined HBKS® in April 2017. She began her professional career in 2005 as an auditor at HBK CPAs & Consultants, LLC while earning her CPA designation. Denise's industry expertise includes construction, agriculture and workers' compensation.

A native to Naples, Denise graduated from University of South Florida with a Bachelor of Science in business and a major in Accounting.