

BUILDING BLOCKS FOR RETIREMENT

Risk Tolerance

Does Your Risk Tolerance Need a Realignment?

Market volatility. A change in your time horizon. Different goals. All these things can affect the amount of risk you feel comfortable taking with your investments. Your ability to tolerate risk influences the investment choices you make and may have a significant impact on your success in achieving your financial objectives. Periodically revisiting your risk tolerance is an important step in the portfolio review process.



A Moving Target

Your feelings about risk may change depending on what the markets are doing. During a prolonged period of market volatility, you may find your comfort level dropping, even if you previously thought you had a high

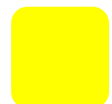
tolerance for risk. If you're a conservative investor, an extended market upswing may have the opposite effect, encouraging you to take on additional investment risk. In either case, basing investment decisions on market behavior instead of a well-thought-out investing strategy isn't the best plan. Instead, take time to reassess your feelings about risk. If they've truly changed, adjust your strategy going forward to reflect the changes.

More Than a Feeling

How much money could you afford to lose if investment values dropped significantly? Your ability to accept risk also depends on your financial circumstances and your time horizon for tapping your assets. If investment losses would leave your finances in jeopardy and you have a relatively short time frame before you'll need your money, your capacity for taking risk may be limited. Make sure you consider your risk capacity in your review.

A Realistic View

A long period of either strong or weak market performance may convince you that the current trend will continue indefinitely. Perceived risk is how much risk you think an investment holds. However, your perception of an investment's risk might not match its actual risk. In that case, you could be taking more or less risk than you should to remain within your comfort zone and still reach your goals.



Your financial professional can help you reassess your risk tolerance along with the level of risk in your portfolio.

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