MANAGING YOUR MONEY $

Understanding Your Tolerance For Investment Risk

Has The Volatility In The Financial Markets Left You With A Sinking Feeling?

(NAPSA)—If the volatility in the financial markets left you with a sinking feeling, it may be time to reassess your risk tolerance—and develop a plan to ride out those peaks and valleys without losing sleep.

Risk tolerance is the degree to which you are willing to risk losing some of your original investment for the opportunity to earn a higher rate of return.

Risk tolerance can range from conservative to aggressive. A truly conservative investor might put money into a safe option such as a certificate of deposit or money market mutual fund. But neither investment is likely to generate enough return to keep up with inflation, let alone help you reach your goals. An aggressive investor might focus on one stock or mutual fund—putting all the eggs in one basket and risk having to sell that asset when prices are down.

One buffer against risk is to spread money among various investments. If one loses money, the others might offset those losses. This is diversification. Diversification can't guarantee against investment losses, but it can help you minimize potential losses.

A diversified investment strategy that fits your capacity for risk involves thoughtful analysis of many factors: age, experience, net worth, risk capital (money available to invest that will not affect your lifestyle if lost) and your goals. You need to examine all these factors to implement a balanced regimen that focuses on your objectives, applies appropriate asset allocation and puts you on track to reach your financial goals.

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The next time you see wild swings in the financial markets, ask yourself: What's my plan? If you've worked with a financial planner such as a CERTIFIED FINANCIAL PLANNER™ professional, you should be able to spell out your plan and how it will help you navigate through volatility. If you haven't sought the counsel of a competent and ethical financial planner, consider doing so.

A financial planner will analyze all your relevant financial information. Together, you and the planner will define your personal and financial goals, understand your time frame for results and discuss how you feel about risk.

Contact a professional investment adviser to learn more about diversification, risk tolerance and long-term financial planning. To find a CFP® professional who can explain the benefits of a sound financial plan, visit the Search for a CERTIFIED FINANCIAL PLANNER™ Professional function on CFP Board's Web site, www.CFP.net.