

## Assessing your understanding

### Principles for successful investing – Risk Tolerance

1. Define “risk tolerance.”
2. Why is it important to know your personal risk tolerance?
3. List 3 categories that measure risk tolerance.
4. As an investor ages and moves closer to retirement, does his/her risk tolerance change? Should it change?
5. Using different sources - investment firms and/or web sites - take several risk tolerance evaluations.
6. Do the evaluation results surprise you? Do you feel comfortable in one of these categories: conservative, moderate or aggressive? If your evaluation is out of your comfort zone:
  - a. Do you correctly understand the characteristics of the risk tolerance category?
  - b. What steps can you take to incorporate the risk tolerance category that best fits your comfort zone? This should always mean accepting less risk, not more.
7. When determining your portfolio’s asset allocation, are there other factors in addition to risk tolerance that dictate the investment mix?