

Investment Risk vs. The Risk of Not Investing

All investments come with risk. The sooner you start saving and investing, the better your potential to weather changes and recover from losses. Effective retirement planning is more than picking the funds with the best performance over the past year. The investment options you choose will depend on your unique situation. How you should invest can be a complex picture with multiple variables, but it all starts with two fundamental concepts: your life circumstances and your investor type.

Your Life Circumstances: Do you have the time, motivation and confidence to research investment options on your own?

Your Investor Type: How much risk are you willing to tolerate based on your age, your retirement goals and your financial situation? In other words, are you a conservative, moderate or aggressive investor?

Determining Your Investor Type: How comfortable are you with risk? Knowing whether you're a conservative, moderate or aggressive investor will help clarify which investment options are right for you.

Diversify Your Portfolio: A diversified portfolio can potentially help you reduce risk by spreading your contributions among different asset classes. The theory is that while you may experience a decrease in one investment's performance, it is unlikely that all of your investments will decrease at the same time because they are diversified into several different investment types.

Build Your Portfolio: You can design your own investment strategy and research and select the investment options that fit that strategy using the tools available within your plan.