TYPES OF INVESTMENT RISK

When you hear the words, "your money is at risk", you usually associate risk with the possibility of losing principal – principal meaning; the original amount of money you invested. Although loss of principal may be a primary concern for investors there are many different types of risk to consider before structuring your retirement portfolio.

The following are among the most common types of risk:

Risk of Principal: The chance that the invested capital – the principal amount invested – may drop in value or be lost. This risk may be a primary concern for those approaching retirement or for those who have entered retirement.

Tax Risk: The unexpected increase in tax rates. What effect would a tax increase have on your retirement income and your investment portfolio?

Medical Risk: The risk of rising health care costs and/or substantial health related events which could impact your retirement income resources and investment portfolio.

Longevity Risk: The risk of outliving your money during retirement.

Interest Rate Risk: The possibility that investment of fixed-rate debt instrument(s) (bonds) will decline in value as a result of the rise in interest rates.

Financial Literacy Risk: Waiting too long to address your finances may cause lost opportunities. Waiting too long to obtain appropriate financial, investment and retirement planning education for your specific needs could be detrimental to your income goals.

Liquidity Risk: The possibility that an investor will not be able to sell an investment quickly enough or in sufficient quantities due to limited buying and selling opportunities.

Investment Risk: The risk of losing investments due to poor investment choices or a sudden and severe market downturn.

Political Risk: The possibility of unfavorable government action or an unfavorable domestic or foreign government situation which may cause the markets to dramatically and suddenly decline.

Credit Risk: The possibility that a particular bond issuer will not be able to make expected interest rate payments and /or principal repayment.

Inventory Risk: The possibility that a dramatic price change or demand for a product will shrink the value of inventory.

Exchange Risk: The chance of loss on a foreign currency exchange.

Actuarial Risk: The risk an insurance underwriter covers in exchange for premium, such as the risk of premature death.

Underwriting Risk: The risk taken by an investment banker that a new issue of securities purchased outright will not be bought by the public and/or that the market price may drop significantly before or during the offering period.

Personal Event Risk: The risk of a death, divorce or issues which create unexpected financial needs of family members which can undermine the anticipated income from a retirement plan.

Loss of Earnings Risk: The risk of losing your earned income due to job loss from a personal disability or change in employment status.