

## Attitude to Risk

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Did you know that statistically 9 out of 10 endowment policies in force are unlikely to pay off the mortgages they were taken out for? Did you know that the average pension fund is worth £25,000, enough to purchase an income of £1,960 for a single man aged 65? Did you know that 35% of households have no life insurance at all?

We would all like our money to grow without any risk to our original investment amount. Unfortunately, this is not possible. Almost all investment involves some degree of risk. What is important is that you understand, and are comfortable with the risks that you are taking.

If you put your money in a bank account, the risk is that the interest you receive is below the rate at which prices of goods and services are rising. In this case your money will actually buy less than the original investment, although your capital is secure. On the other hand, investing your money in a single company's shares is high risk, as you are dependent on the performance of that one company. If something happens to the company, it will change the value of your shares, and in the worst case you could lose all your money.

Your tolerance towards risk will depend on your circumstances and financial goals and can be defined into two parts:

Your risk capacity is your ability to take risks. Generally speaking, a person with a higher level of wealth and income (relative to any liabilities) or a longer investment term will be able to take more risk, giving them a higher risk capacity.

Your attitude to risk is your willingness to take risk and has more to do with your psychology than with your financial circumstances. You may find the prospect of volatility in your investments and the chance of losses the cause of sleepless nights. Others will be more relaxed about those issues.

At Buckles, your independent financial adviser will carefully assess the risks that encompass your world of financial planning. From financially protecting your family to your pension, we want to ensure that you understand and minimise your risks and that you do not just become a statistic.

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