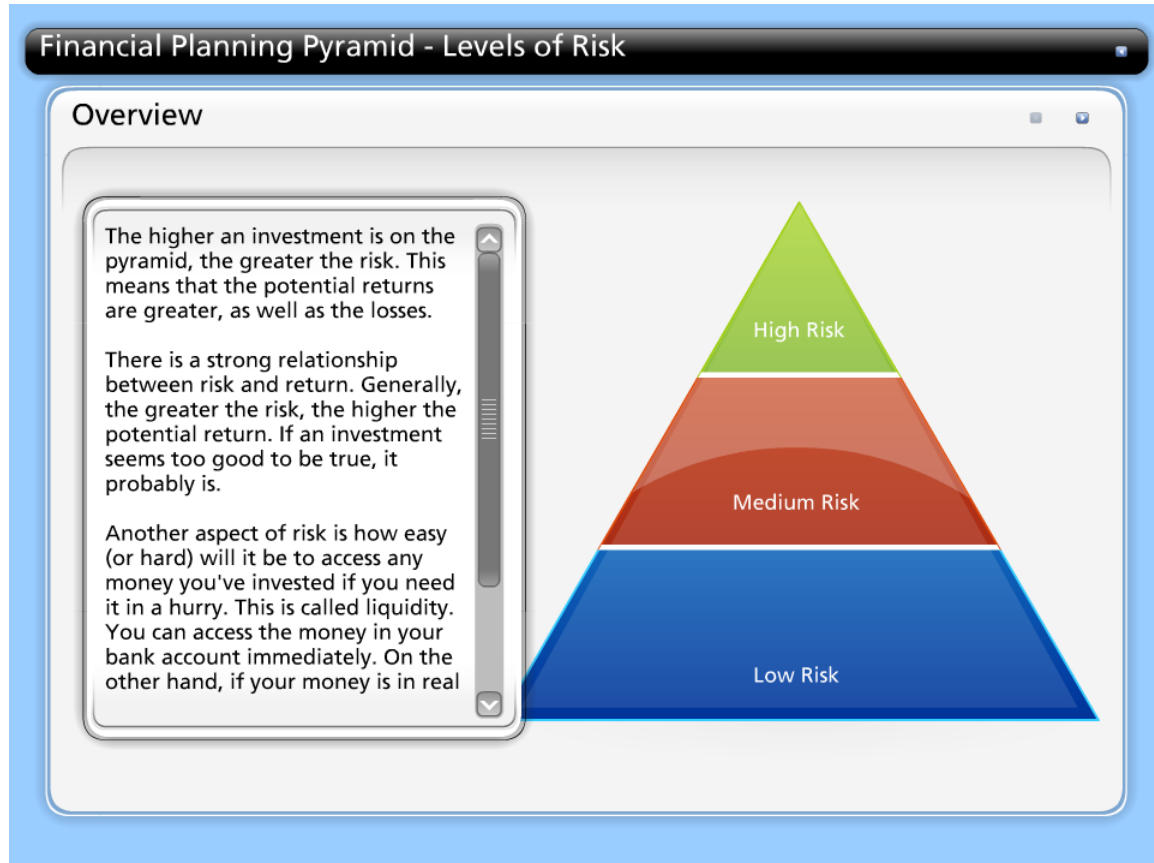


# Financial Planning Pyramid - Levels of Risk

## Overview



The screenshot shows a software window titled "Financial Planning Pyramid - Levels of Risk". Inside the window, there is a section titled "Overview". On the left side of the overview, there is a text box with three paragraphs of text. On the right side, there is a pyramid diagram with three levels: "High Risk" (green), "Medium Risk" (red), and "Low Risk" (blue).

The higher an investment is on the pyramid, the greater the risk. This means that the potential returns are greater, as well as the losses.

There is a strong relationship between risk and return. Generally, the greater the risk, the higher the potential return. If an investment seems too good to be true, it probably is.

Another aspect of risk is how easy (or hard) will it be to access any money you've invested if you need it in a hurry. This is called liquidity. You can access the money in your bank account immediately. On the other hand, if your money is in real

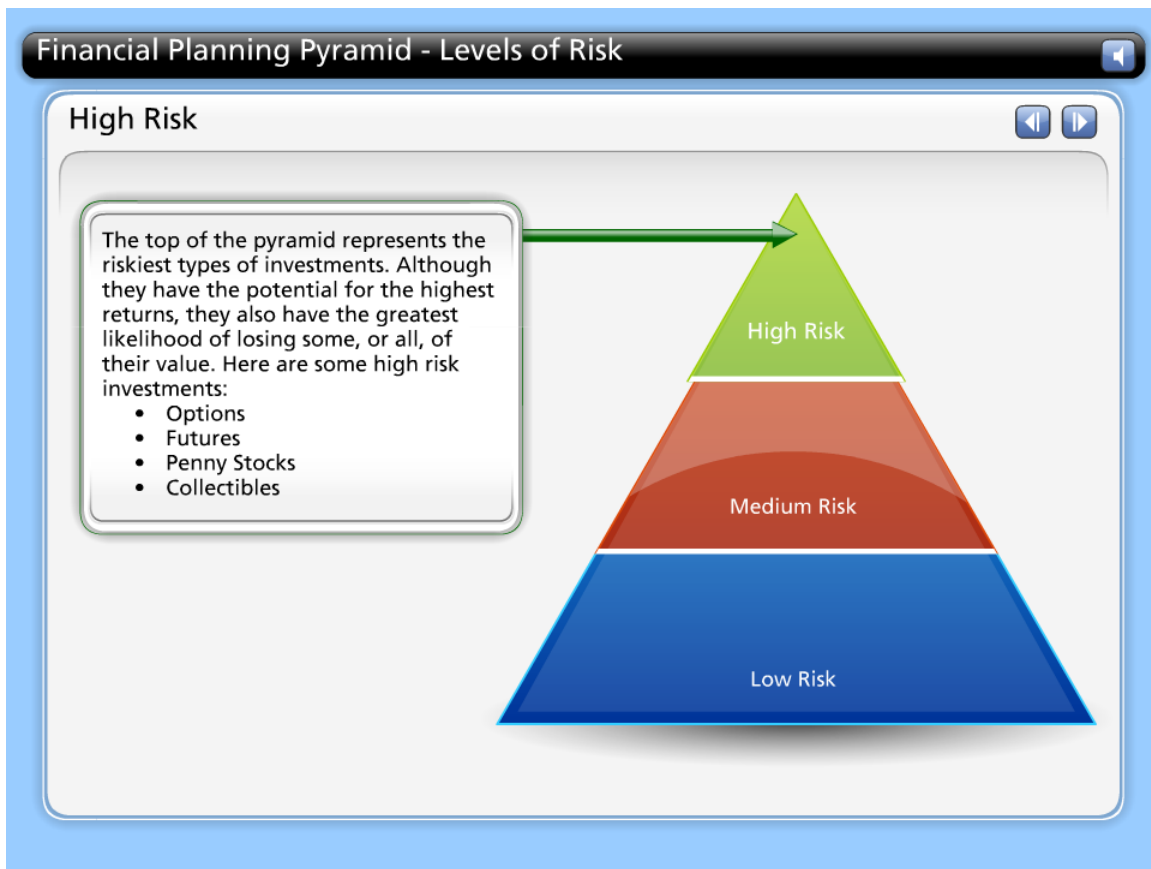
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Another aspect of risk is how easy (or hard) will it be to access any money you've invested if you need it in a hurry. This is called liquidity. You can access the money in your bank account immediately. On the other hand, if your money is in real estate it can take a long time to find a buyer. Some low risk investments, like CDs or savings bonds, will charge you a penalty if you withdraw the money early.

Select each layer for a description.

# High Risk



The top of the pyramid represents the riskiest types of investments. Although they have the potential for the highest returns, they also have the greatest likelihood of losing some, or all, of their value. Here are some high risk investments:

- Options
- Futures
- Penny Stocks
- Collectibles

## Medium Risk

Financial Planning Pyramid - Levels of Risk

Medium Risk

These investments have a greater potential for return, and while they involve some level of risk, they are relatively safe. These types of investments have proven over time to perform well compared to other investments.

- Stocks - higher risk
- Mutual Funds - lower risk
- Corporate Bonds - lower risk
- Real Estate - both

High Risk

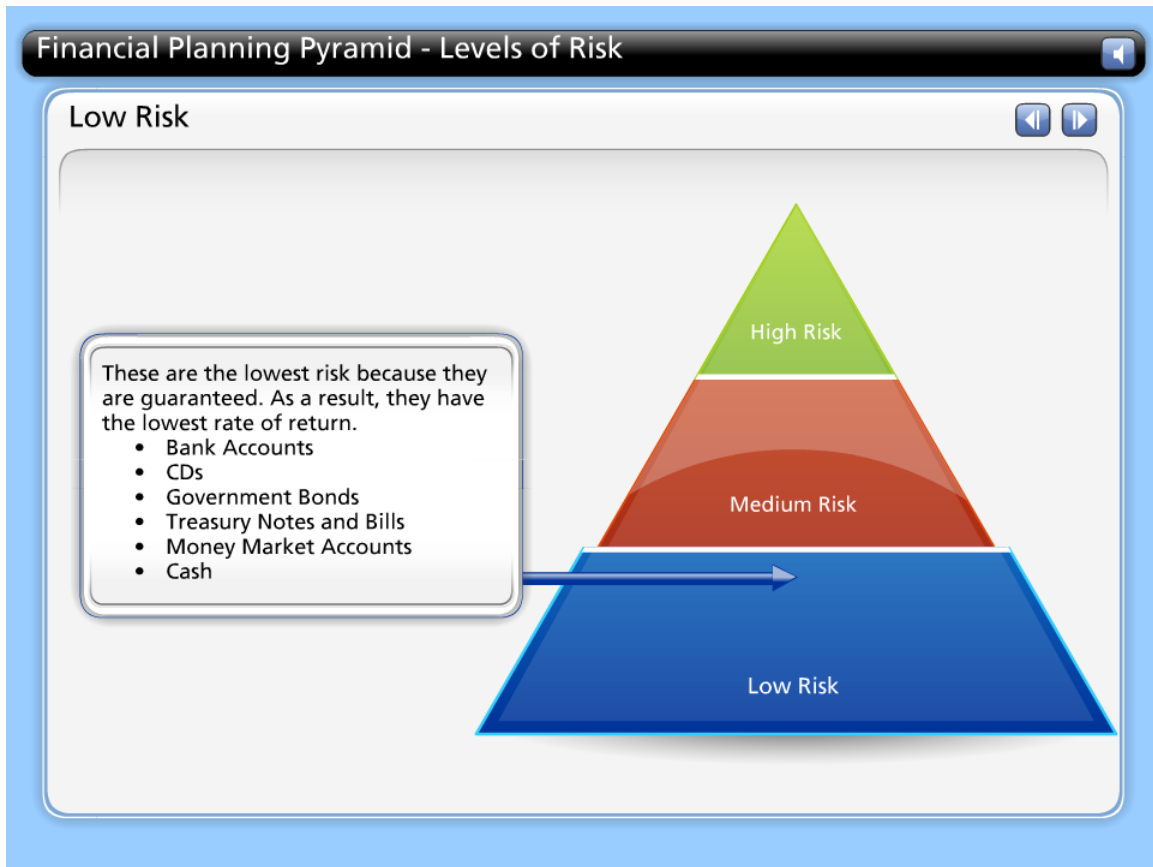
Medium Risk

Low Risk

These investments have a greater potential for return, and while they involve some level of risk, they are relatively safe. These types of investments have proven over time to perform well compared to other investments.

- Stocks - higher risk
- Mutual Funds - lower risk
- Corporate Bonds - lower risk
- Real Estate - both

# Low Risk



These are the lowest risk because they are guaranteed. As a result, they have the lowest rate of return.

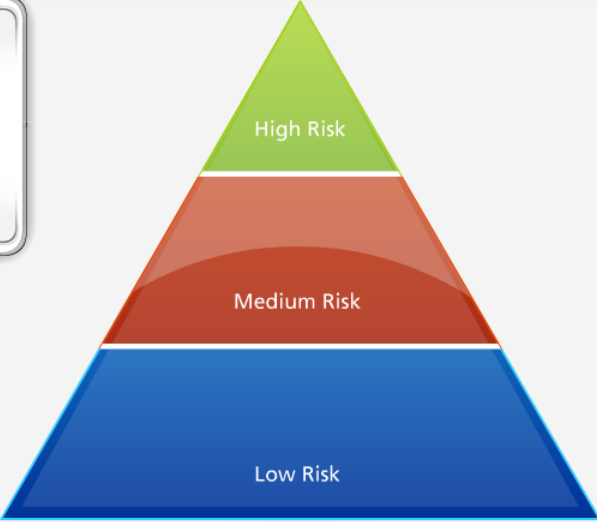
- Bank Accounts
- CDs
- Government Bonds
- Treasury Notes and Bills
- Money Market Accounts
- Cash

# Risk is up to you

Financial Planning Pyramid - Levels of Risk

Risk is up to you

Everyone has a different comfort level when it comes to risk. The important thing is to balance the risk level of the different investments in your portfolio to ensure they meet your long term goals and are appropriate to your life situation. Let's explore some ways to do that.



High Risk

Medium Risk

Low Risk

Everyone has a different comfort level when it comes to risk. The important thing is to balance the risk level of the different investments in your portfolio to ensure they meet your long term goals and are appropriate to your life situation. Let's explore some ways to do that.