

Before You Invest...

Know your goals, timeline, and risk tolerance



The act of investing sounds like a daunting task with endless options, constant maintenance, or an opportunity that is only for people who have a lot of money. But it doesn't have to be as intimidating as it seems. The bottom line — investing is simply goal setting and creating a long-term plan to save/grow your money to reach these goals. Many consumers are already investing in a retirement 401(k) through their employer. Before looking at investment options, write down a list of your goals and your preferred time frame. This, and knowing your risk tolerance, will point you in the right direction on choosing the best investing opportunities for you.

What are your goals?

An investment without a purpose or goal can be an unnecessary risk or wasted potential in the end. Any large purchase outside of your usual monthly budget can be considered as a financial goal — purchasing your first couch, saving for your child's education, going on vacation, having an emergency fund, or being able to pay off future medical bills are all examples of financial goals you may have. Each goal on your list could have a separate strategy depending on how much money is needed to achieve the goal and the length of time you have to invest that money.

What is your timeline?

After creating a list of financial goals, decide whether each of those goals are short-, mid-, or long-term goals. A short-term investment can be any goal you want to achieve in three years or less. A mid-term goal is considered to be anywhere from three to ten years, and a long-term goal is over ten years. The time horizon your goal falls under will help determine what kind of investment will be most beneficial. For example, a low-risk CD is a great place to save for small- or mid-term goals, but long-term investments may have a higher earning potential in a target date mutual fund.

What is your risk tolerance?

Finally, your personal risk tolerance should be considered before you start investing. Risk tolerance is the level of risk you are willing to take. The common three levels of risk tolerance are aggressive, moderate, and conservative. An aggressive investor is okay with riskier investments for the potential of a greater reward. Conservative investors are not as comfortable with risk and uncertainty. Some investments will have a level of risk involved and returns may not be guaranteed, but knowing your risk tolerance can help when creating your investment portfolio.

There are many ways you can invest, and your strategy is personal to you. What works for someone else may not work for you, and that's okay! Talking with an associate from your bank can help you decide where to invest to help meet your financial goals. The earlier you start investing, the longer your money has time to grow. Answering these three easy questions can point you toward the right path on your investing journey.



Wisconsin Bankers
ASSOCIATION

www.wisbank.com
www.wisbankfoundation.org



Wisconsin Bankers
FOUNDATION