My Investment Strategy

Now that you have an idea of your risk tolerance, let's apply it to investing. You have $500 to invest. An aggressive investor would likely put more of their cash into stocks. A moderate investor would likely keep a higher percentage in stocks for stronger returns on investment but keep some money in less risky investments (like bonds) and cash. A conservative investor would likely invest a little money in stocks and more in bonds and cash accounts.

Here are three examples:

Asset Allocation	Aggressive Risk Tolerance	Moderate Risk Tolerance	Conservative Risk Tolerance
Stocks	80%	65%	30%
Bonds	10%	35%	50%
Certificate of Deposit (CD)	0%	10%	20%

Your turn! Based on your quiz results, decide how much of the $500 you'll invest in stocks, bonds, and CDs. Then calculate the dollar amount. Finally, divide the pie chart to show how you allocated your money.

My Asset Allocation

	Percent	Dollar Amount
Stocks		
Bonds		
Certificate of Deposit (CD)		

Explain why you invested your $500 the way you did.

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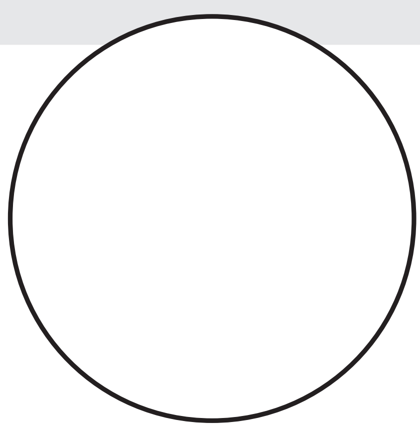

☐ Stocks

☐ Bonds

☐ CDs

Glossary of Terms

Stocks: A stock is a slice or piece of a company that you invest in by purchasing shares. You can invest in a fund (containing many stocks) or purchase individual shares. You earn money on your shares when a company is successful, and you can lose money when a company is sold, goes under, or doesn't perform well.

Bonds: These types of assets are created by governments and companies. When you purchase a bond, your money acts as a loan to the bond issuer, who agrees to pay you interest (monthly, quarterly, or yearly) on the bond's principal amount (i.e., the money you paid for it). When you cash in your bonds, you get the principal back plus any earned interest.

Certificate of deposit (CD): A certificate of deposit is a savings vehicle that holds your money (and pays you interest) for a required set amount of time, like six months, one year, or longer. When the time is up on the CD, you get your money back plus any interest the money has earned.

Aggressive risk tolerance: You are also comfortable leaving your money to grow in stocks (despite potential market fluctuations) over time.

Moderate risk tolerance: You are comfortable balancing your funds across all investment vehicles and a frequently quoted traditional allocation of 60% stocks and 40% bonds.

Conservative risk tolerance: You tend to put a smaller percentage of your cash in stocks but keep most of it in funds that do not typically experience high losses (or gains), like bonds and CDs that earn a set amount of interest with no losses.