MIT | Arts, Commerce & Science College

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*Investment and risk preferences *
Project report

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Introduction :-

Investment and risk preferences refer to the way individuals make financial decisions based on their attitudes toward uncertainty and potential losses. These preferences play a crucial role in determining how investors allocate their money across various assets, balancing the desire for returns with the fear of losses. Investors with a high tolerance for risk are more likely to invest in volatile assets like stocks or cryptocurrencies, while risk-averse individuals prefer safer options such as government bonds or savings accounts. Traditional finance assumes that most people are risk-averse and make decisions to maximize their expected utility rather than just returns. However, behavioral finance shows that emotional and psychological factors—such as fear of loss, overconfidence, and herd behavior—also significantly influence investment choices. Understanding these preferences is essential for building suitable investment strategies, designing financial products, and offering personalized financial advice.

Rationale for the Study :-

The rationale for studying investment and risk preferences stems from the growing need to align financial products and strategies with investor behavior. Traditional financial models often assume rational decision-making, but real-world behavior frequently deviates from these assumptions due to psychological and emotional influences. By exploring how individuals perceive and react to risk, the study seeks to bridge the gap between theoretical models and practical investment behavior.

Study Objectives :-

The primary objective of this study is to examine the relationship between investor demographics and their risk preferences. It aims to identify key determinants influencing investment behavior and to classify investors based on their risk tolerance. The study also seeks to understand the role of behavioral biases in shaping investment decisions, providing insight into how investors can be better supported in making informed choices.

- **To examine the relationship between demographics and risk preferences.**
- **To identify behavioral factors affecting investment decisions.**
- **To categorize investors based on risk tolerance.**
- **To enhance understanding of investment behavior for better financial planning.**

Hypothesis :-

The study hypothesizes that individual investment preferences are significantly influenced by factors such as age, income level, education, and financial literacy. It also posits that psychological factors like risk aversion, loss aversion, and overconfidence play a critical role in shaping investment decisions, often leading to deviations from rational economic behavior.

- **Risk preferences are significantly influenced by age, income, education, and financial literacy.**
- **Behavioral biases such as loss aversion and overconfidence impact investment decisions.**

Methodology :-

The study will adopt a quantitative research design, using structured questionnaires to collect data from a diverse sample of individual investors. Statistical tools such as correlation analysis, regression models, and factor analysis will be employed to assess the relationship between demographic and behavioral variables and investment preferences. The data will be analyzed to classify investors into distinct risk preference categories.

Expected Results :-

It is anticipated that the study will reveal clear patterns in risk preferences based on demographic characteristics. Younger investors are expected to show higher risk tolerance compared to older individuals, while higher education and income levels may correlate with more informed and diversified investment strategies. Behavioral biases are expected to significantly influence investment behavior, often leading to suboptimal decision-making.

Implications and Recommendations :-

The findings of this study could have practical implications for financial advisors, policy makers, and investment firms. By understanding investor risk preferences, financial professionals can tailor advice and product offerings more effectively. The study may also recommend enhanced financial literacy programs to help individuals make more rational investment choices and minimize the impact of behavioral biases.

- **Financial advisors and planners can use the findings to customize investment strategies based on individual risk profiles.**
- **Financial institutions may develop more tailored investment products suited to different risk tolerance levels.**
- **Educational initiatives should be enhanced to improve financial literacy, especially among young and low-income investors.**
- **Policymakers can use insights to create investor protection policies that account for behavioral vulnerabilities.**
- **It is recommended that risk-profiling tools be standardized and integrated into all investment advisory platforms.**

Graphical representation

MALES DATA :-

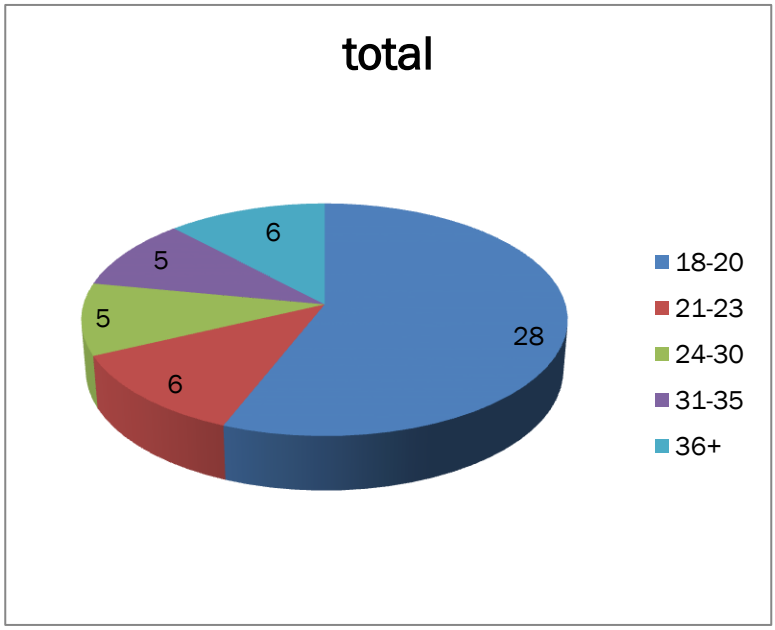
Education	No
HSC	1
UG(Under Graduate)	2
PHD	3
PG(Post Graduate)	4

Occupation	no
Government Job	A
Business	B
Other	C
Private Job, Other	D
Housemaker	E

Annual Income of Family	no
50,000-10,00,000	a
Below 25,000	b
Above 10,00,000	c
25,000-50,000	d

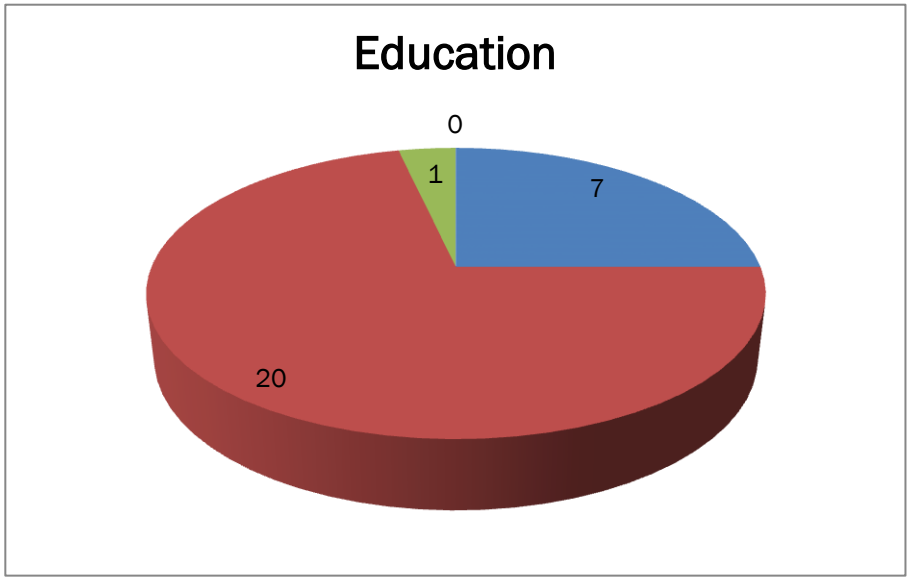
Interested in Investing?	no
Yes	@
No	#

sr no	age group	total
1	18-20	28
2	21-23	6
3	24-30	5
4	31-35	5
5	36+	6
		50

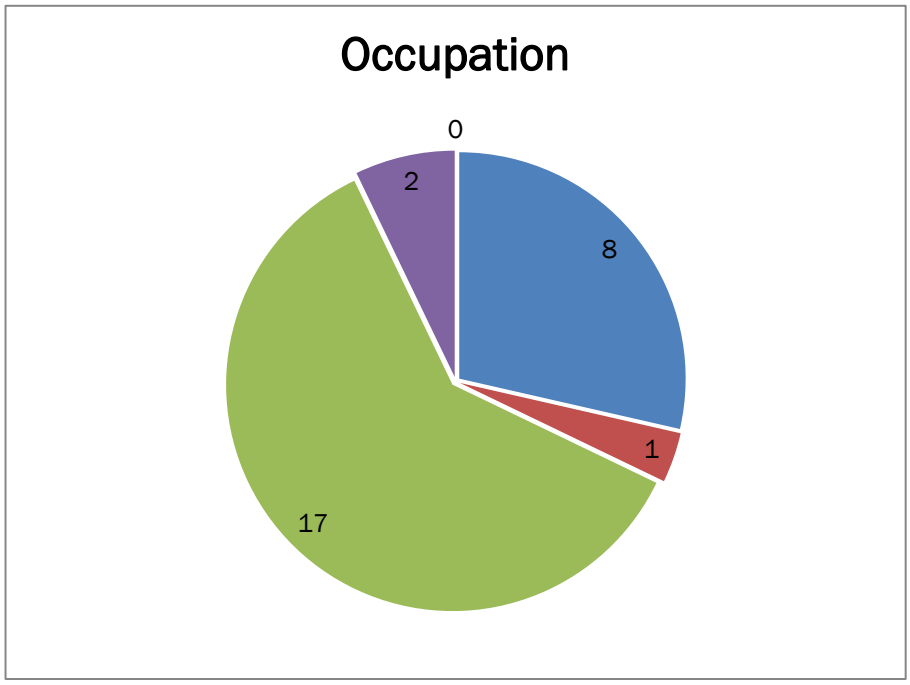


sr no	age group	total
1	18-20	28

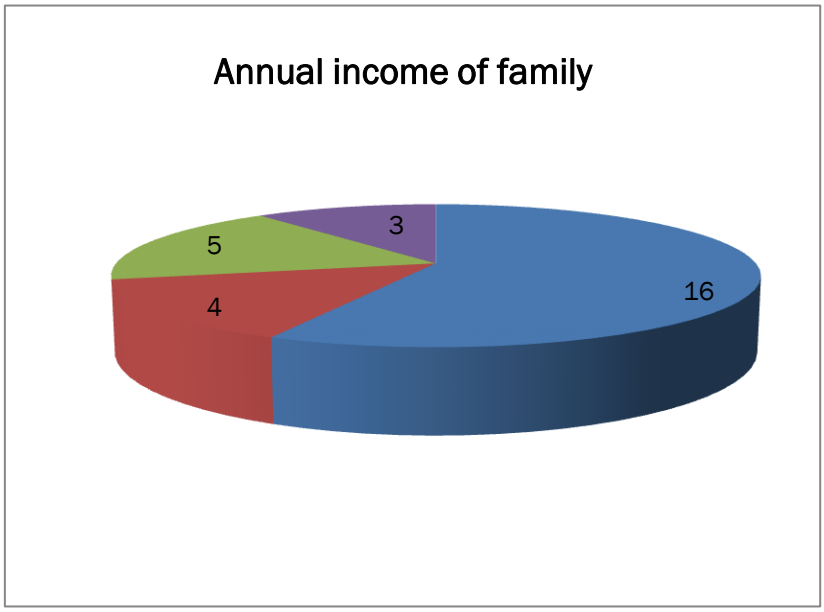
EDUCATION	TOTAl
1	7
2	20
3	1
4	0
	28



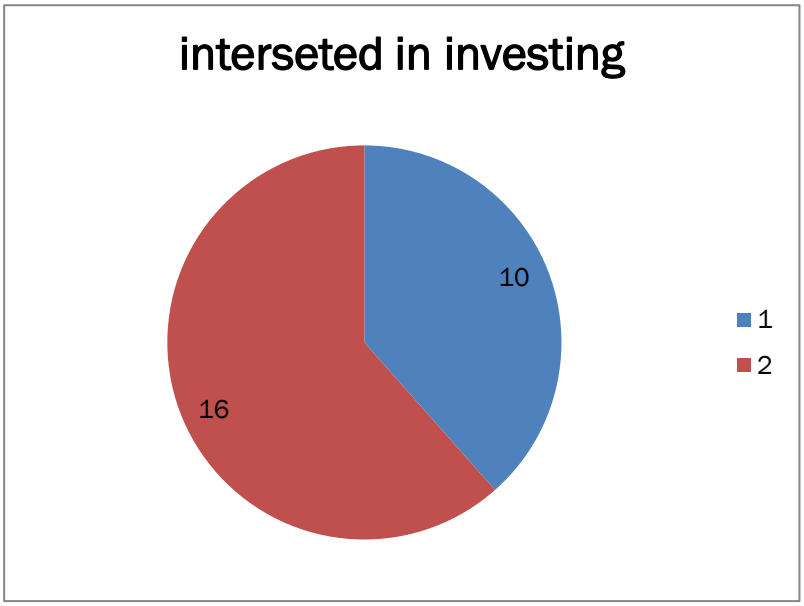
OCCUPATION	TOTAL
Government Job	8
Business	1
Other	17
Private Job, Other	2
Housemaker	0
	28



Annual Income of Family	TOTAL
50,000-10,00,000	16
Below 25,000	4
Above 10,00,000	5
25,000-50,000	3
	28



Interested in Investing?	TOTAL
Yes	18
No	10
	28



1. What is the most common level of education among the respondents?
Answer: Education level 2 (20 respondents).

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2. How many people belong to the 18–20 age group?
Answer: 28 people.

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3. Which occupation has the highest number of people?
Answer: "Other" category (17 people).

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4. How many people are interested in investing?
Answer: 18 people.

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5. What is the most common annual income range of the family?
Answer: ₹50,000 – ₹10,00,000 (16 people).

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6. How many people are not interested in investing?
Answer: 10 people.

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7. How many people have an annual family income below ₹25,000?
Answer: 4 people.

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8. How many respondents have completed education level 1?
Answer: 7 people.

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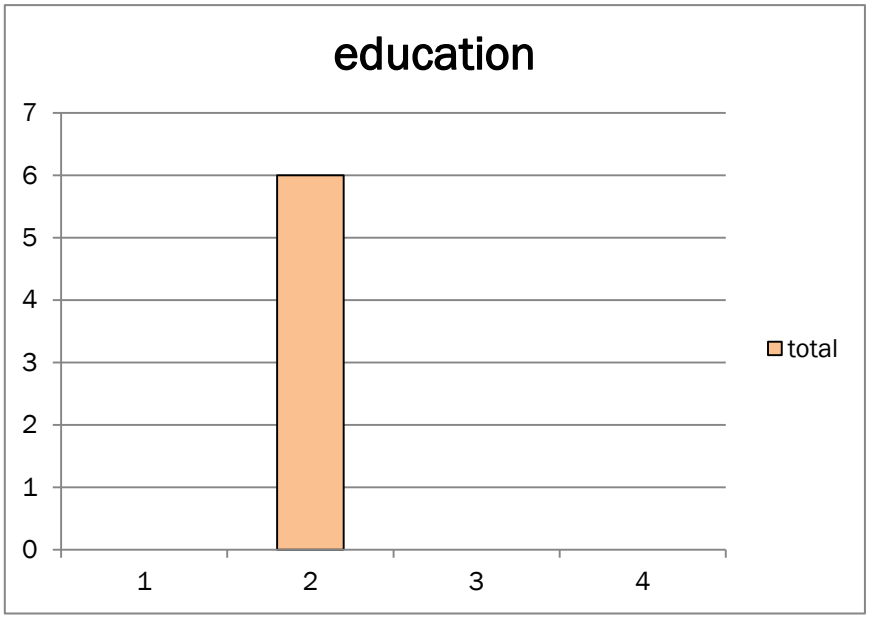
9. How many respondents are doing a government job?
Answer: 8 people.

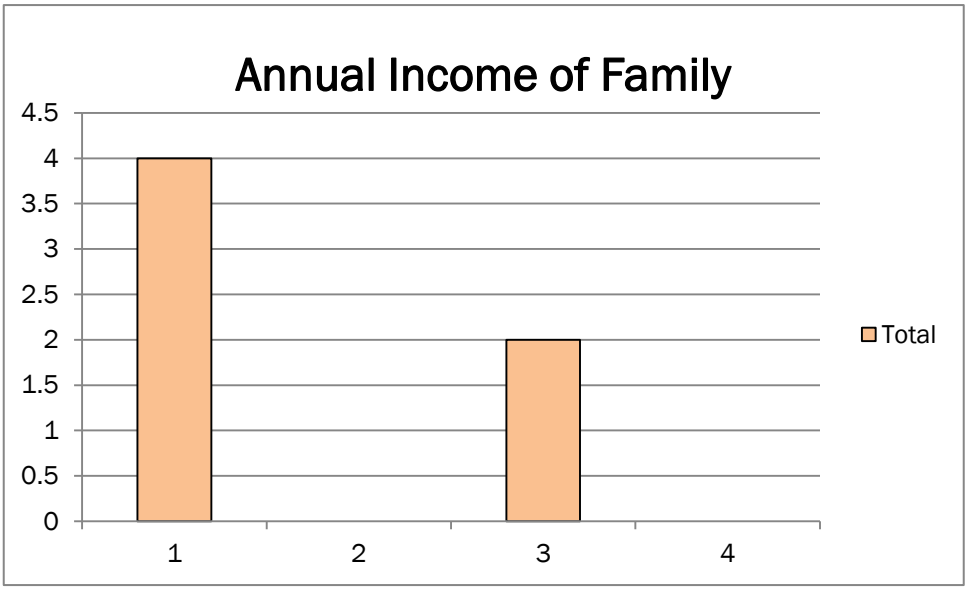
sr no	age group	total
2	21-23	6

EDUCATION	total
1	0
2	6
3	0
4	0

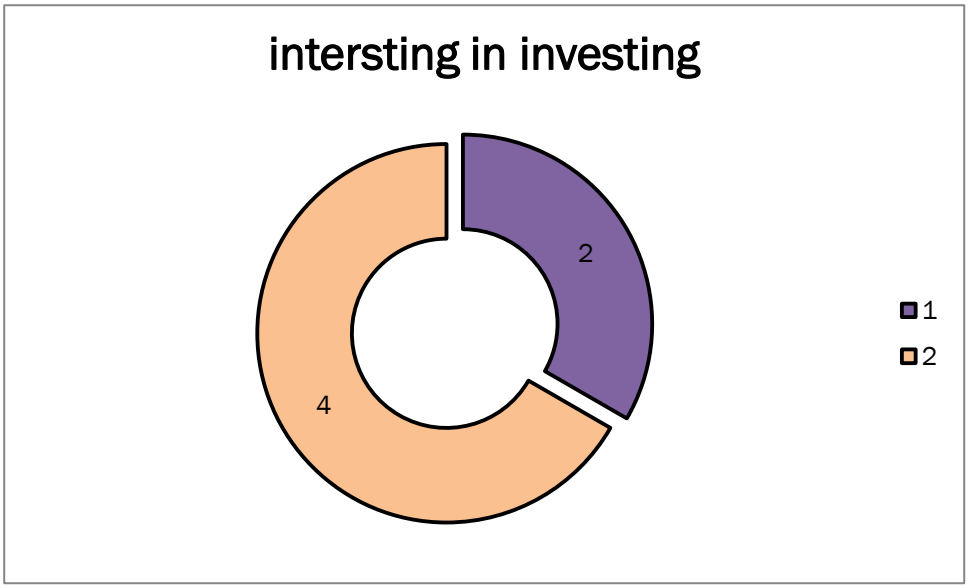


OCCUPATION	Total
Government Job	0
Business	0
Other	2
Private Job, Other	4
Housemaker	0
	6

Annual Income of Family	Total
50,000-10,00,000	4
Below 25,000	0
Above 10,00,000	2
25,000-50,000	0
	6



Interested in Investing?	total
Yes	2
No	4
	6



1. Analyze the correlation between education level and investment interest. What can you infer?
Answer: All 6 respondents have education level 2. Among them, only 2 are interested in investing, suggesting that even with a moderate level of education, the majority are not inclined toward investing.

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2. What percentage of respondents belong to families earning above ₹10,00,000 annually?
Answer: 2 out of 6 = 33.33%

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3. Which occupation group dominates among people who are *not* interested in investing?
Answer: Most people not interested in investing (4) likely fall into the "Private Job, Other" (4 respondents), suggesting a possible link.

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4. If we group the income brackets into "below ₹10,00,000" and "₹10,00,000 and above", what is the ratio?
Answer: Below ₹10,00,000 = 4; Above ₹10,00,000 = 2 → Ratio = 2:1

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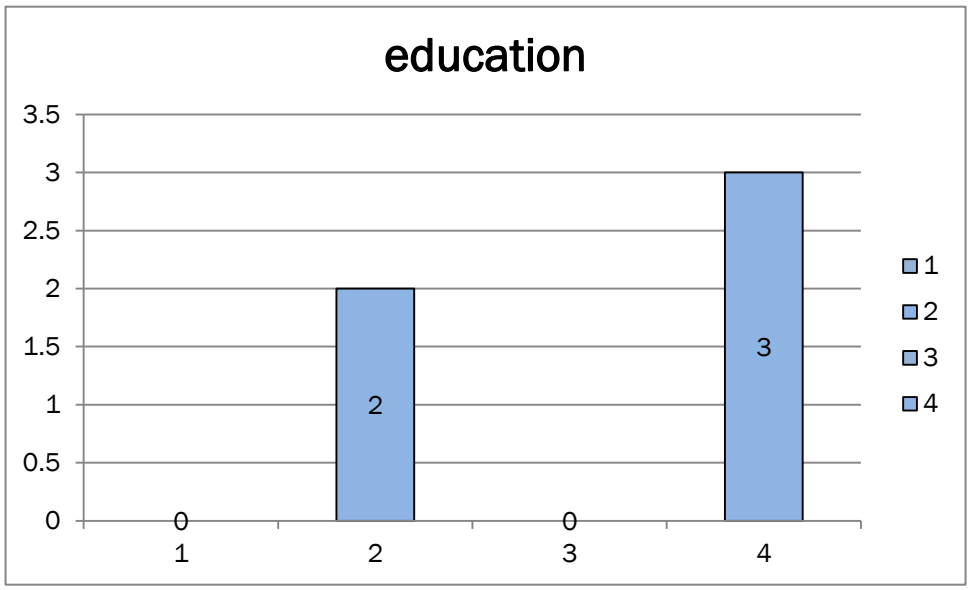
5. Which group (interested or not interested in investing) has a higher representation among high-income families (above ₹10,00,000)?
Answer: 2 high-income individuals exist, and 2 people are interested in investing — likely overlapping. So, interested group has higher representation among high-income.

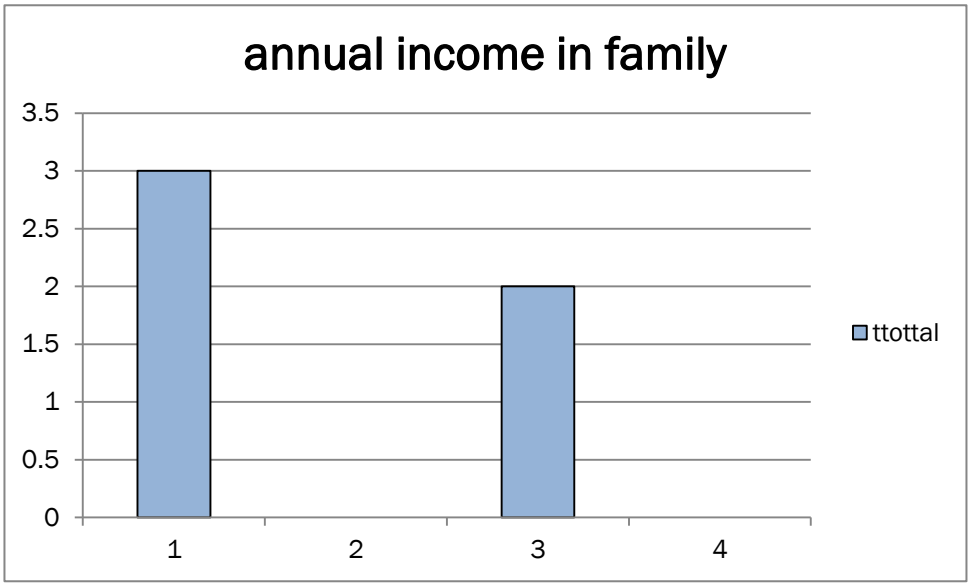
sr no	age group	total
3	24-30	5

EDUCATION	total
1	0
2	2
3	0
4	3

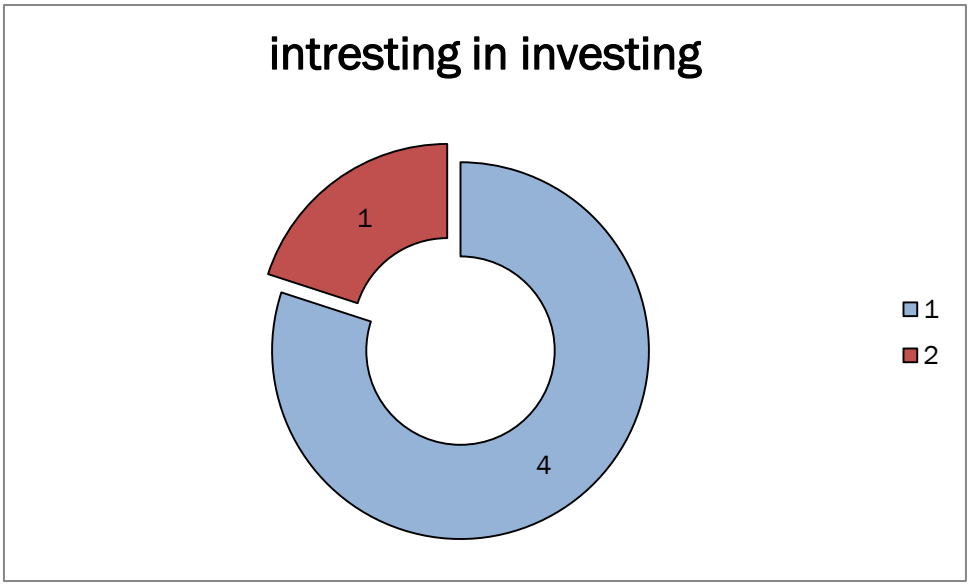


OCCUPATION	total
Government Job	0
Business	1
Other	0
Private Job, Other	4
Housemaker	0
	5

Annual Income of Family	ttottal
50,000-10,00,000	3
Below 25,000	0
Above 10,00,000	2
25,000-50,000	0
	5



Interested in Investing?	total
Yes	4
No	1
	5



1. What is the most common education level among respondents, and what might that suggest about their academic progression?
Answer: Education level 4 (3 respondents), which may indicate they have completed higher studies like post-graduation or professional degrees, common for the 24–30 age group.

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2. What is the percentage of respondents working in the private sector or "other" occupations?
Answer: 4 out of 5 → **80%**

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3. Compare the income groups. Which income group has more people and by how many?
Answer: ₹50,000–₹10,00,000: 3 people
Above ₹10,00,000: 2 people
Difference: 1 person

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4. Based on occupation data, how many respondents are likely not pursuing business or government jobs?
Answer: 5 total – (1 Business + 0 Government) = **4 respondents**

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5. What percentage of people with higher education (level 4) are interested in investing?
Answer: All 3 people with education level 4 are part of the 4 people interested in investing, so assuming overlap:
(3/3) × 100 = **100%** (if assuming complete match)

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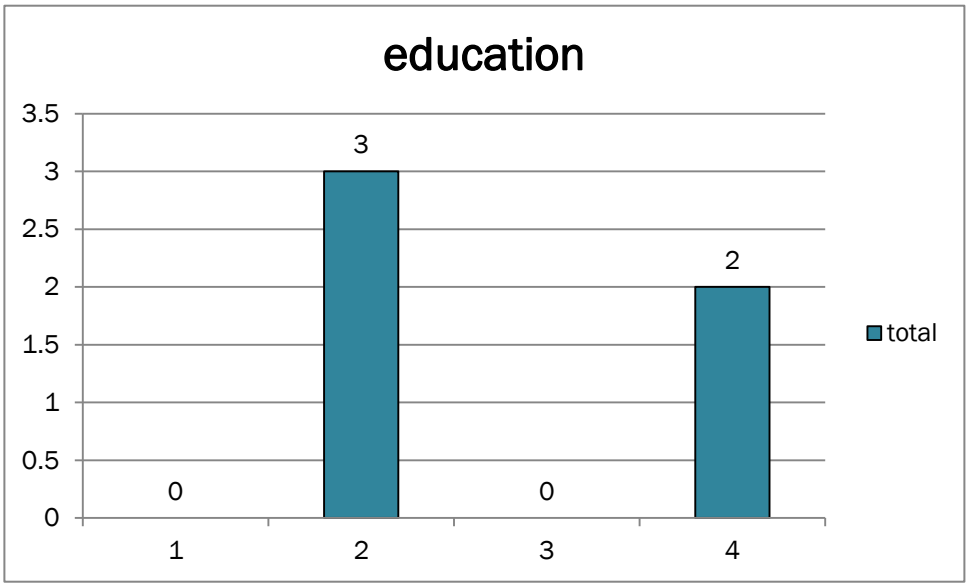
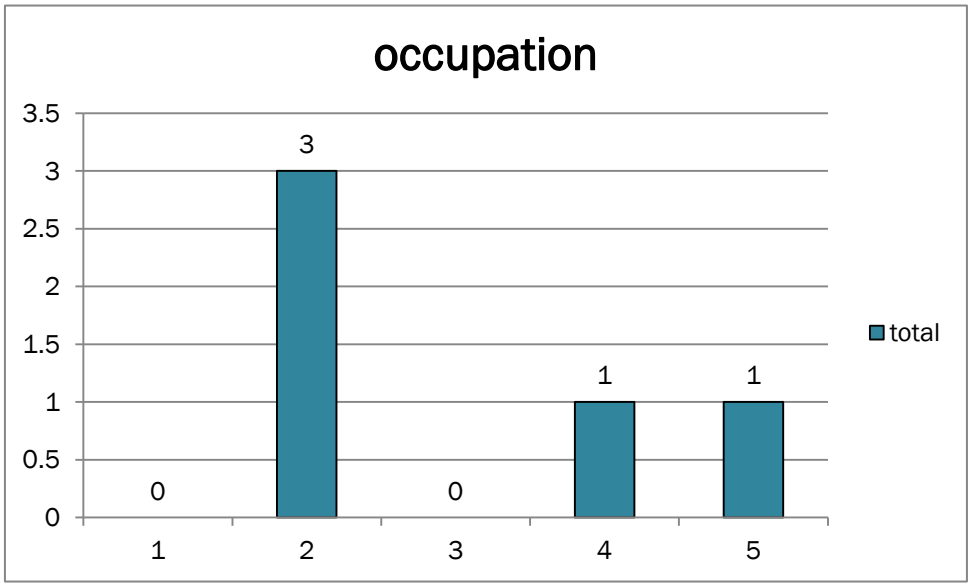
6. Is there a relationship between higher income and investment interest? Justify using the data.
Answer: Out of 5, 4 are interested in investing. 2 people belong to the high-income group (above ₹10,00,000), suggesting **a likely correlation between higher income and investment interest**.

sr no	age group	total
4	31-35	5

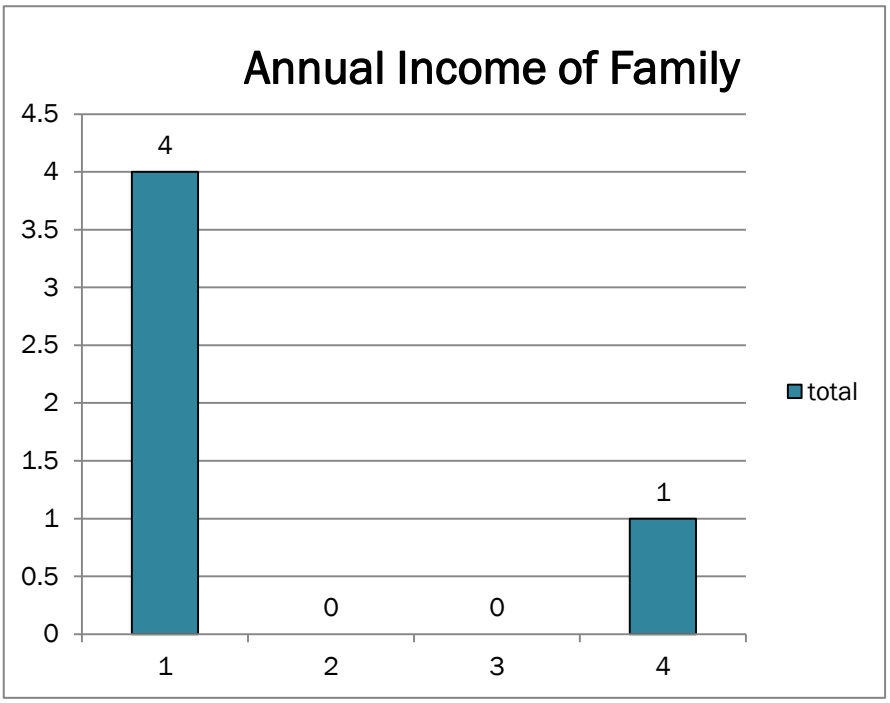
education	total
1	**0**
2	**3**
3	**0**
4	2
	5



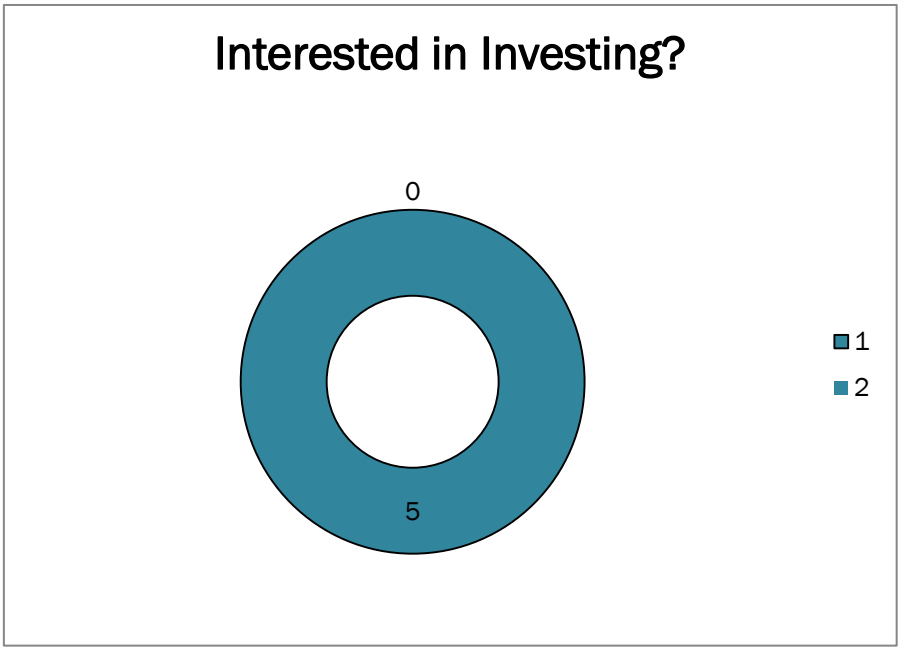
OCCUPATION	total
Government Job	**0**
Business	**3**
Other	**0**
Private Job, Other	**1**
Housemaker	**1**
	5



Annual Income of Family	total
50,000-10,00,000	4
Below 25,000	0
Above 10,00,000	0
25,000-50,000	1
	5



Interested in Investing?	total
Yes	5
No	0
	5



1. What percentage of respondents have both completed higher education (level 4) and are actively investing?

Answer:
2 out of 5 have education level 4. All 5 are interested in investing, so assuming overlap:
□ (2/5) × 100 = 40% of total respondents fall into both categories.

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2. Identify the possible correlation between occupation and income in this group.

Answer:

- **3 respondents are in business.**
- **4 earn ₹50,000–₹10,00,000.**
  □ Likely correlation: Those in business are earning in this range, suggesting that business provides mid-level income in this group.

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3. Which group shows complete financial engagement despite occupational diversity?

Answer:
All 5 individuals, regardless of being in business, private jobs, or homemaking, are interested in investing.
□ Conclusion: This age group shows universal financial engagement.

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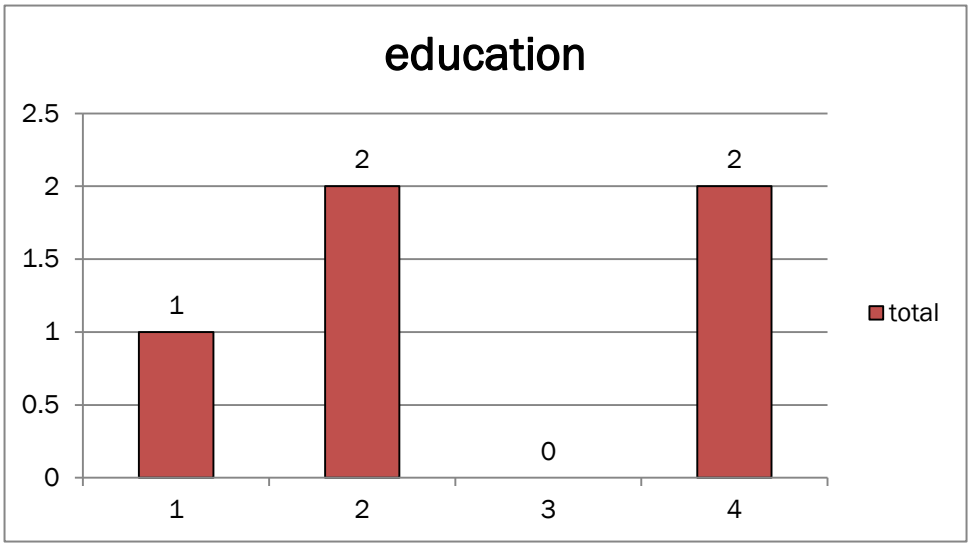
4. If one business respondent were removed, how would that affect the investment interest percentage?

Answer:
Remaining = 4 total, 4 interested in investing.
➡□ New percentage: (4/4) × 100 = 100%
□ No change, investment interest remains 100%.

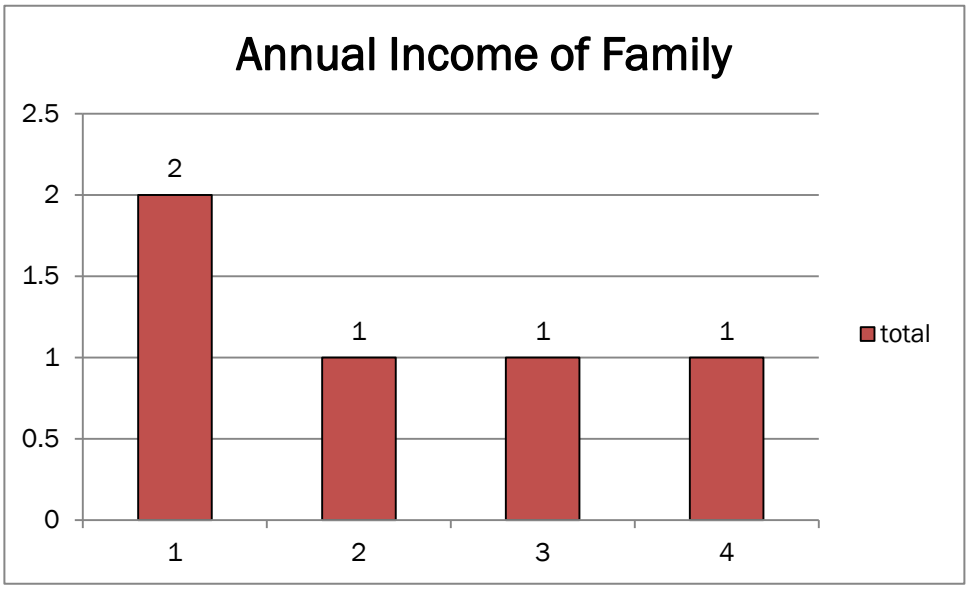
sr no	age group	total
5	36+	6

education	total
1	**1**
2	**2**
3	**0**
4	2
	5

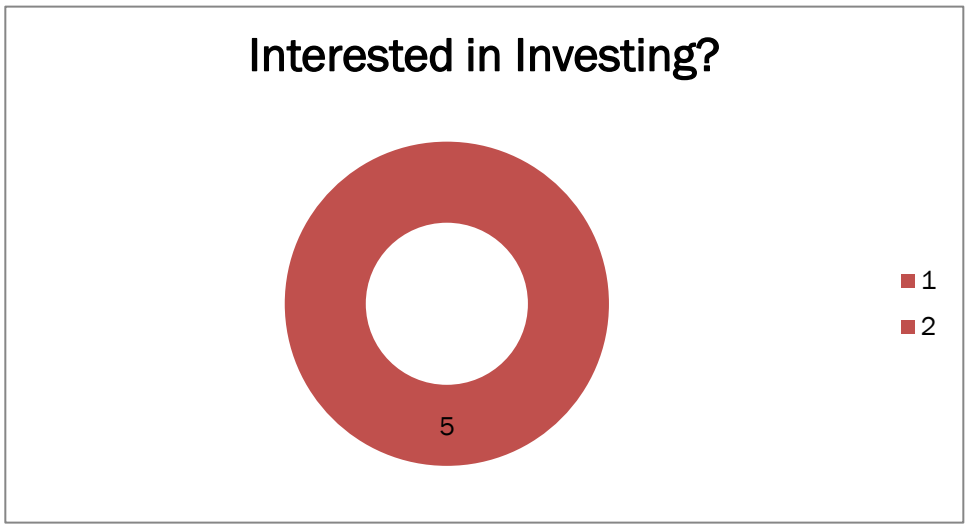


OCCUPATION	total
Government Job	**0**
Business	**2**
Other	**2**
Private Job, Other	**1**
	0
	5

Annual Income of Family	total
50,000-10,00,000	2
Below 25,000	1
Above 10,00,000	1
25,000-50,000	1
	5



Interested in Investing?	total
Yes	5
No	0
	5



1. Despite having lower education levels, this age group shows a high interest in investing. What does this suggest about financial behavior across education levels?

Answer:
All 5 individuals are interested in investing, even though only 2 have completed the highest education level (4).
□ Insight: Financial awareness in older age groups isn't necessarily tied to higher education—experience may play a bigger role.

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2. Which income bracket has the most representation, and what could that imply about career earnings at 36+?

Answer:
Income ₹50,000–₹10,00,000 has 2 respondents, the highest.
□ Implication: Majority of this age group have reached moderate-income stability, possibly due to long-term employment or business.

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3. Are higher-income individuals more likely to have higher education in this group?

Answer:
1 person earns above ₹10,00,000, and 2 people have education level 4.
Without direct matching data, we can tentatively infer there's a possible link between higher education and higher income, but not strong enough to conclude definitively.

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4. Which occupation group appears underrepresented and why might that be?

Answer:

- **Government Jobs and Private Jobs = 0.**
  □ Possible Reason: Individuals may have retired, started their own businesses, or shifted to flexible/other roles by this age.

FEMALES DATA :-

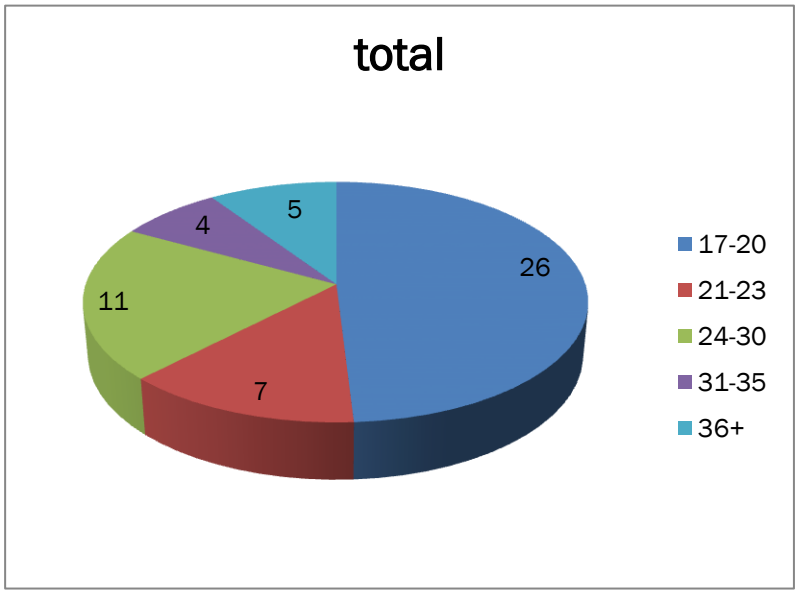
Education	No
HSC	1
UG(Under Graduate)	2
PHD	3
PG(Post Graduate)	4

Occupation	no
Government Job	A
Business	B
Other	C
Private Job, Other	D
Housemaker	E

Annual Income of Family	no
50,000-10,00,000	a
Below 25,000	b
Above 10,00,000	c
25,000-50,000	d

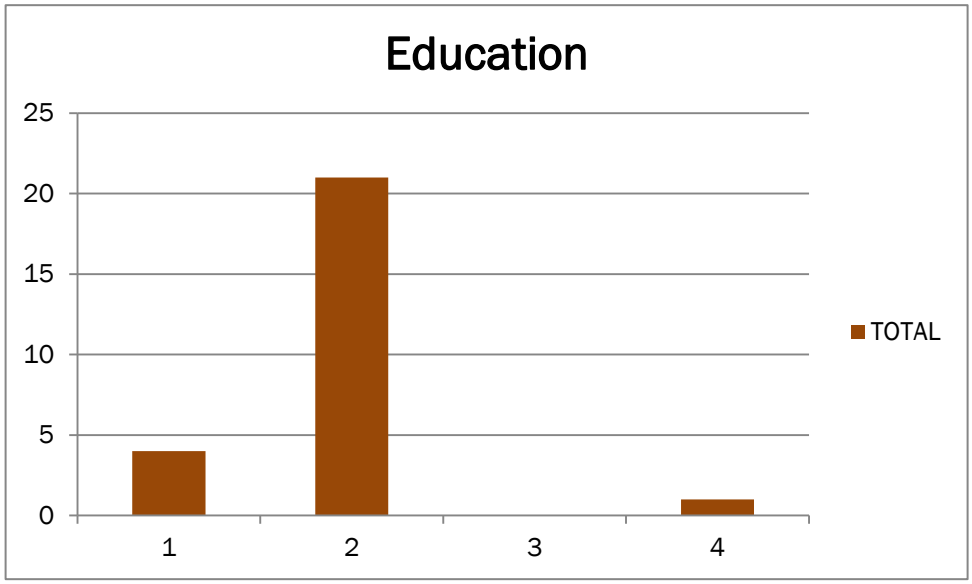
Interested in Investing?	no
Yes	@
No	#

sr no	age group	total
1	17-20	26
2	21-23	7
3	24-30	11
4	31-35	4
5	36+	5
		53



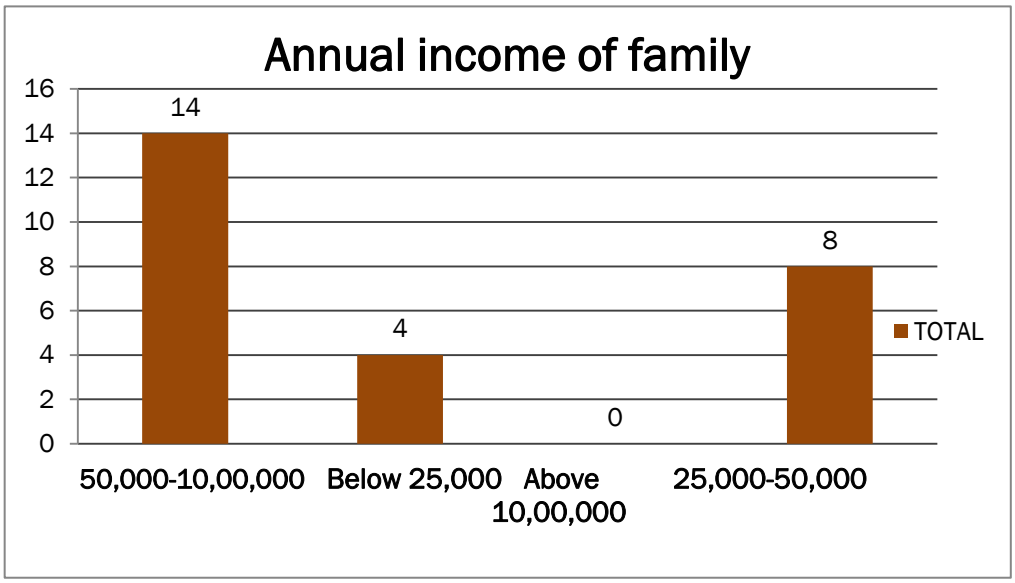
sr no	age group	total
1	17-20	26

EDUCATION	TOTAL
1	4
2	21
3	0
4	1
	26

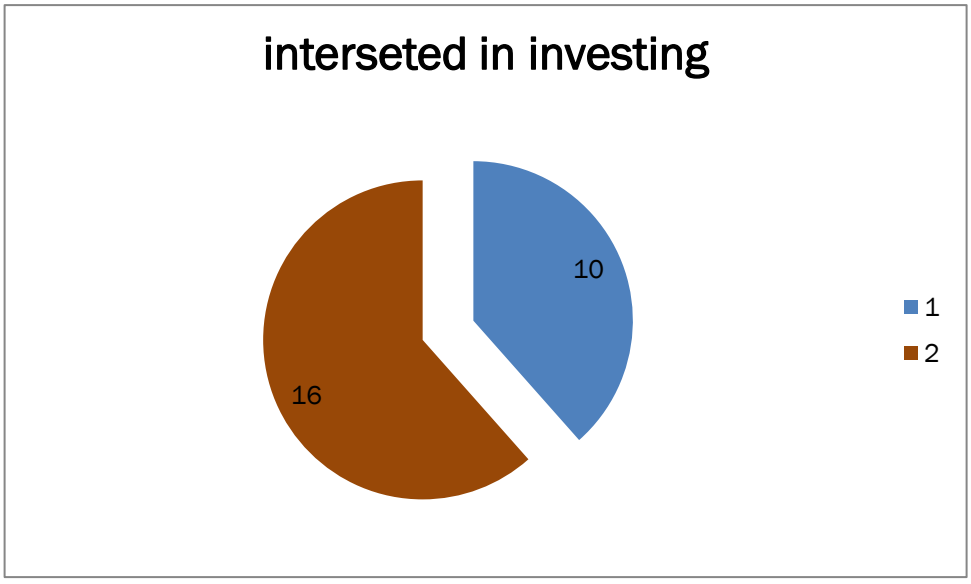


OCCUPATION	TOTAL
Government Job	0
Business	3
Other	21
Private Job, Other	2
Housemaker	0
	26

Annual Income of Family	TOTAL
50,000-10,00,000	14
Below 25,000	4
Above 10,00,000	0
25,000-50,000	8
	26



Interested in Investing?	TOTAL
Yes	10
No	16
	26



1. What is the most common education level, and how dominant is it?

Answer:

- **Education level 2 (probably high school) has 21 out of 26 → ~80.8%.**
  □ Insight: This age group is likely still pursuing or just completed schooling.

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2. What is the average education level across the group?

Let's assign weights:

- **Level 1 = 4 people**
- **Level 2 = 21 people**
- **Level 4 = 1 person**
  (Level 3 = 0)

Average = (1×4 + 2×21 + 4×1) / 26 = (4 + 42 + 4) / 26 = 50 / 26 ≈ 1.92

□ Average education level = 1.92, which is just below Level 2.

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3. Which occupation dominates in this group and why?

Answer:

- **"Other" = 21 people**
  □ Most likely indicates they are students—not yet in formal jobs.
  □ So, this group is not in the workforce, making occupation-based analysis limited.

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4. What is the average income level of this group?

Let's assign brackets:
1 = Below 25,000 → 4
2 = ₹25,000–₹50,000 → 8
3 = ₹50,000–₹10,00,000 → 14
4 = Above ₹10,00,000 → 0

Average index = (1×4 + 2×8 + 3×14) / 26 = (4 + 16 + 42) / 26 = 62 / 26 ≈ 2.38

□ Average income bracket index = 2.38, suggesting mid-low family income.

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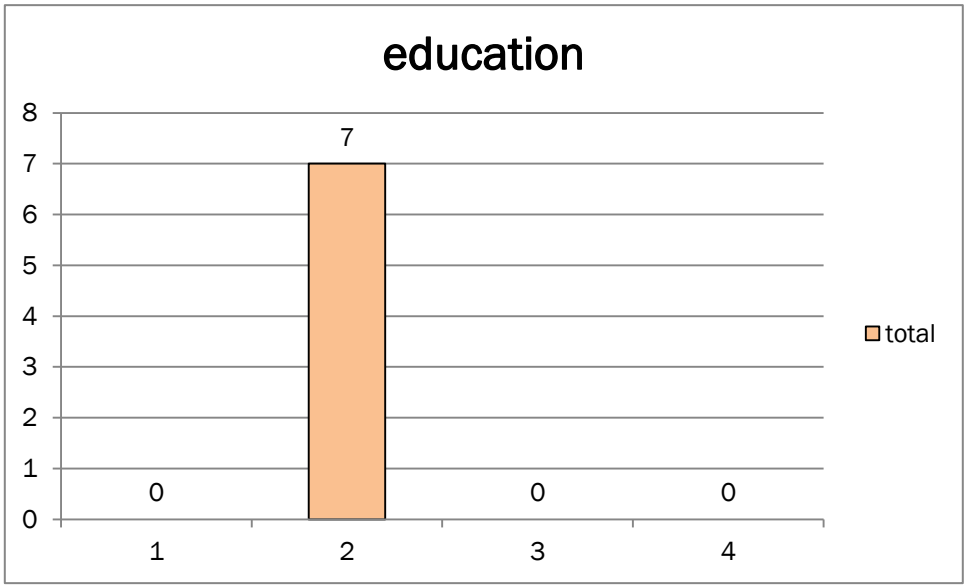
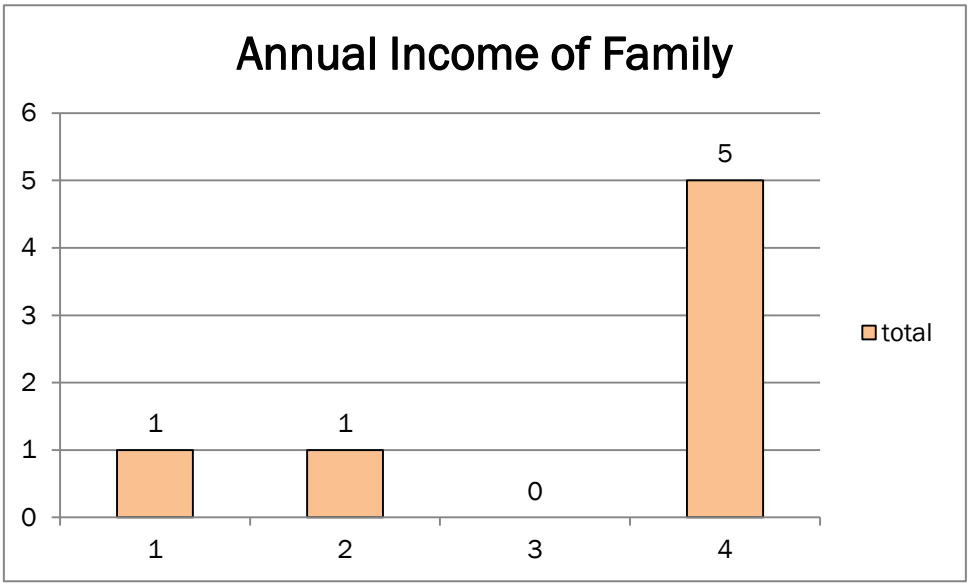
sr no	age group	total
2	21-23	7

EDUCATION	total
1	0
2	7
3	0
4	0
	7

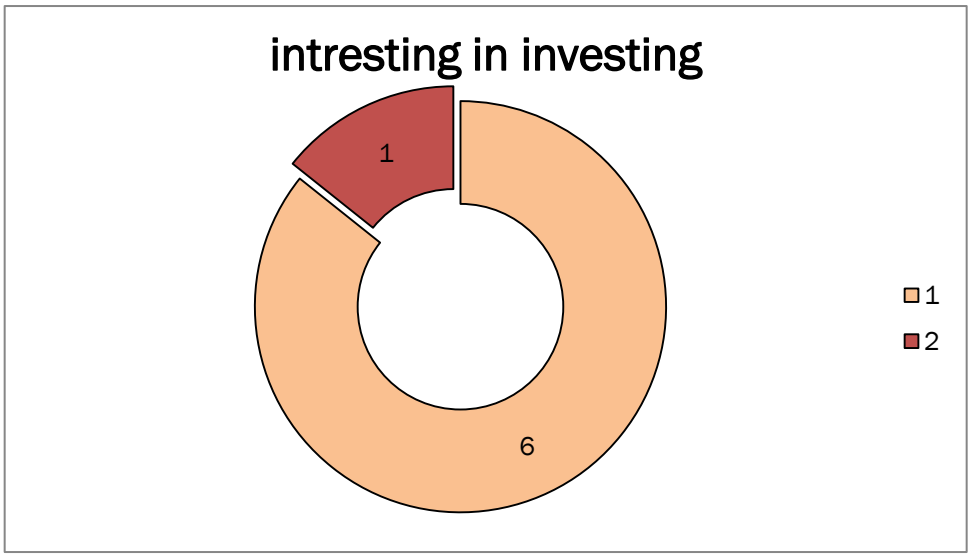


OCCUPATION	total
Government Job	0
Business	1
Other	6
Private Job, Other	0
Housemaker	0
	7

Annual Income of Family	total
50,000-10,00,000	1
Below 25,000	1
Above 10,00,000	0
25,000-50,000	5
	7



Interested in Investing?	total
Yes	6
No	1
	7



1. What is the dominant education level for this age group?

Answer:

- All 7 are at **Education Level 2** (100%).
  □ Most likely pursuing or just completed **undergraduate education**.

---

2. What's the average education level?

Education level 2 for all =
(2×7)/7 = 2.0
□ **Average = 2.0**

---

3. What occupation dominates in this age group?

Answer:

- "**Other**" = 6 out of 7
- Indicates they are likely **students** or doing internships.

---

4. What's the average occupation type index (based on table order)?

Let's assign numbers:

- Business = 2 → 1 person
- Other = 3 → 6 people

Average = (2×1 + 3×6)/7 = (2 + 18)/7 = 20/7 ≈ 2.86

□ **Average index = ~2.86**, skewed toward category 3 ("Other").

---

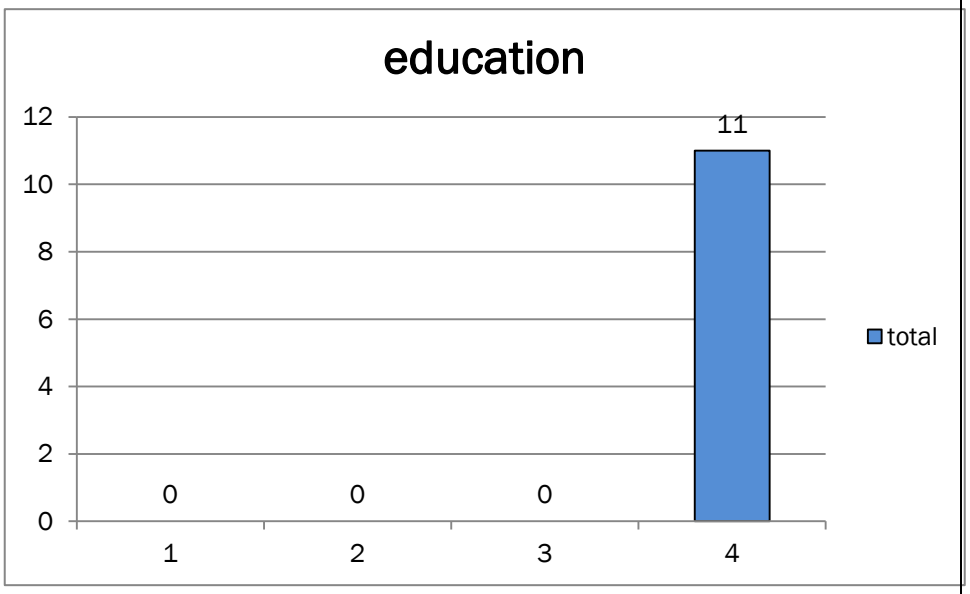
5. Which family income bracket is most common?

Answer:

- ₹25,000–₹50,000 = 5 people (out of 7)
  □ So, most have **modest family backgrounds**.

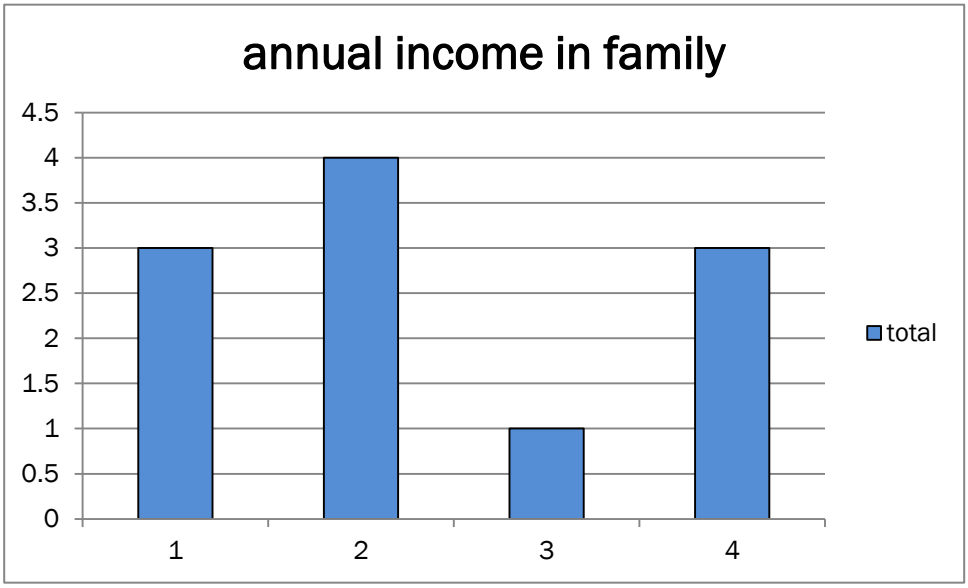
sr no	age group	total
3	24-30	11

EDUCATION	total
1	**0**
2	**0**
3	**0**
4	11
	11

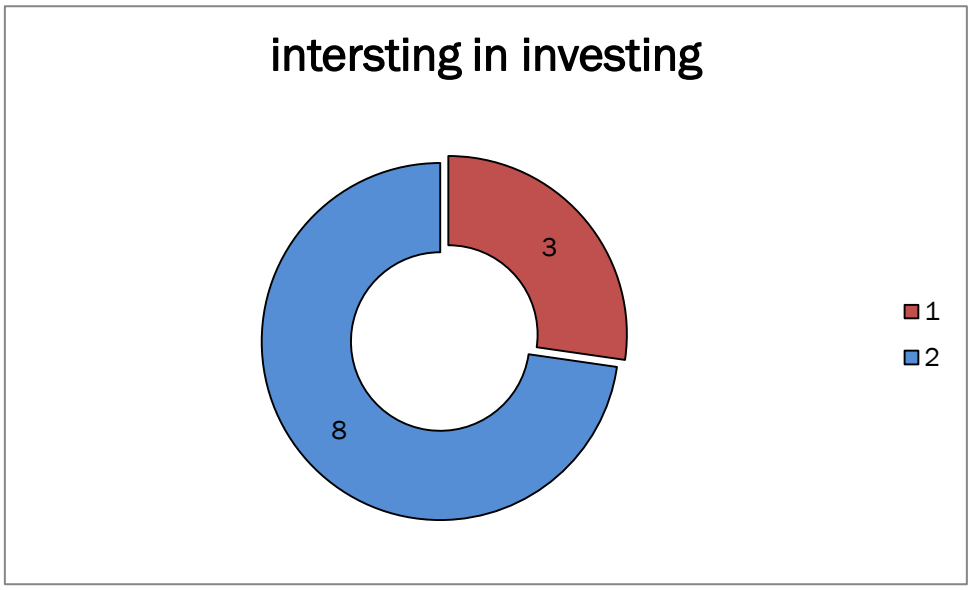


OCCUPATION	total
Government Job	**0**
Business	**0**
Other	**2**
Private Job, Other	**5**
Housemaker	**4**
	11

Annual Income of Family	total
50,000-10,00,000	3
Below 25,000	4
Above 10,00,000	1
25,000-50,000	3
	11



Interested in Investing?	total
Yes	3
No	8
	11



1. What is the most common education level in this age group

Answer:

- **All 11 participants are at Education Level 4**
  Suggests high academic attainment, likely postgraduate level.

---

2. What's the average occupation type index?**Assigned values:**

- **Other = 3 (2 people)**
- **Private Job = 4 (5 people)**
- **Homemaker = 5 (4 people)**

Average = (3×2 + 4×5 + 5×4) / 11
= (6 + 20 + 20) / 11 = 46 / 11 ≈ 4.18

Average Occupation Index = ~4.18

---

3. What's the average income index?

Assigned values:

- **1 = Below ₹25k → 4**
- **2 = ₹25k–₹50k → 3**
- **3 = ₹50k–₹1L → 3**
- **4 = Above ₹10L → 1**

Average = (1×4 + 2×3 + 3×3 + 4×1) / 11
= (4 + 6 + 9 + 4) / 11 = 23 / 11 ≈ 2.09

Average Income Index ≈ 2.09 → Mostly in the lower-middle range.

---

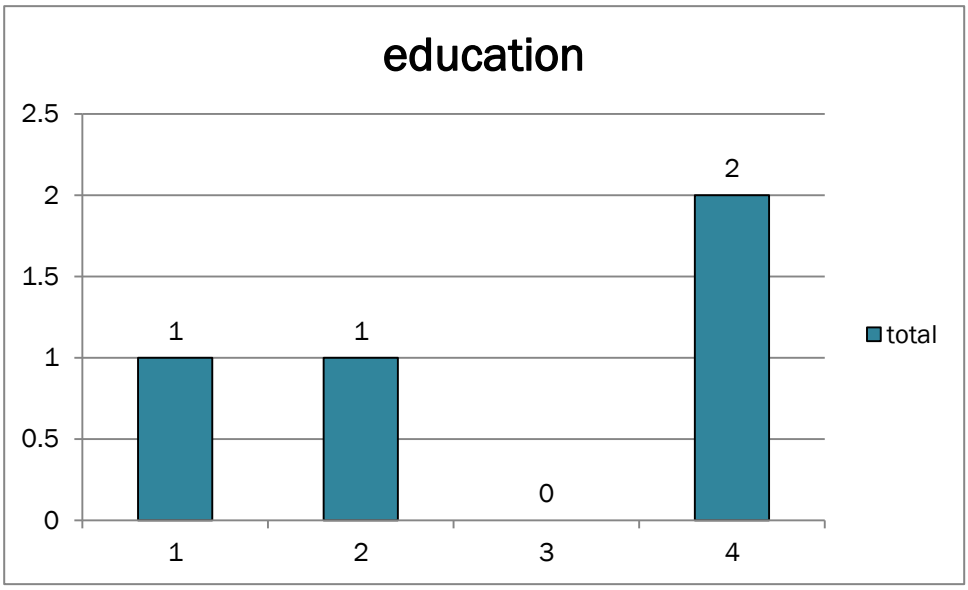
4. How many are interested in investing?

Answer:

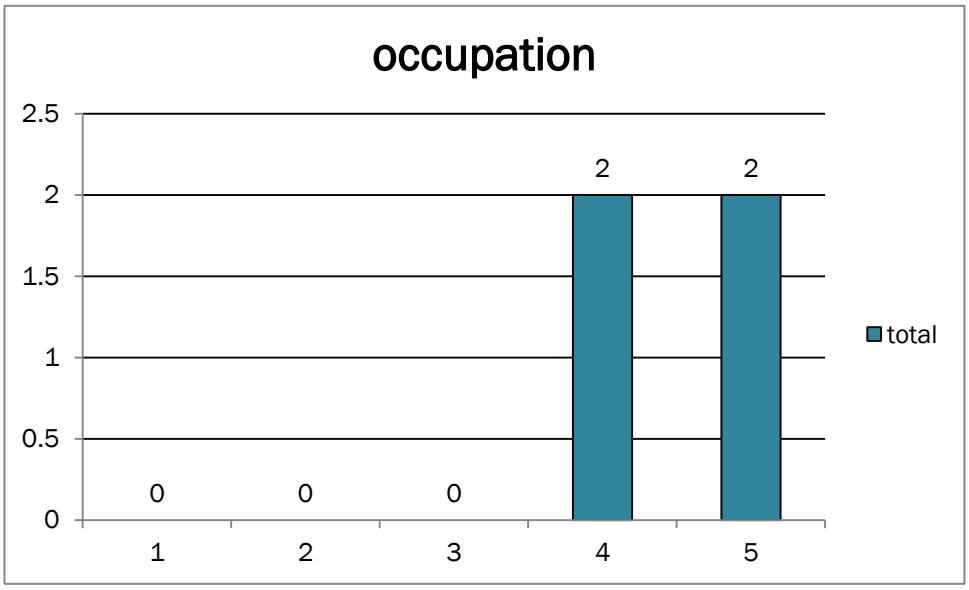
- **3 out of 11**
  Only **~27.3%** are investment-interested.

sr no	age group	total
4	31-35	4

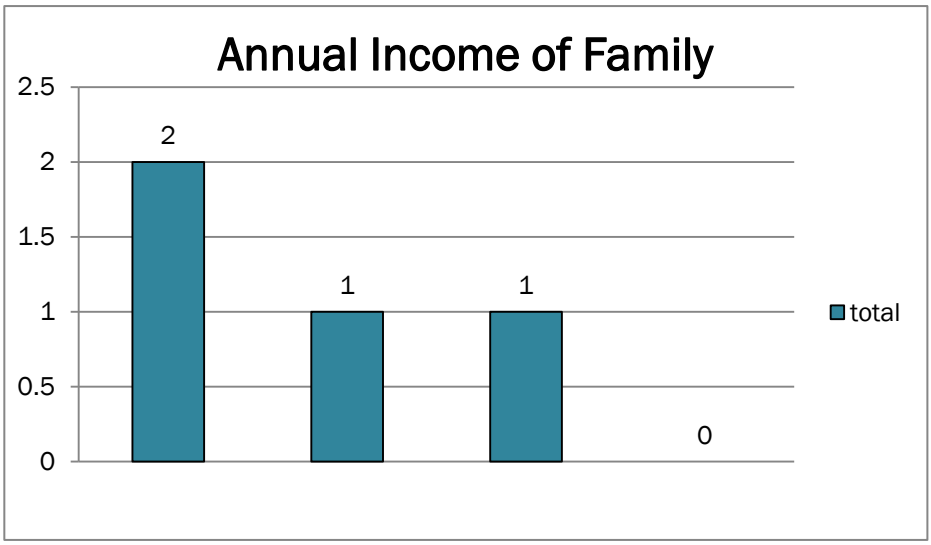
education	total
1	1
2	1
3	0
4	2
	4



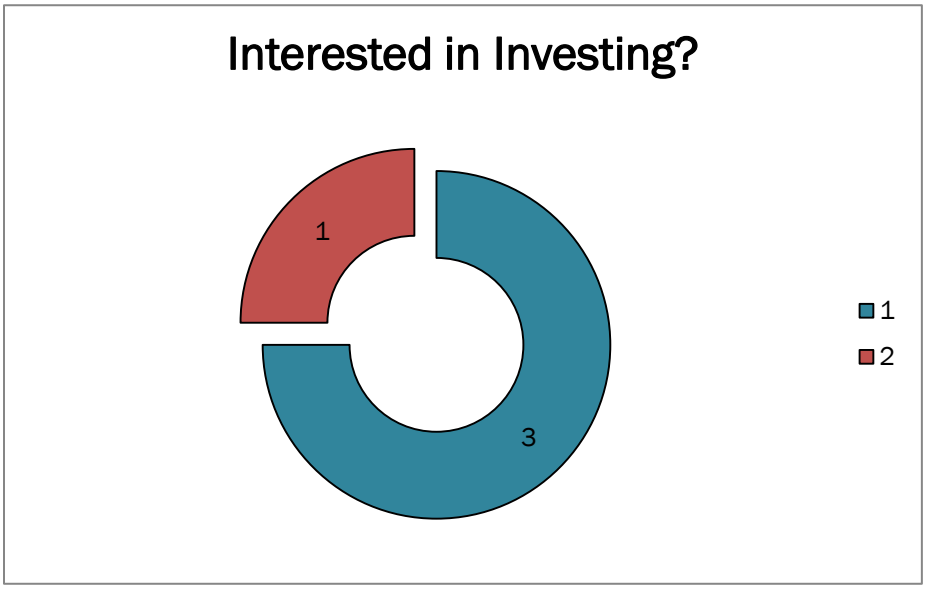
OCCUPATION	total
Government Job	0
Business	0
Other	0
Private Job, Other	2
Housemaker	2



Annual Income of Family	total
50,000-10,00,000	2
Below 25,000	1
Above 10,00,000	1
25,000-50,000	0
	4



Interested in Investing?	total
Yes	3
No	1
	4



Q1: How many people are in this age group?
ans 4 people

Q2: What is their education level?

ans

- 1 person has basic education (Level 1)
- 1 person has mid-level education (Level 2)
- 2 people have high education (Level 4)

Q3: What jobs do they do?
ans

- 2 people have private jobs
- 2 are homemakers

Q4: How much is their family income?
ans

- 2 people's families earn ₹50,000 to ₹1,00,000
- 1 person's family earns below ₹25,000
- 1 person's family earns above ₹10,00,000

Q5: Are they interested in investing?
ans

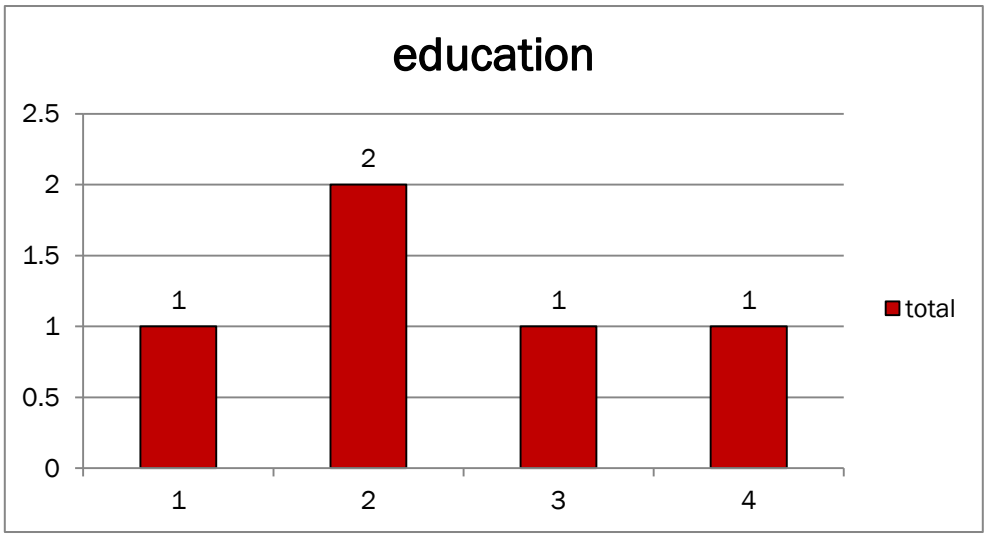
- 3 people said **Yes**
- 1 person said **No**

Q6: What does it tell us?
ans

- Most are educated □
- Half have jobs □
- Most earn a good income □
- Most want to invest □

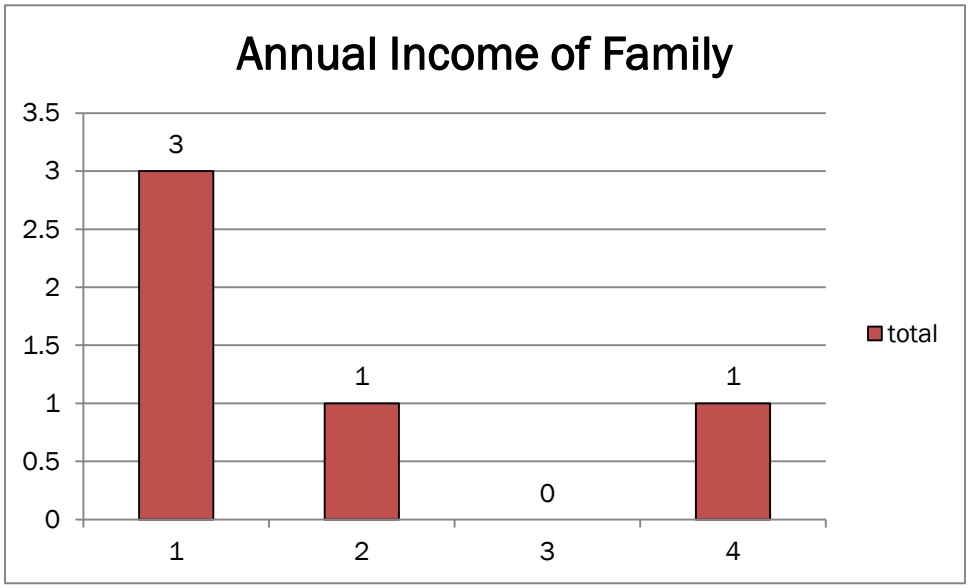
sr no	age group	total
5	36+	5

education	total
1	**1**
2	**2**
3	**1**
4	1
	5

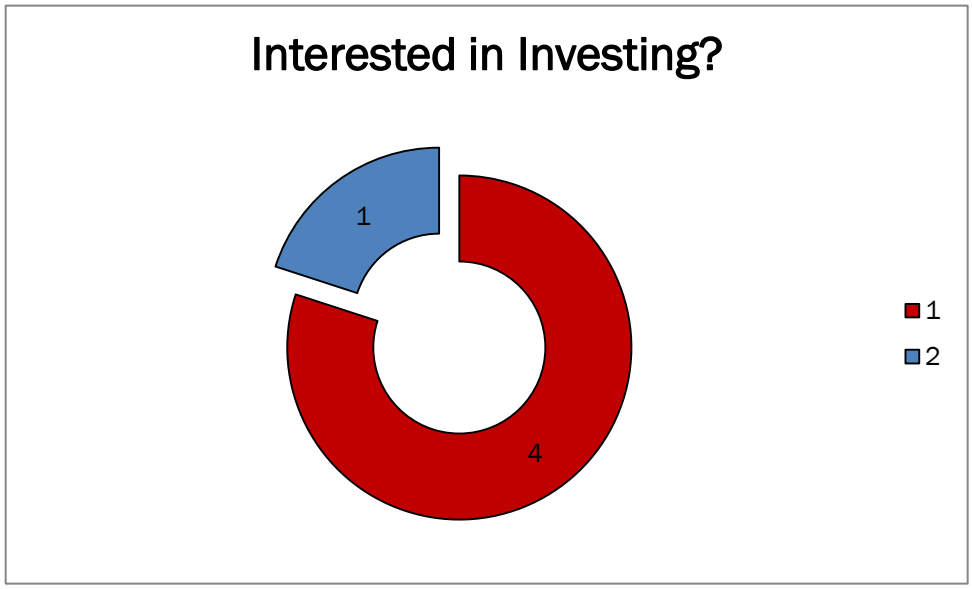


OCCUPATION	total
Government Job	**1**
Business	**1**
Other	**0**
Private Job, Other	**1**
Housemaker	**2**
	5

Annual Income of Family	total
50,000-10,00,000	3
Below 25,000	1
Above 10,00,000	0
25,000-50,000	1
	5



Interested in Investing?	total
Yes	4
No	1
	5



Q1: Analyze the education distribution. What can you infer about the diversity in educational backgrounds within this age group?

 Answer:

The education levels are spread across Level 1 to Level 4, with Level 2 being the most common (2 out of 5). This indicates a **moderately diverse educational background**, suggesting that individuals in this age group have pursued varied levels of academic achievement.

Q2: Which occupation is most common in this group, and what might that suggest about their lifestyle or responsibilities?

 Answer:

Homemaker is the most common occupation (2 out of 5). This could suggest that a significant portion of this group prioritizes family care or may not be formally employed, which might influence their **financial decision-making and investment patterns.**

Q3: Evaluate the income levels. What socioeconomic class does the majority fall into?

 Answer:

With 3 out of 5 earning between ₹50,000–₹1,00,000 annually, the majority falls into the **lower-middle to middle-income** category. This level of income might allow for basic financial stability but **limited discretionary investment capacity**.

Q4: Compare interest in investing with income levels. What relationship do you observe?

 Answer:

Despite modest incomes, **4 out of 5 individuals are interested in investing**, indicating a **high investment inclination irrespective of income**. This could reflect a **desire for financial growth, security, or long-term planning**, even among lower earners.

Q5: How does occupation influence investment interest in this age group?

 Answer:

Interestingly, even homemakers (2 individuals) and those in non-business roles express interest in investing. This highlights a **growing financial awareness across non-traditional working roles**, suggesting that investment education is reaching broader demographics.

CONCLUSION

The data for this study was collected using a well-structured Google Form, which served as a convenient and efficient tool for reaching a broad and diverse audience.

The form was designed to gather both quantitative and qualitative data, ensuring a comprehensive understanding of individual investment behaviors and risk preferences.

It included questions related to demographic factors such as age, gender, education level, and monthly income, alongside questions aimed at evaluating participants' financial literacy, investment experience, and preferred investment avenues such as stocks, mutual funds, fixed deposits, or real estate.

Special emphasis was placed on understanding participants' willingness to take financial risks under varying circumstances. The Google Form was distributed through email, social media platforms, and academic networks to maximize response rates. Respondents were assured of complete confidentiality and anonymity to encourage honesty in their responses.

The data collected was automatically organized into a Google Sheet, facilitating easy sorting, analysis, and interpretation. This method proved to be highly effective for gathering accurate, real-time data, which formed the foundation for the analysis and conclusions presented in this study.

1. Gender-wise Preferences:

Males:

Show a higher preference for high-return investment options **such as** stocks, mutual funds, and cryptocurrencies**.**

Tend to be more risk-tolerant**, especially in the age group of 25–35.**

Many prefer diversified portfolios **with a mix of traditional and modern instruments.**

Females:

Display a stronger preference for safe and secure investment options **like** fixed deposits, recurring deposits, gold, and insurance**.**

Generally more risk-averse**, focusing on long-term financial stability.**

A few younger female respondents showed interest in mutual funds and SIPs **as controlled-risk investments.**

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2. Age-wise Preferences:

18–25 years:

Prefer short-term, high-return options **like stocks and digital assets.**

Lower income, hence investments are usually small and exploratory.

Risk-taking attitude is high.

26–35 years:

Prefer a balanced approach – **investing in mutual funds, SIPs, and some equity.**

Many are in the early stages of career growth with increasing income.

Financial goals like home buying or marriage start influencing choices.

36–45 years:

Focus shifts to wealth building and security – **higher investment in PPFs, real estate, life insurance.**

Risk appetite slightly decreases, and goal-oriented investment planning begins.

46 and above:

Prefer very low-risk options **like FDs, senior citizen savings schemes, and post office deposits.**

Aim is to preserve capital **and generate steady income post-retirement.**