

Risk Profile: Joe Bloggs

Based on our discussions and the information you've provided, I've assessed your risk profile across several key dimensions. This assessment will guide our investment strategy and ensure it aligns with your personal circumstances and comfort level.

Capacity for Loss

Your capacity for loss is moderate. As a 45-year-old professional with a stable income and some existing savings, you have some ability to withstand financial setbacks. However, your ongoing mortgage payments and financial responsibilities towards your children's education limit your capacity to absorb significant losses.

Key factors influencing your capacity for loss:

- Stable employment as a senior manager in a well-established company
- Emergency fund covering 4 months of expenses
- Ongoing mortgage payments (£1,200 monthly)
- Financial commitment to children's education

While you could weather some investment losses, a significant downturn could impact your ability to meet your objectives, particularly regarding your children's education funding.

Time Horizon

Your investment time horizon varies depending on the specific financial goal:

1. Retirement: Long-term (approximately 20 years)
2. Mortgage repayment: Medium-term (12-15 years)
3. Children's education: Short to medium-term (8-10 years for university funding)

This mix of time horizons suggests a need for a diversified approach, with different strategies for your various goals.

Risk Tolerance

Your risk tolerance is moderate. In our discussions, you've expressed a willingness to accept some volatility in pursuit of growth, particularly for long-term goals like retirement. However, you become noticeably uncomfortable with the idea of significant short-term losses, especially when considering your children's education fund.

You mentioned that watching your parents struggle with market volatility has made you cautious, but you also understand that some risk is necessary to achieve your goals. This balance suggests a moderate risk tolerance, with a preference for steady growth over aggressive, high-risk strategies.

Investment Experience

Your investment experience is limited but growing. Key aspects include:

- Experience with workplace pension schemes over the past 20 years
- Some familiarity with stocks and shares ISAs, which you've used for the past 5 years
- Limited understanding of bonds and other fixed-income investments
- No experience with more complex investment vehicles like derivatives or hedge funds

You've expressed a keen interest in learning more about investing, regularly reading financial news and occasionally attending investment seminars offered by your employer.

Given your growing but still limited experience, you prefer investments that you can easily understand and monitor. You've mentioned feeling most comfortable with a "buy and hold" strategy rather than frequent trading.

This risk profile suggests an investment approach that balances growth potential with a degree of protection against significant losses. It will be important to align different investment strategies with your various goals and their respective time horizons, while also considering your moderate risk tolerance and growing investment experience. As we develop your financial plan, we'll ensure that each recommendation is explained clearly and aligns with your overall risk profile.