

Investment Decision Framework

Activity 5: Develop your personal investment framework

Part A: Personal Investment Profile

1. My primary investment goal is:

- Long-term wealth building (retirement)
- Medium-term goal (home, education)
- Short-term savings (car, emergency fund)

2. My investment time horizon is:

- More than 20 years
- 10-20 years
- 5-10 years
- Less than 5 years

3. If my investments lost 20% in one year, I would:

- Stay calm and keep investing (high risk tolerance)
- Feel nervous but probably stay invested (moderate tolerance)
- Likely sell to prevent further losses (low tolerance)

4. My current financial stability:

- Stable income, emergency fund established, minimal debt
- Stable income but building emergency fund
- Income uncertain or significant debt to address

Part B: Decision Tree Application

1 Do you have an emergency fund (3-6 months expenses)?

NO Priority is building cash savings before investing

YES Proceed to Step 2

2 What is your primary time horizon?

<5 yrs Conservative allocation (bonds/cash focus)

5-15 yrs Moderate allocation (balanced stocks/bonds)

>15 yrs Growth allocation (stock focus)

3 What is your risk tolerance?

High Can increase stock allocation by 10-20%

Moderate Stick with recommended allocation

Low Decrease stock allocation by 10-20%

4 What is your investment experience level?

Beginner Start with broad index funds/ETFs

Intermediate Can add sector funds or some individual stocks

Advanced Comfortable with more complex strategies

Your Investment Recommendation

Recommended Overall Allocation:

Stocks %

%

Bonds %

%

Cash %

%

Specific Investment Types to Start With:

e.g., Total stock market ETF (VTI), Total bond ETF (BND), High-yield savings

Monthly Investment Amount That Fits Your Budget:

\$

First Step to Take This Week:

e.g., Research low-cost brokerages, Open a Roth IRA, Set up automatic transfers

Profile Summary

Primary Goal:

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Time Horizon:

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Risk Tolerance:

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Financial Stability:

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