

What Is Your Investment Style?

Knowing what your risk tolerance and investment style are will help you choose investments more wisely. While there are many different types of investments that one can make, there are really only three specific investment styles - and those three styles tie in with your risk tolerance. The three investment styles are conservative, moderate, and aggressive.

Naturally, if you find that you have a low tolerance for risk, your investment style will most likely be conservative or moderate at best. If you have a high tolerance for risk, you will most likely be a moderate or aggressive investor. At the same time, your financial goals will also determine what style of investing you use.

If you are saving for retirement in your early twenties, you should use a conservative or moderate style of investing - but if you are trying to get together the funds to buy a home in the next year or two, you would want to use an aggressive style.

Conservative investors want to maintain their initial investment. In other words, if they invest \$5000 they want to be sure that they will get their initial \$5000 back. This type of investor usually invests in common stocks and bonds and short term money market accounts.

An interest earning savings account is very common for conservative investors. A moderate investor usually invests much like a conservative investor, but will use a portion of their investment funds for higher risk investments. Many moderate investors invest 50% of their investment funds in safe or conservative investments, and invest the remainder in riskier investments.

An aggressive investor is willing to take risks that other investors won't take. They invest higher amounts of money in riskier ventures in the hopes of achieving larger returns - either over time or in a short amount of time. Aggressive investors often have all or most of their investment funds tied up in the stock market.

Again, determining what style of investing you will use will be determined by your financial goals and your risk tolerance. No matter what type of investing you do, however, you should carefully research that investment. Never invest without having all of the facts!

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