

2 Investment styles

The Tulsa Chronicle

Investing Tips

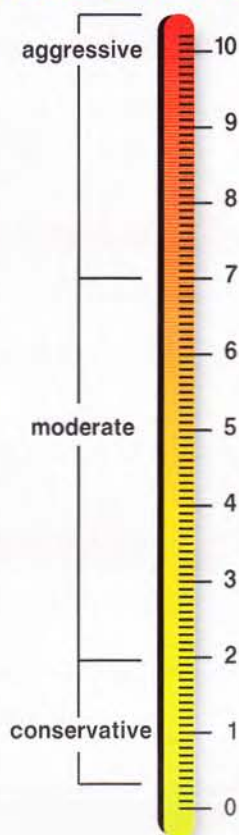
from Larry Dean

The key element that will determine your investing style is **risk tolerance**.

With all the market's ups and downs, investing can be stressful. That's why it's important to choose an investment style that works for you. The key element that will determine your investing style is **risk tolerance**.

Some people have a naturally high level of **risk aversion**. If this is you, go with investments that are virtually **risk-free**, like bonds and CDs. Perhaps you are considering **personal investments** to sustain you after **retirement**. You also should maintain a **conservative** investing approach. Stay in your **comfort zone**. Avoid the stress of market fluctuations.

Some of you, on the other hand, are more willing to take chances. You will risk great losses for a chance at great returns. You should go with a more **aggressive** investment approach in stocks. And for those of you in the middle, **moderate** investments are the way to meet your **goals**. Invest in mutual funds to limit risk but increase returns.



Get ready!

- 1 Before you read the passage, talk about these questions.
 - 1 How willing are you to take risks with your money? Why?
 - 2 How does risk affect a person's investing style?

Reading

- 2 Read the investment advice column. Then, choose the correct answers.
 - 1 What is the purpose of the article?
 - A to evaluate levels of risk aversion
 - B to explain conservative investment strategies
 - C to compare high and low risk investments
 - D to give advice based on investment styles
 - 2 What investments should people with moderate to high risk aversion NOT purchase?
 - A bonds
 - B CDs
 - C mutual funds
 - D stocks
 - 3 According to the column, what are the benefits of bonds?
 - A They have almost no risk.
 - B They benefit from market fluctuations.
 - C They give higher returns than mutual funds.
 - D They provide a chance to make large profits.

Vocabulary

- 3 Write a word that is similar in meaning to the underlined part.
 - 1 Most people are comfortable with a medium level of risk. _ _ d _ _ a _ _
 - 2 Candice is a cautious investor. _ o _ _ e _ v _ _ i _ _
 - 3 Jon worked hard to meet his planned level of achievement. _ o _ _
 - 4 His high reluctance to face the chance of loss keeps him from making most investments. _ _ s _ _ a _ _ r _ i _ _

5 Read the sentence pair. Choose where the words best fit the blanks.

1 personal investment / retirement

A Dad went into _____ at age 60.

B Buying the shop was a _____.

2 aggressive / risk-free

A Joe made _____ investments, hoping for a huge return.

B These government bonds are _____.

3 comfort zone / risk tolerance

A Some stock purchases require a high _____.

B CDs are safe and should be in any investors _____.

5 Listen and read the page from the investment advice column again. If you are not afraid of risk but at the same time like to play safe, what should you invest in?

Listening

5 Listen to a conversation between a financial advisor and a customer. Mark the following statements as true (T) or false (F).

1 ___ The customer has high risk aversion.

2 ___ The advisor suggests investing in a moderate investment.

3 ___ A mutual fund is out of the customer's comfort zone.

7 Listen again and complete the conversation.

Advisor: Well. The first thing to consider is how much
1 _____ you are willing to take.

Customer: I'm not sure. I certainly don't want to 2 _____.

Advisor: Okay. Are you willing to risk losing half of your money
3 _____ double it?

Customer: Yeah, but I couldn't handle losing much more than that.

Advisor: All right. You have a fairly 4 _____ of risk aversion.

Customer: So, what should I invest in?

Advisor: There are a number of options. A mutual fund is a fairly 5 _____ investment.

Customer: I've heard of those. They aren't 6 _____?

Advisor: They involve some risk, but nothing that would put you out of your comfort zone.

Speaking

8 With a partner, act out the roles below based on Task 7. Then, switch roles.

USE LANGUAGE SUCH AS:

The first thing to consider is ...

You have a ...

There are a ...

Student A: You are a financial advisor. Talk to Student B about:

- his/her level of risk aversion
- an appropriate investing style
- possible investments

Student B: You are a new investor. Talk to Student A about investing and risk.

Writing

9 Use the conversation from Task 8 to fill out the risk aversion worksheet for the client.

Jackson Investments

New Client Risk Aversion

Client Name: _____

How much of an investment is the client willing to risk? _____

Client's risk aversion level: _____

Suggested investments: _____