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What sort of an investor am I?

The first two things to consider when you are thinking of investing are: 1. why you need the money and, 2. when you need the money. Your personal circumstances will determine whether you should make;

- conservative low risk investments,
- confident, higher risk, growth investments, or,
- a balance of the two.

Why do I need the money?

When do I need the money?

Investing is a personal thing.

We each have our goals but how we go about reaching those goals may be very different depending on who we are, our financial situation, our stage of life, even ethics might come into play. So choosing how you invest is something you should think carefully about. We don't know everybody's personal circumstances but we can give you some principles and some things to think about to help you make a decision. To make this simple I am going to divide the world into;

- *Conservative Investors* who want to preserve capital (not lose money),
- *Confident Investors* who want to get a high return and are prepared to accept a few risks, and,
- *Balanced Investors* who want to walk the line between risk and return.

Let's look at some factors which would put you in one of these categories. Firstly what does it mean to be a Confident investor? At Bigwig a Confident investment portfolio is one that contains a high proportion of growth assets like shares. This is likely to give you the highest return over a long time frame but is also more risky than the other choices. A Conservative investment portfolio has more income assets like cash and fixed interest and those type of assets give it a lower risk profile. So here are some factors to think about.

1. Your Goal.

If your goal is a long way away, in other words if you are saving for something more than 5 years down the track, or you just want to build wealth, then you should probably be more aggressive in your investments. Markets (and well diversified portfolios) generally go up over long periods of time so you can afford to go for it. If on the other hand your goal is to go travelling next year, and this money is earmarked for that, then you might want to be more conservative with your investments.

2. Your Stage of Life.

If you are 25 and single, with a steady job, you might be more likely to be an aggressive/confident investor. If you are 60 and close to retirement you might want to be more conservative. Do you have dependants? That might also be a factor skewing you towards a more conservative approach to investing.

3. Your Financial Situation.

Squillionaire? Well you can afford to have a larger proportion of your investments in aggressive assets such as equities. Not a squillionaire, you will need to balance your need for income from your investments with your desire for growth. If you need to live off your investment income then you should be fairly conservative with your investments. Even if you are not wealthy if you have a long time horizon, that is, you are prepared to invest for the long term then most of your investments should be growth assets ie. Shares or share portfolio ETF's either Australian or international.

4. Your Attitudes to Risk.

One of the most important factors to consider in deciding what sort of an investor you want to be is your own attitudes to risk. Markets go up and they go down and if you are the sort of person who gets really stressed when the market moves against you then you may be more comfortable with a conservative investment style.

5. Ethics.

There are now some good options to invest ethically. It is possible that in the long run you will be giving up return but if you feel better about your investments, go for it. Search Bigwig for “Socially Responsible” ETF’s.

What sort of an investor are you?

So think about those 5 concepts above and try to put yourself into one of the categories, Conservative, Balanced or Confident. Generally speaking I think your goal and your investment horizon are the most important factors to think about. If you are prepared to put your money away for the long term you can take a more aggressive and confident investment stance than if you need that money soon.

Typical investment allocations

- Conservative
    - 50 - 80% Fixed Income
    - 20 - 50% Shares
        - Australian Shares 30%
        - International Shares 20%
- Balanced
    - 30 - 40% Fixed Income
    - 60 - 70% Shares
        - Australian Shares 47%
        - International Shares 23%
- Confident
    - 10 - 20% Fixed Income
    - 80 - 90% Shares
        - Australian Shares 50%
        - International Shares 40%

What sort of investor are you?

Secure	Conservative	Balanced	Confident	All in
Almost no risk. Similiar to a bank account. Short term savings. You trade away return for certainty.	Shorter to medium time frame. Don't want to take too many risks.You may have a short term goal in mind.	Short to medium term time frame. Comfortable with some risk but focussed more on generating income.	A longer term outlook and a recognition that you want to take a bit more risk to get a higher return.	Long term outlook, no concrete goals, just want to build wealth and comfortable with higher risks.
0% shares	20% shares	60% shares	80% shares	100% shares

! *A portfolio is made up of cash (very very low risk), fixed interest (low risk) and Australian and global shares (more risky). Later you can add other asset classes like property or commodities.*

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