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How Much Risk Can You Take?

Many market shocks are short-lived once investors conclude the event is unlikely to cause lasting economic damage. Still, major market downturns such as the 2000 dot-com bust and the 2008-09 credit crisis are powerful reminders that we cannot control or predict exactly how, where, or when precarious situations will arise.

Market risk refers to the possibility that an investment will lose value because of a broad decline in the financial markets, which can be the result of economic or sociopolitical factors. Investors who are willing to accept more investment risk may benefit from higher returns in the good times, but they also get hit harder during the bad times. A more conservative portfolio generally means there are fewer highs, but also fewer lows.

Your portfolio's risk profile should reflect your ability to endure periods of market volatility, both financially and emotionally. Here are some questions that may help you evaluate your personal relationship with risk.

How much risk can you afford?

Your capacity for risk generally depends on your current financial position (income, assets, and expenses) as well as your age, health, future earning potential, and time horizon. Your time horizon is the length of time before you expect to tap your investment assets for specific financial goals. The more time you have to keep the money invested, the more likely it is that you can ride out the volatility associated with riskier investments. An aggressive risk profile may be appropriate if you're investing for a retirement that is many years away. However, investing for a teenager's upcoming college education may call for a conservative approach.

How much risk may be needed to meet your goals?

If you know how much money you have to invest and can estimate how much you will need in the future, then it's possible to calculate a "required return" (and a corresponding level of risk) for your investments. Older retirees who have sufficient income and assets to cover expenses for the rest of their lives may not need to expose their savings to risk. On the other hand, some risk-averse individuals may need to invest more aggressively to accumulate enough money for retirement and offset another risk: that inflation could erode the purchasing power of their assets over the long term.

How much risk are you comfortable taking?

Some people seem to be born risk-takers, whereas others are cautious by nature, but an investor's true psychological risk tolerance can be difficult to assess. Some people who describe their personality a certain way on a questionnaire may act differently when they are tested by real events.

Moreover, an investor's attitude toward risk can change over time, with experience and age. New investors may be more fearful of potential losses. Investors who have experienced the cyclical and ever-changing nature of the economy and investment performance may be more comfortable with short-term market swings.

Brace yourself

Market declines are an inevitable part of investing, but abandoning a sound investment strategy in the heat of the moment could be detrimental to your portfolio's long-term performance. One thing you can do to strengthen your mindset is to anticipate scenarios in which the value of your investments were to fall by 20% to 40%. If you become overly anxious about the possibility of such a loss, it might be helpful to reduce the level of risk in your portfolio. Otherwise, having a plan in place could help you manage your emotions when turbulent times arrive.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Don't Delay: The Potential Benefits of Starting to Save Now

For long-term investment goals such as retirement, time can be one of your biggest advantages. That's because time allows your investment dollars to do some of the hard work for you through a mathematical principle known as compounding.

The snowball effect

The premise behind compounding is fairly simple. You invest to earn money, and if those returns are then reinvested, that money can also earn returns.

For example, say you invest $1,000 and earn an annual return of 7% — which, of course, cannot be guaranteed. In year one, you'd earn $70 and your account would be worth $1,070. In year two, that $1,070 would earn $74.90, which would bring the total value of your account to $1,144.90. In year three, your account would earn $80.14, bringing the total to $1,225.04 — and so on. Over time, if your account continues to grow in this manner, the process can begin to snowball and potentially add up.

Time and money

Now consider how compounding works over long time periods using dollar-cost averaging (investing equal amounts at regular intervals), a strategy many people use to save for retirement.[1] Let's say you contribute $120 every two weeks. Assuming you earn a 7% rate of return each year, your results would look like this:

Time period	Amount invested	Total accumulated
10 years	$31,200	$45,100
20 years	$62,400	$135,835
30 years	$93,600	$318,381

After 10 years, your investment would have earned almost $14,000; after 20 years, your money would have more than doubled; and after 30 years, your account would be worth more than three times what you invested.[2] That's the power of compounding at work. The longer you invest and allow the money to grow, the more powerful compounding can become.

The cost of waiting

Now consider how much it might cost you to *delay* your investing plan. Let's say you set a goal of accumulating $500,000 before you retire. The following scenarios examine how much you would have to invest on a monthly basis, assuming you start with no money and earn a 7% annual rate of return (compounded monthly).

Time frame to retirement	40 years	35 years	30 years	25 years
Retirement accumulation goal	$500,000	$500,000	$500,000	$500,000
Annual rate of return	7%	7%	7%	7%
Monthly contribution needed	$190	$278	$410	$617

So the less time you have to pursue your goal, the more you will likely have to invest out of pocket. The moral of the story? Don't put off saving for the future. Give your investment dollars as much time as possible to do the hard work for you.

[1] *Dollar-cost averaging does not ensure a profit or prevent a loss. It involves continuous investments in securities regardless of fluctuating prices. You should consider your financial ability to continue making purchases during periods of low and high price levels. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Review your progress periodically and be prepared to make adjustments when necessary.*

[2] *Assumes 26 contributions per year, compounded bi-weekly.*

These hypothetical examples are used for illustrative purposes only and do not represent the performance of any specific investment. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss.

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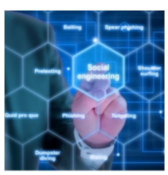
What can I do to crack down on robocalls?

You may not mind if a legitimate robocall provides a helpful announcement from your child's school or an appointment reminder from a doctor's office. But sadly, criminals often use robocalls to collect consumers' personal information and/or conduct various scams. Newer "spoofing" technology displays fake numbers to make it look as though calls are local, rather than coming from overseas, which could trick more people into answering the phone.

Robocalls have been illegal since 2009 (unless the telemarketer has the consumer's prior consent). In mid-2017, federal agencies announced they are ramping up enforcement by fining violators and encouraging blocking technologies. What should you do if you want to help put an end to this nuisance?

1. Don't answer calls when you don't recognize the phone number. If you pick up an unwanted robocall, just hang up. Don't answer "yes" or "no" questions, provide personal information, or press a number to "opt out." Responding to the call in any way verifies that it has reached a real number and could prompt additional calls.
2. Look into robocall blocking solutions that may be offered by your phone service provider. If they're available, you may need to follow specific instructions to "opt in." Otherwise, consider a mobile app or cloud-based service designed to block robocalls; some of them are free or cost just a few dollars.
3. Consider registering your phone number on the National Do Not Call Registry. While taking this step can help mitigate the amount of robocalls you receive, it's only a partial solution to the problem. The Federal Trade Commission advises consumers whose numbers are on the registry but still receive unwanted calls to report robocall violations at complaints.donotcall.gov. The phone numbers provided by consumers will be released each day to companies that are working on call-blocking technologies, which largely depend on "blacklists" with numbers associated with multiple complaints.



How can I protect myself from digital deception?

Imagine that you receive an email with an urgent message asking you to verify your banking information by clicking on a link. Or maybe you get an enticing text message claiming that you've won a free vacation to the destination of your choice — all you have to do is click on the link you were sent. In both scenarios, clicking on the link causes you to play right into the hands of a cybercriminal seeking your sensitive information. Just like that, you're at risk for identity theft because you were tricked by a social engineering scam.

Social engineering attacks are a form of digital deception in which cybercriminals psychologically manipulate victims into divulging sensitive information. Cybercriminals "engineer" believable scenarios designed to evoke an emotional response (curiosity, fear, empathy, or excitement) from their targets. As a result, people often react without thinking first due to curiosity or concern over the message that was sent. Since social engineering attacks appear in many forms and appeal to a variety of emotions, they can be especially difficult to identify.

Take steps to protect yourself from a social engineering scam. If you receive a message conveying a sense of urgency, slow down and read it carefully before reacting. Don't click on suspicious or unfamiliar links in emails, text messages, and instant messaging services. Hover your cursor over a link before clicking on it to see if it will bring you to a real URL. Don't forget to check the spelling of URLs — any mistakes indicate a scam website. Also be sure to look for the secure lock symbol and the letters *https:* in the address bar of your Internet browser. These are signs that you're navigating to a legitimate website.

Never download email attachments unless you can verify that the sender is legitimate. Similarly, don't send money to charities or organizations that request help unless you can follow up directly with the charitable group.

Be wary of unsolicited messages. If you get an email or a text that asks you for financial information or passwords, do not reply — delete it. Remember that social engineering scams can also be used over the phone. Use healthy skepticism when you receive calls that demand money or request sensitive information. Always be vigilant and think before acting.

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A Formula for Life

If you're looking for a quick list of ways to improve your physical and mental health, you could do worse than follow a list compiled by Bala Afshar, author of The Pursuit of Social Business Excellence, who works as "chief digital evangelist" for the Salesforce CRM organ a formula for life ization.

His list looks like this:

1. Get more sleep
2. Find time to exercise
3. Drink more water
4. Eat less sugar
5. Stay teachable
6. Read and write more
7. Remove clutter
8. More random acts of kindness
9. Don't respond to negativity
10. Spend quality time with family
11. Laugh loudly
12. Forgive first

Gender Differences In Retirement

You may have read that women are far more likely to face poverty in retirement than their male counterparts—but you may not realize just how big the disparity is. In fact, women are 80% more likely to fall into poverty toward the end of their lives, compared to men, according to a 2016 study by the National Institute on Retirement Security.

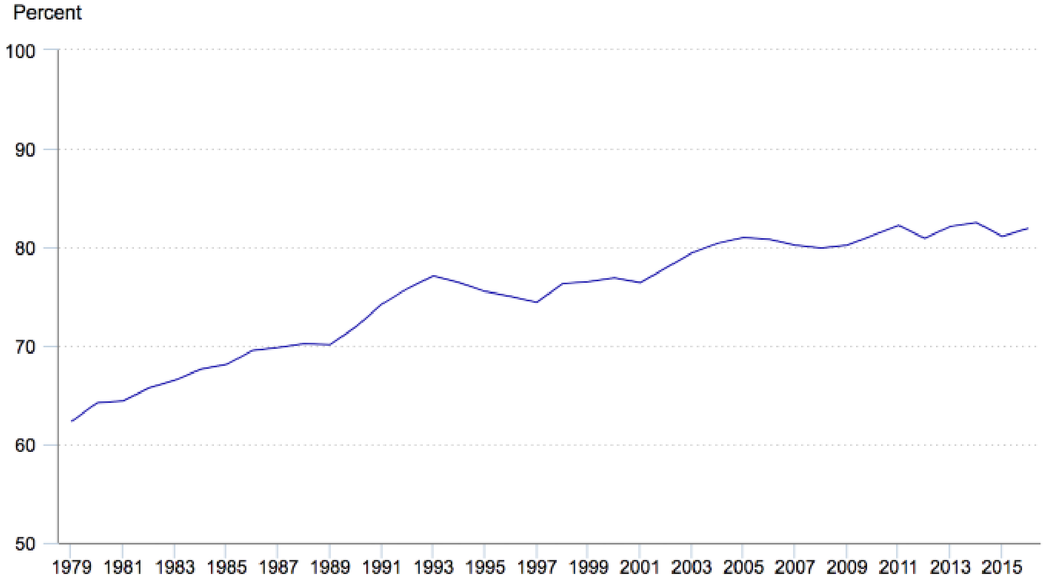
In an attempt to explain how this came about, the study's researchers noted that women are more likely than men to engage in part-time unemployment due to starting a family and staying at home with the kids, and at the other end of their lives, they have much higher rates of caregiving for elderly parents. Men, on the other hand, can enjoy an uninterrupted work career, making them more likely to receive promotions and career opportunities.

Even if you take away this disadvantage, there's another one. During their working years, women earn, on average, 80 cents for every dollar their male colleagues earn—for the same jobs.

But…. Isn't this changing as we become a more gender-aware society? Apparently not. If you look at the accompanying chart, you'll see that women were catching up to male pay scales from 1979 until about 1993, at which point the gains seemed to totally stall out. And women still make up 66% of all caregivers for elderly parents. Even when men provide assistance, the Family Caregivers Council estimates that women spend as much as 50% more time than the men do in caregiving activities.

And 2015 data adds that 48% of women above age 75 live alone, compared with less than a quarter (22%) of men at a comparable age. After caregiving for others, women are less likely to receive it for themselves.

Chart 1. Women's earnings as a percentage of men's, for full-time wage and salary workers, 1979–2016 annual averages



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Personal Robots

The robotics revolution, so far confined to factories and the cute little device that roams your house sucking up dirt, is about to hit closer to home. In Japan, so-called "carerobos" are now helping workers look after the elderly in assisted living facilities. In one facility, a large-eyed humanoid named Pepper leads the residents in song, while a robotic baby harp seal named Part responds to touch and sound, turning to and nuzzling patients who stroke or talk to it. Aibo, a robo-dog originally intended for the retail market, is being repurposed as a pet for the elderly. Pepper also helps monitor the corridors at night, and even leads exercise classes. A survey found that using robots encouraged over a third of the residents to become more active and autonomous.

Will robots get even more personal? A survey of 12,000 people of mixed ages worldwide found that up to 27 percent of 18-34-year-olds would be comfortable swapping out a human romantic relationship for a romantic—and sexual—relationship with a robot. Men were three times more likely than women to form such relationships.

Sources:
- http://www.impactlab.net/2017/12/09/japan-is-embracing-nursing-care-robots/
- http://www.impactlab.net/2017/12/09/would-you-date-a-robot-more-than-a-quarter-of-millennials-say-they-would-replace-a-human-lover-with-a-droid/

Why Rebalance

You probably know that your investment portfolio is being rebalanced on a regular basis, but you might not know why. Is it for higher returns? For maintaining the agreed-upon balance of investments that is in your risk tolerance comfort zone? Does rebalancing help manage portfolio risk?

The answer to the above is "yes," "yes," and "yes," but with a qualification. Rebalancing an investment portfolio is most importantly a form of discipline, a way to reduce the impact of those dangerous emotions of greed and panic on the investment process.

Rebalancing is necessary because all of the moving parts in your portfolio rise and fall at different times and degrees. During a bull market, stock prices rise faster than bond values, causing them to make up a larger percentage of the portfolio than you signed on for. Similarly, when the bear growls, stocks will fall faster than bonds, causing your portfolio to become more conservative. Real estate investments and commodities often rise or fall at different times than stocks or bonds, pulling your overall percentage allocations away from the target mix.

So what does rebalancing accomplish? When you rebalance, you're selling the assets that rose in price and buying the ones that went down. This discipline results, over time, in consistently buying when an asset goes on sale, and selling when the asset becomes more expensive.

There are three ways to rebalance. The easiest is to use whatever new money is coming into the portfolio, monthly or quarterly, to buy the assets that have gone down, allowing you to make consistently fine adjustments that keeps the portfolio at its prescribed allocations.

Another possibility is to rebalance at certain times of the year—every three, six or 12 months.

Or you could follow the most complicated process, and rebalance whenever assets deviate by more than certain set percentages from the baseline asset allocation.

A recent article on the Seeking Alpha website notes that rebalancing reduces portfolio volatility, because you are not allowing the stock allocation to rise in the portfolio during bull markets (which would set you up for a bigger drop when the market rise turns into a bear market).

An illustration in the article, using a simple mix of 60% stocks and 40% bonds shows that rebalancing using the percentage deviation method would have led to higher overall returns from the beginning of 2000 to January 2016. It found that wider bands produced higher returns (and fewer rebalances), although of course there is no guarantee that this would be the case in the future.

But perhaps most importantly, rebalancing gives you back, over and over again, the portfolio that you expected when you started, the portfolio whose expected long-term returns are incorporated in your financial plan, the portfolio you were most comfortable with when the investment process was first discussed. And when it comes to making decisions in a time of crisis, having a rebalancing policy in place ensures that they will be made with discipline, rather than emotion.

Source:

- https://seekingalpha.com/article/4075169-value-tactical-rebalancing?page=2

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Making That Impression

When you meet people, at work, in interviews, at parties, there is a lot of judging going on, and the good or bad impression you make usually isn't based on the words you say. A recent article in Forbes magazine suggests that you're most often evaluated on your unconscious behaviors, the things you probably never think about.

For instance? Apparently corporate interviewers are now in the habit of taking potential new hires to lunch, and watching how they treat the wait staff. If you're especially nice to the interviewers and other "important" people, but treat the waiter with disdain or indifference, then the conclusion is that you'd be a jerk with subordinates and support staff if hired into the office environment.

Checking your phone during a conversation is considered a sign of many negative things: a lack of respect, inability to give someone your full attention, poor listening skills, and, interestingly, a lack of willpower. At the least, it lowers the quality of face-to-face interactions.

People also notice how long it takes you to show interest and curiosity about them. We've all experienced conversations where someone talked about themselves the entire time; your conclusion is that they loud, self-absorbed "takers." People who ask questions and show an interest in the other person give off the impression that they will be reciprocators who work well in teams.

Showing up late for the meeting or engagement is always a turn-off to new relationships, leading people to think that you lack respect and tend to procrastinate—or, worse, that you're lazy or disinterested. Interestingly, research shows that this is usually not the case—that tardiness is typically seen in people who multitask, or are high in relaxed, Type B personality traits. But you should recognize the impression you're making, however fair or unfair it may be.

The point here is that what you say matters less than what you do when people are evaluating you as a friend, colleague, romantic interest or new hire. If you want to change how you're perceived, addressing these nonverbal tendencies would be a great start.

Source:

- https://www.forbes.com/sites/travisbradberry/2017/01/10/seven-small-things-people-use-to-decide-if-they-like-you/#45ea069a3ce1