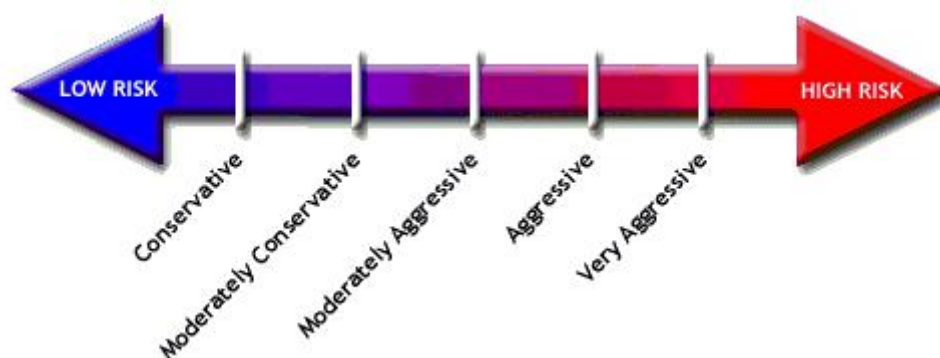


What is Investment

To **invest** is to allocate money in the expectation of some benefit in the future. In finance, the benefit from an investment is called a **return**. The return may consist of a gain (or loss) realised from the sale of a property or an investment, unrealised capital appreciation (or depreciation), or investment income such as dividends, interest, rental income etc., or a combination of capital gain and income. The return may also include currency gains or losses due to changes in the foreign currency exchange rates.

Risk Tolerance

Risk tolerance is the degree of variability in investment returns that an investor is willing to withstand in their financial planning. **Risk tolerance** is an important component in **investing**.



Risk Capacity

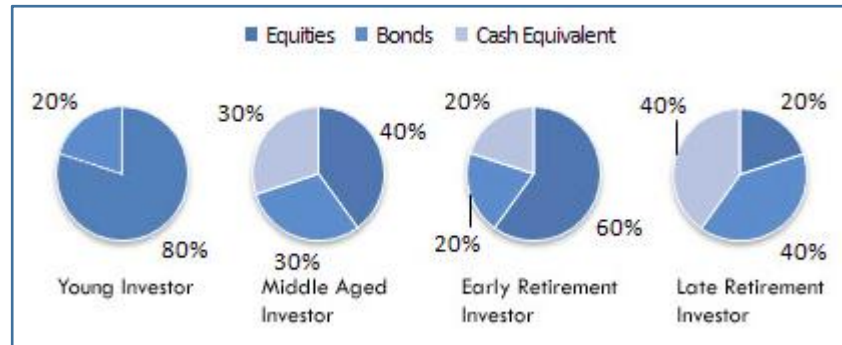
Risk capacity, unlike tolerance, is the amount of **risk** that the investor "must" take in order to reach their financial goals. Then, the rate of return information can be used to help the investor decide upon the **types of investments** to engage in and the level of **risk** to take on.

Required Return

The required rate of return is the minimum return an investor expects to achieve by investing in a project. An investor typically sets the **required rate of return** by adding a risk premium to the interest percentage that could be gained by **investing** excess funds in a investment.

Model Allocation

Model Allocation by age is one of the rule of thumb for investors. It can be categorize into;



- Young Investor
- Middle Aged Investor
- Early Retirement Investor
- Late Retirement Investor

Diversification

A diversified investment is a portfolio of various assets that earns the highest return for the least risk. A typical diversified portfolio has a mixture of stocks, fixed income, and commodities. **Diversification** works because these assets react differently to the same economic event.



“Don’t put your eggs in one basket”

Diversifying **your** portfolio by holding a blend of **investments** to help you navigate the volatility of markets is vital to achieving **your** financial goals.