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RETIREMENT PLAN ADVISORS

THE FUTURE IS BETTER THAN YOU THINK

# What is Risk?

Unfortunately, it is impossible to reap the rewards of investing without incurring some risk. Every investment carries with it a certain amount of potential reward (growth) and risk (volatility). Before you can understand the different types of risk, you should know some common investment definitions:

**STOCKS** – Stock is capital that a corporation raises by selling shares entitling the stockholder to dividends and other rights of ownership. Stocks generally offer the highest potential investment returns, but also involve the most amount of risk to your principal.

**BONDS** – Bonds are an IOU (debt security) issued by a company, municipality, or government agency. The bond issuer promises to pay the bondholder a stated rate of interest up to the date of maturity, when the issuer promises to repay the principal. The general rule is that when interest rates rise bond prices fall, and when interest rates fall bond prices rise. Bonds generally are considered fixed income investments, and generally involve less risk of loss than stocks, but also offer lower potential returns.

The following chart describes various risks associated with investing:

Term	Description
<b>PRINCIPAL RISK</b>	The risk that you will lose your initial investment money
<b>INFLATION RISK</b>	The risk that increases in the cost of living will eat away at the purchasing power of the dollars you invest today
<b>INTEREST RATE RISK</b>	The risk that interest rate changes will affect the prices of bonds and other fixed income investments and the amount of income investors will receive from these investments
<b>CREDIT RISK</b>	The risk that an issuer of a fixed income investment will default in paying interest or principal
<b>MARKET RISK</b>	The risk that unrelated forces (e.g., world events or legislation) will decrease the value of an investment
<b>ECONOMIC RISK</b>	The risk that the economic environment will decrease the value of an investment

The more familiar you are with the basics of investing, the easier it will be for you to develop long-term retirement goals and objectives. Your employer’s retirement plan offers you the opportunity to select investment choices that best fit your risk/reward tolerances over time until your retirement.

If you need help determining your long-term retirement investment strategy, please call our Retirement Plan Advisors representative, Debra Anton, at 316.210.5049.

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