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# Investment Risk

## What can you invest in?

There are four main types of assets to choose from and each one works in different ways and carries its own particular risks.

	Cash	Bonds	Property	Equities
Income options	Minimal	Yes	Yes	Dividend only
Capital growth potential	Very low	Low	Medium	High
Risk level	Low	Medium	Low-medium	Medium-high
	A savings account is low risk, as your money will only grow in line with interest, so there is little chance of growing your capital.	At the end of the term your investment should be repaid, but there is a risk of default on payments. This varies greatly depending on the issuer.	Income can fluctuate in line with the housing market. Property should be considered more stable than equities, but your initial investment is still not secure.	Equities depend on the fortunes of the companies you invest in. There is no limit to growth of an equity, but there is also no limit to how much they can fall.



All investments involve some level of risk, which is the possibility of losing some or all of your investment. The more risk you take, the more your investment could grow, on the other hand, the more it could fall.

## Risk simplified What is risk?



Risk is the possibility of losing some or all of your original investment. All investments have some level of risk.

- Capital risk**  
you might not get back your original investment amount.
- Credit risk**  
A company or government could fail to make payments on a bond.
- Currency risk**  
Your overseas investments might suffer when you convert them to a different currency

- Inflation risk**  
The value of your investments could be eroded over time.
- Market risk**  
The market could collapse, perhaps due to a major economic shock.
- Interest rate risk**  
Changes may affect your investment



In general, higher risk investments have a higher potential return, and lower risk investments have a lower rate of return.

## How much risk to take?



To find the amount of risk that's right for you, you need to think about your plans. How much time do you have to let your investment grow? And how much money will you need at the end of this time?

**Strike a balance**  
A high-risk investment could involve losing money in the short term, but your investment could grow in the long term as there is time to recover from short-term dips.



Taking too little risk in the long term could lead to you not having enough money at the end of your term, if the interest rate is less than inflation. But your savings would be safer in the short term.