

Name \_\_\_\_\_



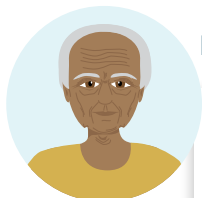
**ASSET ALLOCATION  
ACTIVITY SHEET 1**



# Can You Handle the Risk?

All investments have risks. For example, if you own shares in a company that goes out of business, that share will lose value and you'll lose money. On the other hand, if you buy shares in a company that really takes off, your share will go up in value and you'll make money.

Many young people—like Nikki—are willing to take on higher-risk investments because even if they lose money, they know they have many years to make up for the loss. Someone like Nikki's mum, who is closer to retirement, will typically reallocate to lower-risk investments, since she will need to withdraw her money soon.



**Directions:** Match the person with the appropriate investments.



Person

Investments

1. Desmond, an 85-year-old retiree

a. 100% invested in a managed fund

2. Carmen, a 30-year-old attorney

b. Managed funds with 80% shares, 20% bonds

3. Indira, a 55-year-old electrician who expects to retire in 10 years

c. Managed funds with 50% shares, 50% bonds

d. Managed funds with 30% shares and 70% bonds



SHARES

BONDS

**Explain your answer:**

Desmond:

Carmen:

Indira:

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Answer Key (explanations will vary): (1d) Desmond needs the income and relative safety that a higher percentage of bond funds gives him because he no longer has income from a job. He keeps a smaller percentage of shares to guard against the effects of inflation. (2b) Carmen can afford to accept the higher risks but higher potential reward of shares because she has a high-paying job and has many years until retirement to weather the ups and downs of the share market. (3c) Even if the share market declines over the next 10 years, Indira still has a good-size investment in bonds that will give her a secure income as she enters retirement.