

## Investment Risk Management By Gary Case

Recently I have been writing about specific risk management techniques for protecting your person, your money and your assets. In reality, almost everything we do in life involves evaluating potential desired outcomes against the risks inherent in seeking those outcomes. By better understanding risk, you are better prepared to manage it.

There are myriad agencies and bureaucracies (from OSHA to the SEC to the Attorney General's office) whose job is ostensibly to help us protect ourselves from the risks that we face, whether or not we chose the risks...but can they take the place of us understanding and acting to help ourselves manage the risks we face?

When considering your investments, you may recall being asked this question. "What is your risk tolerance?" In many ways, I find that question puzzling. The reason is that I cannot conceive of someone purposefully choosing a course of action without considering the risks, but here is the rub—to truly manage the risk associated with your investment portfolio, you must either develop a specific, disciplined strategy of security selection, buying and selling criteria, etc., or you must entrust your portfolio to someone in whom you have confidence to act on your behalf—to manage the risks the way you would if you were going to put forth the effort yourself.

It is common for someone to approach me with a question about whether to hold a certain stock, bond, or fund in their portfolio (usually when it has lost significant value). Often times, that position may be the majority holding in their portfolio. I ask them how they came to own the position, why they feel it should be in their portfolio, and what would cause them to eliminate the position. All too often I do not get an answer! Do these people have a high "risk tolerance" or are they simply living in a state of denial regarding their investments?

When you address your investment portfolio—whether you manage your portfolio yourself or outsource it, you should have an investment policy statement in place that guides you and your advisor in evaluating, purchasing, holding and selling investments, whether stocks, bonds, gold, real estate, CDs, etc., etc.

Your financial planner can assist you in drafting and implementing an investment policy statement—and remember, this is not a one-time, never-look-at-it-again proposition. Markets and our lives are dynamic! Regular reviews are critical to your ongoing success and feeling of security.

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