

FACT SHEET

Risk Meter

Determining the risk associated with various investments can be quite difficult and many factors can influence investment risk. This leaflet shows a number of common investments and their potential risk and return, their ideal time frames and the types of risk that they may be exposed to. It has three main components which are listed below.

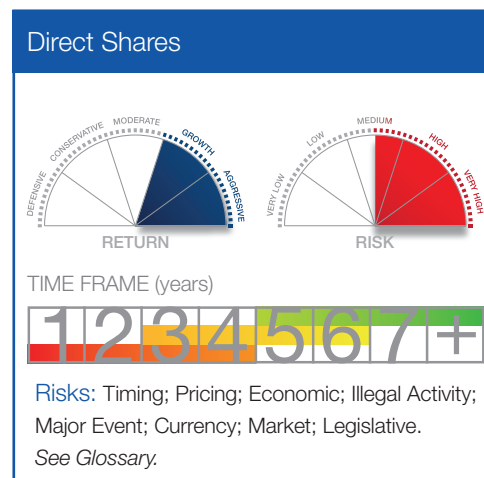
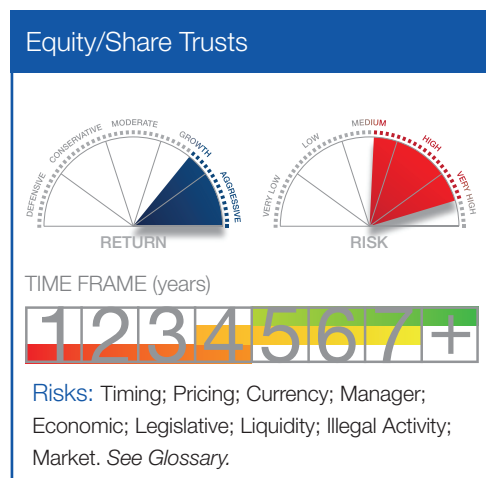
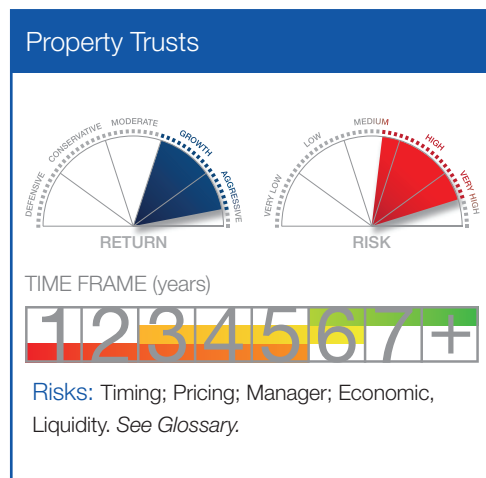
The **time frame** indicator shows the ideal length of time to hold the investment (shown is green). Holding the investment outside these time frames (shown in red) could increase the level of risk that may affect the investment as shown on the risk meter.

Time Frame Indicator Key



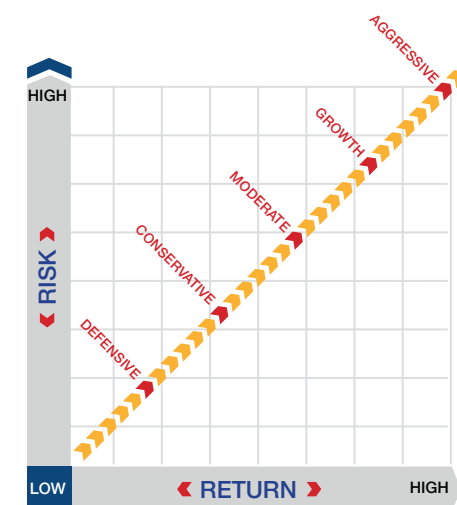
The **return meter** is designed to indicate where the investment may typically fit with consumers desired or expected returns. Consumers expectations are usually related to their risk profile and needs and objectives.

The **risk meter** is designed to indicate the risk level that the investment may typically be exposed to, especially if it is invested outside the ideal time frame as shown on the time frame indicator.



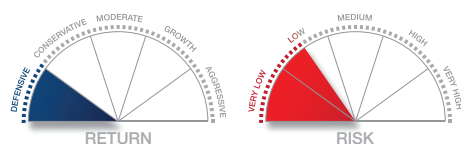
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Risk Meter



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Term Deposits and Government Bonds



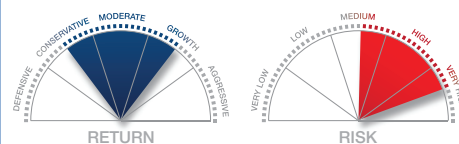
TIME FRAME (years)



Risks: Liquidity; Inflation; Economic.
See Glossary.

Debentures

(High Yield, Unlisted, Unrated)



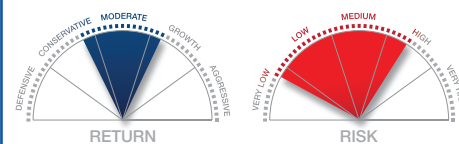
TIME FRAME (years)



Risks: Liquidity; Inflation; Economic; Illegal Activity. See Glossary.

Managed Funds

(Balanced)



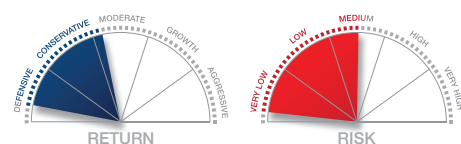
TIME FRAME (years)



Risks: Timing; Manager; Economic; Currency; Markets; Illegal Activity. See Glossary.

Managed Funds

(Conservative & Defensive)



TIME FRAME (years)



Risks: Liquidity; Inflation; Economic; Illegal Activity; Pricing. See Glossary.

Debentures

(Other than High Yield, Unlisted, Unrated)



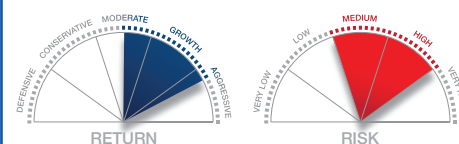
TIME FRAME (years)



Risks: Liquidity; Market; Illegal Activity. See Glossary.

Managed Funds

(Growth)



TIME FRAME (years)



Risks: Timing; Pricing; Manager; Economic; Currency; Illegal Activity; Liquidity. See Glossary.

Glossary

- Defensive:** High security, short time frame (1–2 years) and low returns.
- Conservative:** Medium to high security, short to medium time frame (1–3 years) and low to medium returns.
- Balanced:** Medium security, time frame (3–5 years) and returns.
- Growth:** Lower Security, longer time frame (minimum 5 years) and higher returns.
- Aggressive:** Low security, long time frame (minimum 5–7 years) and high returns.
- Fixed Interest:** Mortgage trusts, Bonds, Income funds.
- Debentures:** A fixed term investment where funds are on-lent/utilised for various purposes.
- Liquidity Risk:** Not easily converted to cash.
- Manager Risk:** Changes of manager/ personnel/investment philosophy.
- Inflation Risk:** Investments do not keep pace with inflation.
- Legislative Risk:** Government changes to rules/regulations.
- Economic Risk:** Effects of the current National/International Economy.
- Illegal Activity Risk:** Losses due to fraud/ embezzlement etc.
- Markets Risk:** Volatility of financial markets.
- Timing Risk:** Entering and/or exiting the market at a time that proves detrimental.
- Pricing Risk:** Value of investment can decrease with market movements.
- Currency Risk:** Movement in value of foreign currency.
- Major Event Risk:** Man made or naturally occurring events e.g. cyclones, bushfires, tsunamis etc.

For more information on types of Risk refer to our booklet *Safety, Risk and Scams*.

Australian Securities and Investment Commission (ASIC)/Moneysmart

www.moneysmart.gov.au or 1300 300 630.

Australian Competition and Consumer Commission (ACCC)/Scamwatch

www.scamwatch.gov.au or 1300 795 995.

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