

Determining what kind of investor you are

Of all the factors you should consider when developing your plan, two of the most important are your investment objective and risk tolerance.

All investors have objectives or goals, such as seeking income, growth & income, growth, trading, or speculating. All investors also have risk tolerance, which is the amount of risk of loss they are willing and able to tolerate in order to achieve their investment goals. Although all investments involve risk, including the potential loss of principal, some securities, such as equities (stock), among others, involve more risk. Higher risk investments may have the potential for higher returns, but also have the potential for greater losses. Generally speaking, investment objectives are on a spectrum, with “Income” investors generally holding the smallest percentage of higher risk investments and “Trading and Speculation” investors holding the largest percentage of higher risk investments. Similarly, risk tolerances are on a spectrum such that an investor with a “Conservative” risk tolerance will accept less risk than an investor with a “Moderate” risk tolerance; a “Moderate” investor less than a “Aggressive” investor; and a “Aggressive” investor less than a “Trading & Speculation” investor. The “Aggressive” investor accepts short term market volatility associated with a large proportion of higher risk investments because he or she has a long term time horizon and seeks the higher long term return potential associated with these higher risk investments. Below are descriptions of the combined Investment Objective and Risk Tolerance, listed in order of least aggressive to most aggressive for both (Investment Objective and Risk Tolerance) categories.

Investment Objective - Income

Income investors seek a maximum amount of income given their risk tolerance, and are willing to forgo capital appreciation and growth of income. **Risk Tolerance:**

Conservative

Conservative Income investors seek the maximum amount of income consistent with a modest degree of risk. They are willing to accept a lower level of income in exchange for lower risk. Equities and high yield bonds will typically not be a large percentage of the account.

Moderate

Moderate Income investors seek to balance potential risk with increased income potential. Equities and high yield bonds will typically be some percentage of the account.

Aggressive

Aggressive Income investors seek a significant level of income, and, due to their long term time horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential income. Equities and high yield bonds may be a significant percentage of the account.

Investment Objective – Growth & Income

Growth and Income investors seek current income, but also seek income and capital growth over time. **Risk Tolerance:**

Conservative

Conservative Growth and Income investors, seek the maximum growth and income consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities will typically be some percentage of the account, and will typically pay dividends.

Moderate

Moderate Growth and Income investors seek to balance potential risk with higher potential growth and income. Equities are typically a significant portion of the account, and will typically pay dividends.

Aggressive

Aggressive Growth and Income investors seek a significant level of growth and income, and their long term time horizon and/or other factors allow them to pursue higher risk, more aggressive strategies that may offer higher potential returns. Equities are typically the primary asset in the account, and will typically pay dividends.

Investment Objective – Growth

Growth Investors do not seek account income and their primary objective is capital appreciation. **Risk Tolerance:**

Conservative

Conservative Growth investors seek maximum growth consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities will typically be a significant portion of the account.

Moderate

Moderate Growth investors seek to balance potential risk with their goal of higher potential growth. Equities are typically the primary asset in the account.

Aggressive

Aggressive Growth investors seek a significant level of growth, and due to their long term time horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential returns. Equities may be as much as 100% of the account.

Trading & Speculation

These investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for significant loss of principal.



790 Lindero Street, Suite 300, San Rafael, CA 94901

(415) 257-2508

Email: michael.gorton@wellsfargoadvisors.com

Website: www.gortonwealthmanagementgroup.com

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