



16. UNDERSTANDING INVESTMENT RISK AND RETURN

This Course Provides:

4 CE Credits Life

4 CE Credits A&S (All Provinces except Alberta)

2 CE Credits General (P&C) (All Provinces except Alberta)

What will the Advisor learn by taking this course?

A financial advisor is required to know his/her client, including their tolerance for taking risks.

It's your client's life and their money, but how can an advisor really know their attitude of what risk they can accept unless the advisor gets to know the client and how they would handle any interest and market fluctuations.

Risk has multiple dimensions. One side is just the client's willingness to take risk, or they have aversion to risk. Another side is the client's capacity to endure financial loss.

For example, if the client is on a fixed income, based on their investments, chances are that they would be interested in low market risk investments. Risk perception is the final dimension

Our job as a financial advisor is to always review a clients' tolerance and discuss their capacity and perceptions of what real risk is in their portfolio.

Risk aversion can be just as problematic in a portfolio as risk taking. A clear understanding of potential financial outcomes is the most important factor in being able to gauge market fluctuations which then can be matched with a tolerance level.

This course will cover:

- The 7 types of investment risks and how to protect against them.
- Definitions and explanations for various investment terms such as Probability Distribution, Reinvestment Rate Risk, Risk Tolerance and many more.
- Benefits of a well-balanced portfolio.
- The primary sources of market risk and how to deal with them
- How risk and returns can affect your client's investments.

- Living with risk and returns.
- Inflation and how to protect against it.
- How to measure risk using Alpha and Beta.
- Asset allocation and what to look for.
- The 4 principles of liquid risk management
- Risk control and financing alternatives.
- How to transfer various risks.
- Women and their investing principles and habits.
- An extensive look at the “Know Your Client” rule
- Various regulatory compliance requirements.