The Australian Finance Podcast Episode Transcript

Episode: Risk profiles: are you really a high growth investor?
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Speakers: Kate Campbell & Owen Rask
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Episode transcript:

Owen:
Kate Campbell, welcome to this episode of the Australian Finance Podcast.

Kate:
It is wonderful to be back on, to talk about a very exciting topic today.

Owen:
Yeah. It's probably the most exciting topic that anyone has ever covered in finance, which is risk, risk profiles, risk management, how you determine risk for yourself and your investing, your portfolio and all that sort of wonderful stuff. We're going to try and use as many examples as we can because the risk profiling, at least the way that we've done it as an industry has been very abstract and we try to make it one size fits all and then expect people to follow that. And oftentimes they never really understand why they're in this a particular place or what have you. Financial advisors do a great job, but we're going to try and help you to do it yourself and to try and think about where you should be investing and where you can consider what's an appropriate level of risk to take. So Kate, I guess, just to start us off, we'll get to what risk profiles are, but how does understanding risk help us at all?

Kate:
When it comes to investing, it always involves risk unless you're putting your money in a term deposit. And I think we often only look at it with what's the risk level of that product, what's the likelihood that I'm going to lose money when I invest in that, but we don't actually think about our own tolerance to risk. And it's very easy, as we've said in the past on the show, it's so easy to say you're a high risk investor until stuff hits the fan. And for many of us that have just been investing the last few years, we have had a fantastic time in the market and it's been very easy to perform well without actually having to know too much at all. And I think it's really important for people to be prepared. And maybe a lot of this stuff we're going to be talking about, it's more about internal reflection and talking through it. It's a bit more philosophical say than just facts and figures, because I can't just look at you and say, you're a high risk investor, or you're a conservative investor.

Kate:
It's something you have to work out for yourself and you might even be wrong when you're trying to figure that out because you might think that you are, but then when you see your portfolio drop from $100,000 to $30,000, not $30,000. It drops to $70,000. Let's say the market fell 30%. That's a really scary experience. And even the most experienced professionals would still be pretty nervous during that time.

Kate:
And it's more about coming to terms with how you as a person are going to react to that because you can have the best portfolio set up in the world. You can know everything there is to know, but if you can't work on your behaviour and how you're going to react and how you're going to feel in that circumstance, it can definitely lead you astray and it can ruin the best laid investing plans.

Kate:
So I think this is a really good episode. And we're going to give you some reflection questions to think about because this'll help you stay calm in a period of market volatility. It'll help you work out what you want to invest in, how much you want to invest in different asset classes. And I think we just want to reiterate, it's a very personal thing and it's going to have to be... You can always go to a financial advisor and they can write you a plan and tell you what your risk profile is based on a 30 question questionnaire, but they're relying on you being truthful to those questions. And sometimes you don't even, you think you're being truthful, but maybe deep down you're not. So I think that's some of the stuff we'll explore in today's episode, Owen.

Owen:
Yeah. And this is where we... I saw this as an industry many years ago when I was coming into the industry and I was learning about these things called risk profiles, how black and white we try to make it but it's not. And the idea is that basically you want to have a plan, some type of plan in place to invest for the long term, because the plan allows you to make better decisions under pressure. It's something that you can refer back to when things do go wrong because they do eventually. We saw that in 2020 with the COVID market crash, there was so much fear

and uncertainty, all of the headlines were really negative and really scary, not just from a financial perspective, but also from a societal perspective, from a health perspective.

Owen:
And people just didn't know what to do. And so you've got to imagine that type of environment and that's where a plan helps, but most plans are built upon this idea of what's most appropriate for me and, or us if you're in a couple. And the way you determine what's appropriate is basically you start to think about, "Okay, what could go wrong? And what's my downside? What's my risk here and how do I take an acceptable amount of risk?" And the way we do that is we take what's happened in the past. So we take the returns of investments, the ups and downs, the volatility. And then we say to ourselves, "Based on what we know from 10, 20, 50, or a hundred years of financial history, how can we formulate a plan that stays within the risk constraints?"

Owen:
So going into the future. But it's important to remember that we think... Well, we know that based on averages, the stock market crashes probably every five to seven years. So the first thing to do is prepare for yourself in your mind, knowing that the stock market is going to crash. So that's a fall of 20% or more. So that's just like, you have to accept that that's coming. Regardless of whether you think it or not, it's coming because it is. And the second part of it is basically just understanding that the next market crash is going to be different to the last one. History doesn't repeat itself, it rhymes, but it doesn't repeat itself.

Owen:
And so what I mean is the big crash of 2008 and 2009 was the GFC, which was caused by financial leverage. Basically people taking on way too much debt to buy a property and so on and so forth. The last crash, the last meaningful crash for a lot of people was COVID and that was caused by a pandemic. Totally different. The next one I dare say is going to be totally different again. So no matter what you think, it's going to be uncertain. And so you have to find a way to deal with that uncertainty. And the way we try and think about it is through something called a risk profile.

Owen:
So Kate, can you explain to us basically what a risk profile is? I know you've done some digging here from the CFA Institute as well. How do financial planners and companies go about this and what are things that they take into account to decide what is a risk profile?

Kate:
Yeah. So risk profile is a term you'll see if you talk to a financial advisor and it's also something you'll see when you're looking at your Superfund's website and looking at the different options, or maybe looking at a Robo-Advisor's website or a micro investing app. So you'll see this term around. So I think it's a little bit... It's a good idea to look into it. And financial advisors will often use the term risk profile when they're determining the level of risk that you would be willing to take with your finances and then using that information to determine the most appropriate

financial products and investment strategies to give to you. And this is often done, they'll give you a questionnaire and that might ask questions like, do you need the money in the next five years? What would be your reaction if your portfolio felt 10%, 20%, 30%?

Kate:
If the market felt 30%, would you be more likely to invest more money? Do nothing? Sell all? Sell parts? So they'll ask all these questions to determine what type of investor you are. And they might put you into a category like you're a conservative investor, and they might then offer you a strategy that has a greater proportion allocated to bonds and cash and some defensive assets that we talked about in a recent episode. Whereas if they put you into the high growth investor category, you might have a greater proportion of your portfolio invested in Australian and US shares and emerging markets and small companies. And it's a tool they use to allocate your strategy. And this will often be part of that extensive statement of advice. And it's really looking at your willingness and capacity to take risks with your money during your individual investment timeframe.

Kate:
So even though I'm someone in their mid 20's, I might only have a 10 year investment timeframe before I want to do X, Y, Z with my money. And so suddenly that might change my risk profile. And so I could be the same age, same person, but it depends on what my goal is. That would change my risk profile. And one of the CFA Institute describes risk profile as a blanket term to describe the various facts and investor traits that need to be taken into account, to identify suitable investments for an investor. And you'll often see this on your Superfund's website as well. They'll say, this portfolio is for high risk investors that have a seven plus year timeframe, or this is a conservative option for investors with a lower risk profile. So they'll use this term to describe what product might be appropriate for you. And then when it comes to your Superfund, it will be up to you to decide what you want to do with that information and which product you want to choose.

Owen:
Yeah. So you had some great self-reflection questions there. One of the things I think about is basically how long do you have to invest? And you touched it on there. If you've got 10 years to invest, you should at least according to theory, be able to take more risk than if you have say three years to invest, but there are other elements. Timeline is only one thing. So your Superannuation fund can afford to invest for the long term because it's got a lot of time to recover and grow. So, after most market crashes, the stock market has grown or most financial markets have grown. But the other thing about Super is you can't touch it. You can't withdraw the money. So, whereas in a personal investing account, you can say, "Oh, I'm going to invest for 20 years."

Owen:
But then at the next market crash, you pull your money out, which then proves that there's something else that was in there that not just a timeframe that impacts your risk profile, and oftentimes that how much you know about investing. So this is something that is really important

too. The more you know about how the financial system works, the more confident you will be. Like for example, no doubt, if you're listening to this podcast, you've heard someone say, "But stock market is like gambling," right? And then, you know that is without a doubt, the biggest fallacy about investing that's ever been put out there. It is nothing... The stock market is totally different to gambling.

Owen:
And the reality is the people that say that know nothing about actually what the stock market is or what companies are and what they represent. I'm not saying this to be rude. It's just that their level of understanding is quite low and they use this generalisation because it involves numbers and money. But the more you know, the more likely you are to make a more informed decision. And that's just a simple truth, the more you know the stock market represents ownership of businesses, the more likely you are to pick good businesses or to pick ETFs that invest in things that you believe have a long term future. And then the third thing is that I'll bring up is basically something that we just talked about off air Kate, which is something called our temperament.

Owen:
And this is a much harder thing to define than our level of understanding of investing, which you can say, "Oh, I've been investing for five years. Therefore I'm more experienced and I know a bit more for sure," but when it comes to your temperament, it's actually really hard to define what your temperament is or isn't. And I find that having more education helps you be more calm, under pressure. Having more money in a stable income helps you react less impulsively to stock market declines because you're not as worried, but the temperament piece of a risk profile in my opinion, comes from a whole host of different things. And one of the things that we talked about was basically the environment that you're brought up in and your basic attitude to money. So Morgan House who wrote this in the book and I know we both like this line, which is in his book, The Psychology of Money is, "It has more to do with how you behave than how much you know, or how smart you are."

Owen:
So, being good with money has more to do with how you behave. And a lot of us have relationships with money and investing that are rooted in things that are different and not what you expect. So for example, I'll let you bring up the CFA Institute one in just a moment, Kate. But for example, I remember watching a presentation by Morgan, which showed that people that were born during the depression era, so in the 1930s. They were almost exclusively invested in cash because they were so scared that another depression would come. People born in the '70s and grew up in the '70s when inflation was very high wouldn't invest in the stock market and wouldn't keep their money in cash. They might put it in bonds and people that are born in the '90s and the 2000s are much more likely to invest in the stock market because the stock market has performed exceptionally well.

Owen:
And so the environment around us actually influences who we are as well as that's the macro environment, as well as the people around us and our risk profile as well, and our attitude

towards money. So this is just like a big picture thing. And it's pretty hard to bring that back to reality, but Kate, you found something interesting from the CFA Institute as well, which talks about kind of adolescents.

Kate:
Yeah. And I think we often talk about unpacking how our parents and close relatives spoke to us about money. But it actually goes even further than that, because one of the studies, the CFA cited a research study which was on the formation of risk preferences for individuals between the age of 16 and 25 found that this is the period in which most individuals form their beliefs about the world society and life in general. And even if your parents didn't speak to you about money, they may have spoke to you about a lot of other things to do with their approach to risk and decision making. And even in school, all of this shapes who you are today. So you might go, "Oh, I don't need a... I spoke to my parents about money, or I didn't speak to my parents about money," but it's also about thinking how was risk in your childhood.

Kate:
Did you take risks? Was this seen as a bad thing to go out of your comfort zone? And another interesting thing they cited was that individuals who experienced at least one recession during those formative years, between around 16 and 25 exhibited, politic... Sorry, exhibited political and economic views later in life that were different from those who did not. And this really changed the way they invested down the track and individuals could change their behaviour of how they approach risk between that age. But it did take a lot of work and they recommended looking at, talking to your relatives and seeing how they approach all types of risk and not just about financial and even writing down how you feel about different events.

Kate:
And when you start investing, as we've mentioned before, even keeping a diary and so you can actually look back and see, how did you feel when you saw that company go down 10%? How did you feel when you made your first investment? How did you feel when you learnt X, Y, Z? And just using that to even really unpack your childhood perceptions of risk when you make financial decisions. I think that's a really important thing to do.

Owen:
Yeah. It's fascinating, isn't it? So we talk about environment, having a very big impact on the attitude to money. Obviously there's a massive debate around nurture versus nature and biology and science, generally speaking, but in finance, I think it's particularly the case. We spoke to Tashinvest from Instagram and she spoke about how around the dinner table, they used to talk about money. Whereas, many families it's taboo to talk about money. Like for example, many people don't like to talk about what they earn, right? Their salary. And we're taught, "Oh, no, no, no, you don't ask how much someone earns or, oh, you don't ask someone what their net worth is or how much money they have. Oh, you don't talk about that stuff." Well, why not? Why not?

Owen:
And that's just one of those things that we carry with us as a society that teaches us that it's not okay to talk about money and it's not okay to put yourself out there and talk about money in a way that's open. And I think the more people do that, the more likely you are to look upon the world of investing, in the world of money in a much more positive way and a much more proactive way. And you can deal with these things rather than putting the head in the sand. But if we're just coming back to making this more actionable for our listeners, I think Kate, you brought up before that if you go into your Superfund or your Robo-Advisor or wherever you will see risk profiles, they'll basically have investment strategies named after risk profiles.

Owen:
So they'll have things like conservative, balanced, growth, high growth. And if you think about that conservative would be conservative risk profile. Balance, meaning that you're somewhere in the middle, which historically we would take that to mean 60% in shares, 40% in bonds. That's typically balanced. Growth means higher risk. So you would be more shares. So you'd be maybe say, 75% in shares and 25% in bonds and high growth equals high risk, which might be 80% or more in shares and 20% or less in bonds. And that's basically how we've aligned risk profiling with investment portfolios. And then, we talked about this in the Facebook group and there's a massive thread on this, but basically that's how we've relied the usefulness of a risk profile with what we then go and do in our portfolios. But as you've learned in this discussion, there's actually a lot more to it than just numbers in a spreadsheet.

Owen:
You've also got to be comfortable and understand how you would feel in certain scenarios. Just some of those reflection questions that Kate's put together, which are also available in a article that she's written up, which we'll put in the show notes are really important. One of the things we did for our members recently for our risk invest members and our ETF members actually is we put out a document called an investment guide. And basically it's 15 pages of self and you ask yourself. It covers everything basically. It says, how many shares do you want? How many ETFs do you want? What kind of long term goal do you have? What is your risk profile? What's the best? Where do you think you sit on the risk profile? What are you going to do when the stock market falls? How are you going to rebalance your portfolio?

Owen:
And just doing exercises like that and self reflection exercise is actually a great insight into how you actually fit, find yourself as an investor. And to your point about having a diary, tremendous, tremendous mental strategy, because then you can go back and you can look and you can say, "Oh, in my diary, on March 22nd, 2020, I was really freaked out about the stock market. But a month before that I was investing heavily in after pay shares. S maybe I wasn't as high risk as I thought I was." The only way you really know that is if you self-assess and you write those things down. So I think those are some really interesting things anyway, I thought I'd bring that up.

Kate:
Yeah, absolutely. And you just don't know because you look at your Superfund website, it's very clinical, "Hey, here's a high risk profile. This is suitable for someone with this kind of risk profile in this timeframe. You might experience a market crash in one of every X, Y, Z years," but it doesn't tell you how you're going to feel when that happens. And that's something you have to work out for yourself and we've put down a range of different reflection questions for you when you are trying to like work out where do you sit with the risk profile. I mean, I don't have a document personally that says I am a high growth investor. It's more of something internally that I know and understand, and I've taken the steps to action, but I thought maybe these questions you might benefit from actually journaling, reflecting on and jotting some notes down.

Kate:
So I thought I'd share a few of you today. And one of the first ones I wanted to talk about was when you actually plan on withdrawing money from your investments, because that's really going to change your risk profile, what you should be investing in and what you do there. Because if you want the money in the next couple of years to buy a property, this is really going to change the risk profile view as an individual, rather than if you're using the money for retirement. And just think about your... Not all your portfolios and investments have to be... You don't have to be high growth when it comes to every investment.

Kate:
When it comes to your Superfund, you might be high growth because you know you've got 40 years before you need to use it, but your money outside of Super, you might actually need it in the next five years. And so you take a very conservative approach to the investments and you keep most of your money in cash for that house deposit or whatever you have planned. So I don't think it doesn't need to have to be a, be your end or you don't have to be one single type of investor. You can have multiple different approaches to investing in different areas of your life.

Owen:
I think yeah, that's really, really interesting is people don't really compartmentalise where things are held. And I think if you can't touch Super for a long time, then that should treated differently than the money you can touch.

Kate:
Yeah.

Owen:
So that's really interesting as well. I like your second point here Kate, which is how secure is your current and future income from sources like your salary and your other investments? I think that's super important too.

Kate:
Yeah. Because if you are in a really insecure industry, if you are in a casual role that might mean you do need to have a greater emergency fund before you consider investing, because you

don't want to be forced to sell your investments when stuff hits the fan. Because as we saw in March last year, the market crashed at the same time as a lot of people were made redundant or we're out of work. And it wasn't quite the market for finding a job right then. And so a lot happens at the same time. It's not that the market crashes and every other area is fine. It's often the market crashes and other things are going on. So it's important to really take that into account.

Owen:
I think you saw an example of that during COVID when you found out which industries are considered essential. We all have a clear definition of what is an essential worker now. And I think that can give you an idea of the most secure jobs in our society are things like emergency services for example. Those types of businesses tend to be very stable. You tend to get contracts or full-time employment. It's backed by the government, et cetera, et cetera. But if you're in some of the less secure jobs, unfortunately, that happens to be a lot of hospitality, even to some extent some construction-

Kate:
In arts industries.

Owen:
Arts industries, these types industries, entertainment industries, these tend to be less secure jobs. And you know this because a lot of people in these industries have ABNs and work on contract and those types of things.

Owen:
So chances are, if your income is more secure, you feel more secure in taking risk. We've had some of our members have written in the past and said, "I've lost my job, but thanks to the podcast and building that emergency fund, I was able to go six months and then find another job within that time. And it kind of provided that safety net. Otherwise I wouldn't have done that." So having your personal finances in order and trying to secure that stable income definitely helps. So yeah. Take it to someone who runs a small business. They're pretty sketchy at time. So if you're in a small business, as opposed to a big business, you might feel less secure again. But having that cash buffer definitely helps. Okay. Kate, what's the third self-reflection question?

Kate:
Yeah. And the next one is when you are thinking about your investments and you're making invest decisions, considering the impact of possible losses or gains, we often go into an investment going, this is a sure thing, or this is going to be one I need to invest in to become a millionaire by the age of 50 or something like that. But we don't often think about the downside and that's not really fun to think about. It's not really exciting to invest your money, invest a thousand dollars and go, "Oh, but it could go down to $700 or $500, or if you're investing in a share, it could go to zero." That's not the exciting part to think about. But I think to have a really realistic picture, and this often helps writing down why you're investing in this ETF or this

company. Actually thinking, well, what is the potential downside and how will I feel if that eventuates and what are the pros and cons of making this investment?

Kate:
And I think we touched on this a bit now, decision making episode is actually looking at both sides and even writing down, if this investment falls 30%, this is what I'm going to do. I'm going to do nothing or do I actually want to own this company if it falls 30%? What will I do if it falls 10%? Just running through some different scenarios and essentially once you start making larger investments, it's good to have this all written down and you can come back to it to avoid making a decision in the moment when you're scared, when the media is telling you that the sky is falling, when your friends are telling you, you're in a really bad investment and you need to get out today or you're going to lose even more tomorrow.

Kate:
You can come back to this piece of paper and go, "Hey, this is what I intended in the first place." Has anything actually fundamentally changed apart from the market doesn't value the company at the same prices it did yesterday, or something like that?" It's a little bit different with ETFs, but just having that down when you're in a sound frame of mind that you can come back to when you're not in the sound frame of mind is really important.

Owen:
Like we've talked about some podcasts on the show, some ETFs on the show recently, we've seen some ETFs come to the market. Like some of the more recent ones include the Semiconductor ETF by ETF securities, we've seen other ETFs come to the market, like the Hydrogen ETF, CLNE ETF, which we talked about not too long ago, the CLNE. Many different ETFs have come to the market that sound really fascinating, right? They target really exciting sectors, but there is a lot of downside risk to these ETFs too. These are probably some of the higher risk ETFs in Australia right now. And yet most people invest in them not thinking about those downside risks. So that's why it's always important to think about that. And this is not just us just saying this. Warren Buffet's two rules for investing are, "Don't lose money."

Owen:
And then the second rule is, "Don't forget rule number one." But if you read books like, The Outsiders by Will Thorndike, which is a good, fantastic business. And Warren Buffet is one of the eight CEOs actually profiled in that, or even Value Investing by [Sunnkin 00:28:30] and a few others. And these books actually profile in great investors. And what they actually find is that the first question that any of them ask is, how could this go wrong?

Owen:
And so it's knowing that, "Okay, if this does go wrong, what's the worst that can happen? If it does go well, what's the most upside for me?" And it's important to ask in that order, because if you're not asking in that order, you're probably blinded. You're probably just going to something bushy eyed and you're just going straight for it. So a bright- eyed, a bushy-tailed. So like you're just going straight into it. And I would say consider that risk first. That's a great point. Kate, the

next one is just circling back to what we talked about earlier. How much do you know about money and investing?

Kate:
And that education piece is so important. I mean, according to the ASX data, a lot of new investors have jumped in the last two years because I mean, everyone's had a lot of time on their hands to start investing for the first time. But if you haven't done your homework and actually put in the work to understand how ETFs work, what is the product, how's it structured? How does the share market work? What are the different industries? What does the last a hundred years look like? Even looking at some of the Vanguard Asset Class Charts, which actually show you that the last a hundred years have not been a smooth ride on the market. I think it's really important to actually go back and get some of those foundations first, because that will make you much more comfortable in the long run in understanding the risks and rewards of investing.

Kate:
And that could be through taking our free ETF and share investing courses on RASK Education, listening to some awesome finance podcasts to get a really diverse array of viewpoints and to bolster your understanding of the industry as a whole and reading books by those much wiser than us who have been around for many decades and have seen the good and the bad of investing. I think that will give you a much more well rounded picture and it will hopefully help you make better decisions in a period of market volatility when emotions are running high and you are at risk of making a decision that's not great for your financial future.

Owen:
Yeah, totally. I just think the more you know about investing the better you'll be in that type of situation and having good resources too. I remember... I'm going to butter my own bread here, Kate, so apologies. But I remember during COVID, the CBA analysts come out, it probably was taken out of context, but there was a line that effectively said, house prices could fall 32% over the next 12 months. And that is what the media ran with. And it was just blood in the streets kind of thing. Well, that did not happen. In fact, in many places, it went the opposite direction. And during that time we were saying, "Just chill out, it's fine. It could actually go the other way." And it did. And so having resources around you to learn and to cope with that are really important, especially if you haven't experienced a crash in your first time that you said so many people that are coming to investing now haven't experienced that.

Owen:
But also so many of the people that are giving you advice, haven't experienced that either. So ask them too, how they reacted during that period as well, because they may not have experienced it.

Kate:
Yeah.

Owen:
And sometimes you just have to experience it to know how you're going to go.

Kate:
Yeah. And if you can find any, maybe slightly older investors in your life or your community or your network that have been investing for a few decades and maybe ask them what happened in '08, '09, did that affect you? Did you change the way you invest? Did you just keep going on with your life and it didn't affect you at all? Even if you can find someone who's far back as like the 2000 tech crash. I know I've spoken to a few family members who some came out of that quite negatively. And so just understanding that even if you can't experience yourself, can you learn from some of the experiences of those around you who have gone through that period?

Owen:
Yeah. I think it's fair to say that Kate. It would be much better to earn 10% a year for the next 20 years than it would be to try and earn 50% for the next two. If you can try and earn 10% for the next 20 years, you're going to set yourself up tremendously well, because we know that we've done the Compound Interest episodes. We've done the FIRE movement episodes. 10% a year would be absolutely amazing if you can achieve that. And if you just think about that, you probably don't need to go and try and invest in the next hot thing or do this, or do that. You can just use sensible strategies. And one thing that many people probably aren't aware of unless you've studied finance, is that you think by adding bonds to your portfolio, which are boring, low returning things that you actually, or even dividend shares. People think dividend as are boring because they pay dividends like when studies show that over or about half of the return from the stock market comes from dividends in Australia.

Owen:
But what we think is that, "Oh, we're adding this, therefore we're not going to do as well. We're not going to become as wealthy over the long term." But what studies actually show is that yes, from one year to the next, you might not have the same returns as someone else who was all invested in growth stocks or something like that. What it actually shows is that you can actually get better returns by taking less risk. So there is such a thing as too much risk. So keep that in the back of your mind too. At the moment, everything looks great. Everything here in the late parts of 2021 investing in the stock market seems sexy. Everything's going up and to the right. That doesn't always happen. So just prepare yourself for those times.

Kate:
Yeah. Because you could be a major risk to your own financial future in terms of the way you've react in a market crash. And so, that is something you need to think about. When people rattle off a hundred different risks of a product. If you read a product disclosure statement, you'll see so many different differently labelled risks, but rarely is it meant you won't see the individual risk, the risk that you will make the wrong decision at the wrong time and selling all of your investments in a market crash can set you back decades. And if you don't invest again, because you think the world's against you and you think investing is gambling after that time, it could set

you back substantially and you might not have a fantastic financial future. So I do think it's important to think about what risk do you post your own financial goals.

Owen:
Yeah, that's a great point. I interviewed Julia Forest who's a fund manager yesterday and she started her career in the early '90s during the recession. She actually couldn't get a job for a few years. So she went and worked in organised crime for a little while.

Kate:
Wow.

Owen:
Until the finance industry came back and she could get a job. But she said that basically impacted the rest of her life and how she invests today is very conservative as a result. But the key thing here is Julia has been a fund manager for about 20 years. There aren't many fund managers that have been a around for such a long time. And that might show you that, maybe her approach of focusing on the risk first actually works for the long term. So something to keep in the back of your mind. Kate, is there anything else you wanted to add about risk profiling or what our listeners should take away from this?

Kate:
I think we've covered a lot today, Owen, and there's a lot for people to reflect on. And yeah, I probably just note that it's very difficult to work out what your own risk profile is and that's why financial advisors even will have that whole questionnaire. And then they're still relying on you to be honest with yourself. And I think it is worth. I mean, we can get very obsessed with exactly what ETF to buy and which brokerage account, and we can get really caught up in all of the nitty gritty and actually forget to think about our personal tolerance to risk and how we might react in any of these circumstances, which can be much more damaging than just picking the slightly more expensive brokerage account. So I'd love if people do spend a little bit of time thinking about some of these, maybe reflecting on some of the questions. I've included more resources in the show notes that you can explore this idea further and get into some of the literature about risk profiles, if you really want to take that academic path as well.

Owen:
Yeah. I think now is a good time as any just to reflect on how much risk do you have in your portfolio. How much do you have in cash? How much do you in bonds? How much do you have in property, even? How much do you have in shares? And then just do that assessment. Do that pie chart for yourself. Use the Google sheet or whatever you want to do to crunch those numbers and figure it out and see how you stack up against where you think you're risk profile is according to what Superfunds are saying, according to what Robo-Ads are saying, just go and check on yourself and write it down. Cool. Kate, whoever thought that risk management and risk profiles should be such fun.

Kate:
Yeah. No, it's definitely a topic I've become really interested in over the last few years, as I've learned more about it. And as you learned more about individual's behaviour, you just realise how personal this all is, and there's no one size fits all and I don't even think a questionnaire can really solve this problem. It does require a lot of reflection and having a diary and writing yourself some rules and talking to people from your childhood about how you reacted. So, yeah, there's a lot to it and it'll be interesting to keep exploring further.

Owen:
Yeah. Jump into the RASK Australia Facebook group, if you want to talk about it, because it's a fascinating thing. I actually asked a question on a live session just the other day. What's the most, anyone who's ever invested in one company and someone in the chat said 95% of their money was invested in one company. If that was in a risk profile...

Kate:
I guess, if you've only got $1,000 invested.

Owen:
True. If you only had a $1,000, then you could have $150 of it. And I just thought that is... What kind of risk profile is that? I don't know. So I'd love to hear what you guys have to think in the Facebook group. So yeah, we can continue the conversation there. Kate, as always. Thanks for joining me.

Kate:
Thanks for listening folks.