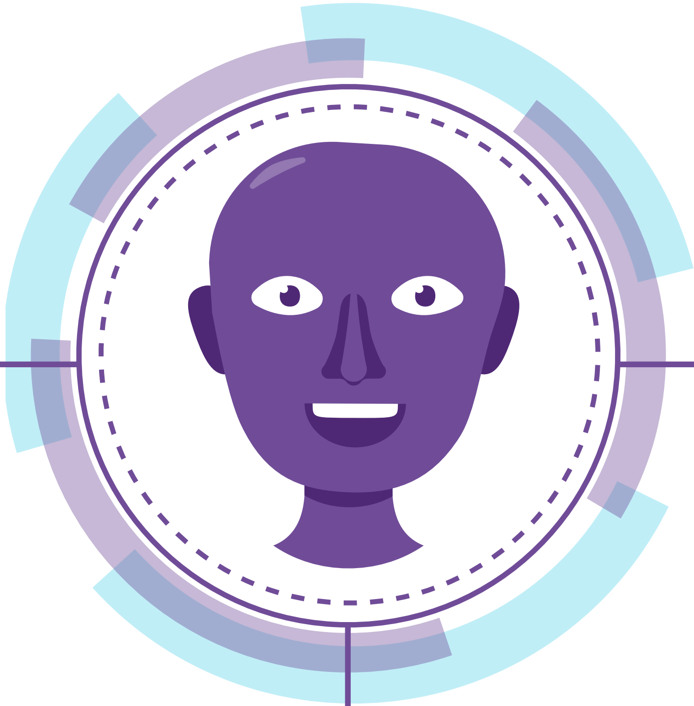
Investor profile

Just like your identity, your investor profile is made up of a range of factors including:



Your age

Age is important because financial needs and goals change as we grow older. For example, as a teenager, you might want to invest in study. When you are in your twenties, you might start thinking about how to buy a house. You can start to prepare for retirement at any age – the earlier the better!

Income

Income is the money you have coming in on a regular basis from earned or unearned income.

The reward you hope to make

A reward is often called a return and is how much you get back from investing, in other words, how much your investment grows over time (or not!). Returns can be both positive or negative; if you make money, you have a positive return, if you lose it, it's a negative return. Obviously, no one wants a negative return, but some people are prepared to take greater risks with the hope that an investment will bring a greater return, while other prefer a safer, more predictable option.

Your family situation

For example, what type of family support do you have and what family obligations do you need to meet? If a person is struggling to meet the everyday needs of themselves or their whānau, then investing money might not be a good option until they are in a stronger place financially.

Timeframe

How soon will you need the money? The purpose of an investment is to meet a financial goal, so you need to be clear about when you will want to access the money you have invested, along with any returns. For example, some investments such as KiwiSaver can only be accessed to buy your first home or when you reach the retirement age of 65, so investing in KiwiSaver won't help you meet a goal of paying for an education.

The length of an investment also relates to how much risk you are willing to take. Some investments go up and down in value more than others. If you're investing for a long time, say thirty years, it won't matter if there are some ups and downs along the way. However, if you want to use your investment in five years, it might be better to choose a low-risk investment that offers a predictable return so that you can make sure that the money is there when you need it for your goal.

Your financial stability

- Do you have savings?
- Do you have insurance if something goes wrong?
- How much debt do you have?
- How secure are your existing sources of income? For example, do you have a permanent job?

These questions are important because sometimes when you invest money, you can't access it formonths or even years. It's important to be able to cope financially with the ordinary ups and downs of life before you start investing.

Values

For some people, choosing an ethical investment is really important, even if it means they make less money from their investments over time. For example, some people don't want their money invested in fossil fuels, weapons or tobacco because these things don't align with their values. If you care about climate change, global stability or people's health, it's probably important to you to know how your money is being invested. People have a lot of power when it comes to choosing their investments, and the rise in ethical investment options is being driven largely by investors in their twenties and thirties.

Your cultural values are also part of your investor profile because the purpose of an investment is to meet a goal, and people's goals are often closely connected to what is valued in their culture.

Outlook

Your outlook is your point of view or attitude towards life. In terms of investing, your outlook is how you feel about making financial decisions. Are you confident with taking risk? Would you prefer a safe, reliable option even if the returns are lower? Emotions are important when it comes to money decisions, and investments should help to reduce stress, not create it!

Your goals

For example, how much money you want to get from your investments. Remember that risk and return are related, so seeking a big return from an investment usually involves accepting quite a lot of risk.

Types of investors

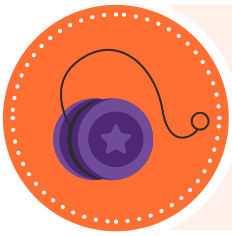
There are 5 main types of investors.

A defensive investor: A defensive investor is someone who doesn't want their investment to go down in value at any time. They want a low-risk investment that possibly gives low returns but is predictable and stable. Being a defensive investor is often a good option if you want to use your money within the next three years.

A conservative investor: A conservative investor is someone who is willing to take some ups and downs in their investment but still wants to play it safe. A conservative investor often wants to be able to get regular income from their investments. Being a conservative investor is often a good option if you want to use your money after four or five years.

A balanced investor: As the name suggests, a balanced investor is someone who is right in the middle of the investor types. A balanced investor is comfortable with seeing the value of their investments fall a little and they're aiming for a mid-range long-term return. Being a balanced investor is often a good option if you want to use your money after six to eight years.

A growth investor: A growth investor is someone with a long term view who wants fairly high growth and is in a position to wait for it. A growth investor can handle seeing their investment balance fall quite a lot. Being a growth investor is often a good option if you want to use your money after nine to twelve years.



An aggressive investor: An aggressive investor is someone who is prepared to take some massive downs with the expectation that, over a long period of time, they will make some massive wins. Being an aggressive investor is often a good option if you are in a strong financial position and want to use your money after 13 years.