

What are target risk funds?

SUPER:

Manulife logo

What are target risk funds?

Part of Manulife's investment basics video series.

The Manufacturers Life Insurance Company

ACTION:

Two men are standing next to each other on a white-screen background. JIM is an everyday guy wearing jeans and a casual button-down shirt. CHIP is a Financial professional with a neat haircut wearing a business suit.

JIM: Hey, guys! Jim here and this is my good buddy, Chip.

CHIP: That is correct.

JIM: If you've seen our other videos, you know we've been doing our best to explain important investment concepts to you in simple terms.

CHIP: Well, the concepts themselves are pretty simple.

JIM: Anyway, this video is on target risk funds.

CHIP: Which are another type of asset allocation fund. Last time we discussed target date funds, but instead of focusing on your timeline until retirement, these options are more aligned with risk tolerance.

JIM: Hey, that was pretty good.

JIM: (Cont'd) But way too complicated. What I think Chip meant to say is that target risk funds require you to make a decision about what type of investor you are. How much risk are you willing to take?

CHIP: That's correct.

JIM: You're not helping. Some people are much more willing to take risks than others, so before you invest in target risk funds, you should really figure out what type of investor you may be.

CHIP: You may be an aggressive investor, a conservative investor or somewhere in between. There are many risk quizzes and other tools available to help you figure this out.

JIM: It's a good tip! Most risk quizzes just require that you answer a list of multiple choice questions to see what type of investor you might be. You can then choose a target risk fund based on how much risk you're willing to take.

SUPER:

Aggressive Portfolio

Growth Portfolio

Balanced Portfolio
Moderate Portfolio
Conservative Portfolio

CHIP: From this list I would select the Growth Portfolio as I like to take more risk and it mixes together assets to help me achieve my Growth strategy.

SUPER:

Aggressive Portfolio
Growth Portfolio
Balanced Portfolio
Moderate Portfolio
Conservative Portfolio

The categorization of investment type as "Conservative," "Moderate," "Balanced," "Growth," and "Aggressive" in terms of the results of the risk profile are simply suggestions for consideration. This material is not intended to replace the advice of a qualified financial professional. Before making any financial commitment regarding the issues discussed here, consider consulting with the appropriate financial professional to determine risk tolerances and the suitability of various investments and asset allocations in view of your individual, financial, investment, tax, family and other personal considerations.

CHIP: (Cont'd) But don't forget to check back regularly and reassess your risk tolerance. As your circumstances change and you get older, you may want to see if the target risk fund you're invested in still matches how much risk you're willing to take.

JIM: Why do you need to do that?

CHIP: Well, unlike target date funds that adjust over time to become more conservative at retirement, target risk funds maintain the same allocation over time. But you should regularly check in on both types of asset allocation funds to ensure they're still right for you.

JIM: I see. So, should you check back like once a year?

CHIP: Yeah, at least once a year or when you have significant life changes. And don't forget that asset allocation does not ensure a profit or protection against a loss. And asset allocation may not be appropriate for everyone, particularly those interested in directing investment options on their own.

JIM: Okay, I get it.

CHIP: And if you ever need a financial professional...

JIM: Oh, cut it out!

Manulife, Manulife Investment Management, the Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

06/20 AODA