

Five Different Kinds of Investment Risk

Investing in funds may be less risky than investing on your own. But it's still a good idea to understand the different kinds of risks inherent in various kinds of funds.

Inflation/ Shortfall Risk

The danger that your cash, stable value fund/GIC won't grow enough to outpace inflation over time.

Market Risk

The risk that the value of your stock or bond funds will fall due to an overall market drop and won't recover before you need it.

Business Risk

The risk of poor performance or failure in some of the companies in which your stock fund owns shares.

Credit Risk

The danger for bond fund investors that some bond issuers can't make interest payments or repay principal on time.

Interest Rate Risk

When long-term interest rates rise, the value of existing bonds within bond funds falls, as does the value of many stocks within stock funds.

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