
What to Know.

Step 1: Know Yourself.
Consider Your Risk + Time Horizon.

Risk vs Reward.
Risk is the possibility you can lose money. Reward is the possibility you can gain money. Risk and reward move together; you normally need to take more risk to get more reward.

Your Risk Tolerance.
Risk tolerance is the amount of volatility and uncertainty you are willing to accept from an investment in seeking your financial goals.

Time Horizon.
Shorter Time Horizon. Generally, if you need access to your invested money in the short-term, a more conservative approach might be good to consider. Longer Time Horizon. If you can let your invested money work for you longer term, a moderate or aggressive profile may make sense.

How to Take Action.

Step 3: Diversification. It’s Important.

Think of diversification as Not Putting All your eggs in one basket.

Why?
Knowing your risk + timeline help inform your decision on Step 2.

Step 4: Allocation.
Think About How You Might Build Your Portfolio.

Determine Your Asset Allocation.
Asset allocation is the process of deciding how to invest money among asset classes such as stocks, bonds and cash equivalents.

Sample Allocations.

Reasoning.
Risk tolerance and time horizon will play a part in determining your asset allocation.

Why?
Risk tolerance and time horizon will play a part in determining your asset allocation.

Step 5: Retirement Plans. Put It All Together.
Here’s An Example of A Path to Retirement:

Why?
Once you understand these basics you can start to choose the mix that’s best for you and your risk tolerance from Step 1.

Pro Tip.
A Mutual Fund (a bucket of investments, made of stocks, bonds or both) can be an easy way to diversify. Keep in mind, stocks and bonds can sometimes take on an inverse relationship (one goes up and the other goes down). So, investing in a hybrid mutual fund (one with both stocks and bonds) can help to balance risk.

Pro Tip.
If you need access to money you’re investing sooner than later, you’ll probably lean more towards less risky allocations (like cash or bonds). If you’re in for the long haul, you may be able to weather the ups and downs of a riskier investment (like stocks).

Pro Tip.
Always re-assess your investments around big life events – like marriage, buying a home or starting a family. Check the asset allocation of your current investments to see if what you’re invested in lines up with your goals.

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