



# Risk Matters: The Importance of Keeping Losses Small

The investment rate of return necessary to recover the loss or get back on your growth track is larger than the loss.

Decline in Year 1	Portfolio Value after Year 1 Decline	Gain Needed to Break Even in Year 2 (Getting Back to \$100K)
<b>ORIGINAL INVESTMENT: \$100,000</b>		
-10%	\$90,000	11.1%
-15%	\$85,000	17.6%
<b>-20%</b>	<b>\$80,000</b>	<b>25.0%</b>
-25%	\$75,000	33.3%
-30%	\$70,000	42.9%

Gain Needed to Earn Original Goal: Compounded 6% (Based on a \$100K investment)		
YEAR 2:	YEAR 5:	YEAR 10:
<b>\$112,360</b>	<b>\$133,823</b>	<b>\$179,085</b>
24.8%	10.4%	7.9%
32.2%	12.0%	8.6%
<b>40.5%</b>	<b>13.7%</b>	<b>9.4%</b>
49.8%	15.6%	10.2%
60.5%	17.6%	11.0%

**For Consideration:**

If you're close to retiring or already retired, losing 20% of your money can make it really hard to bounce back. It might take a long time to get back to where you started, and that could be tough. The new portfolio value of \$80,000 puts significant pressure on the ability to grow and maintain risk parameters.

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