VeriPlan's future value calculator helps you to compare the tradeoffs between investment portfolio risk and investment returns

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Download the Free VeriPlan Tutorial Here When making personal finance and retirement planning decisions, individuals must confront the dilemma that, historically, more conservative portfolio investments have yielded substantially lower investment returns than riskier investments have delivered. With risk-adjusted market returns, you simply cannot have your financial cake and you eat it too. If you take on higher investment risk, you may be able to save and invest less, because the return on investment of the assets you hold is expected to be more rapid. However, the financial growth outcome is less certain. Conversely, if you expose yourself to less investment portfolio risk, you must plan to save more and to invest more, but the outcome likely to be more certain. How to strike a personally appropriate balance between risk and return is part science and part art. There are no easy answers, because the future is fundamentally unknowable by anyone.You can test these tradeoffs by experimenting with various settings in the VeriPlan financial planning software. Using very long-term historical asset class growth rates, VeriPlan's risk-adjustable future value calculator will soon become clear that a conservative asset allocation strategy focused on cash and bond assets will tend to grow much slower than an asset allocation more heavily weighted toward stocks. Long-term success with such a conservative asset allocation will depend far more on continued high rates of saving rather than higher return on investment expectations. This requires greater personal financial planning discipline to sustain year-after-year and decade-after-decade. Conversely, equity focused asset allocation strategies rely more upon growth in future value of you assets, although these strategies will still require significant savings -- just at lower rates.Another way to evaluate the tradeoffs between investment returns and investment risks is to understand your family's projected ability to meet its financial obligations using only cash and bond assets. These assets tend to hold their value better during depressed economic and securities market cycles. As one method to cope with the anxiety of personal financial planning, it is useful to project how large a liquid asset buffer you might have over your lifetime. VeriPlan's Portfolio Safety Tool acts as a highly sophisticated future value calulator. It can provide insight about the future value of your assets broken down by asset class. With every projection, the VeriPlan personal financial management software automatically projects the asset buffers that you could hold on a year-by-year across your lifecycle. In its "Safety Margin" graphic and corresponding data table, VeriPlan shows the number of months going forward that your cash and fixed income assets would cover your projected expenses, if all your income sources ceased and you had to liquidate cash and bond assets to cover these expenses. In addition, when you experiment with different settings on VeriPlan's Asset Allocation Tool in conjunction with your settings for VeriPlan's Portfolio Safety Tool, you can get a much better understanding of the interactions between asset class returns and the safety margin provided by more liquid assets.