INSIGHTS · INTERMOUNTAIN WEALTH MANAGEMENT

Building a Comprehensive Risk Management Plan

Learn how a comprehensive risk management plan can help protect your wealth, retirement, and long-term financial goals.

KEY TAKEAWAYS

- A comprehensive risk management plan considers more than investment volatility and looks at your entire financial picture.
- The amount of financial risk you can reasonably accept depends on your goals, timeline, income needs, and available resources.
- Retirement can make risk management especially important because recovering from major financial setbacks may become more difficult.
- Diversification, liquidity, income planning, and ongoing portfolio oversight can all play important roles in managing financial risk.
- Regular professional review helps keep risk management strategies aligned with changing markets, goals, and life circumstances.

Financial risk can take many forms. Markets can decline, income can change, unexpected expenses can appear, and a retirement plan that once looked comfortable can become strained by inflation, taxes, healthcare costs, or changing family needs.

That is why managing risk involves much more than deciding whether an investment portfolio should be aggressive or conservative.

At Intermountain Wealth Management, we help individuals and families in Idaho Falls and throughout Eastern Idaho look at risk across their entire financial picture. Through risk management and comprehensive financial planning, we identify the risks that could interfere with important goals and develop strategies designed to help clients remain financially prepared as circumstances change. Intermountain Wealth Management does not sell insurance or receive commissions on insurance products, and we are committed to being a fee-only firm.

What Is a Comprehensive Risk Management Plan?

A comprehensive risk management plan identifies potential financial vulnerabilities, evaluates how seriously they could affect your goals, and coordinates strategies for addressing them.

That may sound straightforward, but financial risks are often connected.

A market decline can reduce portfolio value. If that decline happens shortly before retirement, it may also affect retirement income. Unexpected expenses can force additional withdrawals, while inflation can increase the amount needed to maintain the same lifestyle.

Looking at only one of those issues can leave important gaps.

We take a broader approach by considering investments, retirement plans, income needs, cash flow, liquidity, insurance considerations, taxes, estate priorities, debt, and personal financial goals together.

The objective isn't to eliminate every possible risk. No financial plan can do that. Instead, we work to understand which risks matter most and build a strategy that helps clients pursue their goals without taking unnecessary exposure.

Start With the Financial Goals That Need Protection

Risk only makes sense in relation to a goal.

Someone who is 25 years away from retirement may have a very different ability to withstand investment losses than someone who plans to retire next year. A family depending on portfolio withdrawals for monthly expenses has different concerns from someone still adding money to investments every month.

That is why our process begins with understanding what the money needs to accomplish.

We look at questions such as:

- When do you expect to retire?
- How much income will you need?
- Which assets may be needed in the next few years?
- Are there major purchases or family expenses ahead?
- How dependent will you be on investment income?
- What other income sources will be available?
- Are preserving assets or leaving an inheritance important priorities?

Once those goals are clear, we can better evaluate which financial risks deserve the most attention.

Risk Tolerance and Risk Capacity Aren't the Same Thing

One of the most important distinctions in financial planning is the difference between how much risk someone feels comfortable taking and how much risk their financial plan can actually support.

Risk tolerance is personal. Some investors are comfortable watching markets move significantly without becoming concerned. Others feel uneasy when account values fluctuate.

Risk capacity is more practical. It considers whether someone has enough time, income, liquidity, and other financial resources to recover from a significant loss.

A person can have a high tolerance for volatility but a relatively low capacity for loss if retirement is close and the portfolio will soon need to provide income.

The opposite can also happen. Someone may have decades before needing invested assets but still feel uncomfortable with substantial market fluctuations.

We consider both factors because an effective strategy needs to make sense financially while also being one a client can realistically live with.

Investment Risk Is Only One Piece of the Plan

Investment markets are often the first thing people think about when they hear the word "risk." Market exposure matters, but it shouldn't be viewed by itself.

Our investment management approach considers how investments fit within the client's broader objectives and financial circumstances.

That includes reviewing factors such as asset allocation, diversification, investment concentration, time horizon, market exposure, and the role each account plays within the overall plan.

Concentration can be particularly important. An investor may accumulate a large position in one company, sector, asset class, or employer stock over many years. That investment may have performed well, but having too much of a portfolio tied to one area can create additional exposure if conditions change.

A broader financial review helps us identify those issues and determine whether adjustments better support the client's long-term goals.

Liquidity Helps Protect Long-Term Investments

Not every financial risk comes from losing money. Sometimes the problem is needing money at the wrong time.

If too much wealth is difficult to access or exposed to market fluctuations, an unexpected expense can create pressure to sell investments when conditions are unfavorable.

That is why liquidity is an important part of risk management.

We consider upcoming expenses, income sources, cash needs, and the timing of financial goals when evaluating how much money should remain accessible.

The appropriate amount varies considerably between households. A retired client drawing income from investments will generally have different liquidity needs than someone still working and contributing regularly to retirement accounts.

By planning for near-term cash needs within the larger strategy, we can reduce the chance that short-term expenses interfere with long-term investments.

Retirement Creates a New Set of Financial Risks

Retirement changes how many people interact with their money.

During the accumulation years, regular income can provide opportunities to continue saving and recover from market declines. In retirement, the portfolio may become one of the primary sources of income.

That makes the timing of losses more important.

A large decline early in retirement can be particularly challenging when withdrawals are occurring at the same time. Other uncertainties, including inflation, longevity, healthcare expenses, taxes, and changing spending needs, can also affect how long retirement assets need to last.

Our retirement planning process looks at these risks in the context of the client's complete retirement picture.

We consider available assets alongside Social Security, pensions, expected expenses, investment income, and other resources. That helps us build a plan designed not simply to reach retirement, but to support the years that follow.

Protecting Wealth Becomes More Important as Assets Grow

Building wealth and protecting wealth are closely connected.

Earlier in life, much of the financial focus may be on accumulation. As assets grow and major goals get closer, preserving what has already been built often becomes increasingly important.

Through wealth management, we help clients consider growth and protection together.

That doesn't necessarily mean avoiding investment risk. Some level of risk may still be appropriate to pursue long-term growth and help assets keep pace with inflation.

Instead, we look at whether each risk serves a purpose.

If a client is taking substantial investment risk without a financial need for that level of exposure, the potential downside may outweigh the benefit. On the other hand, becoming too conservative can introduce different risks, including slower long-term growth and greater difficulty keeping pace with rising costs.

The appropriate balance depends on the client's goals, timeline, resources, and overall financial plan.

Risk Management Extends Beyond the Portfolio

A strong financial plan also considers events that can affect wealth outside the investment markets.

Changes in income, disability, unexpected healthcare costs, family responsibilities, debt, estate issues, and major purchases can all affect financial security.

Insurance coverage can also play an important role in transferring certain risks rather than absorbing the entire financial impact personally.

We consider these areas as part of the broader planning process so that decisions aren't made in isolation.

For example, a client's investment plan may look appropriate based on market risk alone, but the broader picture could change if the household has limited emergency liquidity, significant debt, or financial responsibilities that depend heavily on one person's income.

The purpose of comprehensive planning is to uncover those connections before they become problems.

Risk Management Should Change as Your Life Changes

A risk management plan isn't something we create once and put on a shelf.

Financial circumstances change too often for that approach to work.

A new job can change income and benefits. Selling a business can create a major shift in wealth. Children may become financially independent. Retirement gets closer. An inheritance can alter long-term priorities. Health expenses may become more significant.

Even without a major life event, investment markets, tax considerations, inflation, and economic conditions continue to change.

We monitor our clients' financial plans and investment strategies over time so we can evaluate whether their current approach still fits.

Sometimes that leads to meaningful adjustments. Other times, the best course is to stay with the existing strategy.

What matters is that decisions remain tied to the plan rather than driven by fear, headlines, or short-term market movements.

Build a Financial Plan That Accounts for the Unexpected

There will always be uncertainty in financial planning. Markets can't be predicted perfectly, unexpected expenses can't always be prevented, and no strategy can remove every possible financial risk.

What we can do is prepare thoughtfully.

A comprehensive risk management plan helps identify vulnerabilities before they interfere with important goals. It creates a framework for balancing growth with protection, maintaining appropriate liquidity, preparing for retirement, and responding when life changes.

At Intermountain Wealth Management, we help individuals and families throughout Idaho Falls and Eastern Idaho understand how risk fits into their complete financial picture. Our goal is to build strategies around what matters most to each client, then continue monitoring those strategies as their needs evolve.

If you're unsure whether your current financial plan accounts for the risks that could affect your future, contact us for a free financial review. Our team can help you evaluate the bigger picture and build a plan designed around your goals, resources, and long-term financial security.

Talk With Our Team

Get a free financial review and see how your plan fits together. **Schedule your free review** · intermountainwealthmanagement.com

Related Questions

What should we bring to a financial risk management review?

Recent investment and retirement account statements, income information, debt balances, insurance details, and information about major financial goals can help us understand your current financial picture.

Can spouses have different risk tolerances?

Yes. Couples don't always feel the same way about investment risk. We consider both perspectives while developing a coordinated strategy for shared financial goals.

How can receiving an inheritance change a risk management plan?

An inheritance can change liquidity, investment exposure, tax considerations, estate priorities, and long-term goals. We can evaluate how new assets fit within the existing financial plan.

Do business owners face additional personal financial risks?

Often, yes. Business value, income, retirement savings, and personal wealth may be closely connected. Coordinated planning can help identify where business-related risks may affect personal financial goals.

IMPORTANT DISCLOSURES

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