Career Employer

Series 6 Cheat Sheet

ECONOMIC FACTORS, SECURITIES MARKET, AND INVESTMENT SECURITIES

Equities (stock): Investors are owners of a company
Debt (notes and bonds): They are creditors of the company

EQUITY SECURITIES

While these are risks for investors, they are conservative for issuers. They include:

Common stock

As an owner of the company through holding common stock, investors can vote on matters affecting it:

- Recapitalization, acquisitions, and mergers
- Book inspection rights
- Composition of the Board of Directors (BOD)
  - Equal vote to each seat = statutory vote
  - Investor casts their votes as they choose = cumulative vote

If new stock is issued, they have preemptive rights.

- Short term, between 30 to 45 days
- These rights are marketable

If dividends are declared, it's usually every quarter

- When the BOD declares dividends = the declaration date
- Two days before the record date (usually), you have the ex-dividend date which is set by the DEA.
  - Record date is when the owners of the records are established (set by DEA)
  - The BOD sets the date when checks go out – the payable date

Liquidation/privacy residual rights

Preferred stock

The dividend, a percent of par or dollar value, is printed on the certificate.

Types include

- Straight: If declared, this is the dividend paid
- Cumulative: This is when there are arrears in dividends that are made up
- Convertible: Conversion price is on the certificate and can be exchanged for common stock
- Participating: This is the dividend for shares in common
- Callable: After the call date, this can be bought back by the issuer at par or premium
- Adjustable rate: Linked to a certain interest rate

AMERICAN DEPOSITARY RECEIPTS (ADRs)

When foreign stocks are held by US banks, they issue receipts for them. The dividends are received and distributed by the bank. Holders of ADRs receive dollar payments but currency risk is still involved.

OPTIONS

Calls

Call sellers are bearish while buyers are bullish.

The right to buy the stock at the strike price is that of the buyer, while if exercised, the obligation to sell the stock at the strike price is that of the seller.

Puts

Call sellers are bullish while buyers are bearish.

The right to sell the stock at the strike price is that of the buyer, while if exercised, the obligation to buy the stock at the strike price is that of the seller.

DEBT SECURITIES

While these are risks for issuers, they are conservative for investors. Semiannual interest payments with par or principal paid at maturity ($1,000).

Corporate bonds

Their pricing is in points ($10) and 1/8s ($1.25). Price will be at a discount or premium from par in secondary markets.

- Corporate yield bonds
  - Coupon or nominal yield: It's on the bond that this is printed. 5% = $50/per annum, with $25 paid twice annually.
  - Current yield (CY): annual interest/current market price
  - Yield to maturity (YTM): Interest and gain included from loss or discount from premium when bond matures

Inverse relationship between price to yield in premium and discount bonds:

- Discount: Coupon <CY <YTM
- Premium: Coupon>CY>YTM

Bond types

- A secured bond is when the principal is backed by collateral.
  - Mortgage bond: Backed by mortgage on issuer-owned property
  - Collateral trust bond: Back by issuer-owned securities portfolio
  - Equipment trust certificate: The equipment used by the company backs this
- Only the good faith of the issuer backs an unsecured bond.
  - Debentures and subordinated debentures

- Convertible bonds can be converted into common stock.

  - It's on the bond where the convertible price is printed
  - Number of shares of common stock = par/conversion price. Its total market value = market price of the bond, then stock is in parity

- Zero coupon bonds

  - At maturity, all interest will be paid

Redemption

Final semiannual interest + principal = payment at maturity. For example, the final payment on a 6% bond is $1,030.

GOVERNMENT SECURITIES

Priced in points ($10,00) and 1/32s ($0.315).

T-bills

These are sold at discount and will mature at par. Maturities occur at 4, 13, 26, and 52 weeks.

T-notes

Provide interest semiannually. Par is $1,000. Maturities are between 2 and 10 years.

T-bonds

Provide interest semiannually. Par is $1,000. Maturity is > 10 years.

Mortgage-backed issues

Also called pass through certificates, these are issued at local, state, and federal levels.

Government National Mortgages Association (GNMA) is Treasury backed. Each month, interest and principal is paid.

Federal National Mortgage Association (FNMA) is a line of credit at the Treasury. Principal and interest is paid semiannually.

Federal Home Loan Mortgage Corporation (FHLMC) is a line of credit at the Treasury. Principal and interest is paid semiannually.

MUNICIPAL SECURITIES

State and local government issued. At state and local level, interest may be tax-exempt. This happens when the owner is a state resident. It is tax-exempt at a federal level, however.

Types

General obligation (GO).

- Voter approval is necessary for GOs which are funded through local taxation

Revenue

- Voter approval not necessary and funding comes from user fees.
- Industrial development bonds (IDRs) can be taxed if they are declared private purpose

Yields

Tax-equivalent yield is that for a corporate bond so as to equal a given municipal bond.

Tax-free equivalent yield is that for a municipal bond so as to equal a given corporate bond.

MONEY MARKET

Includes debt of high quality that has a maturity of a year or lower.

In other words, this is high-quality debt over the short term.

Here you will find T-bills, banker's acceptances, commercial paper, and negotiable CDs.

ECONOMIC FACTORS

Economic policy

Taxing and spending by Congress and the president = fiscal policy.

The Federal Reserve will implement anti-inflation efforts. This = monetary policy.

- Reserve requirement: Bank required deposit, lower loosens and higher tightens the overall money supply
- Discount rate: Banks in trouble are charged interest. Lower loosens and higher tightens the overall money supply
- Federal Open Market Committee (FOMC): Securities sold will tighten and those bought will loosen money supply

Measures of the Economy

- Gross Domestic Product: Termed GDP, this is the total output of services and goods in one year.
- Consumer Price Index (CPI): This looks at the buying power of the dollar and measures the rate of gain or loss thereof. In terms of measuring inflation, this is the best way to do so.

Interest rates

- Prime rate: This is the rate of interest charged by commercial banks to their best corporate customers.
- Broker call loan rate: This is the rate of interest for margin loans that banks charge
- Federal funds rate: This is the rate charged for overnight loans when banks loan from each other
- Discount rate: This is for short-term loans interest rates charged by the Federal Reserve to banks

Currency rates

When it comes to rates, importers want a strong currency while exporters want a weak currency.

PRODUCT INFORMATION REGARDING SECURITIES OF INVESTMENT COMPANIES AND VARIABLE CONTRACTS

INVESTMENT COMPANIES ACT OF 1940

Three types of investment companies are defined in this act:

- Face amount certificate company (FAC)
- Unit investment trust (UIT)
- Management company: Both open-end (mutual funds) and closed-end

INVESTMENT COMPANY REGISTRATION

The fund must be SEC-registered and have the following in 90 days:

- Net assets of $100,000 or more
- 3 to 1 or more asset-to-debt ratio
- A clearly stated objective for investments

INVESTMENT COMPANY MANAGEMENT

BOD: If no 12b-1 fee, 40% of the board must be noninterested directors. If 12b-1 fee is collected, a simple majority must be noninterested directors.

- Investment adviser: In charge of managing a portfolio and receives a percentage of assets under management as payment
- Custodian: Normally takes the form of a commercial bank. Not only maintains asset records but has custody of fund assets too
- Transfer agent: Keeps customer records and carries out customer service
- Underwriter: These services are a direct expense to the customer and underwriters are tasked with selling shares to the public

FUND SHARE EVALUATION AND PRICING

It's at least once per day that NAV will be priced with NAV or net asset value = net assets / outstanding shares.

Public offering price or POP is NAV plus the sales charge (SC). Note that the SC may not be higher than 8.5% of the POP.

An expense ratio is equal to fund expenses / annual average of daily net assets.

Mutual fund share classes

- Class A: Paid by the investor at purchase and called a front-end load.
- Class B: This is a contingent deferred sales charge (CDSC) and it's at redemption that it will be paid. It is known as a back-end load. Each quarter, 12b-1 fees are collected but never higher than .75% of average daily net assets / year
- Class C: No front or back-end load and known as no-load. Should a 12b-1 fee be .25% or lower per year, advertising may say the fund is a no-load fund

MUTUAL FUND: TAXATION, DISTRIBUTIONS, AND REDEMPTION

At redemption, growth over cost base is taxable to the investor as long or short-term capital gain.

- It is as first in, first out (FIFO), share identification, or average cost basis that that share liquidation may be reported

When distributed as ordinary income, dividends are taxable.

- Dividends = interest – expenses = net investment income (NII) of fund
- Distribution is taxable only to the investor if fund distributes 90% or more of NII

RESTRICTIONS ON OPERATIONS

There is no margin in purchasing shares in a mutual fund or in mutual fund buying securities for a portfolio.

Short sales are also restricted and uncovered calls are not possible.

MUTUAL FUND INVESTMENT OBJECTIVES

- Equity funds include the following: growth, income, growth and income, option income, specialized and index funds
- Debt funds include mortgage-backed, money market, and bond funds
- Mixed funds include balanced and asset-allocation funds

ANNUITY PLANS

During the accumulation phase, the investor will pay in.

The investor gets payouts during the annuity phase if the account is annuitized.

Fixed annuity

Offers a guaranteed return with premiums paid to a general account. There is purchasing power risk, however.

Index annuity

It's to a stock index that interest credited is tied.

Variable annuity

Returns not guaranteed and are variable. It is into a separate account that premiums are paid.

Payout has possible inflation protection.

Payout options: Joint with last survivor (lowest), life only (highest), and life with period certain. Payout amounts are related to retirement age, value of the account, annuitant's sex, the selected payout option, and assumed rate of interest (AIR).

- When it is above AIR that the separate account performs, the payout the following month is higher than the current month
- When it is below AIR that the separate account performs, the payout the following month is lower than the current month

Combination annuity

It is to both general and separate accounts that premiums are paid into.

Minimum guaranteed return + variable return = payout.

VARIABLE LIFE INSURANCE

Operation

It is to both general and separate accounts that fixed premiums are paid into.

It is from the general account that the minimum guaranteed death benefit is paid.

It's from a separate account that the variable death benefit is paid.

According to the separate account performance when compared to AIR, the variable death benefit will be calculated annually.

It's not AIR, but the actual earnings that the cash value that is computed and this is done monthly.

Expenses

State premium tax, admin fees, and sales load (no bigger than 9%) are all taken from the premium.

Mortality risk fee, expense risk fee, and management fees are taken from the separate account.

Privileges

After three years – policy loans of at least 75% of the value of the account.

For the first two years, a contract exchange to whole life is available.

- No proof of insurability
- The age at the time of the original contract must be used

There's a 45-day free look period to note as well.

1035 Exchanges, Tax-free

Life insurance to annuity, annuity to annuity, and life insurance to life insurance, but not annuity to life insurance.

Life settlements

It's in the secondary market that life policies are sold with purchasers paying premiums.

When the insured dies, the death benefit is then paid to the purchaser.

Finding the best market is expected by FINRA of the broker/dealer (B/D).

TAX REGULATIONS AND SECURITIES

The Securities Exchange Commission (SEC)

This body is the federal regulator of the securities industry and came about in 1934 due to the Securities Exchange Act.

The Financial Industry Regulatory Authority (FINRA)

This body acts as a self-regulatory organization (SRO).

It presides over members of the NYSE and the over-the-counter market.

Federal Reserve Board (FRB)

Credit extended in the securities industry is regulated through this body.

- Regulation T: This covers credit extended to customers by broker-dealers
- Regulation U: This covers credit extended to customers (BDs) by banks.

ISSUING SECURITIES

The Securities Act of 1933

Often called the Primary or Paper Act, this holds that it is with the SEC that any new securities must be registered.

Investors have to receive a full disclosure in the form of a prospectus.

There are some exceptions in the form of some money market securities, government and municipal securities as well as private placements.

Issues process

An underwriting agreement is entered into between the issuer and underwriter (an investment banker).

This includes:

- Best efforts or firm commitment
- The underwriter takes syndicate shares risk while sales service is provided by selling groups

As per SEC requirements, a S-1 registration form must be submitted.

- The placement of tombstone ads are allowed, while a red herring, or preliminary prospectus can be distributed
- Investor interest indication can be taken
- A 20-day cooling-off period means no sales or orders can be taken for that period

The SEC will not endorse or guarantee issues when they clear them. An effective date for the offering is also established.

- The full prospectus is prepared and a due diligence meeting held
- At this point, the sale of securities can proceed
- Any sales confirmations or presentations must be preceded or accompanied by a prospectus
- If the prospectus can be downloaded, access to it is considered delivery

Let's look at the underwriting spread:

- The underwriter receives the management fee
- The syndicate members receive the underwriting fee
- The firm that sells the share or bond will receive the selling concession

TRADING SECURITIES

The Securities Exchange Act of 1934

Commonly called the People and Places Act, this requires that BDs, their representatives, and principals are registered along with nonexempt securities and exchanges.

- Representatives must pass either the Series 6 or Series 7 exam
- Principals must pass Series 24 or 26. They manage the overall activities of the firm, train and supervise representatives, approve sales literature as well as advertising and review transactions, and correspondence
- The act also provides for fair markets that operate in an orderly fashion and cuts out commingling

THE MARKETS

Exchanges

It's on exchanges where listed securities are traded with auction establishing prices thereof.

Over-the-counter Market

This doesn't offer a central trading location with inventories of unlisted securities held by market makers.

It's on Nasdaq where market makers will post bids and ask prices and through negotiations the prices are established.

Third market

Over-the-counter sales of listed securities

Fourth market

Here institutional investors deal directly with each other for securities sales

Market terms

The price at which the dealer buys is the bid price.

The price at which the dealer sells is the ask price.

The spread = the ask price – the bid price

Trades are facilitated by brokers or agents and if one occurs, they will be paid a commission.

Inventory will be maintained by dealers or principals. Inventory is bought at markdown but sold at a markup.

Trade confirmations include the date on which the trade takes place, the settlement, the security traded, the price of the trade, the quantity traded, and the commission amount.

Trade commissions must reach customers by the settlement day.

Settlement of trades are same-day for cash trades and trade date + 2 business days (T+2) for regular way.

Payment of trades follow the Federal Reserve's Regulation T which is settlement date + 2 business days or (S+2)(T+4).

TAXATION

Income tax

This is paid each year and includes other income, as well as dividends and interest.

Capital gains tax

In the short term, this is taxed as ordinary income.

In the long term, the gain will be taxed at lower rates if the asset is held for a year or more.

Any gains made must be offset by losses.

Income per year of $3,000 can be offset by excess loss. Any loss that's unused will then be carried forward.

If the security is repurchased within a 30 day period, that's a wash sale. If this occurs, no losses are allowed to be declared.

Shares transferred cost basis

Cost basis is a fair market value at death, if by inheritance.

Cost base is the donor's cost basis, if by gift.

RETIREMENT PLANS

Contributions pretax = qualified and contributions after tax = nonqualified.

In both, however, growth is tax-deferred.

Nonqualified plans

These include Section 457 plans, deferred compensation plans, and individual annuity plans.

Individual plans

With a traditional IRA, 100% of earned income (up to an indexed maximum) can be contributed.

- Penalties include excess contribution (6%), withdrawing before 59.5 (10%), and insufficient distribution (50%).
- Rollovers are allowed, but only one per year and must be completed in 60 days otherwise tax and penalties (but not if under the age of 59.5) apply
- Transfers: Unlimited allowed per year and no penalty or tax is applied

Roth IRA sees no pretax contribution. After 5 years or if older than 59.5, tax-free withdrawals are possible.

Coverdell Education Savings Account (CESA) allows per child contributions of $2,000. When the child reaches 18, contributions must cease.

Section 529 plans provide ways to save for higher education and are set up by states around the US.

- College savings plans operate as investment accounts. Rules pertaining to gift tax applies to them
- Prepaid tuition plans are available in the state lived in with inflation protection offered by them as well

QUALIFIED PLANS

Also known as tax advantaged plans, they must run under a fiduciary trust agreement that's independent.

Regulation of these plans is through the Employee Retirement Income Security Act of 1974 (ERISA).

Unless still working, withdrawals start at the age of 72.

TSA plans are for nonprofit organization employees while Keogh plans are for unincorporated businesses, for example, partnerships or those that are self-employed.

Corporate qualified plans

Pension plans include profit-sharing, defined contribution, and defined benefit plans as well as 401 (k) plans.

Other business plans

These include self-employed 401 (k), Roth 401 (k), SEP, and SIMPLE plans.

THE INVESTMENT ADVISERS ACT OF 1940

Registration with either the state or the SEC is necessary for investment advisers that pass on advice for a fee.

It is with the state that investment adviser representatives must register.

Banks, BDs, engineers, teachers, accountants, and lawyers are not required to register.

Other federal security regulations

The Securities Investor Protection Act of 1970 was drawn up by the Securities Investor Protection Corporation (SIPC).

Applies to separate customers and provides protection to investors should their BD fail financially.

Up to $500,000 in securities and cash (with the cash portion being up to $250,000) are insured by this act.

The Insider Trading and Securities Fraud and Enforcement Act of 1988 deals with making a profit or avoiding a loss through the use of insider information.

The following can be held liable with regards to insider information: BD, representative, tipper, and tippee.

Penalties are both civil (treble damages, indexed for inflation) and criminal (jail time of up to 20 years).

Regulation S-P holds that when a client opens an account and each year thereafter, a firm must disclose privacy policies to them.

If customers don't want any of their information shared, there must be a simple opt-out method for them to follow.

MARKETING, SALES PRESENTATIONS, AND PROSPECTING

PUBLIC COMMUNICATION

Any written communication that is made available or distributed to institutional investors is called institutional communication.

Any written communication made available or distributed over any 30-day calendar period to 25 or more retail investors is retail communication. This includes electronic communication.

Any electronic or written communication that is distributed over any 30-day calendar period to 25 or fewer retail investors is correspondence.

Requirements for approval

Principal pre-approval is necessary for independently prepared reprints, and retail communication, while correspondence needs timely review.

Requirements for filing and recordkeeping

FINRA tasks members to file retail communication for at least 10 business days before it is used for the first time. This is known as pre-filing and takes place during the first year of operation.

Post-filing can take place following the first year of registration and now, retail communication can be filed with FINRA 10 business days after first use.

If a ranking that is not prepared independently is included in any communication, it must always be filed with FINRA at least 10 business days before it is used for the first time no matter how long the member is registered for.

For a period of three years from the date it was last used, a separate file of all retail communication must be kept by members.

MUTUAL FUND MARKETING

Breakpoints

These apply to volume investors and see a reduction in Class A sales charges.

This is not made available to investment clubs but anybody else is free to make use of breakpoints.

Over a 12-month period, an intended investment can be allowed to reach a breakpoint if the investor signs a letter of intent This letter can be back dated by 90 days, if necessary.

Money already in an account can be used towards a breakpoints in what is termed rights of accumulation.

Other fund investments that are part of the same family can be used towards breakpoints in what is termed combination privilege.

Conversion privilege

This is when money in one fund can move to another from the same family and this happens at NAV.

Automatic reinvestment

Allows for reinvestment in a fund using capital gains distribution as well as dividends. This happens at NAV.

CUSTOMER ACCOUNTS: OPENING AND SERVICING

ACCOUNT TYPES

Individual accounts have only one owner who can pass on instructions relating to it. This account can transfer without probate if it is a TOD or transfer on death account.

Joint accounts

Instructions relating to the account can be given by any of the account holders.

JTWROS or Joint Tenants with Rights of Survivorship accounts see ownership of a deceased account holder's assets assumed by survivors without probate. JTWROS also allows TOD.

Tenants in common

The assets of the deceased are passed onto the estate. Until paperwork and the executor's instruction is received, the account is frozen.

Custodial accounts

Uniform Gifts to Minors Accounts (UGMA) sees one minor child and one custodian per account. It is only for the minor's benefit that the assets bound to the account can be used. Also, the parent's tax rate will be applied to any income exceeding an indexed maximum until the point the minor is past the age of majority.

The following information is necessary on the account:

- As the owner of the record, the name of the custodian must be present
- As the beneficial owner, the name of the minor must be present
- Social security number of the minor
- The state where the account is operating in

Once the beneficial owner reaches the age of majority, the account is transferred to them.

The Uniform Transfer to Minor Account (UTMA), while similar, does have a few changes to how it operates.

The major one is that it is past the age of majority that the transfer may be delayed with more investments available as well. UTMAs are more popular than UGMA accounts.

Corporate and partnership accounts

The following documents are required to open one of these accounts:

- Corporate charter/partnership agreement
- A resolution confirming which individuals are allowed to give instructions on the account

Discretionary accounts

Before this account is opened, prior approval from a principal is necessary. The client will also have to provide a written power of attorney to the registered representative regarding the account. If the representative is to decide the following, trade on the account is considered discretionary:

- Action (buy or sell)
- Asset (which asset is to be bought or sold)
- Amount (how much of the asset is to be bought and sold)

POA is not necessary when it comes to the representative deciding on price and timing of a trade.

Margin accounts

50% of the purchase price is borrowed when a margin account is used to purchase securities.

In a margin account:

- Credit extended to a customer by a BD is governed by Regulation T
- Credit extended to a customer by a bank is governed by Regulation U

ETHICS IN THE SECURITIES INDUSTRY

Conduct rules

To ensure just and equitable trade practices, rules are enforced by FINRA. There are some requirements, however.

While registered, commissions can only be continued with a written contract. Exceptions are 529 plans and accounts with insurance or investment companies (VA and VL).

Several financial statements are included in semiannual reports to shareholders, including a balance sheet and a statement of income. Each year (or on request), customers should also be sent a balance sheet.

Only member firms with selling experience should be given selling concessions while any customer complaints received in writing must be kept for 4 years.

In terms of the transmission of funds from customer to end seller, this must be carried out as promptly as possible.

Conduct violations include churning, using fictitious accounts, making unauthorized transactions, and providing clients with recommendations that are unsuitable.

CODE OF PROCEDURE

FINRA rule violations are dealt with via this.

Process

First, the complaint is filed, and respondents must then answer it within 25 days.

Within 45 days, the Department of Enforcement will hold a hearing.

Fine, censure, suspension, expulsion, or barring the person or firm involved could result from a guilty verdict.

Appeals

Order of appeals = National Adjudicatory Council, SEC, appellate court.

Special cases

Acceptance, waiver, or consent may be offered by the respondent.

- If they admit guilt
- No hearing or appeal is held

A minor rule violation may be offered by FINRA.

- If the respondent admits guilt
- No appeal allowed. $2,500 and/or censure is the maximum penalty in this case

Code of Arbitration Procedure

Resolves disputes between FINRA members and employees of member firms. If a customer agrees, it also can be used to settle client/firm disputes.

- Simple English must be used for pre dispute arbitration agreements
- Delivery in writing must be acknowledged by the customer

The process

A filing dispute description is filed with FINRA by the disputant. Non-mandatory mediation may resolve the dispute without the need for a hearing to take place. If not, a hearing will be held to reach a decision.

- Simplified arbitration disputes: These are for $50,000 or less. Only one arbitrator is necessary and no hearing will take place
- One arbitrator is necessary for disputes up to $100,000 and those over this figure require three arbitrators
- Should the dispute involve a customer, the vast majority of the arbitrators must be from the public

Note in arbitration, no appeal is allowed while it is within 30 days that all awards must be paid. Finally, the statute of limitation is for a period of six years.

USA PATRIOT ACT OF 2001

It's as a way to combat money laundering that this act came about and it requires firms to have written, tested procedures in place to combat it.

Reports required of the act

CTR or Currency Transaction Report for receipts over $10,000.

SAR or Suspicious Activity Report for transactions over $5,000 or more or those deemed suspicious.

Customer Identification Program

This deals with identification of customers through written procedures. Accounts must be closed if no satisfactory identification is forthcoming.

Office of Foreign Assets Control (OFAC)

Keeps a list of individuals and organizations deemed to be a national security threat.

All new customers must first be screened against this list.

Situations involving OFAC will be dealt with by someone designated by the firm principal.

<u>SUITABILITY AND RISK</u>

REQUIRED INFORMATION

When evaluating a customer, the following information is necessary:

- Name
- Address
- Social security number
- Confirming legal age
- Occupation
- Marital status
- If they are associated with another FINRA member firm
- What their investment objectives are
- They should be made aware of various risks
- The principal's signature on the client's account card
- Verification of the customer is necessary within 30 days and all their information should be updated every three years

INVESTMENT RECOMMENDATIONS

Customer profile:

- Attitude towards risk
- Financial status
- Overall experience in investing
- Nonfinancial investment factors to consider
- Financial investment factors to consider
- Income statement
- Balance sheet

Investment objectives:

- Liquidity, income, growth
- Investment safety
- Tax considerations

Types of risk

Credit/financial risk, market risk, business risk, reinvestment risk, marketability risk, call risk, legislative risk, and purchasing power risk.

Return on investment

Income: interest and dividends
Capital gains: short and long-term

Risk and reward notes

These are joined together with more rewards linked to higher risks.

Managing risk can be achieved through diversification and asset allocation.

Risk strategies can be aggressive, defensive, or somewhere in between