

U.S. Adults Prefer Playing It Safe Rather Than Taking Risks With Their Money, Careers and Social Lives

Northwestern Mutual Study Finds People Most Comfortable Taking Financial Risks Are Those Who Work With Advisors and Consider Themselves Disciplined Planners

MILWAUKEE, Dec. 11, 2019 /PRNewswire/ -- Americans are far from daredevils when it comes to how they manage their finances, careers, social lives and more. In fact, the latest findings from Northwestern Mutual's [2019 Planning & Progress Study](#) suggest that when U.S. adults face choices about how much risk to take on, most prefer to play things safe.

For example, when asked about their likelihood to take calculated risks with their finances, nearly three quarters (72%) of U.S. adults 18+ report they are more comfortable reducing risk to ensure the safety and stability of their savings and investments, even if it means the potential for lower returns.

Risky Business

The study found that the average American "financial risk tolerance" – defined as the comfort level with taking financial risks in order to seek financial returns – is a 4.9 out of 10 (with 1 being 'very conservative' and 10 being 'very aggressive'). Considerably more people fall on the risk-averse end of the scale, with 30% in the 1-3 low-tolerance range vs 14% between 8-10.

Digging deeper into the tolerance numbers shows that individuals most comfortable with risk are those who self-identify as disciplined planners and those working with advisors:

Americans who consider themselves 'highly-disciplined planners' – defined as people who know their exact goals, have developed specific plans to meet them, and rarely deviate from those plans – report a risk tolerance of 5.3. Comparatively, those who identify as 'informal planners' – defined as people with a general sense of their goals and how to meet them, but do not have a formal plan in place – report a risk tolerance of 4.5.

U.S. adults who work with an advisor report a risk tolerance of 5.2, and those without advisors have a risk tolerance of 4.6.

"The instinct to preserve and protect is evident in these numbers, and while that's a positive and healthy tendency, it's also possible to be overly cautious due to uncertainty," says Emily Holbrook, senior director of planning at Northwestern Mutual. "It's interesting that comfort with risk goes up when people seek help from an advisor and stick to a plan. The takeaway here is that getting the right financial guidance can give you clarity to take calculated risks."

Attitudes Towards Risk in Everyday Life

The tendency toward risk-aversion isn't limited to finances. The study also found that Americans are more inclined to play it safe across many areas of their lives, including:

Their careers: 65% prefer the consistency and stability of staying with one employer rather than taking the risk of moving around; 35% prefer to take the risk of making changes (e.g., employer, field, starting a business, etc.) because they believe it has a higher potential for success/happiness than inaction.

Where they choose to live: 76% prefer the stability and consistency of living in one place long-term, even if an opportunity to move could potentially result in career growth, improved finances, etc.; 24% report they prefer the adventure of starting over and experiencing new cities, neighborhoods and people.

The activities they enjoy: 72% say their personal interests tend toward activities that don't involve an element of risk; 28% are thrill-seekers who like folding in an element of risk as a way of having fun – things like skydiving, swimming with sharks, climbing mountains, and bungee jumping.

Their social lives: 66% stick close to the friends they already have, not necessarily because they're uninterested in forming new relationships, but rather because they tend to avoid taking chances socially; 34% put themselves out there and take chances socially because they love the prospect of forming new friendships/relationships.

"The work that our advisors do with their clients often goes well beyond managing financial plans and connects to the choices people are making across other parts of their lives," says Holbrook. "It's human impulse to play it safe, and there's a lot to be said for that. At the same time, uncertainty can hold people back from new opportunities. Our job is to empower people to make those difficult decisions and guide them along the path toward living for today."

These are the latest findings of the 2019 [Planning & Progress Study](#), an annual research project commissioned by Northwestern Mutual that explores Americans' attitudes and behaviors towards money, financial decision-making, and factors impacting long-term financial security. This year marks the 10-year anniversary of the study.

About The 2019 Northwestern Mutual Planning & Progress Study

The 2019 Planning & Progress Study was conducted by [The Harris Poll](#) on behalf of Northwestern Mutual and included 2,003 American adults aged 18 or older in the general population. Results were weighted to Census targets for education, age/gender, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online. No estimates of theoretical sampling error can be calculated; a full methodology is available.

About Northwestern Mutual

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