

The PRIME Systematic Risk Checklist

Identifying the Storms You Can't Control (But Can Prepare For)

Created by SafeSimpleSound Financial Planning

Your S3 PRIME Risk Assessment

What You'll Discover:

- **Safe:** A clear diagnosis of which “invisible” risks are threatening your portfolio right now.
- **Simple:** The easy-to-remember PRIME acronym used by ChFC® professionals.
- **Sound:** Proven strategies to hedge against the storms you cannot stop.
- **Constitutional Advantage:** Moving from “predicting the future” to “preparing for any future.”

The PRIME Framework Assessment

Instructions: Review your current investments (401k, IRA, Brokerage, Savings) and check the box if you are exposed to these risks.

P – Purchasing Power Risk (Inflation)

The risk that your money will buy less tomorrow than it does today.

- Do you hold more than 6 months of expenses in cash or low-yield savings?
- Do you own long-term bonds with fixed interest rates (non-TIPS)?

- Is your “safe” bucket earning less than 3% annually?
- **S3 Insight:** If you checked yes, your “safety” is an illusion. You are losing real value daily.

R - Reinvestment Rate Risk

The risk that you will have to reinvest maturing money at a lower interest rate.

- Do you rely on short-term CDs or bonds for living income?
- Are you worried about what happens when your current 5% CD matures?
- **S3 Insight:** Laddering maturities is the Constitutional cure for this uncertainty.

I - Interest Rate Risk

The risk that rising interest rates will cause your bond values to crash.

- Do you own long-term bond funds (duration > 10 years)?
- Do you own “high yield” or utility stocks specifically for the dividend?
- **S3 Insight:** When rates rise, bond prices fall. Ensure your duration matches your timeline.

M - Market Risk

The risk of a broad decline in the stock market (Systematic Risk).

- Do you own *any* stocks, mutual funds, or ETFs?
- Do you plan to spend this money within the next 3-5 years?
- **S3 Insight:** We accept Market Risk to beat Purchasing Power Risk. The hedge is Time, not timing.

E - Exchange Rate Risk

The risk that currency fluctuations will hurt your international holdings.

- Do you own international funds?
- Do you own US companies with significant overseas revenue (e.g., Apple, Coke)?
- **S3 Insight:** This is a natural diversifier. Don’t fear it; just be aware of it.

Your Storm Preparedness Score

Scoring Guide:

- **Mostly “Purchasing Power” Checks:** You are too conservative. You need to embrace Market Risk to survive.
- **Mostly “Interest Rate” Checks:** You may be chasing yield without understanding the price danger.
- **Balanced Checks:** You are likely well-positioned, *provided* your timeline aligns with these risks.

Next Steps

Based on your assessment:

- **If you fear Inflation:** We need to discuss “Growth as Defense.”
- **If you fear Market Crashes:** We need to discuss “Liquidity Buckets.”

Insights Summary

Key S3 Differentiator: We don't try to predict the weather. We build the ark.

Stakeholder Synthesis: This checklist helps readers understand the economy, prospects identify gaps, and clients feel secure in their strategy.

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