

# The PRIME Systematic Risk Checklist

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

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Created by SafeSimpleSound Financial Planning

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### 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.”
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## The PRIME Framework Assessment

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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

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## 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.”
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## Insights Summary

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*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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