



Take Calculated Risks and Control Your Fears

In the end, the only people who fail are
those who do not try.

– David Viscott

The words “risk” and “risk-taking” are frequently seen in personal development and self-improvement materials. According to the Merriam-Webster dictionary, risk is defined as “exposure to possible loss or injury.” Like any life change, making changes to improve health and increase wealth involves taking risks. By changing, you are moving out of your “comfort zone” and implementing new behaviors that are different and/or challenging. David Viscott, author of over a dozen books, including *Risking*, advises the following: “Keep reminding yourself that all successful people have taken a risk at some time and succeeded. Taking a jump into the unknown is the starting point of personal greatness. Go for it!” A frequently cited poem about risk concludes with the words: “To try at all...is to risk failure. But to risk, we must, because the greatest hazard in life...is to risk nothing.”

Virtually everything people do in life requires some type of risk. Therefore, we are constantly weighing the pros and cons of various actions. For example, when taking a dog outdoors for a walk to get exercise, we risk falling or getting hit by a car. Yet, many people take this risk in order to do something they enjoy. People often decide that certain activities in life are “worth the risk” and do them anyway. Personal risk assessment may also be influenced by factors such as the weather, recent life events and the presence of other people (e.g., a single man riding a motorcycle versus a married man with two children riding one).

Not all risks are created equal, however. Some risks, such as extreme sports, smoking and the use of illegal drugs, are clearly dangerous and/or unhealthy. Others, such as taking \$1,000 to a casino and relying on luck or plowing money into a poorly planned business venture, are unwise. Then there are **calculated** risks, such as investing for the long term in a stock index fund or the gradual weight loss of 40 pounds over a year with a better diet and exercise. With calculated risks, you have a vision about where you want to be and a road map to get there. You increase the odds of success by researching a risk-taking behavior (e.g., investing), developing and implementing an action plan, remaining focused on your goals and anticipating and addressing obstacles along the way (e.g., stock market downturns).

Success comes from taking calculated risks and either achieving your goals or learning from setbacks. Risk-taking indicates that you have confidence in your ability to succeed but also accept the possibility of failure because mistakes are a fact of life. Even if you fail, however, risks can often be considered a “success” if you learn from the experience and resolve to do better the next time.

In *Secrets of Six-Figure Women* by Barbara Stanny, the women profiled in this book attributed their success to “letting go of the ledge” (i.e., risk-taking). Among their individual “ledges” were unfulfilling jobs, irrational beliefs and unhealthy habits. Stanny concluded: “Every successful woman that I interviewed, when she finally let go (hard as it was), cited that single act as the springboard to higher earnings and happier times.” She also wrote:

The concept of letting go is far easier to talk about than to execute....Rather than hazard the instability of change, we lean on ledges as if they were crutches, finding all kinds of reasons why we need to stay right where we are.

A common roadblock to risk-taking is fear, such as fear of failure, fear of rejection, fear of pain, fear of loss, fear of getting started and fear of reactions by other people. Some people use the defense mechanism of fear to protect themselves from harm or loss. It isn't pleasant to experience difficult or uncertain situations, and many people will avoid them if at all possible. **Health and Wealth Risk-Taking, Worksheet 26**, will help you put your fears into words, as they apply to health and wealth goals, to determine if they are real or simply **False Evidences Appearing as Real** (i.e. irrational beliefs).

With respect to health behaviors, fears about making changes might include the following:

- Fear of lost friendships by not smoking/drinking around friends who still smoke/drink.
- Fear that a health screening exam might indicate the presence of a disease.
- Fear of having a heart attack while exercising because it happened to a friend.
- Fear of acting, and being seen by others, as a “thin person” if you've always been overweight.
- Fear of being successful (e.g., quitting smoking and/or losing weight) and then relapsing.
- Fear of changing dietary patterns and selecting the “wrong” foods.

In the financial realm, behavioral finance studies indicate a common fear of taking risks is called “loss aversion.” In research where the same outcome (e.g., receiving \$500) is described two different ways – as a gain (profit) and as a loss – most people are willing to take more risk to avoid a sure loss than to lock in a sure gain. According to behavioral finance researchers Daniel Kahneman and Amos Tversky, people feel the pain that comes with a financial loss about twice as strongly as they feel the pleasure of gaining an equal amount of money. Not surprisingly, many fears about taking risks to change financial behavior are fears about loss. Below are some examples of financial risk-taking fears:

- Fear of investing in stocks or stock mutual funds and losing money due to a market crash.
- Fear of choosing the wrong investments for IRAs, 401(k)s, etc. Some people who don't know what to invest their money in simply decide to do nothing (i.e., deciding not to decide).
- Fear of “not knowing enough” to make wise investing decisions
- Fear of discussing feelings about money issues and household finances with family members
- Fear of becoming financially successful (e.g., out-earning spouse, working long work hours)
- Fear of acknowledging negative cash flow by preparing a spending plan (budget)

When people better understand a particular risk or have some previous experience dealing with it (e.g., investing), their fear of risk-taking often decreases. For example, if you take an investment class and learn that stock returns have been superior to other asset classes historically, but also very volatile in short time frames, you may be less inclined to panic and sell during a stock market downturn. Generally speaking, there is a positive relationship between investment risk and average rates of return (e.g., stocks earn a higher average return than bonds).

Many people also find it easier to commit to take risks when they are passionate about something and believe in what they're doing. Passion provides the energy and courage required to make a change.

Use the **Health and Wealth Risk-Taking Worksheet** to identify calculated risks and fears.

Health and Wealth Risk-Taking

Question	Health Goal	Wealth Goal
State your goals in a sound bite (one short sentence).		
List up to three calculated risks that could help you achieve your goals.		
What will happen if you take a risk to achieve your goals?		
What will happen if you don't take a risk to achieve your goals?		
What are your fears about taking a risk to achieve your goals?		
How can you overcome your fears?		



Action Steps

Health

- Take the Your Disease Risk quiz at www.YourDiseaseRisk.Harvard.edu.
- Take a risk to implement at least one behavior change to improve your health.
- Describe role models for successful health changes and what you can do to copy their practices.

Wealth

- Take the Rutgers Cooperative Extension Financial Fitness Quiz and Investment Risk Tolerance Quiz at <http://njaes.rutgers.edu/money/ffquiz/>.
- Take a risk to implement at least one behavior change to improve your personal finances.
- Describe role models for successful financial behavior changes and what you can do to copy their practices.

References

- Belsky, G., and Gilovich, T. (1999). *Why smart people make big money mistakes and how to correct them*. New York: Simon and Schuster.
- Canfield, J. (no date). *The benefits of taking risks*. Retrieved from www.beststeps.com/Beststep.cfm?bs=846.
- Dunmire, C. (2004). *Taking risks*. Retrieved from www.creativity-portal.com/bc/taking.risks.html.
- Johnson, S. (2002). *Who moved my cheese?* New York: G.P. Putnan's Sons.
- Kahneman, D., and Tversky, A. (1979). Prospect theory: An analysis of decisions under risk. *Econometrica*, 47, 313-327
- O'Neill, B. (1999). *Investing on a shoestring*. Chicago: Dearborn Financial Publishing.
- Stanny, B. (2004). *Secrets of six-figure women*. New York: HarperBusiness.
- Taking risks* (2004). Retrieved from <http://journals.aol.com/rrebbbean/GrowingOLDYounger/entries/1064>.
- Tools for personal growth: On becoming a risk taker* (no date). Retrieved from www.coping.org/growth/risk.htm.
- Thaler, R., Tversky, A., Kahneman, D., and Schwartz, A. (1997, May). The effect of myopia and loss aversion on risk taking: An experimental test. *Quarterly Journal of Economics*, 112, 647-661.
- Tversky, A., and Kahneman, D. (1981). The framing of decisions and psychology of choice. *Science*, 453-58.
- Viscott, D. (1982). *Risking*. New York: Pocket Books.

Credit is given to Barbara O'Neill, Ph.D., CFP, Extension Specialist in Financial Resource Management, Cooperative Extension Service, and Karen Ensle, Ed.D., RD, Family and Community Health Sciences Educator, Rutgers Cooperative Extension for SSHW leaders training guides. For additional information about purchasing Small Steps to Health and Wealth™, visit www.arfamilies.org.

Prepared by Laura Connerly, Ph.D., Assistant Professor - Family Resource Management, University of Arkansas Division of Agriculture (lconnerly@uaex.edu).