

# How is the Risk Number Calculated?

The Risk Number is a proprietary scaled index developed by Riskalyze to reflect a risk score for both an investor's unique fingerprint or for a particular portfolio of investments. Shaped like a speed limit sign, a higher Risk Number means a higher level of risk and potential return.



The Risk Number is a single-dimension variable designed to approximate the relative risk between people or portfolios. Thus, a "45" portfolio generally has more risk than a "44," but two "45" portfolios may be quite different from each other.

One of the most important drivers of the Risk Number is the measurement of downside risk: either the downside risk in the investor's comfort zone (the range of risk to reward that they approve via risk questionnaire (<http://kb.riskalyze.com/article/157-capturing-a-risk-number>) or Risk Target (<http://kb.riskalyze.com/article/176-risk-targets>)), or the downside risk in a portfolio as measured by the 95% probability range (<http://kb.riskalyze.com/article/14-calculating-the-six-month-probability-range>).

Here are a few examples of the relationship between downside risk and Risk Number:

- Downside of -2%: Low 20s
- Downside of -5%: Low 30s
- Downside of -7%: Low 40s
- Downside of -12%: Low 60s
- Downside of -18%: Low 80s

Our advisors typically consider Risk Numbers to be "close enough" to each other when they are within 5-10 points of each other. Therefore, a Model Portfolio (<http://kb.riskalyze.com/article/70-best-practices-for-using-model-portfolios>) with a Risk Number 45 is often used for clients ranging from 40-50, unless the advisor offers another model that is closer to the client's Risk Number.

The Risk Number builds and deepens client-advisor relationships. A common language is created with specificity to remove ambiguity. Riskalyze helps create long-lasting and mutually appreciative relationships for the road forward for investors to see the path forward and, ultimately, achieve their goals.

✉ [Still need help? Contact Us \(#contactModal\)](#)

*Last updated on September 13, 2016*