



RESEARCH INSTITUTE  
FOR  
RISK INTELLIGENCE

## Risk Inclination – How Do You Compare to Others

by  
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### *Based on Proprietary Research*

Ever wonder how risk inclined you are? And how you compare to others?

As a part of my book, *The Power of Risk* (Maxwell Press), I conducted some research on risk inclination and aversion. The research involved people self-assessing their risk inclination in a variety of areas.

Participants were first asked to indicate their general risk inclination on a scale of 1 to 10, with 1 being Very Risk Averse and 10 being Very Risk Inclined. They were then asked to be more specific by similarly indicating their risk inclination in the following areas.

- ♦ **Physical Risks** – Activities that involve some risk of injury. Riding a motorcycle, river rafting, rock climbing or skydiving are some examples.
- ♦ **Career Risks** – Risk such as job changes, taking on new responsibilities or seeking promotions.
- ♦ **Financial Risks** – Your risk tolerance in investing, borrowing and lending money.
- ♦ **Social Risks** – Risks like introducing yourself to someone you don't know or putting yourself in an unfamiliar social situation even at the risk of possible embarrassment.
- ♦ **Intellectual Risks** – Things like your willingness to study a difficult topic, pursue information that challenges your convictions or read an intellectually challenging book.
- ♦ **Creative Risks** – Risks such as painting, drawing, taking on a writing challenge or pursuing an unconventional design.
- ♦ **Relationship Risks** – Risks such as a willingness to pursue a new relationship, spend time with someone despite an uncertain outcome or make a relationship commitment.
- ♦ **Emotional Risks** – Willingness to be emotionally vulnerable.
- ♦ **Spiritual Risks** – Willingness to place your trust in concepts that may be unprovable or you do not fully understand.

Having assessed their willingness to take these nine different types of risk, participants were then again asked the first question about their general risk inclination again. Some of the findings of the research follow.

**Averages and Ranges of Assessments** – On average, people placed their inclination for all types of risks between 5.9 and 7.7. I find it interesting that the averages are all above the midpoint on the assessment scale. It is also noteworthy that the range is so relatively small with less than two points between the lower and higher averages. This seems to suggest that people, as a whole, consider themselves moderately risk inclined and they see their risk inclination in all areas as reasonably similar.

Individually, the range of risk inclination for the specific risks varied the maximum possible. Some people assessed their risk inclinations ranging all the way from 1 to 10.

The range of averages of all risks for men was 6.2 to 7.8. The average risk inclinations for all risks for women were lower but broader ranging from 5.0 to 7.6.

*“Respondents indicated they were most comfortable taking intellectual risks.”*

**Highest Assessment** – Both as a whole and when broken down by gender, respondents indicated they were most comfortable taking intellectual risks. This could be due to people seeing the downside of taking intellectual risks as more acceptable than the negative outcomes from other risks such as financial, relationship or physical. Put another way, intellectual risks are private in nature and usually taken without anyone being aware of the risk except the person taking the risk. As such, a negative outcome, should it occur, is likely known only to the risk-taker.

**Lowest Assessment** – Overall, people identified financial risks as the ones where least comfortable taking. The average age of the respondents being in the mid-forties likely influences this result. Men assessed their risk inclination in both financial and emotional risks as their lowest. My guess is that many will not be surprised to learn that emotional risks are among the least comfortable for men. This strikes me as consistent with the way men are often socialized in our society. Women identified physical risks as the ones they were least inclined to take.

*“People identified financial risks as the ones where least comfortable taking.”*

**Gender Differences** – Men’s and women’s inclination to take social and creative risks was essentially identical. The greatest difference in risk inclination between men and women came in physical risks. The average inclination to take physical risks for males was 6.9. For females, it is 5.0.

This range of 1.9 is the greatest difference in risk inclination that occurs when comparing results by gender.

*“The greatest difference in risk inclination between men and women came in physical risks.”*

There are two types of risks for which women indicated a greater risk inclination than men. Can you guess which ones? Women expressed a higher inclination to take both relationship and emotional risks than men.

**Revised Overall Risk Inclination** – One of the points of this exercise is to encourage people to look at their risk inclination more broadly. That’s the reason respondents are asked to assess their Overall Risk Inclination a second time after assessing their inclination to take risks in a variety of specific areas. I am pleased to report that many respondents revised their Overall Risk Inclination upward as a result of completing the survey.

*“Two out of five moved their assessments of their Overall Risk Inclination upward.”*

Two out of five people assessed their Overall Risk Inclination higher than their original assessment after considering their risk inclination in the nine specific areas. That’s powerful and means that simply looking at their risk profile more broadly allowed them to revise their Overall Risk Inclination upward. For women, this effect was even more

dramatic. Fully half of the women taking the survey increased their Overall Risk Inclination. One in three men did the same.

Two in five taking the survey did not change their Overall Risk Inclination significantly. For men, those with unchanged Overall Risk Inclinations were 44 percent. For women, it was 36 percent.

Some people revised their Overall Risk Inclination downward as a result of taking the survey, but only one in five. It’s refreshing to see that only half as many people moved their assessed risk inclination downward compared to the number who moved theirs upward. For women, only 15 percent moved their assessments downward, while 24 percent of men did the same.

To review, two out of five moved their assessments of their Overall Risk Inclination upward. The same proportion kept theirs the same and one in five moved theirs downward.

**More Influential Risk Inclinations** – I have long suspected that we allow our comfort level with certain kinds of risks to disproportionately influence our perception of our Overall Risk Inclination. One of the goals of this survey is to look for correlation between the first assessment of Overall Risk Inclination and risk inclination in the various specific areas that would provide evidence of such disproportionate influence.

Based on countless conversations, I have sensed that many people allow their comfort level with physical risks to significantly influence their perception of their Overall Risk Inclination. But I have been wary to assert this due to the fact that most of the people who have indicated this to me are aware of my inclination to take physical risks by skydiving.

Their comments often start with a statement such as, "I could never do what you do. I'm not a risk-taker." This seems like a pretty clear reference to physical risks such as skydiving. Given time, I will explore with the person making the statement the areas of their life where they are more risk inclined. Once we can disconnect their perception of their Overall Risk Inclination from their comfort with physical risks, they will often revisit their initial statement. I love when that happens! They conclude the conversation feeling a bit differently about themselves.

So, how much correlation did we find between respondents first assessment of their Overall Risk Inclination and their physical risk inclination? It depends on what group of respondents you are looking at. For males, the assessments are almost identical. My suspicion was confirmed.

For females, there is a lot less correlation, so the same theory does not seem to apply to women. For women, the highest degree of correlation with the initial assessment of Overall Risk Inclination is with financial risks. For both genders combined, the highest correlation is with emotional risks. I leave it to you to discern the significance of these correlations. Nothing in particular has occurred to me. If something profound comes to mind, send me an email and let me know.

**Impact of Age** – One of the questions I get most often on the topic of risk inclination is how it changes with age. Research has shown that most people become more change averse as they age. But comfort with change is only part of the risk equation. So, what can we glean from the responses to the surveys about how risk inclination changes with age? There are some insights, but I would not consider the conclusive without a lot more data. There are, however, some interesting patterns.

*"Men show a reduced inclination to risk as they age, but women do not!"*

My guess is that if you were asked, based solely on intuition, whether people become more or less risk inclined as they age, you would say less. I agree and think most people would say the same. But we are not necessarily correct.

The responses to the survey show that, for the population surveyed, there is not a statistically significant change in risk inclination based on age. But things change when we look at the responses by gender. Men show a reduced inclination to risk as they age, but women do not! The women in the population surveyed showed an increased risk inclination in their 40s that

lasts about twenty years before starting to decline. This is a fascinating observation that bears more research.

At this point, we can only speculate as to the causes of this increased risk inclination. It could be attributable to the fact that the women I asked to respond to the survey are, by my observation, reasonably financially secure. I would be inclined to suggest that some types of risk inclination increase with financial security.

Another factor that could be contributing to women's increased risk inclination in mid-life is a possible latent desire to enjoy activities and take advantage of opportunities that were difficult for them to pursue earlier in their lives due to the obligations of raising a family. Some sociologists have suggested that many women spend the first half of their lives tending to the needs of others and the second half of their lives addressing more of their own. That concept could be related to the survey results.

Both of these possible explanations are just supposition until validated by further research. But women's increased risk inclination during middle age as indicated by the survey population is thought provoking.

### **Yours Alone**

While it is interesting to know how your risk inclination compares to others, please do not let it influence you too much. How you compare to others is really not that important.

While we can learn from observing what others do well and poorly in this realm, comparing yourself to them is just not helpful. Your natural level of risk inclination is a result of a multitude of factors that are unique to you. It is influenced by the person you were at birth and all your life experiences since. Like you, it's unique.

It is an interesting reference point – and possibly a starting point if you choose to set about intentionally changing it.

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Jim McCormick is the Founder and President of the Research Institute for Risk Intelligence. His books include *Business Lessons from the Edge* (McGraw-Hill), *The Power of Risk* (Maxwell Press) and *The First-Time Manager* (AMACOM). More information is available at [www.JimMcCormick.com](http://www.JimMcCormick.com).

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