

The Importance of Diversification

Diversification is an investment strategy consisting of a variety of different investments in one portfolio. From stocks to bonds to annuities, a single portfolio should contain a variety of investment means in order to remain diverse and achieve one's financial goals. Diversification attempts to shield one's portfolio from risk associated with the volatility in the market, currency fluctuations, interest rate adjustments, and geopolitical happenings. The main purpose of a diverse portfolio, one with different types of investments, is to yield higher returns and pose lower risk. In other words it follows the saying, "Don't put all of your eggs in one basket."

Achieving the desired rate of return while having as little risk as possible is the principle goal of investing. In working with many retirees and pre-retirees over the past 30 years, I have yet to meet anyone who has said that they enjoy losing money. What I do hear is that individuals want to see their money grow to their desired return, and they would prefer it to grow fast. Isn't this true for all of us? Wouldn't it be great to receive a high level of return, in a short period of time, with no risk? Well, as I share with my clients, you need to diversify in order to reach your financial goals; there isn't one investment product that is the end all, be all.

We've all heard the saying, "Not having a plan, is a plan to fail." This couldn't be more true when it comes to your finances. The "golden rule" of diversification is to have a plan and remain diversified at all times. This strategy requires attention and close management. Initially when you set your financial plan in motion, you could have a product that is perfectly suited for your financial goals, but a better option could become available tomorrow. Also, as your portfolio grows, it is likely that it will become unbalanced compared to the way it was originally set up. You could have the most diverse portfolio today, yet it doesn't fit your financial goals later in life. For this reason, it is necessary to routinely rebalance your assets to maintain the type of diversification you desire.

If your goal was to run a marathon, would you only train the week before the race? Probably not. Your diverse portfolio needs to take into consideration your current financial situation, reflect your attitude towards risk, and aim for achieving your financial goals and desires. At Conservative Financial Solutions, we stay up-to-date on



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what is happening within the financial industry, and we listen to our clients' financial goals and desires. We work with them on developing and maintaining a diversified plan to help them see those goals and desires come true.

When I talk about diversification, I cannot emphasize enough the importance of a plan which includes a variety of investment "baskets." Each person will have different types of baskets and a different total number. Some baskets will be bigger than others. Ultimately, it all depends on one's financial goals. At Conservative Financial Solutions, we directly plan with our clients to achieve their financial dreams by investing in several diverse investment baskets, the stock market being only one of the baskets. If you'd like to learn more about our investment strategies and receive a complimentary Retirement Income Analysis, contact us at (513)367-1113, info@go2cfs.com or visit our website at conservativefinancialsolutions.com.

Sites Used:

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