SOUND INVESTING MEANS MANAGING RISK

Created By: Mike Gibson, CRPC®, CFP®

Imagine this as a picture window - If it breaks the entire window is gone

Risk is having and potentially losing one investment

To reduce risk we add dividers to create window panes

You reduce risk by having multiple investments = Diversification

USA Stocks - Companies inside USA

	Value	Blend	Growth
Large Companies			
Medium Companies			
Small Companies			

International Stocks - Companies outside USA

	Value	Blend	Growth
Large Companies			
Medium Companies			
Small Companies			

USA Bonds - Corporate/Government

	Short-Term	Intermediate	Long -Term
High Risk			
Medium Risk			
Low Risk			

International Bonds - Corp/Gov't outside USA

	Short-Term	Intermediate	Long -Term
High Risk			
Medium Risk			
Low Risk			

We reduce investing risk by creating a multi-layer & multi-pane window of Investments
The mix depends on your situation and risk tolerance

Note: When you own a "Stock" (also called an equity), you are a part "owner" of a company - Approximately half of all stocks are US companies and half are international (outside USA)
When you own a "Bond" (also called Fixed Income), you are a "lender" to a company, municipality or government. You are looking for income/dividends in exchange for lending.
Investing in either stocks or bonds involves risk, and past performance does not guarantee future results - You always have the final say on if an investment is right for you
We want to "diversify" our investments in order to try to decrease our risk. In general, no one investment (stock or bond) should account for more than 5% of your overall portfolio
Mutual funds or ETF (Exchange Traded Funds) is a basket of stocks or bonds and is designed to help you diversify within one or more of the above Stock/Bond boxes
Created by Mike Gibson (Certified Financial Planner™) for educational purposes only. See your Financial Advisor in order to determine the allocation that is best for your situation