

Solid Investment Plans Are Well Rounded

If you want to be a solid investor you will find that you need one critical component. That component is a diversified portfolio. Diversified portfolios help ensure that you will have balance and risk management considerations in place for your portfolio. Experienced investors and financial advisors have discovered the significant importance of diversification for increasing financial gain and reducing loss. The concept is simple. You need to have a well rounded portfolio that has a variety of high risk to low risk investments. That way, if one does great you are ahead. On the other hand, if one does not go great you are not behind. The three main categories of investments you need to balance out in your portfolio are cash, stocks, and bonds. Diversifying these three things in your portfolio will make it strong and give it the best chances of working effectively for you.

Cash

Cash is the portion of your assets that should be considered the most liquid. That doesn't mean you tap into it whenever you have the desire to do so. It means that you have access to it if you need it for a major purchase. Most people choose options such as Certificates of Deposit and Money Market accounts for this part of their portfolio. It provides flexibility, low or non-existent penalties for withdrawals, and the opportunity to earn some interest on the money.

Stocks

When you are starting an investment portfolio or adjusting a current one stocks are the first item to address. Out of the three investment areas, stocks are the most volatile and require the most diversification. When it comes to stocks there are not only high risk and low risk, but also small caps and large caps. You need to do your research or find a financial advisor to help research for you with this one. There are diversified portfolio options now that even tie in with your personal beliefs and help you support the causes you consider important.

Bonds

Bonds are a unique investment because they have an end date and a guaranteed interest rate. Governments, municipalities, and corporations are the most frequent users of bonds. When you start looking into bonds you will hear the term blue chip. A blue chip bond is one that is considered less risky. The best way to tell if a bond is high or low risk is the interest rate that it offers. The lower the rate of return the more stable the bond is considered. Higher rates of return are associated with higher risk.

Über den Autor

Find more information about best investment tips and ideas, please click [How to Invest in Stock Market](#) and [How to Buy Penny Stocks](#).

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