Introduction to Diversification

Diversification is a risk management approach that combines a wide range of investments within a portfolio. A diversified portfolio includes a variety of asset types and investment vehicles to reduce exposure to any particular asset or risk. The logic behind this method is that a portfolio composed of various assets would, on average, generate superior long-term returns while lowering the risk of any given holding or security.

Risk is reduced due to an undesirable outcome; for example, when one form of investment declines, another type of investment increases. Understanding financial instruments, industries, and strategies may all help with diversification. There are no one-size-fits-all or zero-risk investment possibilities in investing just high and low risks. As a result, a well-diversified portfolio can often endure more market situations than others.

A series of different styles, methods & formulas can be used to develop a diversified portfolio depending on your goal, age, income, and much more. Understanding that not all tools or strategies are required to be successful in building a portfolio, but the more, the better. The saying goes, "don't put all your eggs in one basket." To start deciding on what methods & tools can work best for you, familiarize yourself with your options.

Although utilizing different investment tools is handy, understanding and employing different strategies is also essential. When starting, many people only focus on investing in stocks, bonds, commodities, real estate, trading, etc. They go hand in hand, and combined strategies tend to help generate greater returns over time than any individual strategy or method. Learning each technique in time can help; however, you want to be sure you are learning and allowing yourself to grow within different investment industries without overextending your capital.

When building your investment market portfolio, you want to consider domestic & international publicly traded companies, bonds, bank products, and sectors. Think of the types of industries, businesses, or sectors you want to invest in, the different ways you can invest in them, and the things that may impact them (i.e., Real Estate can be either tangible, a stock, ETF, & impacted by materials/commodities, etc.)

Investment Tools

Annuities	ETF’s
Bank Products	Insurance
Bonds	Mutual Funds
Commodities	Options
Cryptocurrency	Real Estate
Education (529, Coverdell, etc)	Retirement (IRA, 401K, etc)

Market Sectors

Consumer Discretionary

Consumer Staple

Energy

Financials

Health Care

Industrials

Information Technology

Materials

Real Estate

Telecommunication

Utilities

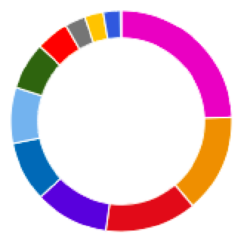
Examples

S&P 500 ETF Diversified holdings

Holdings Breakdown

Stocks

Technology	24.42%	Consumer Defensive	6.89%
Health Care	14.45%	Energy	4.79%
Financials	13.39%	Utilities	2.97%
Consumer Cyclical	10.74%	Real Estate	2.77%
Communication	8.80%	Basic Material	2.47%
Industrials	8.18%		



Bonds & Cash

Cash & Equivalents	0.13%