



Diversification Is a Good Thing: CFP Board Ambassador Offers Tips on Which Assets to Diversify and How

Washington, D.C., May 23, 2016 – Diversification is a good thing; it is the most effective, least expensive, and easiest-to-implement strategy in an investor’s toolbox to reduce the risk of loss, without sacrificing return. The concept of diversification is readily grasped in a bit of homespun wisdom: when your mother advised “not to put all your eggs in one basket,” she was telling you to diversify.

“Diversification isn’t just about owning assets. It’s about managing risk and volatility,” said Metro-Detroit CFP Ambassador Robert Schmansky, CFP®. “Especially in retirement, a smart diversification plan can allow for the potential for growth for your longer-term needs, but also can act like insurance on your portfolio during periods of volatility.”

In a recent article posted to LetsMakeaPlan.org, CFP Board tackles not only the “why” of diversification, but also suggests the questions you should be asking when diversifying your assets:

- **How diversified should I be?**
It used to be that you could diversify by holding three basic asset classes: stocks, bonds, and cash. But trends over the past 40 years have made this approach too simplistic. With globalization and the creation of marketable securities for illiquid and directly-held assets, it is possible—and advisable—to expand one’s investment repertoire.
- **Is it possible to do too much diversifying?**
Yes, particularly when investors uncritically believe that more is better than less. It has been shown that sufficient diversification of a U.S. stock portfolio can be achieved with approximately 10-13 stocks.
- **What other risks can be diversified?**
Beyond asset classes, other areas in an individual’s financial life can all benefit from diversification, including human capital (the skills, education and professional experiences brought to the workplace), the type of accounts used for investing, and for large investments, acquisition costs.

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About Robert Schmansky, CFP®

Robert Schmansky is the founder of Clear Financial Advisors of Metro-Detroit. Rob has over a decade of experience helping individuals and families meet their financial goals and overcome money concerns. He is frequently quoted in the media on issues regarding personal financial planning, and has been a contributing writer for U.S. News & World Report, Forbes and Yahoo!Finance, and an investment expert for FiLife, a former Dow Jones/IAC joint Internet venture. He has been an adjunct instructor of economics and the required courses for candidates to sit for the CFP® exam. Investment News selected Rob as a 2015 40 Under 40 financial planning professional and he is the 2013 PlanPlus Global Financial Planning Awards North American finalist.

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