EVERGREEN
WEALTH SOLUTIONS
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YOUR FINANCIAL PORTRAIT

Mixing the Right Colors

Any artist will tell you that mixing colors is an art in itself. However, they'll also tell you that without learning the proper technique, it may be difficult to get the right shade and consistency. In this respect, artists and investors share some similarities. Successful investing typically blends a number of different investments in order to create a portfolio that is consistent with the investor's goals and objectives. It's no coincidence that such a technique is the foundation for one of the most basic financial investment principles—**diversification**.

Diversification is the process of decreasing your financial risk by investing monies in different investments. Over the years, this concept has grown to include investing in various classes of financial products such as **stocks**, **bonds**, **mutual funds**, and **guaranteed interest investments** (i.e., **asset allocation**). Overall, diversification can help reduce investment risk while seeking higher returns. That's because different categories of investments react differently to changes in the economy. For example, while stock values might be plummeting, bond values may be rising or remaining level. With a well-diversified portfolio, you can become the owner of many asset categories and potentially reduce the impact of the economy on your total investments.

Creating Your Own Palette

To effectively use diversification, many financial professionals recommend investing in at least three different types of investment classes. Examples of some investment classes include stocks, bonds, mutual funds (which can comprise stocks, bonds, or a combination of both), **certificates of deposit (CDs)**, **savings**, and **money market accounts**. However, before you decide where to invest, you should review your personal financial goals and ask yourself the following questions:

- What are my goals for this money?
- How can I keep inflation from eroding the purchasing power of my money?
- How much risk am I willing to take with my money?
- Will I be comfortable with investments that have daily price fluctuations?

Many investors use diversification as the foundation of their portfolios. However, it's essential to realize that diversification does not eliminate risk or guarantee a profitable investment return.

To keep risk at a minimum, your financial portfolio should reflect your own personal financial goals and investment style. Among other factors, your age, income, expenses, family responsibilities, temperament (are you a risk-taker or a play-it-safer?), all determine how you should build your portfolio. With these factors in mind, here are some basic ground rules for investing:

- Having a focused portfolio may help you put some extra money into promising stocks or funds and move out of ones showing problems.
- Own only as many stocks and mutual funds as you can safely monitor. Mutual funds, by their nature, are diversified since they consist of a variety of either stocks or bonds, or a combination of both. In addition, you can further diversify by investing in several funds with varying objectives.
- How much risk am I willing to take with my money?
- Will I be comfortable with investments that have daily price fluctuations?

Making a Masterpiece

One of the biggest challenges facing the average investor is deciding how to allocate personal savings or retirement assets. Naturally, most individuals hope to create an investment portfolio that is consistent with their personal objectives and risk tolerance level. However, the lure of potentially high rates of return can easily skew an investor's objectivity, resulting in unrealistic expectations and unnecessary exposure to risk. Thus, it is important to adhere to a diversified investment strategy that conforms with your short- and long-range goals. With a little bit of patience, you'll be able to paint a bright picture for your future.

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