LOW RISK PROFITS IN HIGH RISK TIMES pdf

1: Low-Risk vs. High-Risk Investments for Beginners | Investopedia

The U.K. social bond ended up with a percent reduction in recidivism rates among participants while at the same time overall rates were up 3 percent, so it was a percent improvement compared to the control group.

And while rates will undoubtedly rise again at some point, guaranteed instruments will never outpace inflation. Those who are willing to explore some of these options can significantly increase their investment income without having to lie awake at night worrying whether their money will still be there in the morning. There are several types and levels of risk that a given investment can have: The risk that an investment will lose value due to a change in interest rates applies to fixed-income investments Reinvestment Risk: The risk that an investment will be reinvested at a lower rate of interest when it matures applies to fixed-income investments Political Risk: The risk that a foreign investment will lose value because of political action in that country holdings located in developing countries are particularly susceptible to this Legislative Risk: The risk that an investment will lose value or other advantages that it offers because of new legislation all investments are subject to this risk Liquidity Risk: The risk that an investment will not be available for liquidation when it is needed applies to fixed-income investments and real estate and other property that may not be able to be quickly sold at an equitable price Purchasing Power Risk: The risk that an investment will lose its purchasing power due to inflation applies to fixed-income investments Tax Risk: The risk that an investment will lose its value or return on capital because of taxation most investments are subject to this risk Fixed income investments, such as bonds and CDs, are typically subject to interest rate, reinvestment, purchasing power, and liquidity risk, while stocks and other equity-based investments are more vulnerable to market risk. And while a few investments, such as municipal bonds and annuities , are at least partially shielded from tax risk, no investment is safe from political or legislative risk. With this in mind, the risk-to-reward investment spectrum can be broken down as follows: Oil and gas investments , limited partnerships, financial derivatives , penny stocks , commodities Understanding where different types of investments fall in the risk-to-reward spectrum can help investors identify opportunities to seek greater returns while still maintaining a modicum of safety. Very Low- to Moderate-Risk Investments There is no such thing as a risk-free investment â€" all investments, including those that are guaranteed to return principal, carry some sort of risk. But those who are willing to venture into the low- to moderate-risk category of investments can find substantially better yields than those offered in the safe category. There are a number of good choices in these categories: Preferred Stock Preferred stock is a hybrid security that trades like a stock but acts like a bond in many respects. Some of the other characteristics of preferred stock include: Preferred offerings usually pay monthly or quarterly, and their dividends can qualify for capital gains treatment in some cases. Preferred stock also has very little liquidity risk, as it can be sold at any time without penalty. The main types of risk that preferred stock carries are market risk and tax risk. There are a few types of preferred stock: Accumulates any dividends that the issuing company cannot pay due to to financial problems. When the company is able to catch up on its obligations, then all past due dividends will be paid to shareholders. Allows shareholders to receive larger dividends if the company is doing well financially. Can be converted into a certain number of shares of common stock. Lower rated issues will pay a higher rate in return for a higher risk of default. The other major characteristics of utility stocks include: Utility stocks are common stocks and come with voting rights. Their share prices are generally not as stable as preferred offerings. Utility stocks are also often graded by the ratings agencies in the same manner as bonds and preferred issues, are fully liquid like preferred stocks, and can be sold at any time without penalty. Utility stocks typically carry slightly higher market risk than preferred issues and are also subject to taxation on both dividends and any capital gains. Fixed Annuities Fixed annuities are designed for conservative retirement savers who seek higher yields with safety of principal. These instruments possess several unique features, including: The principal and interest in fixed contracts is backed by both the financial strength of the life insurance companies that issue them, as well as by state guaranty funds that reimburse investors who purchased an annuity contract from an insolvent carrier. There are also indexed annuities that can give investors a portion of the returns in the debt or equity markets while guaranteeing principal. These contracts can provide an excellent return on capital if the markets perform well, while they may only offer a small consolation gain under bearish conditions. And like IRAs and other retirement plans, all types of annuity contracts are unconditionally exempt from probate and also protected from creditors in many cases. The major risks that come with annuities are liquidity risk due to the early withdrawal penalty, and also any surrender charges levied by the insurance carrier , interest rate risk, and purchasing power risk. Brokered CDs This type of CD can be an attractive option for ultraconservative investors who cannot afford to lose any of their principal. These instruments have the following features: Although they do not pay rates as high as preferred or utility stocks, brokered CDs can pay significantly more than their counterparts that are sold by personal bankers. Brokered CDs are issued like bonds and trade in a secondary market, but are still insured by the FDIC â€" provided that they are held until maturity. If the CDs are sold before then, then the investor may get less than their face value in the secondary market. Many brokerage firms sell this type of CD. For example, Edward Jones has used brokered CDs to attract customers from banks who were seeking higher yields. Brokered CDs carry the liquidity risk that comes with any other type of bond and are subject to taxation. These vehicles have a different set of advantages and disadvantages from the individual offerings listed above: Income funds invest in a wide range of income-producing instruments, such as bonds, mortgages, senior secured loans, and preferred and utility stocks. The diversification and professional management they offer lessens the market and reinvestment risks found in individual securities. The combination of different classes of securities, such as bonds and preferred stocks, can also combine to provide a superior payout with less risk than individual offerings. Investors have a wide range of choices when it comes to income funds. There are hundreds, if not thousands, of income funds available today â€" investors should know exactly what they are looking for and do their homework before investing in one. Some funds are very conservative, investing only in things like cash instruments and treasury securities, while others are much more aggressive and look to junk bonds and mortgage-backed securities to provide a high level of income. Funds that invest solely in utility stocks can also be considered income funds, although they may have growth as a secondary objective. But those who are considering utility stocks can also diversify with a utility fund or UIT. Exchange-traded funds are the newest player on the block. Income funds offer market risk, reinvestment risk, and tax risk in most cases. They can also have political risk for international funds, and purchasing power risk from conservative funds. Final Word Investors who seek income have several alternatives to choose from that can offer superior payouts with minimal risk. It is important to understand that there is no such thing as a truly risk-free investment but that different investments carry different types of risk. For more information on income-producing investments, consult your financial advisor. What are your favorite investment options with low to moderate risk?

2: The Reality of Investment Risk | www.enganchecubano.com

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For these reasons, the ETFs can offer investors exponential returns or losses if trades are made due to pesky emotions. The price of oil can be equally volatile, and for this reason, trading activity reflects an amplified level of volatility in its prices. Options Options offer high rewards for investors trying to time the market. An investor who purchases options may purchase a stock or commodity equity at a specified price within a future date range. If the price of a security turns out to be not as desirable during the future dates as the investor originally predicted, he does not have to purchase or sell the option security. This form of investment is especially risky because it places time requirements on the purchase or sale of securities. Professional investors often discourage the practice of timing the market, and this is why options can be dangerous or rewarding. Other IPOs are less high-profile and can offer investors a chance to purchase shares while a company is severely undervalued, leading to high short- and long-term returns once a correction in the valuation of the company occurs. Venture Capital The future of startups seeking investment from venture capitalists is particularly unstable and uncertain. Many startups fail, but a few gems are able to offer high-demand products and services that the public wants and needs. Many startups are fueled by great ideas by people who are not business-minded. Venture capital investors need to do additional research to securely assess the viability of a brand new company. Foreign Emerging Markets A country experiencing an industrial revolution or a new political regime that encourages development can be an ideal investment opportunity, as it has been for China over the past ten years. Spurts in economic growth in countries are rare events that, though risky, can provide investors a slew of brand new companies to invest in to bolster personal portfolios. The greatest risk of emerging markets is that the period of extreme growth may last for a shorter amount of time than investors estimate, leading to discouraging performance. The political environment in countries experiencing economic booms can change suddenly and modify the free market or capitalist economy that previously supported quick growth. The trusts invest in pools of commercial or residential real estate. Due to the underlying interest in real estate ventures, REITs are prone to swings based on developments in an overall economy, levels of interest rates and the current state of the real estate market, which is known to flourish or experience depression. The highly fluctuating nature of the real estate market causes REITs to be risky investments. Although the potential dividends from REITs can be high, there is also pronounced risk on the initial principal investment. High Yield Bonds Whether issued by a foreign government or high-debt company, high-yield bonds can offer investors outrageous returns in exchange for the potential loss of principal. These instruments can be particularly attractive when compared to the current bonds offered by a government in a low-interest rate environment. However, not all high-yield bonds fail, and this is why these bonds can potentially be lucrative. Currency Trading Currency trading and investing may be best left to the professionals, as quick-paced changes in exchange rates offer a high-risk environment to sentimental traders and investors. Those investors who can handle the added pressures of currency trading should seek out the patterns of specific currencies before investing to curtail added risks. Currency markets are linked to one another, and it is a common practice to short one currency while going long on another to protect investments from additional losses. Trading on the forex market does not have the same margin requirements as the traditional stock market, which can be additionally risky for investors looking to further enhance gains. Bottom Line While in some cases these investment choices can provide lucrative returns, they are marred by different types of risks. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

3: Low Risk Horse Racing & Sports Betting Systems

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The funding will expand an employment program for recently released prisoners in New York. The potential returns would be generated from state and federal grant funds, if certain benchmarks are met. Investors could earn Kennedy School of Government, which places technical assistance fellows in governments around the country. Unlike other deals, the Massachusetts transaction is not guaranteed by foundations or other nonprofits. Massachusetts will pay 5 percent annual interest to Goldman Sachs during the life of the initiative and 2 percent annually to junior lenders Kresge Foundation and Living Cities. Social Impact Bonds work on the premise that traditional sources of philanthropy and government funding are insufficient to address social problems, according to Tracy Palandjian, chief executive officer and co-founder of Boston-based Social Finance Inc. Growth-ready nonprofits can receive capital to scale while government would only pay for positive results, she said. The project CEO is a provider of evidence-based training and employment programs to recently incarcerated individuals in New York State. The funding will cover the full cost of the programmatic work and core costs. CEO will be able to rely on a flexible, predictable source of funding to expand its program while providing investors an opportunity to align their portfolio and social values. Department of Labor will provide outcome-based payments for the benefit of investors for the first half of the program the first 1, served , while New York State will make such payments for the second half of the program the next 1, served. Department of Labor under its national competition for Pay for Success. Additional funds were included in the state budget. If the program performs better, investors can earn a positive return on their investment that is proportionate to the savings and benefits achieved by the public sector. No payment is made if the program does not meet goals, ensuring that taxpayer dollars are only spent if a meaningful impact was attained. Investors could lose all of their investment. The investment was available only to qualified high net worth and institutional clients of Merrill Lynch and U. Trust, as well as other investors identified by Social Finance Inc. The United Kingdom launched the first Social Impact Bond several years ago and since then there have been about 20 globally but only one in the United States, according to Palandjian. This transaction is the first state-led SIB but also the largest capital raise globally to date. If that trend continues, Bugg-Levine said investors will be paid back with a profit. New York State could have three or four more deals this year, Bugg-Levine said. They will form an active learning group and have opportunities to share experiences, challenges and results with the goal of further testing the concept and expediting additional agreements. The effort aims to locate at least three projects that are furthest along in the process, according to Jessica LaBarbera, director, strategic innovation, adding that the goal would be to get two or three projects to completion in the next two years. The majority of work will be to assess the viability of potential projects, providing technical assistance and connecting people, while also examining data and cost-benefit analysis to determine if significant populations are reached and savings generated. Until a track record is established, private investors have an important role to take that risk and step in. That shifting of risk can change the political conversation away from special treatment for prisoners, or some other group, to investing in saving money, he said. Action will probably be as gridlocked as the Washington, D.

4: 5 Low-Risk Investments That Offer High Returns

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Share Risk is absolutely fundamental to investing; no discussion of returns or performance is meaningful without at least some mention of the risk involved. The trouble for new investors, though, is figuring out just where risk really lies and what the differences are between low risk and high risk. Given how fundamental risk is to investments, many new investors assume that it is a well-defined and quantifiable idea. Academics have often tried to use volatility as a proxy for risk. To a certain extent this makes perfect sense. Volatility is a measure of how much a given number can vary over time, and the wider the range of possibilities, the more likely some of those possibilities will be bad. Better yet, volatility is relatively easy to measure. Unfortunately, volatility is flawed as a measure of risk. In many respects volatility is more like the turbulence a passenger experiences on an airplane â€" unpleasant, perhaps, but not really bearing much relationship to the likelihood of a crash. A better way to think of risk is as the possibility or probability of an asset experiencing a permanent loss of value or below-expectation performance. What this also means is that underperformance relative to an index is not necessarily risk. A high-risk investment is one for which there is either a large percentage chance of loss of capital or underperformance or a relatively small chance of a devastating loss. The first of these is intuitive, if subjective: The second half, though, is the one that many investors neglect to consider. To illustrate it, take for example car and airplane crashes. What this means for investors is that they must consider both the likelihood and the magnitude of bad outcomes. Low-risk investing not only means protecting against the chance of any loss; it also means making sure that none of the potential losses will be devastating. A Few Examples Let us consider a few examples to further illustrate the difference between high-risk and low-risk investments. Biotechnology stocks are notoriously risky. In comparison, a United States Treasury bond offers a very different risk profile. There is almost no chance that an investor holding a Treasury bond will fail to receive the stated interest and principal payments, and even if there were delays in payment extremely rare in the history of the U. It is also important to consider the impact that diversification can have on the risk of an investment portfolio. Generally speaking, the dividend-paying stocks of major Fortune corporations are quite safe, and investors can expected to earn mid-to-high single-digit returns over the course of many years. That said, there is always a risk that an individual company will fail. Companies such as Eastman Kodak and Woolworths are famous examples of one-time success stories that eventually went under. If an investor holds all of his or her money in one stock, the odds of a bad event happening may still be relatively low, but the potential severity is quite high. Hold a portfolio of 10 such stocks, though, and not only does the risk of portfolio underperformance decline; the magnitude of the potential overall portfolio also declines. A Few More Thoughts on Risk Investors need to be willing to look at risk in comprehensive and flexible ways. For instance, diversification is an important part of risk. Holding a portfolio of investments that all have low risk but all have the same risk can be quite dangerous. Going back to the airplane example, the Economist puts the odds of an individual plane crashing at one in 5. Holding a portfolio of low-risk Treasury bonds may seem like very low-risk investing, but they all share the same risks, and the occurrence of a very low-probability event such as a U. Investors also have to include factors such as time horizon , expected returns and knowledge when thinking about risk. On the whole, the longer an investor can wait for returns, the more likely that investor is to achieve the expected returns. There is certainly some correlation between risk and return, and investors expecting huge returns are going to have to accept a much larger risk of underperformance. Knowledge is also important, not only in identifying those investments most likely to achieve their expected return or better but also in correctly identifying the likelihood and magnitude of what can go wrong. The Bottom Line There are no perfect definitions or measurements of risk, but inexperienced investors would do well to think of risk in terms of the odds that a given investment or portfolio of investments will fail to achieve the expected return, and the magnitude by which it could miss that target. By better understanding what risk is, and where it can come from, investors can work to build portfolios that not only have a lower probability of loss but a lower maximum potential loss as well. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

5: 8 High Risk Investments That Could Double Your Money | Investopedia

Low risk means that there is a reduced chance of losing your principal, but one that may be offset by a higher return than you will get from investments that are completely risk-free.

Do you realize that when you launch a new business, you are adding value to your community and to the job market. The narrow-minded idea of going to GET a job riight out of college has diminished the value and importance of thinking like that of an entrepreneur. What about starting a business while you are in college? Here are four tips for launching a business at the start of your working life. Launch a new business while your still in school or working another job. This is the ultimate way to get ahead of the game. Launching a business while working another job is the best to ensure that your business will be successful. You will need to put in a 14 hour day of work at your current job and workng on the business, but you will substantially lower the amount of risk in your life. Why do you think they failed? Why should people just start going to my store when they already KNOW they can get what they want for cheap at Wal-Mart. Keep Your Business Debt Free. So many business failures stem from bad financial decisions. One of the worst financial decisions that you can make is taking out a hefty business loan to start an unproven company. Start out slowly by paying cash for things as you go. The worst feeling is making payment for a business that already failed. Be cautious when hiring your first employee. Try to screen who you hire as much as possible. I would not recommend hiring your friends, because then you are mixing business with pleasure, and if you have to fire them in the future, you may jeopardize the friendship. If anything, bring friends in as partners rather than employees. Spend the money to do a background check and credit check. It will pay for itself if you find out that person has a record or is horrible with money. Be Resourceful and be a minimalist. Satchel, the owner, is a minimalist and a very wise business owner. He knew that if he was going to start ANOTHER pizza joint in a college town with dozens of options for eating pizza, he would have to make a great tasting product, have an original vibe, and keep his overhead low. Satchel used his gourmet pizzas, mouth watering calzones, and unbelievably tasty salads to be serve as his marketing campaign through the power of word-of-mouth advertising. You can still find nice things at garage sales, liquidation sales, and business auctions. Try to find an area with cheap rent and let our product or service be your marketing campaign. Pick up the book, Guerilla Marketing by Jay Levinson, for hundreds of great tips for how to market your business for free or almost free.

6: Four Tips For Starting A Business With Low Risk and Big Success

A high-risk investment is one for which there is either a large percentage chance of loss of capital or underperformance or a relatively small chance of a devastating loss.

A High-Profit, Low-Risk Crime In the past 10 years, there has been increased international attention to the issue of trafficking in human beings. Yet people in search of a better future still get trafficked and end up in situations of exploitation and abuse without ever being identified as victims of human trafficking. From sensational sex stories to tangible legislation Whereas in the nineties of the past century, NGOs working with exploited women had to struggle hard to get the issue on the political agenda and media coverage was limited to sensationalist stories of sex slaves, from on, anti-human trafficking legislation has become an issue for international policy. This is reflected in the development of international legislation, such as the Palermo Protocol from , the Council of Europe Convention from and the new EU Directive from , but also in the number of international and intergovernmental organisations involved in the fight against human trafficking. However, the rate of successful court cases is extremely low. It is therefore time to reconsider anti-trafficking policies. Prosecute the trafficker or protect the victim? Although trafficking in human beings is widely acknowledged as a human rights violation, international legislation to combat trafficking in human beings has mainly developed within the criminal justice framework. The international legally binding norms on combating trafficking are therefore not based on human rights principles, but on the criminal justice system. The effect is that protecting the rights of trafficked persons and preventing people from being trafficked is secondary to prosecuting the traffickers. International legislation does provide some protective measures for identified trafficked persons, but in reality most countries do not offer trafficking victims adequate remedies such as assistance, protection and compensation. Even if short-term assistance and protection are offered, long-term solutions, such as compensation for damages and unpaid wages, access to the labour market or long-term residence permits â€” if a trafficked person cannot or does not want to return to her or his home country â€” are lacking. Trafficked persons treated as criminals In general, trafficked persons cannot fall back on the support of the state because they have no legal residence status or cannot prove their identities. Moreover, they risk being detained, deported, prosecuted or punished for the illegality of their entry or stay, for having been involved in prostitution or other illegal activities, such as begging, or for other offences that are a direct consequence of their situations as trafficked persons, such as the use of false papers. The majority of people who have been trafficked do not dare notify the police or press charges out of a fear of reprisals from their traffickers. Also, professionals and practitioners who come in contact with trafficked persons, such as police officers, border guards, immigration officials, labour inspectors, social, child welfare and health care workers, consular staff and others, often do not recognise a trafficked person as such. They see an irregular migrant, an illegal worker, a foreign prostitute and do not identify them as victims of a crime. Most victims are never identified This all results in the fact that only a small fraction of trafficked persons are actually identified. In an evaluation report on the implementation of European legislation in the Member States, the European Commission concludes: Despite the fact that the Palermo Protocol stipulates that consent is irrelevant if any of the coercive or deceptive means listed in the definition of "trafficking in persons" is used, government agencies still tend to take the incorrect position that women who have previously worked in the sex industry, or who are willing to do so, cannot be victims of trafficking. There have also been several cases in which judges ruled that trafficking could not be proven since the trafficked person had signed a contract with his or her exploiter. Criminal justice approach has failed: In other cases, legislation exists but is flawed or not properly implemented. Another structural problem hindering successful detection and prosecution is corruption within governmental institutions. All these factors mean that cases of trafficking are still rarely brought to prosecution. Many cases are dismissed and traffickers are infrequently sentenced, so victims remain unprotected. It is not too bold to conclude that the criminal justice approach to fighting trafficking in human beings has more or less failed to prevent people from being trafficked, to prosecute traffickers and to protect the rights of those who have been trafficked. Moreover, over the years there have been many examples of how anti-trafficking measures have infringed upon the human rights of trafficked persons or groups at risk and even increased their vulnerability to trafficking. These include shelters where victims are locked up in order to protect them, limited migration possibilities for women to prevent them from being trafficked, raids on brothels in which all the working women are arrested and jailed or deported in the name of rescue. Human rights based approach: Trafficking in persons is a complex problem and includes different fields of interest: Any analysis and corresponding solution in relation to these issues should be carefully questioned in terms of its effects for the groups concerned. A human rights based approach opposes anti-trafficking measures that adversely affect or infringe upon the human rights of trafficked persons or other affected groups. This approach requires that human rights are at the core of any anti-trafficking strategy. It integrates the norms, standards and principles of the international human rights system into legislation, policies, programs and processes. Trafficking results in violations of several human rights, such as the right to be free of slavery, the right to safety and the right to life. There are a variety of root causes in all three phases of the trafficking process: Root causes in the countries of origin are poverty, inequality, gender-based violence, discrimination, armed conflicts and social, political and economic instability in general. Root causes of trafficking are also linked to the global migration process. Strict and repressive immigration polices deprive migrant workers of legal possibilities for crossing borders and finding jobs. The proclaimed wish to combat human trafficking is often used as an argument for increasing restrictive measures against migrants that in practice create situations in which human rights violations are actually more likely to occur. Both irregular migration and undocumented work create precarious working conditions that allow extreme forms of exploitation to take place. In recent years the European Union has adopted legislation that facilitates some forms of labour migration. And last but not least, root causes exist in the countries of destination where there is a growing need for unskilled and labour-intensive work in order to compete with low-wage countries. This work is mostly done by undocumented and unprotected migrant workers. Informal and unregulated work activities should be brought under the protection of labour laws to ensure that all workers enjoy the same labour rights. The fact that several sectors, especially those that are labour intensive, might not survive without cheap and unprotected labour, has also not been openly recognised. Putting the villains behind bars is not enough In the international debate on trafficking in human beings â€” especially in the media, but also in discussions among some politicians â€" the extreme complexity of the phenomenon of human trafficking is often ignored. The problem is presented as black and white. Human trafficking can be stopped by putting the villains behind bars and rescuing the victims and sending them back home. When discussing the root causes of trafficking, it becomes immediately clear that the human trafficking debate cannot be isolated from broader global discussions on development policies, trade barriers, migration policies, labour rights, discrimination, racism and hyper consumption. Human trafficking is not an isolated phenomenon in our society that can be fought by arresting and prosecuting the traffickers; It is a symptom of our society and its political and economical structures. Anti-migration policies, trade barriers for developing countries, subsidies, market protection and an economical structure that is based on hyper consumption have created a system in which exploitation of labourers flourishes. Are we willing to pay the price? That can only be done if we fully respect and protect the rights of those who are vulnerable and support those whose rights have been violated and restore their universal rights. Can we do that? Will the European Union lift its restrictive trade barriers in favour of the development of the economies in less advantaged countries? Are nations prepared to open the borders for migrant workers and share their wealth? And are we, as individual consumers, ready to pay more for our products so that migrant workers and workers in developing countries have decent wages and labour conditions? As long as we are not willing to pay that price, the crime of human trafficking will not cease to exist, and ultimately we are all responsible.

7: High Risk, Low Risk - The NonProfit Times

High profit and low risk (Debunk the Myths in Investing) (Volume 2), then you have come on to loyal website. We own Swing Trading: High profit and low risk (Debunk the Myths in Investing) (Volume 2).

All investments carry some degree of risk. Stocks, bonds, mutual funds and exchange-traded funds can lose value, even all their value, if market conditions sour. Even conservative, insured investments, such as certificates of deposit CDs issued by a bank or credit union, come with inflation risk. They may not earn enough over time to keep pace with the increasing cost of living. When you invest, you make choices about what to do with your financial assets. Risk is any uncertainty with respect to your investments that has the potential to negatively affect your financial welfare. For example, your investment value might rise or fall because of market conditions market risk. Corporate decisions, such as whether to expand into a new area of business or merge with another company, can affect the value of your investments business risk. If you own an international investment, events within that country can affect your investment political risk and currency risk, to name two. There are other types of risk. How easy or hard it is to cash out of an investment when you need to is called liquidity risk. Another risk factor is tied to how many or how few investments you hold. Generally speaking, the more financial eggs you have in one basket, say all your money in a single stock, the greater risk you take concentration risk. In short, risk is the possibility that a negative financial outcome that matters to you might occur. There are several key concepts you should understand when it comes to investment risk. The level of risk associated with a particular investment or asset class typically correlates with the level of return the investment might achieve. The rationale behind this relationship is that investors willing to take on risky investments and potentially lose money should be rewarded for their risk. In the context of investing, reward is the possibility of higher returns. Historically, stocks have enjoyed the most robust average annual returns over the long term just over 10 percent per year , followed by corporate bonds around 6 percent annually , Treasury bonds 5. The tradeoff is that with this higher return comes greater risk: Exceptions Abound Although stocks have historically provided a higher return than bonds and cash investments albeit, at a higher level of risk , it is not always the case that stocks outperform bonds or that bonds are lower risk than stocks. Both stocks and bonds involve risk, and their returns and risk levels can vary depending on the prevailing market and economic conditions and the manner in which they are used. So, even though target-date funds are generally designed to become more conservative as the target date approaches, investment risk exists throughout the lifespan of the fund. While historic averages over long periods can guide decision-making about risk, it can be difficult to predict and impossible to know whether, given your specific circumstances and with your particular goals and needs, the historical averages will play in your favor. The timing of both the purchase and sale of an investment are key determinants of your investment return along with fees. If you buy a stock or stock mutual fund when the market is hot and prices are high, you will have greater losses if the price drops for any reason compared with an investor who bought at a lower price. That means your average annualized returns will be less than theirs, and it will take you longer to recover. Investors should also understand that holding a portfolio of stocks even for an extended period of time can result in negative returns. It has only been recently that the closing price has approached this record level, and for well over a decade the NASDAQ Composite was well off its historic high. Investors holding individual stocks for an extended period of time also face the risk that the company they are invested in could enter a state of permanent decline or go bankrupt. However, the historical data should not mislead investors into thinking that there is no risk in investing in stocks over a long period of time. Money was madeâ€”but not as much as if shares were sold the previous year. This is not a hypothetical risk. If you had planned to retire in the to timeframeâ€”when stock prices dropped by 57 percentâ€—and had the bulk of your retirement savings in stocks or stock mutual funds, you might have had to reconsider your retirement plan. Investors should also consider how realistic it will be for them to ride out the ups and downs of the market over the long-term. Will you have to sell stocks during an economic downturn to fill the gap caused by a job loss? Predictable and unpredictable life events might make it difficult for some investors to stay invested in stocks over an extended period of time. Managing Risk You cannot eliminate investment risk. But two basic investment strategies can help manage both systemic risk risk affecting the economy as a whole and non-systemic risk risks that affect a small part of the economy, or even a single company. By including different asset classes in your portfolio for example stocks, bonds, real estate and cash , you increase the probability that some of your investments will provide satisfactory returns even if others are flat or losing value. Diversification, with its emphasis on variety, allows you to spread you assets around. Hedging buying a security to offset a potential loss on another investment and insurance can provide additional ways to manage risk. However, both strategies typically add often significantly to the costs of your investment, which eats away any returns. In addition, hedging typically involves speculative, higher risk activity such as short selling buying or selling securities you do not own or investing in illiquid securities. The bottom line is all investments carry some degree of risk. By better understanding the nature of risk, and taking steps to manage those risks, you put yourself in a better position to meet your financial goals.

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