Risk Management

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Risk vs Return

- When assessing any kind of investment, it is important to calculate what the risk vs return is.
  - The way this is done is by assessing your risk tolerance (how much risk you are willing to take on).
  - Generally speaking, the riskier an investment is the higher return it will generate.
  - Once you understand how much risk you're are taking you can compare it to the return you expect to receive.

Diversification

- Diversification is one of the best ways you can ensure your investment portfolio remains safe in the long run.
  - This is because if one investment drops heavily in value, the other investments in your portfolio will theoretically cover the losses.
  - Diversifying is crucial to having a safe and effective long term portfolio.

Different forms of investments

- Investing isn't restricted to just stocks!
  - Bonds
  - Retirement plans
  - Real estate

We can incorporate a variety of these things into long term portfolios in order to ensure we are fully diversified.

Emergency fund

- An emergency savings account is a great way to give yourself a metaphorical safety net.
- Diverting some money from your monthly income into a rainy-day fund could serve as a smart investment as you essentially are buying a sense of financial security.

Plan ahead

- Planning is crucial for assessing all of your investments.
  - It is important you take into account when you want your returns so you can find out the amount of risk you have to undergo in order to achieve your goal.