

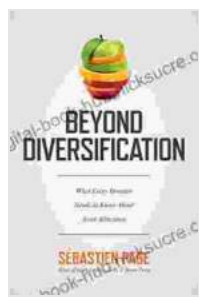
What Every Investor Needs To Know About Asset Allocation

Asset allocation is a fundamental component of investing. It refers to the process of dividing your investment portfolio into different asset classes, such as stocks, bonds, and cash. The goal of asset allocation is to create a portfolio that meets your individual risk tolerance and financial goals.

There are a number of factors to consider when making asset allocation decisions, including:

- **Risk tolerance:** How much risk are you willing to take on?
- **Investment horizon:** How long do you plan to invest for?
- **Financial goals:** What are your financial goals?

Once you have considered these factors, you can begin to allocate your assets. There are a number of different ways to do this, but one common approach is to use a target asset allocation. This involves setting a specific percentage for each asset class in your portfolio. For example, you might allocate 60% of your portfolio to stocks, 30% to bonds, and 10% to cash.



Beyond Diversification: What Every Investor Needs to Know About Asset Allocation by Sébastien Page

★★★★☆ 4.2 out of 5

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Screen Reader : Supported
Enhanced typesetting : Enabled
Word Wise : Enabled

Print length : 337 pages
X-Ray : Enabled



Your target asset allocation will change over time as your risk tolerance, investment horizon, and financial goals change. It is important to regularly review your asset allocation and make adjustments as needed.

There are a number of benefits to asset allocation, including:

- **Reduced risk:** Asset allocation can help to reduce risk by diversifying your portfolio. This means that you are not putting all of your eggs in one basket. If one asset class performs poorly, the other asset classes can help to offset the losses.
- **Improved returns:** Asset allocation can also help to improve returns. By investing in a mix of asset classes, you can take advantage of the different return potential of each asset class.
- **Peace of mind:** Asset allocation can help to give you peace of mind knowing that your portfolio is aligned with your risk tolerance and financial goals.

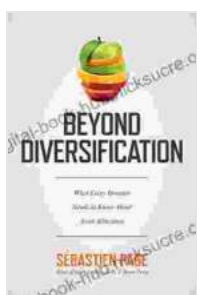
There are a number of different ways to implement asset allocation. One common approach is to use mutual funds or exchange-traded funds (ETFs). Mutual funds and ETFs are investment vehicles that allow you to invest in a diversified portfolio of assets.

Another approach to asset allocation is to invest directly in individual securities. This gives you more control over your portfolio, but it also

requires more time and research.

Whichever approach you choose, it is important to remember that asset allocation is an ongoing process. It is not something that you set and forget. You should regularly review your asset allocation and make adjustments as needed.

Asset allocation is a fundamental component of investing. It can help you to reduce risk, improve returns, and achieve your financial goals. By understanding the basics of asset allocation, you can make informed decisions about how to invest your money.



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