



A&I FINANCIAL SERVICES LLC
Optimizing Assets and Income

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DIVERSIFICATION IS A GOOD THING

CFP Board Ambassador Offers Tips on Which Assets to Diversify and How

Washington, D.C., May 18, 2016 – Diversification is a good thing; it is the most effective, least expensive, and easiest-to-implement strategy in an investor’s toolbox to potentially 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.

“Never invest enough in any one thing to make a killing with it or be killed by it. Diversification is humility in the face of the great unknown future, and wisdom gained by the lessons of the past,” says Karl Frank, CFP® and owner of A&I Financial Services LLC.

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. *Diversification, however, does not ensure a profit or protect against loss in a declining market.*



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ABOUT CFP BOARD

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ABOUT KARL FRANK AND A&I FINANCIAL SERVICES

Karl Frank, CFP®, MSF, MBA, MA, is the President of A&I Financial Services LLC, a Colorado company that helps a small number of successful families grow and protect their investments and choose how they want to be taxed. Learn more at www.assetsandincome.com.

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