

Mix well.



Avoid too much of a good thing.

There aren't many cooks who use just one spice. Most people prefer a combination of flavors.

The same can be said about investing. Experienced investors choose a combination of investments that suit their particular taste. They diversify.

Diversification means spreading your risk among a variety of investments (mix of stocks, bonds and cash alternatives) with the hope that if some are going down, others may be going up. If you don't diversify, you'll be putting your proverbial eggs in one basket – only these “eggs” are what you need to live on in retirement.

Finding the right combination of investments depends on what you like. What's better for you – spicy or mild? Are you comfortable with risk or would you rather be more cautious? Knowing what kind of investor you are will help you find the right recipe – or asset allocation – for your portfolio.

Diversify your portfolio.

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