Diversify Your Investments

It is important not to put all your eggs in one basket when it is time to invest. This can expose you to the potential for significant losses in the event that a single investment performs poorly. Diversifying across asset classes like stocks (representing the individual shares of companies) bonds, stocks or cash is a more effective strategy. This can reduce the fluctuation of your investment returns and allow you to enjoy higher long-term growth.

There are several types of funds, including mutual funds exchange-traded funds, unit trusts (also called open-ended investment companies or OEICs). They pool money a knockout post from multiple investors to buy bonds, stocks, and other assets. Profits and losses are shared by all.

Each type of fund has its own unique characteristics and risk factors. Money market funds, for instance are a type of investment that invests in short-term securities issued by federal, state, and local government, or U.S. corporations and generally have low-risk. Bond funds typically have lower yields but are less volatile and provide steady income. Growth funds look for stocks that do not pay a dividend but are capable of increasing in value and generating higher than average financial gains. Index funds are based on a particular index of stocks such as the Standard and Poor’s 500. Sector funds are focused on particular industries.

If you decide to invest via an online broker, robo-advisor or another option, it’s important to be familiar with the kinds of investments you can choose from and their terms. A major factor to consider is the cost, since fees and charges can eat into your investment return over time. The top online brokers, robo-advisors, and educational tools will be open about their minimums as well as fees.