Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Period\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Risk management  
\_\_\_\_\_\_\_\_\_\_\_\_ involves placing money at risk in the hopes of earning a positive rate of return.

\_\_\_\_\_\_\_\_\_\_\_\_ is the likelihood of loss when we invest, and if we do lose money, how much we can lose.

We need to understand risk and find ways to \_\_\_\_\_\_\_\_\_\_\_\_ the risk in our portfolio.

A \_\_\_\_\_\_\_\_\_\_\_\_ is a collection of investments assembled to meet one or more investment goals.

The following are some guidelines about risk:

\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ are connected. The \_\_\_\_\_\_\_\_\_\_\_\_the price we pay for a stock, the less we can lose.

Never put money in the \_\_\_\_\_\_\_\_\_\_\_\_ market that, if it disappeared or went to zero, would affect your lifestyle. Never put money that you need next month, or even next year, at \_\_\_\_\_\_\_\_\_\_\_\_.

Be aware of the level of risk \_\_\_\_\_\_\_\_\_\_\_\_ in the market. Risk aversion is a measure of people’s attitude towards \_\_\_\_\_\_\_\_\_\_\_\_.

An investor with\_\_\_\_\_\_\_\_\_\_\_\_risk aversion has high risk tolerance. When risk aversion is \_\_\_\_\_\_\_\_\_\_\_\_, investors are terrified of losing money and they are reluctant to own stocks. Usually when risk aversion is the highest is at the end of a \_\_\_\_\_\_\_\_\_\_\_\_market, and risk aversion is the lowest at the top of \_\_\_\_\_\_\_\_\_\_\_\_ markets.

\_\_\_\_\_\_\_\_\_\_\_\_ increases your risk. Leverage, or \_\_\_\_\_\_\_\_\_\_\_\_, magnifies your rate of return, and introduces the possibility that a \_\_\_\_\_\_\_\_\_\_\_\_ in your investments might leave you in debt to your broker. \_\_\_\_\_\_\_\_\_\_\_\_ leaves the investor much more \_\_\_\_\_\_\_\_\_\_\_\_ to large drops in the market. Please \_\_\_\_\_\_\_\_\_\_\_\_ borrowing money to put at risk in the stock market.

Diversification  
An\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ is a collection of financial assets, such as stocks, bonds, real estate, commodities and perhaps cash or bank deposits.

The best way to reduce risk in your portfolio is through \_\_\_\_\_\_\_\_\_\_\_\_. It means to own a \_\_\_\_\_\_\_\_\_\_\_\_ of securities, each with different risks and potential returns.

Owning 15 to 20 \_\_\_\_\_\_\_\_\_\_\_\_ in different industries leaves a stock portfolio well \_\_\_\_\_\_\_\_\_\_\_\_.

You can diversify by owning stocks in a broad range of \_\_\_\_\_\_\_\_\_\_\_\_ and with different market \_\_\_\_\_\_\_\_\_\_\_\_.

How an investor allocates or divides up the assets in a portfolio is called \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ means how many years in the future will the investor need to spend the cash in the portfolio

Risk \_\_\_\_\_\_\_\_\_\_\_\_ is the willingness to hold riskier assets in the portfolio. Low risk tolerance means that preservation of \_\_\_\_\_\_\_\_\_\_\_\_ the primary concern.

Risk management  
Investing involves placing money at risk in the hopes of earning a positive rate of return.

Risk is the likelihood of loss when we invest, and if we do lose money, how much we can lose.

We need to understand risk and find ways to minimize the risk in our portfolio.

A portfolio is a collection of investments assembled to meet one or more investment goals.

The following are some guidelines about risk:

Price and risk are connected. The lower the price we pay for a stock, the less we can lose.

Never put money in the stock market that, if it disappeared or went to zero, would affect your lifestyle. Never put money that you need next month, or even next year, at risk.

Be aware of the level of risk aversion in the market. Risk aversion is a measure of people’s attitude towards risk.

An investor with low risk aversion has high risk tolerance. When risk aversion is high, investors are terrified of losing money and they are reluctant to own stocks. Usually when risk aversion is the highest is at the end of a bear market, and risk aversion is the lowest at the top of bull markets.

Leverage increases your risk. Leverage, or borrowing, magnifies your rate of return, and introduces the possibility that a decline in your investments might leave you in debt to your broker. Leverage leaves the investor much more susceptible to large drops in the market. Please avoid borrowing money to put at risk in the stock market.

Diversification  
An investment portfolio is a collection of financial assets, such as stocks, bonds, real estate, commodities and perhaps cash or bank deposits.

The best way to reduce risk in your portfolio is through diversification. It means to own a variety of securities, each with different risks and potential returns.

Owning 15 to 20 companies in different industries leaves a stock portfolio well diversified.

You can diversify by owning stocks in a broad range of industries and with different market capitalizations.

How an investor allocates or divides up the assets in a portfolio is called asset allocation.

Time horizon means how many years in the future will the investor need to spend the cash in the portfolio

Risk tolerance is the willingness to hold riskier assets in the portfolio. Low risk tolerance means that preservation of capital is the primary concern.