

What's diversification?

Diversification means spreading your investment risk - not putting all your eggs in one basket.

1. Buy baskets of stocks / bonds (like index ETFs or index mutual funds).

- It's a good way to diversify the risk that something may unexpectedly go wrong with any single stock or bond.
- Holding small amounts of individual stocks / bonds through an ETF or mutual fund means that even if when it does, it won't affect your portfolio by much.

2. Invest some of your savings outside of Canada through global or regional funds. They invest around the world in addition to Canada (in the US, Europe, Asia and Latin America).

- This means more companies in different industries than what we have in Canada.
- Also, a lot of your investment risk is already tied to Canada: you live and work here, you bank here, you may own property here, etc. You can diversify this risk by investing in foreign assets.