

## **Emerald Connect | Diversification**

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Hi, I'm Casey Frye.

And I'm Jared Wurm.

We want to take a few moments today to talk about diversification.

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We've all heard that old adage don't put all your eggs in one basket. But having a diversified portfolio is supposed to be more intentional, more deliberate than just having a lot of baskets.

Over the years, Jared and I have sat down with prospective clients to review their investment statements. They essentially walk in with their shoebox full of papers, and after a bit of discussion and review, we find out that they have investments and accounts spread all over the place.

In many cases, they have two to five mutual funds or more in each account spread across several firms. They believed their approach was wise and lined up well with the baskets principle.

The problem is this, when you pop the hood and look underneath it all, we can see that they have a tremendous level of overlap within their investment portfolio. They might own many different funds, yet they're all large-cap, for example. And upon further inspection, each of those funds might virtually own the same thing. They have many funds in many accounts at multiple firms, but they don't have diversification.

At times, these account statements resemble my garage. It's just a collection of previously well intended ideas that are stored indefinitely with no real rhyme or reason, no real strategy, just a collection of things that are difficult to make sense of.

Your garage sounds awful.

Well, in many cases, so are these portfolios.

Asset allocation is the science of diversification. It's strategically placing specific investments in juxtaposition to other specific types of investments. If we're looking to help reduce potential volatility and market risk within a portfolio, we need to make sure investments are creating a bit of tension against one another. The goal is to add the right balance of non-correlated and negatively correlated investments. That way if something in the portfolio zigs, we want to know there's something else zags.

Yeah, if everything zigs and nothing zags, you may experience a lot of volatility in your portfolio. And you run the risk of getting your eggs cracked.

Right. If you're an investor who has spread your accounts all over the place and are now beginning to realize you may have created a mess that resembles Casey's garage, we invite you to take advantage of our free second opinion services.

As certified financial planner professionals, Jared and I are fiercely proud of our role as independent advisors. Our free second opinion services are an opportunity for you to get our experienced perspective regarding your portfolio and overall investment strategy.

As part of the process, we'll help you identify your portfolio's actual costs, including potential hidden fees. We will evaluate your portfolio's actual downside risk. We will also evaluate your portfolio's investment overlap and true diversification.

That's right. You'll discover it's possible to actually consolidate investments and potentially achieve higher levels of effective diversification. It's also a way to incorporate your investments into a more effective overall strategy, making them easier to understand, easier to track, and easier to organize, all without compromising diversification. If you'd like to start a conversation, please feel free to reach back to us with a call or by email.

We truly have the best job in the world. We get to lock arms with some of the most wonderful people on planet Earth and celebrate their successes along the way. We would welcome the opportunity to discuss your specific situation further and to unpack all of the ways we can help with trustworthy advice and exceptional service. Until next time.

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