Diversification

Money

The one thing that cuts risk without cutting expected return.

Diversification operates on several independent axes.

1. **Across companies**
   One firm can fail entirely. A hundred cannot fail together for the same reason.
2. **Across sectors**
   Whole industries have bad decades.
3. **Across countries**
   Home bias is common and concentrates political and currency risk.
4. **Across asset classes**
   Bonds and equities often behave differently in the same conditions.
5. **Across time**
   Investing regularly avoids committing everything at one price.

WHAT IT CANNOT DO

It does not remove market-wide falls
It does not prevent losses
It removes the risk of one bad choice ruining everything

General education, not financial advice. A global index fund provides most of this in one product.