Risk & Return

Money

Why higher expected returns come with more volatility, and what risk means.

Investors demand higher expected returns for accepting more uncertainty. That premium is the compensation for volatility — and for the chance of a poor outcome.

CASH	EQUITIES	FREE LUNCH
low risk, low return	high both	diversification

- Higher expected return means higher expected variability, not guaranteed gain.
- Volatility is short-term movement; permanent loss is different.
- Time horizon changes which matters more.
- Diversification reduces specific risk, not market risk.
- No investment offers high return with no risk.
- Anything promising both is a warning sign.

LOOK FOR IT

A 40% fall matters little at 25 with 40 years ahead, and a great deal at 64 with drawdown starting.

General education, not financial advice. Guaranteed high returns are the single most reliable indicator of fraud.