

Name _____

Unlocking the Magic of Stock Portfolios: The Power of Diversification

Short Answer Key

1. Diversification in a stock portfolio means spreading investments across various stocks and industries to reduce risk. For example, instead of investing all your money in a single technology company, you could invest in technology, healthcare, finance, and other sectors.
2. Regularly reviewing and adjusting a diversified portfolio is important to ensure that it remains balanced and aligned with your financial goals. It allows you to make necessary changes as economic conditions or investment performance fluctuate.
3. A diversified portfolio can offer benefits during economic changes by minimizing the impact of downturns in specific industries. For instance, if one sector struggles, other sectors may perform well, helping to offset losses.
4. To build a diverse stock portfolio, an investor should research and select stocks from various sectors, balance their investments, and periodically review and adjust the portfolio. Seeking professional advice from a financial advisor can also be beneficial.
5. A financial advisor can assist in building and maintaining a diversified portfolio by providing expert guidance on selecting stocks, balancing investments, and adapting to changing market conditions. They can help investors make informed decisions aligned with their financial goals.

