

Making Stock Safer Investment - Possible or Oxymoron?

In today's Wall Street Journal, an article titled, "Design Challenge: How to Make Stocks Safer for Older Investors" profiled so-called "safe stock" investments.

The article focuses on stock-based investments that guarantee upside plus protection. The last I checked, that doesn't pan out. The Journal likens this to alchemy. I say it's trying to have your cake and eat it too.

One of the reasons stocks pay the returns that they do, is because investors take on more risk than they would if they invested in sometime less volatile, such as CDs or bonds. The real key is learn to manage risk and to prepare yourself for the different scenarios that might play out with your money. Then ask yourself if you can live with consequences. If you can, you're probably managing your risk better than most.

I'm here to blow the facade. There simply are no guarantees as many investors are now all too painfully aware. The key to managing risk is by spreading your investments over ENTIRE markets through index investing and allocating your hard earned money across different types of index-based stock funds AND other types of funds and investments such as real estate, your own business, etc.