**How to diversify**

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Diversification is a term we often come across in the investment industry but what does this really mean for the Mum and Dad investor and how can the ordinary investor profit from diversification? Here is an article written in simple language which everyday investors can understand.

**Diversification in the share market**

**What it is and how you can make it work for you**

Diversify, diversify, diversify are terms you will come across in the world of investments so what does it mean and how can you make it work to grow your wealth?

When someone says you should diversify your investments what is meant is that your investments are spread out among different companies and sectors in order to reduce your risk.

An investor may have shares in a phone company, a power company, a bank, an insurance company and so on.

This kind of diversification was once beyond the means of the average investor because one had to purchase at least $3,000 worth of each share just to make it viable because of the brokers commission on each buy and sell transaction.

Not any more!

Online share market trading platforms such as Sharesies in New Zealand and Robinhood in the US have open the way for anyone of any means to get involved in the markets. These platforms enable anyone to build up their financial literacy on a shoestring. There are lots of other online investment platforms similar to Sharesies and Robinhood which gives you a wide choice.

With sharesies the minimum investment you can make is $5 but with Kernel Wealth, another online investment platform in New Zealand the minimum investment is $100. This is just an example of different rules for different companies.

Mum and Dad investors can buy into a range of diverse companies on a shoe string with sharesies and robin hood which in the long term is good for those astute enough to participate.

Investing in individual companies is not the only way to build up a diverse portfolio; the other way is investing in managed funds or as it is referred to in the States, Mutual Funds.

When buying into these funds you are combining your money with other investors to purchase units in the funds. Fund managers will purchase shares in a range of companies on your behalf.

The level of risk can vary depending on the industry which the fund manager invests your money.

These investments are generally referred to as Growth Funds which has the potential to grow your savings but at a higher risk.

Those investors who want a mixture of high risk and low risk funds will invest in what is called Balanced funds. This is a combination of growth and balanced funds. Investors may have the option of choosing which percentage of their investment they would like in growth or conservative funds..

Diversification is an excellent wealth building strategy for the average investors who wants to create a nest egg for the future. It is a matter knowing what you want to achieve with your investments and investing accordingly.

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