DON'T KEEP ALL YOUR EGGS IN ONE BASKET

DIVERSIFY YOUR INVESTMENTS TO MANAGE RISK

You may have heard the old adage "don't keep all your eggs in one basket" with regard to investing in your retirement plan, but what does it really mean? Does it mean you need to pick many different funds in your plan, and if so, which ones?

This old saying is used as a way to describe the strategy of **diversification**, which is investing in multiple asset classes at the same time, like different stock, bond, and cash investments. This works well because individual asset classes can perform very differently from year to year. Some years they perform very well, and in others… not so much. By spreading your savings around these different asset classes, you can manage your investment risk and even out the volatility of your portfolio's performance.

The chart on the right shows how different asset classes have performed in the past 10 years. For example, small US company value stocks had some great years and some terrible ones (follow the red line). If you only invested in that one asset class, you would have experienced these huge swings in performance from year to year.

On the other hand, if you spread your savings around multiple asset classes, you would have balanced out the volatility of your portfolio's performance (follow the green line). That's diversification in action.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
International 41.45	Sm Growth 29.09	Fixed Income 7.84	Global REIT 23.73	Sm Growth 43.30	Global REIT 22.81	Large Growth 5.67	Sm Value 31.7[illegible]	Large Growth 30.21	Cash 1.87	Large Growth 36.39	Fixed Income 3.15
Large Growth 37.21	Sm Value 24.5[illegible]	Large Growth 2.64	Sm Value 18.05	Sm Value 34.52	Large Value 13.45	Global REIT 0.59	Large Value 17.34	International 27.19	Fixed Income 0.01	Sm Growth 28.48	Cash 0.57
Sm Growth 34.47	Global REIT 23.44	Global REIT 1.70	Large Value 17.51	Large Growth 33.48	Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	Sm Growth 22.17	Large Growth -1.51	Large Value 26.54	Balanced Index -11.77
Global REIT 33.6[illegible]	Commodities 16.83	Balanced Index 1.26	International 16.83	Large Value 32.53	Balanced Index 6.56	Cash 0.05	Sm Growth 11.32	Balanced Index 15.00	Balanced Index -4.70	Global REIT 24.49	Large Growth -14.10
Balanced Index 2[illegible].12	Large Growth 16.71	Large Value 0.39	Large Growth 15.26	International 15.29	Fixed Income 5.97	Balanced Index -0.55	Large Growth 7.08	Large Value 13.66	Global REIT -4.77	Sm Value 22.3[illegible]	Commodities -23.29
Sm Value 20.58	Large Value 15.51	Cash 0.10	Sm Growth 14.59	Balanced Index 14.92	Sm Growth 5.60	Sm Growth -1.38	Balanced Index 7.06	Global REIT 8.[illegible]3	Large Value -8.27	International 21.51	International -23.36
Large Value 19.69	Balanced Index 12.21	Sm Growth -2.91	Balanced Index 11.76	Global REIT 2.81	Sm Value 4.2[illegible]	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	Balanced Index 20.02	Sm Growth -25.76
Commodities 18.91	International 11.15	Sm Value -5.50	Fixed Income 4.22	Cash 0.07	Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.72	Large Value -2[illegible].73
Fixed Income 5.93	Fixed Income 6.54	Commodities -13.32	Cash 0.11	Fixed Income -2.02	International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 7.69	Global REIT -28.80
Cash 0.21	Cash 0.13	International -13.71	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 2.28	Sm Value -35.66

Large Value (Russell 1000 Value)
Large Growth (Russell 1000 Growth)
Small Value (Russell 2000 Value)
Balanced (40% Russell 3000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSCI ACWI ex US)
Small Growth (Russell 2000 Growth)
International (MSCI ACWI ex-US)
Fixed Income (Bloomberg Barclays Agg)
Global REIT (S&P Global REIT)
Commodities (Bloomberg Commodities)
Cash (Merrill Lynch 3-Mo T-Bill)

Source: Retirement Plan Advisory Group – March 31, 2020

DIVERSIFICATION MADE EASY IN YOUR RETIREMENT PLAN

You have two ways to use this strategy in your retirement plan. The first is to create a custom-designed portfolio with a mix of different stock, bond and cash investments. If you're not sure how to do this, your second option is to choose a target-date fund that automatically provides a diversified portfolio designed to be appropriate for you based on your projected retirement date. You might think, "Wait, isn't that putting all my eggs in one basket again?", but it's not because you will be investing in multiple asset classes within that one investment option. The hard work of designing the portfolio has simply already been done for you.

WE'RE HERE TO HELP

Have questions? You can reach a BerganKDV advisor at no additional cost to you.

No investment strategy, such as asset allocation or diversification, can guarantee a profit or completely protect against loss.

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