

# Preventing Investment Fraud: Understanding Asset Allocation

By: Debra Speyer

[www.wallstreetfraudblog.com](http://www.wallstreetfraudblog.com)

Brokers all too often over concentrate their client's money in one particular investment or group of investments, which can lead to [significant losses](#). Therefore, it is important for investors to understand the importance of asset allocation and diversification.

## *Asset Allocation*

Asset allocation refers to dividing your investments among different types of investments such as stocks, bonds, and cash. Asset allocation is often determined by how long you have to invest to achieve your financial goals and your ability to tolerate risk. As we mentioned last week, risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for potentially greater returns.

## *Diversification*

One of the most important facets of asset allocation is diversification. Diversification is generally akin to the statement "Don't put all your eggs in one basket."

This means allocating your investments among different kinds of assets as well as spreading your investments within each asset class. For instance, investors should typically hold a number of different stocks or bonds, and invest in different industry sectors, such as consumer goods, health care, and technology.

Because the failure to diversify dramatically increases the risk of losses, your broker or other investment professional should discuss the allocation of your investments, in light of your investment timeline and risk tolerance.

**In fact, investors should be aware that the failure to diversify a client's portfolio can be a form of stock fraud.**

Therefore, if you have suffered significant losses because your broker recommended investing a significant amount of your money in one investment or a group of similar investments, we may be able to help.

*At [Wall Street Fraud](#), we are dedicated to offering assistance to those who have been hurt by improper corporate or investment practices.*

*If you have been the victim of stock brokerage fraud, securities fraud, mutual fund fraud, stockbroker fraud, annuities fraud, or any other type of investment fraud, please [contact us](#) today for a free case evaluation. Our talented and aggressive legal and professional staff is eager to help you recover your losses.*

.....

## About Debra Speyer

*At [Wall Street Fraud](#), we are dedicated to offering assistance to those who have been hurt by improper corporate or investment practices.*

*If you have been the victim of stock brokerage fraud, securities fraud, mutual fund fraud, stockbroker fraud, annuities fraud, or any other type of investment fraud, please [contact us](#) today for a free case evaluation. Our talented and aggressive legal and professional staff is eager to help you recover your losses.*