



Volatility vs Risk: Don't Mix Them Up!

Description

Volatility is not the same as risk. Let me be clear, **volatility is not the same as risk**. Financial people like to equate the two because it's easier to sell something if you say, "It's volatile," vs "There is some risk."

Volatility is when the value of something fluctuates in an unpredictable way. The greater the number or frequency of the fluctuations, the more volatile an investment is.

Risk is the chance or probability of losing something of value.

In almost all financial cases risk is mitigated by some form of diversification. The risk an investment with greater volatility presents is that one may be forced to sell an otherwise prudent investment at an inopportune time due to forces beyond their control, and thus lose money.

Volatility is temporary. Risk is permanent.

CATEGORY

1. Financial Planning
2. Wealth Creation & Economic Confidence

POST TAG

1. financial philosophy
2. financial planning
3. investing
4. risk
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6. volatility

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Author

naoshad