

Diversification? That's a Mouthful!

Ever heard the old saying, “Don’t put all your eggs in one basket?” That’s the idea behind diversification, which is really just a fancy word for putting money in different investments. Help kids understand what diversification is and why it’s important to help reduce risk.

Diversification

Have you heard the saying “Don’t put all your eggs in one basket”? It means you shouldn’t risk everything you have in just one thing. This saying is also true about the money you save and invest.



For example, if you invest all your money in fast food stocks, what would happen if people stop eating out? You would lose all of your money! On the other hand, if you only invest some of your savings in fast food restaurants and you also invest in stocks for computers, video games and toys - you have diversified your investments.

So if the fast food restaurants go out of business, your other investments might still earn money. Good thing you didn’t put all of your eggs in the fast food basket!

Keep going, you're doing great!

Next Skill