📘 **MONEYONLINERS MONEY MANAGEMENT ACADEMY**

MODULE 5 • LESSON 29 OF 40

Risk, Return, and Diversification Explained

Focus Keyword: investment risk

SEO Title: Risk, Return, and Diversification Explained

URL Slug: risk-return-and-diversification

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LESSON PURPOSE

Learn how investment risk and potential return are connected, understand why diversification is important, and discover practical ways to reduce risk while working toward your financial goals.

WHY THIS LESSON MATTERS

Every investment involves some level of risk. Generally, investments with the potential for higher returns also carry a higher risk of losing money. Understanding this relationship helps you make informed investment decisions. Diversification—spreading your money across different types of investments—is one of the most effective ways to reduce risk and build a stronger investment portfolio over time.

BEFORE YOU BEGIN

☐ I understand the basics of investing.

☐ I know that investments can increase or decrease in value.

☐ I want to learn how to manage investment risk.

☐ I will complete every activity honestly.

MONEY TIP OF THE LESSON

"Don't put all your money in one investment. Diversification helps reduce risk over the long term."

MY CONFIDENCE LEVEL BEFORE THIS LESSON

1 2 3 4 5

Not Confident • Neutral • Very Confident

MY GOAL FOR THIS LESSON

What would you like to understand better about investment risk?

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ACTIVITY 1

Understanding Investment Risk

For each investment, decide whether you think it generally has **Lower Risk**, **Moderate Risk**, or **Higher Risk**.

Investment	**Lower Risk**	**Moderate Risk**	**Higher Risk**
Savings Account	☐	☐	☐
Government Bonds	☐	☐	☐
Diversified Mutual Fund	☐	☐	☐
Individual Stocks	☐	☐	☐
Cryptocurrency	☐	☐	☐
Real Estate	☐	☐	☐

ACTIVITY 2

Investment Risk Self-Assessment

Statement	Good	Needs Improvement	Not Yet
I understand that all investments carry some risk.	☐	☐	☐
I understand the relationship between risk and return.	☐	☐	☐
I know why diversification is important.	☐	☐	☐
I would research before investing.	☐	☐	☐
I understand my own financial goals.	☐	☐	☐

KNOWLEDGE CHECK

1. What is investment risk?

2. What is investment return?

3. Why do higher returns often come with higher risk?

4. What does diversification mean?

5. How can diversification help investors?

WEEKLY CHALLENGE

Choose three different investment types.

Write one possible benefit and one possible risk for each.

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PRACTICAL WORKSHEET – MY RISK PROFILE

A. MY FINANCIAL GOALS

Goal	Target Year
Emergency Savings	
Home Purchase	
Retirement	
Business Growth	
Financial Independence	

B. MY PERSONAL RISK TOLERANCE

Question	Yes	No
Can I stay calm if an investment loses value temporarily?	☐	☐
Am I investing for the long term?	☐	☐
Do I understand the investments I choose?	☐	☐
Am I willing to continue learning before investing?	☐	☐

C. MY DIVERSIFICATION PLAN

Investment Type	Why I Would Include It
Cash or Savings	
Bonds	
Stocks	
Real Estate	
Other Investments	

D. REFLECTION

Why is diversification an important strategy for reducing investment risk over the long term?

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KEY TAKEAWAYS – WHAT I LEARNED TODAY

1. One thing I learned about investment risk is:

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2. The most important benefit of diversification is:

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3. One investing habit I will develop is:

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4. The biggest lesson I learned today is:

MY 7-DAY INVESTMENT LEARNING ACTION PLAN

Day 1: Learn about one low-risk investment.

Day 2: Learn about one higher-risk investment.

Day 3: Compare different investment options.

Day 4: Read about diversification.

Day 5: Review my financial goals.

Day 6: Discuss investing with a trusted financial professional or experienced investor.

Day 7: Review what I learned and update my investment knowledge.

LESSON COMPLETION CHECKLIST

☐ I completed all activities.

☐ I completed my Risk Profile worksheet.

☐ I understand the relationship between risk and return.

☐ I understand the importance of diversification.

☐ I am ready for Lesson 30.

MY CONFIDENCE LEVEL AFTER THIS LESSON

1 2 3 4 5

Not Confident • Neutral • Very Confident

NEXT LESSON PREVIEW

Lesson 30 – Investing for Long-Term Financial Goals

Learn how to build a long-term investment strategy, stay focused during market changes, and align your investments with your future financial goals.

MY COMMITMENT

I commit to making informed investment decisions, understanding the risks involved, diversifying my investments where appropriate, and focusing on my long-term financial goals rather than short-term market movements.

Signature: ___________________________

Date: _______________________________