Diversification = less risk

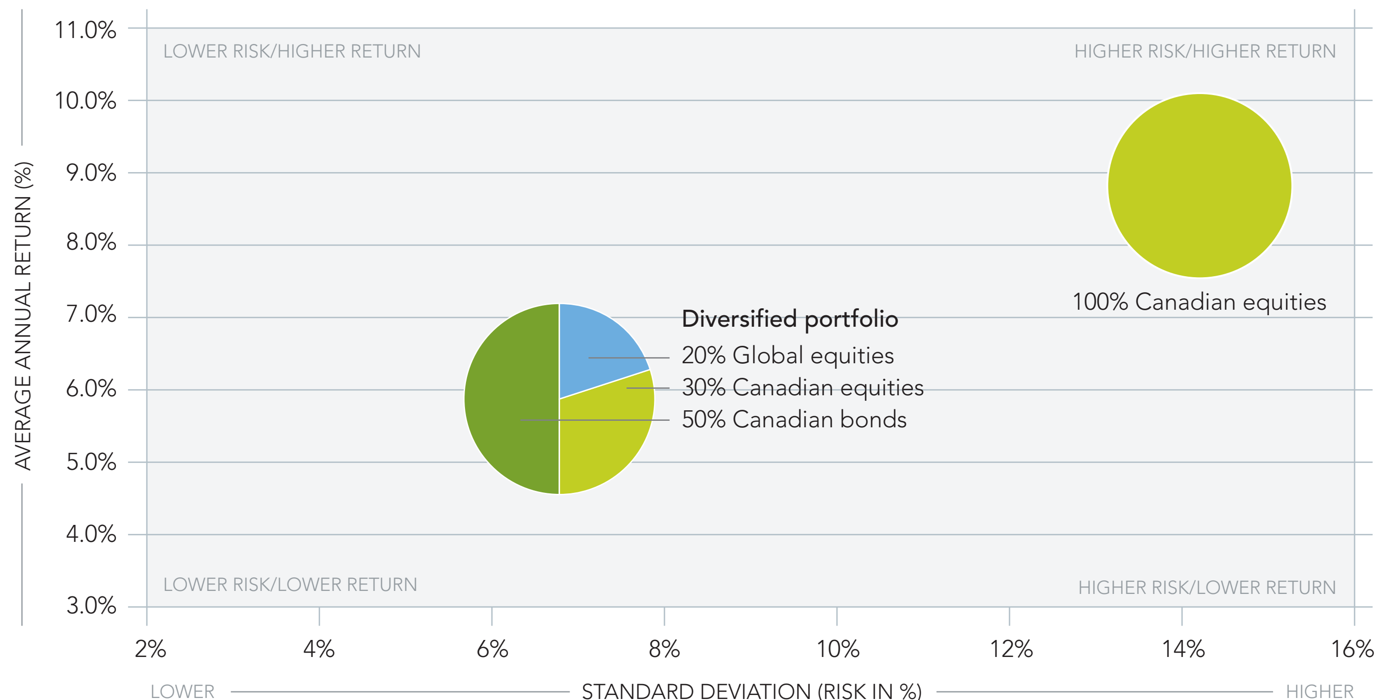
Which is riskier, stocks or bonds? The right answer is "both": either one can be risky if it's the only type of investment you have. That's why it's important to diversify – to put your money into different types of investments.

Stock market investments – also known as equities – tend to produce a higher average annual return. But they also have a greater "standard deviation" or risk – their value can swing widely.

Bonds tend to have lower returns, but they are also less volatile.

As the chart shows, by combining stocks and bonds in your portfolio, you can lower your risk while still adding enough growth to help reach your investment goals.

Ten-year risk and return for the period ending March 30, 2011



Source: Morningstar Encorr. 10 years ending March 30, 2011. Canadian equities represented by the S&P/TSX Composite Index. Average annual return: 8.8%; standard deviation: 14.6%. Diversified portfolio represented by: 20% MSCI World Index (global equities), 30% S&P/TSX Composite Index (Canadian equities), and 50% DEX Universe Bond Index (Canadian bonds). Average annual return: 5.9%. Standard deviation: 6.6%. All indices are based on total return. It is not possible to invest directly in an index.

Read a fund's prospectus and consult your financial advisor before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions and may experience a gain or loss.

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