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LEARN | Investment Concentration: 3 Questions to Ask

3 minutes

Investors who have accumulated significant wealth by owning large concentrations of a single stock may benefit from a diversified approach.

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Did You Know?

Sometimes it can be difficult for investors to move away from a stock that has been so good to them. Asking the right questions can help start a conversation about diversification.



Key Takeaway

A heavy concentration of a single stock can pose an outsized risk to portfolio performance if the stock's value goes down. Diversifying concentrated stock can help your clients reduce overall portfolio risk.

Questions to Ask Clients and Prospects

Use these conversation starters to help gauge their level of understanding, meet them where they are and present the appropriate options.

Question

Do you believe your primary investment goals may be at risk given your current exposure to [XYZ] stock?

Question

If your concentrated position were replaced by cash overnight, would you buy back all of the concentrated position you had before?

Question

Can you share your equity awards statement with me?

Next Step

One step you can take is to explore how the tax code might make it more attractive to your client to keep some shares and sell others.

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Diversification does not eliminate the risk of loss.



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