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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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