
Risk and Volatility

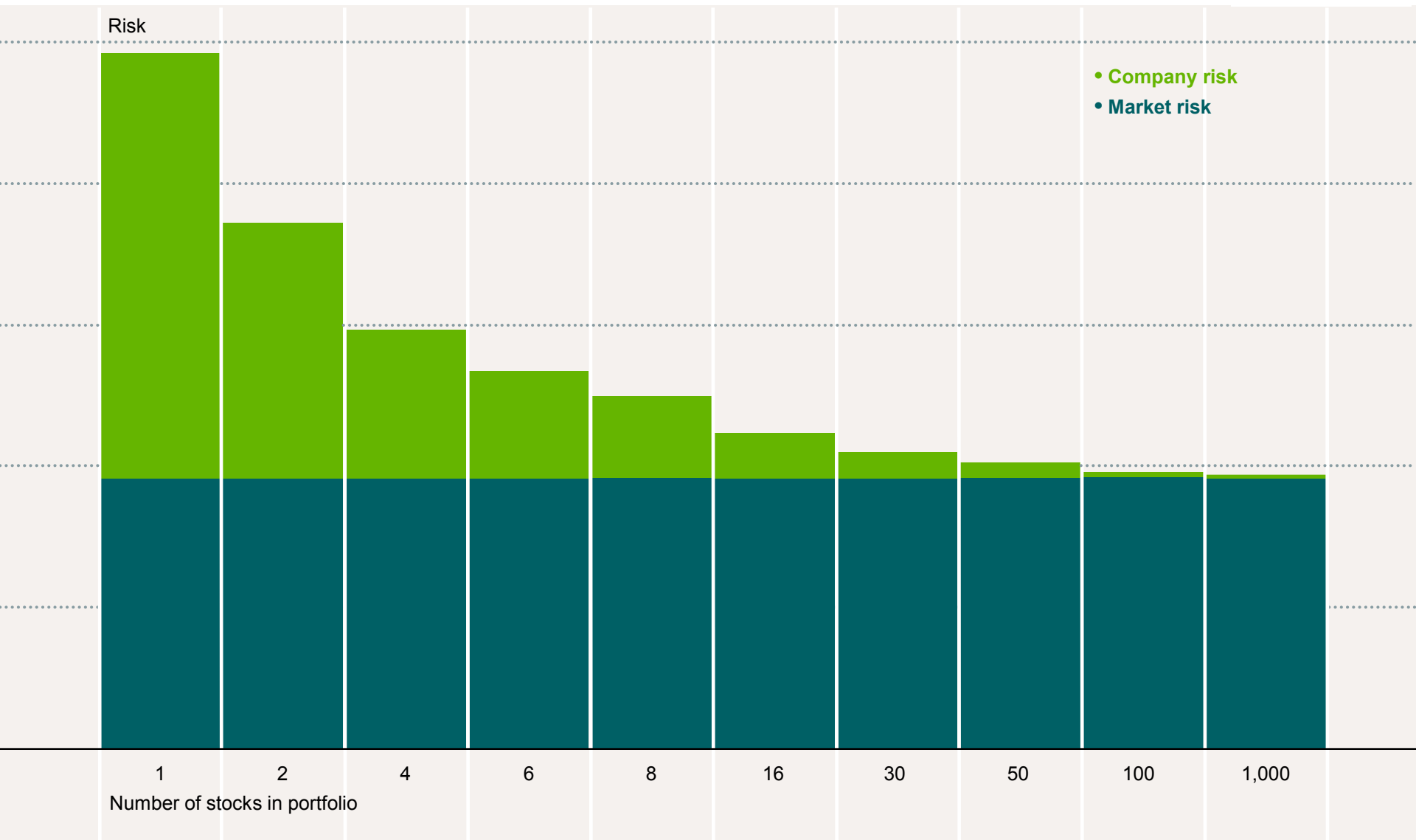


Types of Risk





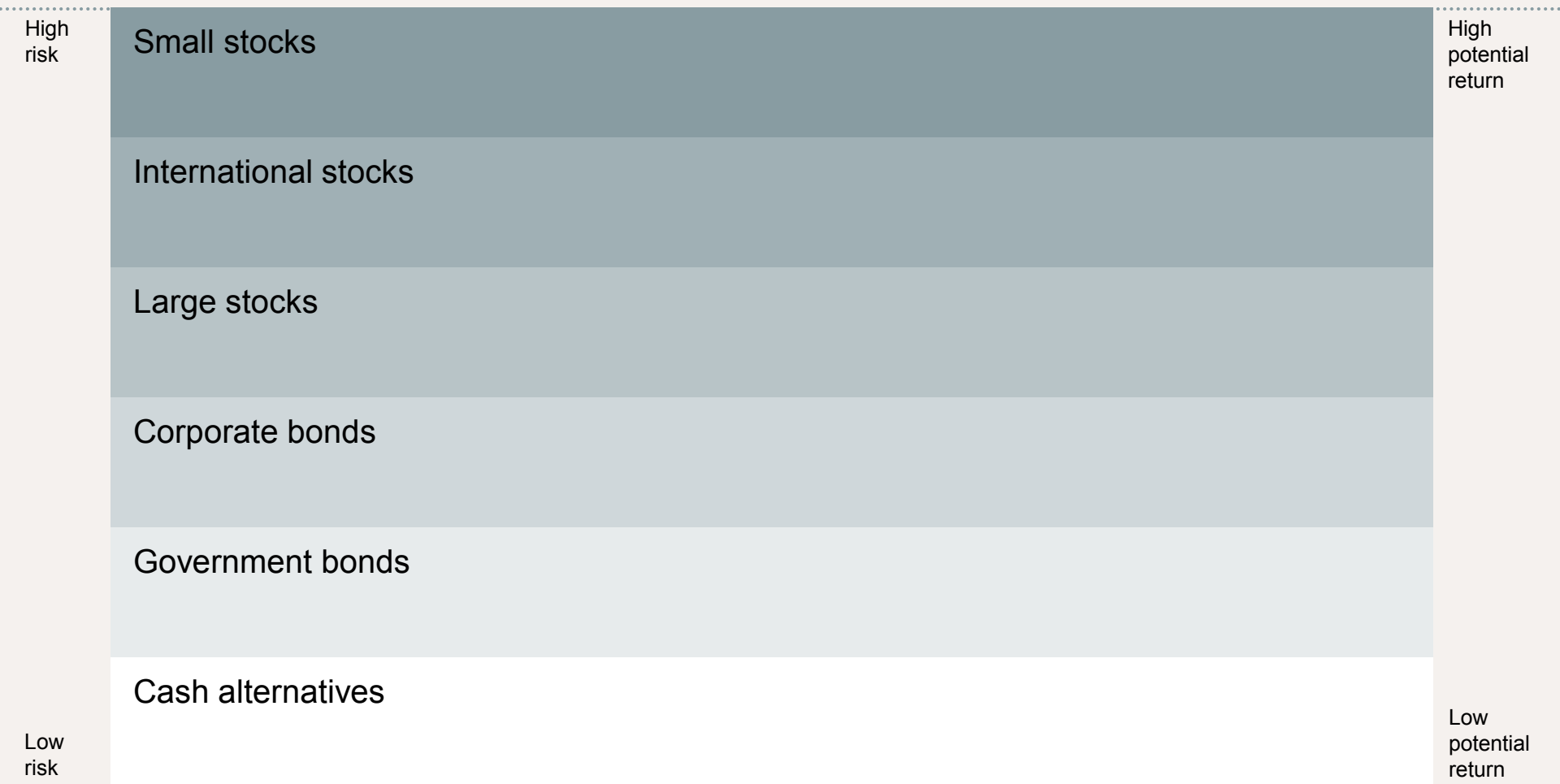
Stock Diversification



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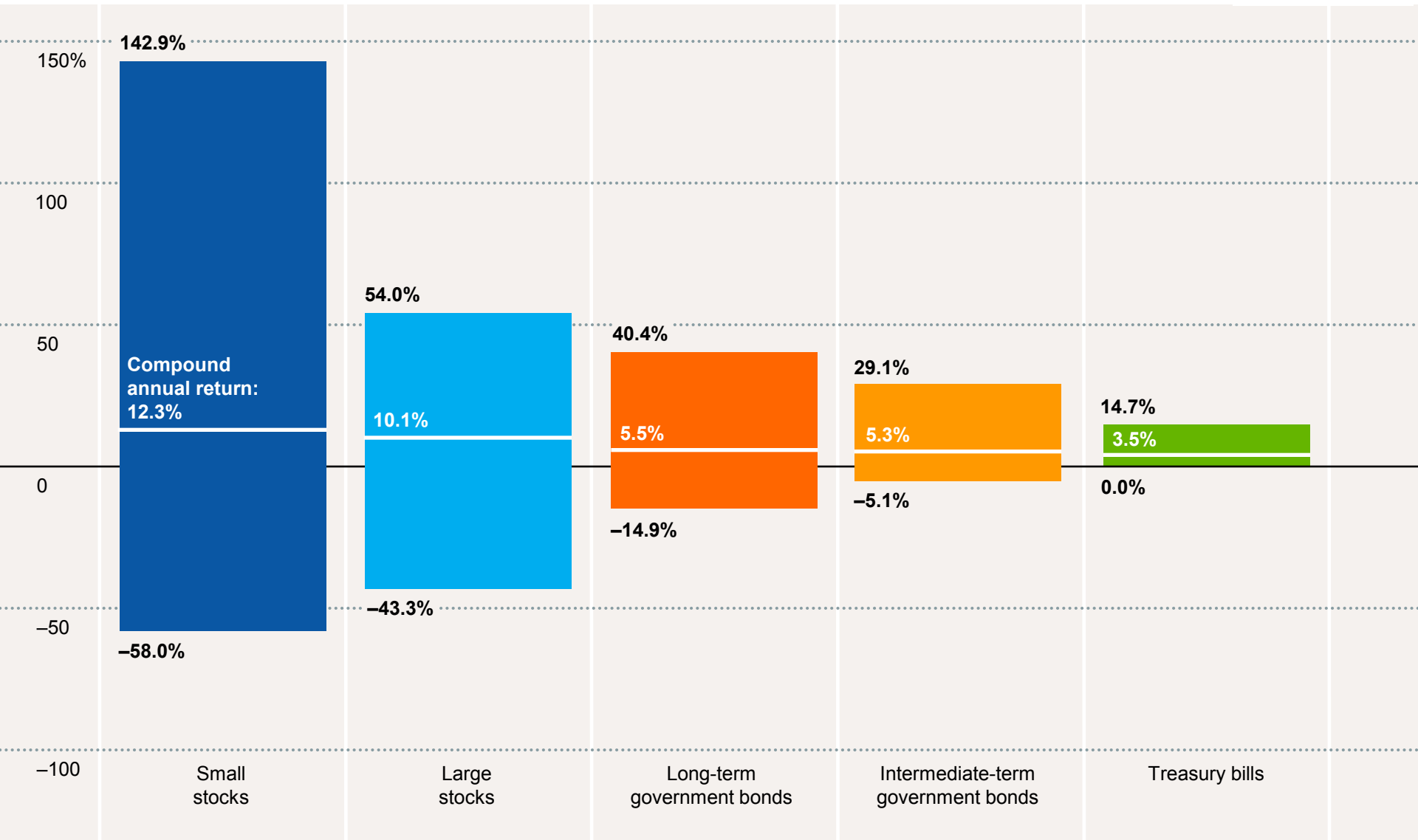
Risk Tolerance Spectrum





Asset-Class Returns

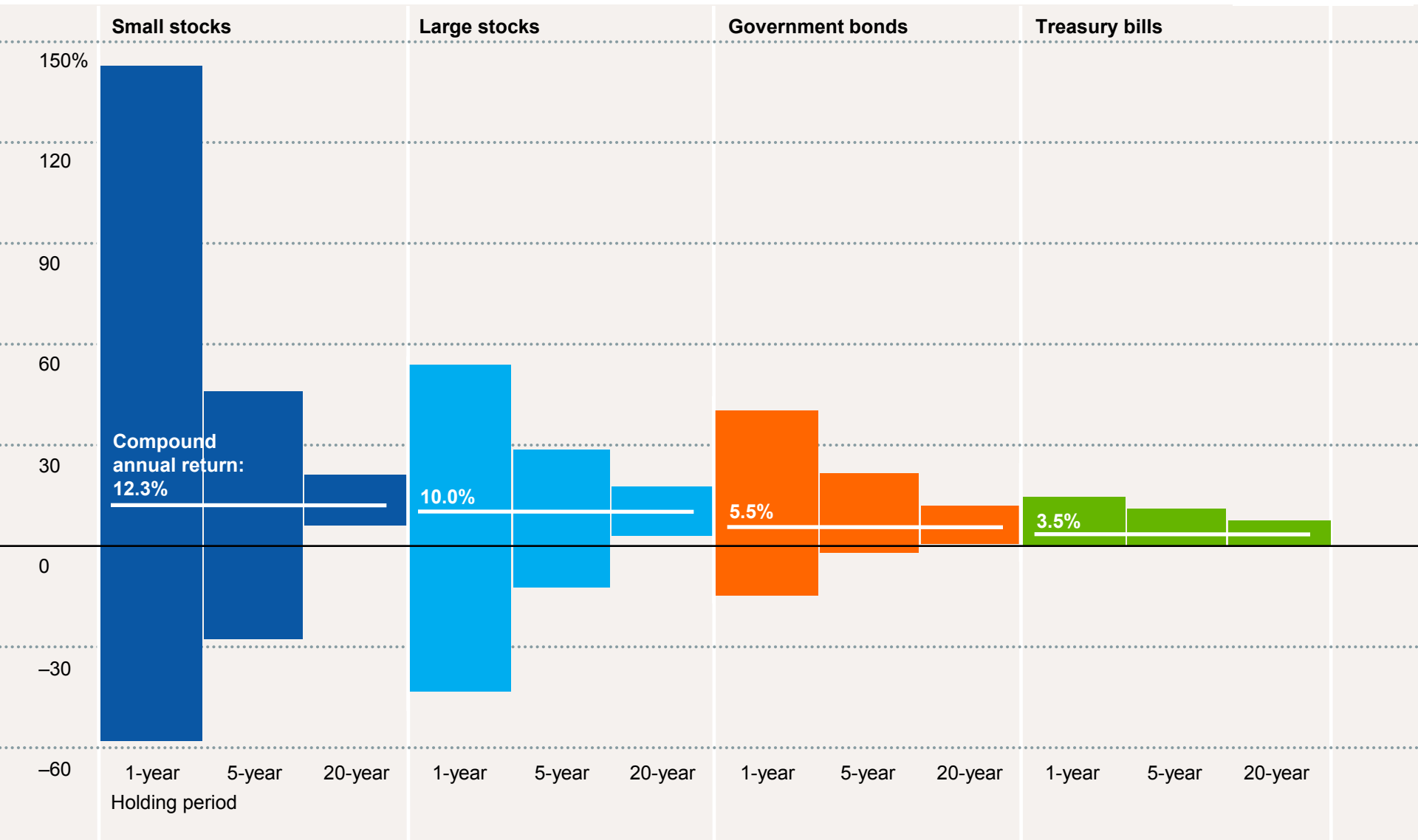
Highs and lows: 1926–2013





Reduction of Risk Over Time

1926–2013

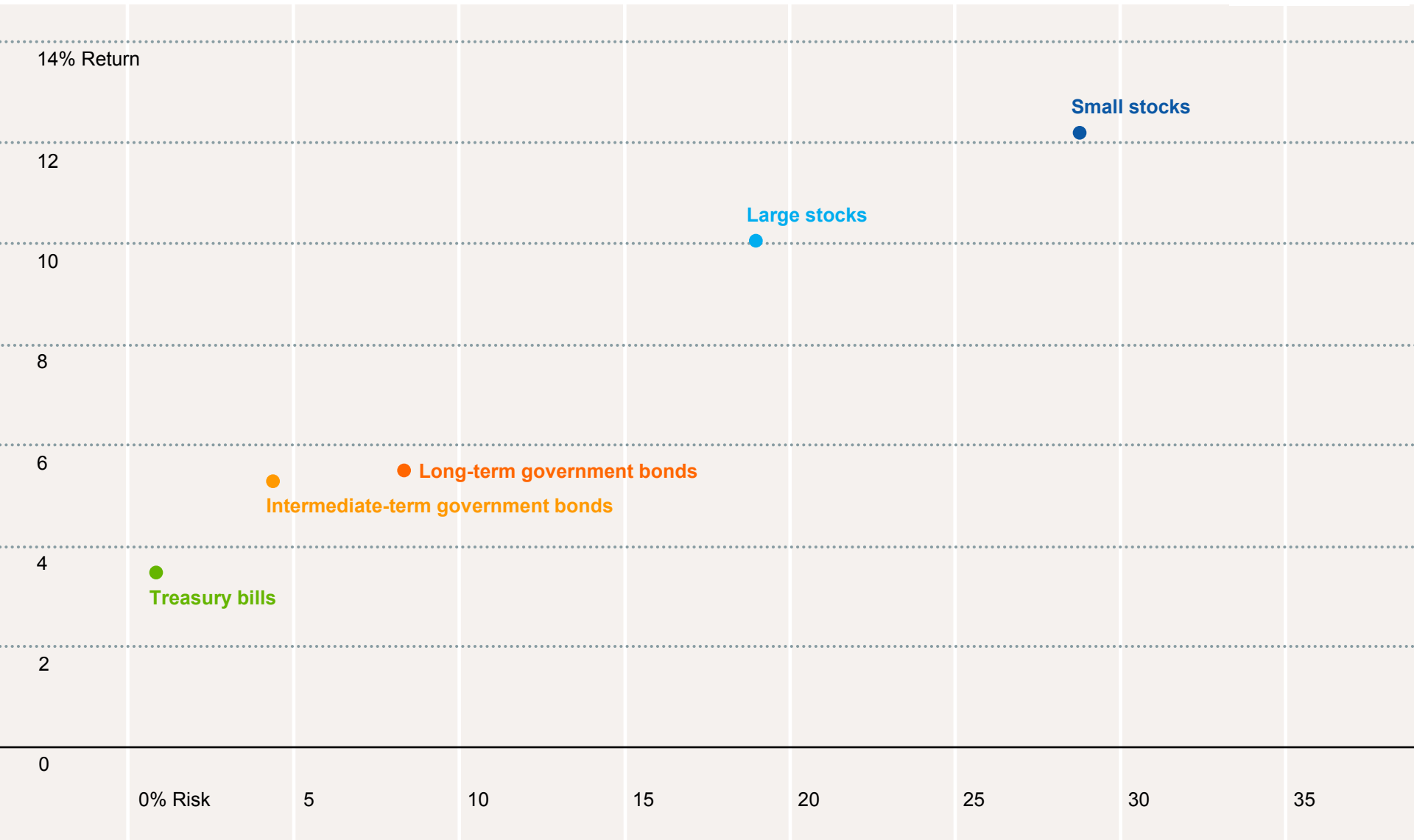


Past performance is no guarantee of future results. Each bar shows the range of compound annual returns for each asset class over the period 1926–2013. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2014 Consilium Wealth Advisory, LLC. All Rights Reserved.



Risk Versus Return

Stocks, bonds, and bills 1926–2013

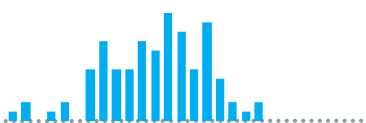
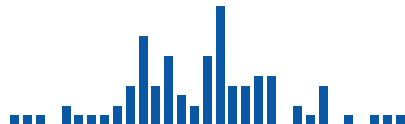

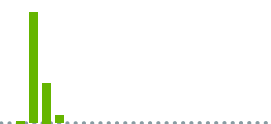



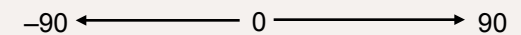
Past performance is no guarantee of future results. Risk and return are measured by monthly annualized standard deviation and compound annual return, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.
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Summary statistics 1926–2013

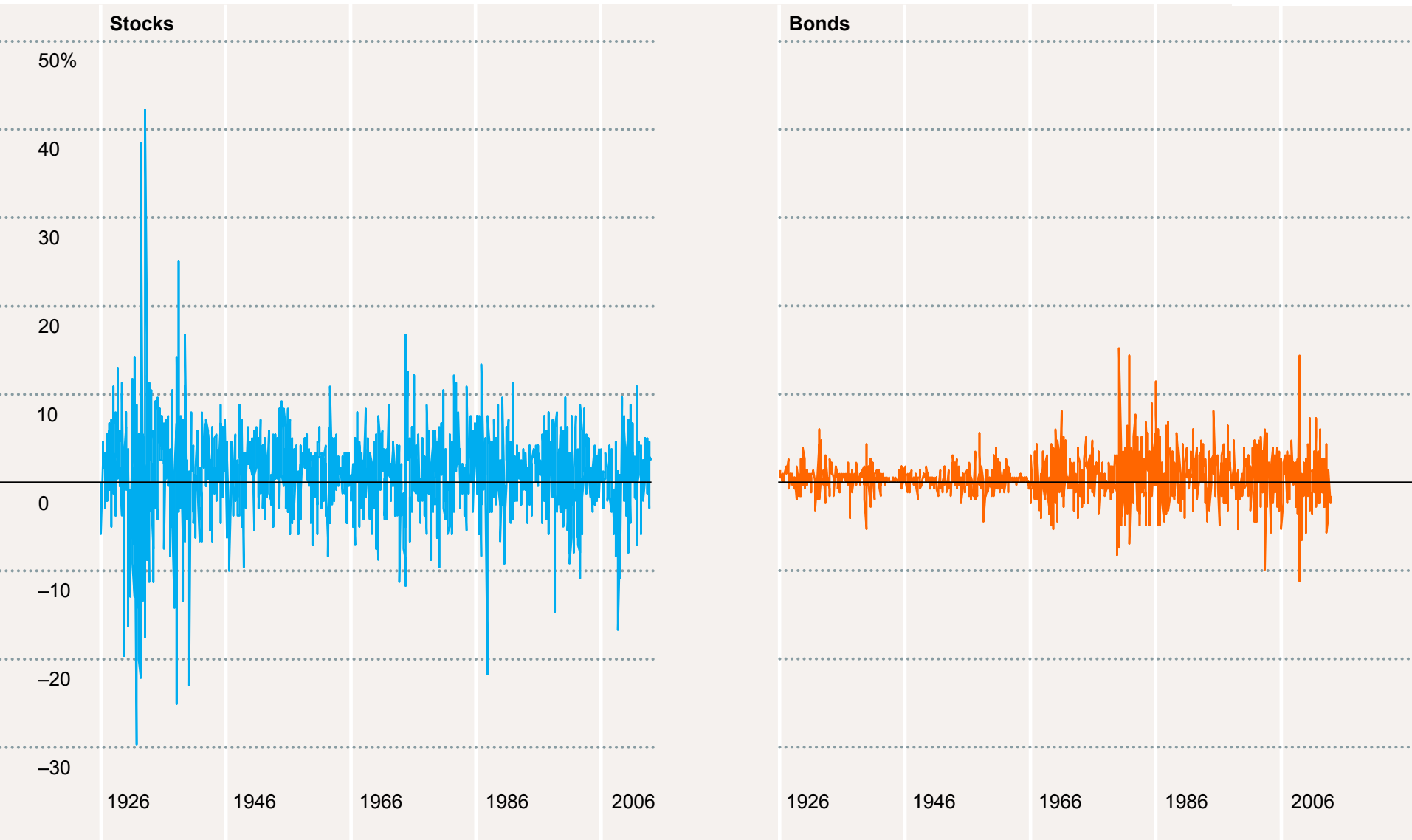
	Compound annual return	Arithmetic annual return	Risk (standard deviation)	
Large stocks	10.1%	12.1%	19.0%	
Small stocks*	12.3%	16.9%	28.8%	
Government bonds	5.5%	5.9%	8.4%	
Treasury bills	3.5%	3.5%	0.9%	
Inflation	3.0%	3.0%	0.0%	





Stock and Bond Volatility Varies

1926–2013



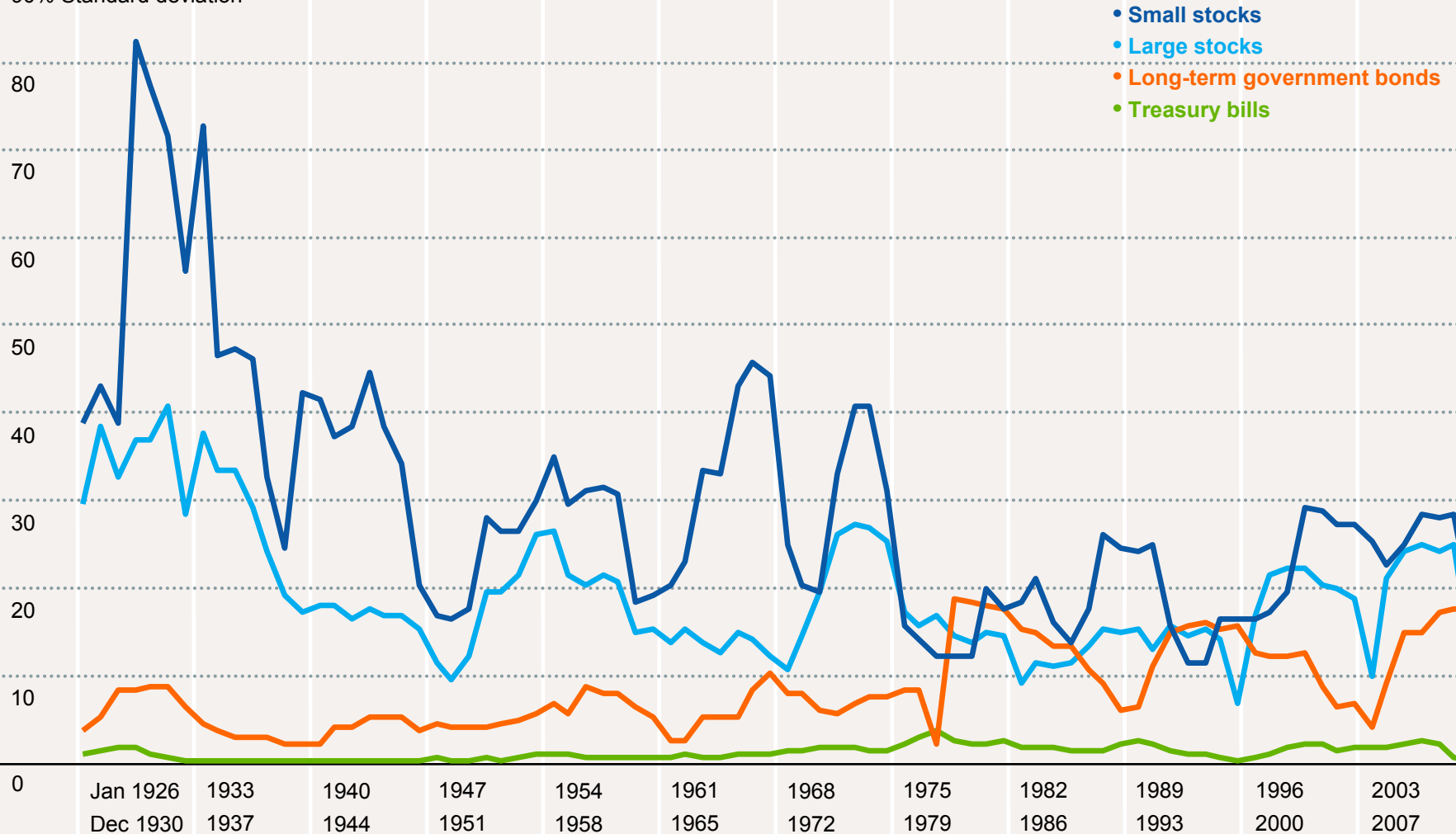
Past performance is no guarantee of future results. Monthly percentage returns from 1926–2013. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2014 Consilium Wealth Advisory, LLC. All Rights Reserved.



Risk Changes Over Time

Five-year rolling periods 1926–2013

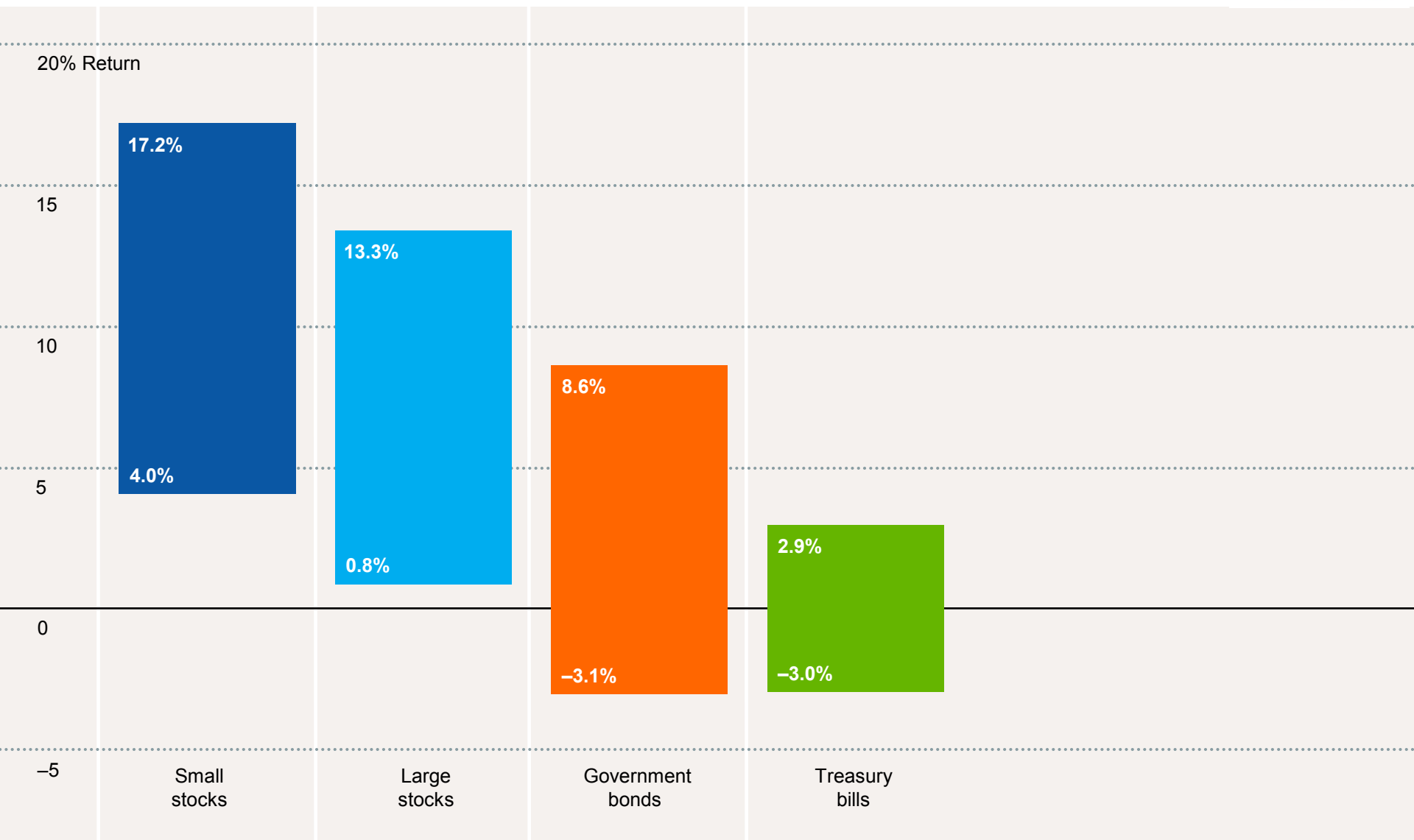
90% Standard deviation





Inflation Risk: Stocks Versus Fixed Income

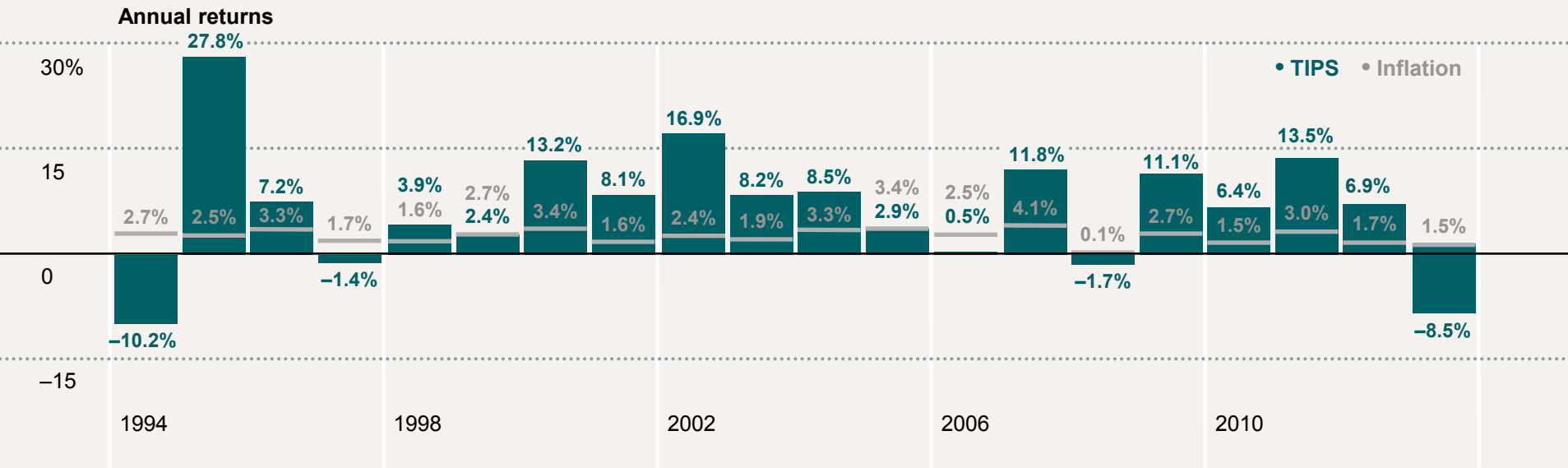
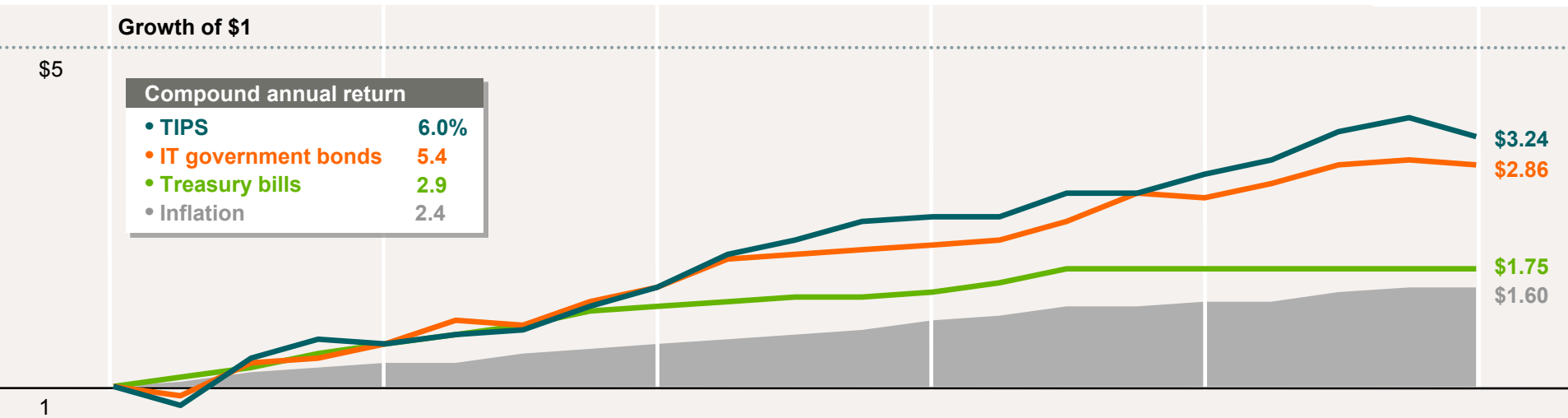
Range of average inflation-adjusted returns over 20-year periods, (1926–2013)





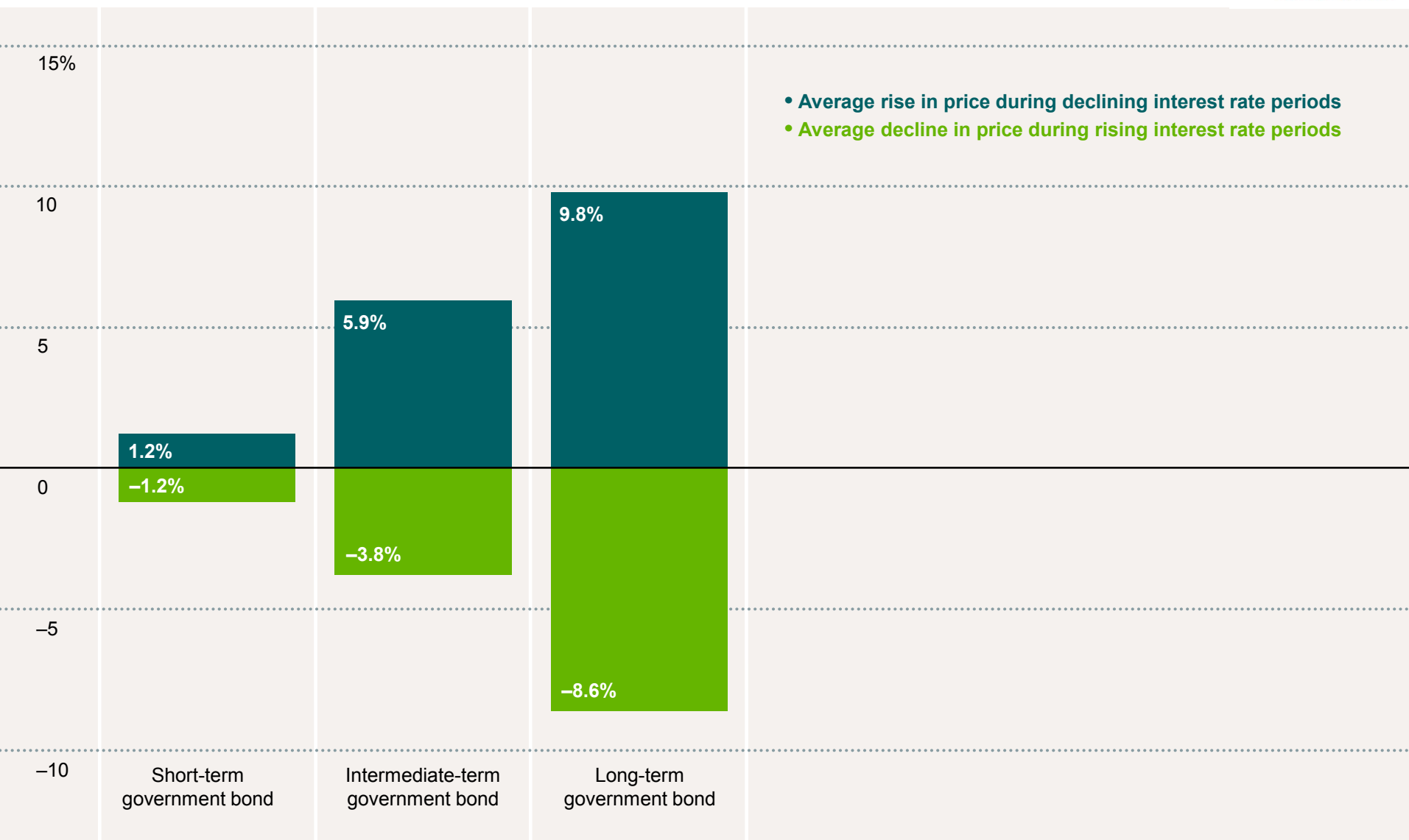
Treasury Inflation-Protected Securities (TIPS)

A hedge against inflation, 1994–2013





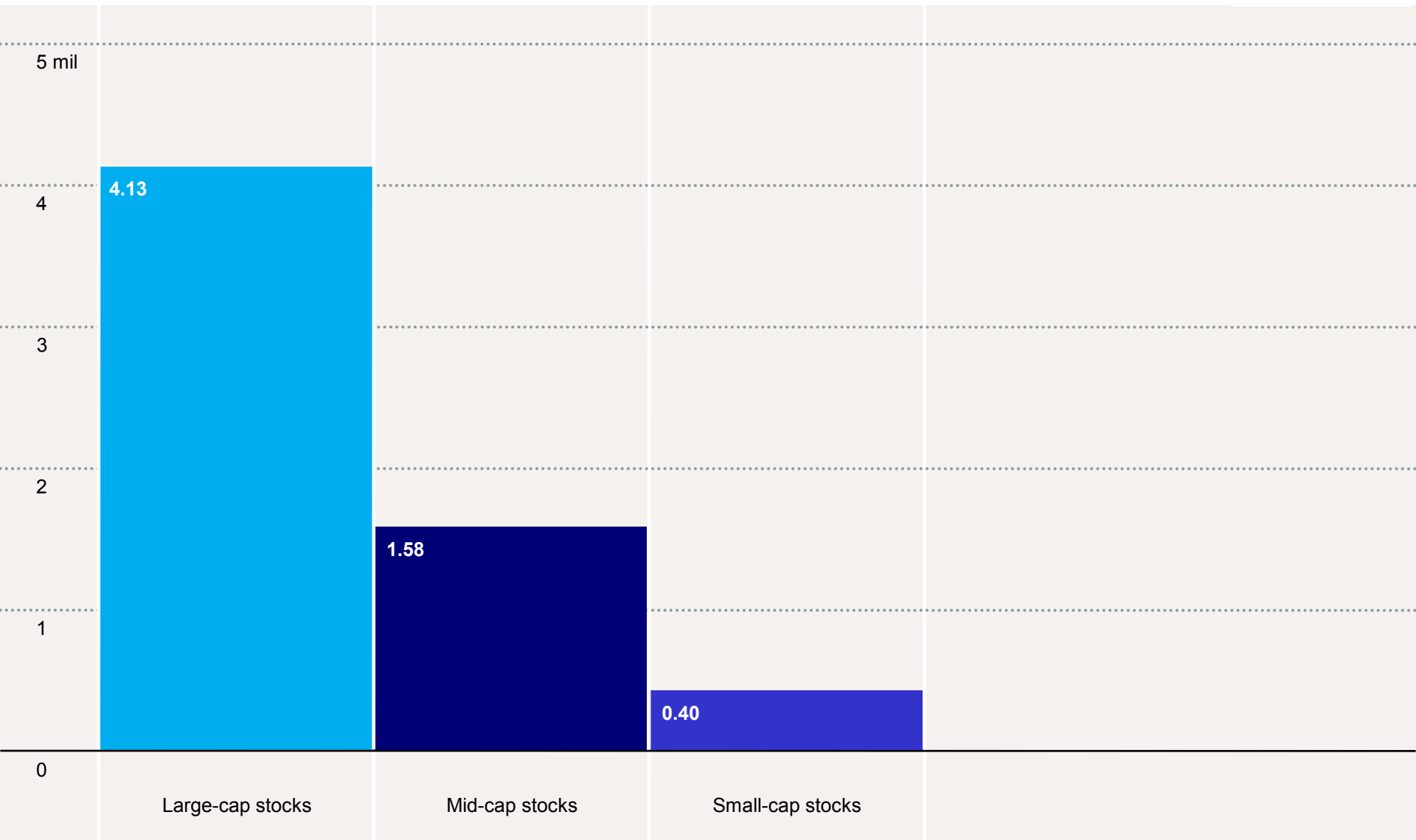
Fixed Income Maturity Risk 1970–2013





Liquidity Risk

Average daily stock trading volume as of year-end 2013





Market-Timing Risk

The effects of missing the best month of annual returns 1970–2013

