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October 2016 Issue of PFWise.com's Monthly Newsletter

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PFWise.com Monthly Newsletter

Help you make wise personal finance decisions

Hello friends, welcome to the October 2016 [PFWise.com](#) Monthly Newsletter!

In this newsletter, we will focus on investment return and risk. Imagine you faced two investment choices back in 1970:

1. **Portfolio A:** Large cap U.S. stocks only
2. **Portfolio B:** a 7-asset portfolio that consists of large-cap US stocks, small-cap US stocks, non-US stocks, real estate, commodities, US bonds, and cash. Each class has equal share and you rebalance it once a year.

You hold your choice till 2015. Do you think which portfolio would lead to a better return for you?

Measures of Return

While the above question looks simple, it could get complicated very quickly, because the answer depends on how do you measure return. It turns out different people may have different angles of measuring investment returns, as my "[measures of return](#)" blog post shows.

Measures of Risk

In investment, return and risk always go together. The various return measures indicate Portfolio A had a higher return, but could that higher return was due to higher risks? It could get more complicated when you try to answer this question, because risk is an even hard to measure metric. In this blog post, I discussed [4 ways to measure risks](#) and showed the risks of the two portfolios between 1970 and 2015.

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investment with higher return but also higher risk, or a portfolio with lower return and lower risk? If you find this question hard to answer, please don't worry, there are at least 3 measures have been developed to help you make a wise decision, see discussion [here](#).

Thank you for your readership! If this newsletter has led you to reassess your investment decision's returns and risks, it has achieved its goal!

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The Bottom Line

Personal Finance is a broad and complicated topic, and needs lot of knowledge and forward-looking planning. I hope I can share my knowledge and use my skills to help you make wise PF decisions.

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