5 Smart Strategies I’m Using to Balance Risk in My Portfolio This Year

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Today, there are more choices than ever for building wealth, like advances in AI and sustainable innovations. However, with every new investment opportunity, there’s a risk. The challenge? Finding the right balance between protecting what you’ve created and charging towards bigger things.

In this article, I will share five smart and actionable strategies to balance portfolio risks and provide my insights about real estate, cryptocurrencies and alternative markets.

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1. Diversify assets in real estate

Real estate, especially REITs (Real Estate Investment Trusts), provides stability and income growth. By investing my money into companies, I get a share in properties without the hassle of direct management. In fact, according to Upmarket, REITs sent shareholders $110.8 billion in dividends in 2023.

Real estate is a solid bet, and with remote work and urban migration changing how people demand houses, it has the potential for long-term growth.

Furthermore, the diversification offered by REITs can help mitigate risks associated with market fluctuations, enhancing

investment security.

2. Venture into high-risk investments like crypto

Investing in cryptocurrencies is exciting but unpredictable; they are the wild card of investment. You can unlock a lot in crypto, but it requires caution.

We know how volatile cryptocurrencies can be – Bitcoin and Ethereum, for instance, could soar in price one day and plummet the next. According to Coinbound, Bitcoin's volatility is 47% compared to gold (12%) and global equities (10.2%).

I'm capping crypto to no more than I can afford to lose in 2025. The key is to treat crypto as an experiment slice of the portfolio. Keep it small and manageable.

Moreover, this cap ensures that my exposure is limited while still allowing for potential upside in this rapidly evolving market.

3. Tech investments and startups

If you're feeling adventurous, try startups or tech investments. You can check out opportunities that are available in industries slated to boom. One fascinating startup trend is the storage business, with a projected market value of $87 billion by 2023, according to Storeganize.

According to the data of 20 Hour Work Week, AI dominates startups and has a global market valuation of $391 billion. The best example is Open AI, which was recently valued at $157 billion, according to reports of FollowersPanda.

Voice technology also dominates the AI and machine learning field. According to the data of Hackernoon, the global voice tech market projected a value of $50 million by 2029.

I want to dilute the investments so that if one area falls, I still have a steady portfolio.

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4. Protect your portfolio

Spreading investments alone isn't enough to balance risk in my portfolio. It's about being prepared for the unexpected. That's where insurance is handy – it provides financial security and peace of mind when life is unpredictable.

Good risk management and insurance can protect financial assets. In fact, the Securities Investor Protection Corporation (SIPC) SIPC allotted $500,000 ($250,000 max for cash) for protection against loss of cash and securities.

If you're buying real estate, you'll want to buy property insurance. Starting a business? Liability insurance could be priceless. A solid life insurance plan can provide family security and give lifetime financial stability.

This year, I'll make insurance part of my strategy. It's about protection and getting me a portfolio geared up to take on anything that comes against it.

5. Smart tax planning

Taxes are a huge determinant of my investment returns, and if I don't have a smart tax strategy, I lose more money during tax time than I should.

Here's what my strategy looks like: First, I leverage tax-advantaged accounts like the Public Pension Insurance (in my home country, almost equivalent to IRAs or 401k) to grow my investment tax-deferred and sometimes even tax-free. Second, in taxable accounts, I hold investments for the long term.

Also, I can pay lower capital gains tax rates that way.

Finally, using accounting software has been helpful for me. It not only tracks my investment activities but also finds ways to claim potential items as deductible. This is backed up by the report published by The CFO Club – more than 64.4% of companies use accounting software to enhance their financial status, which proves how important it has become.

Knowing the tax implications on my investments helps keep my returns safe and my financial aims on course.

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Don’t try to eliminate uncertainty in your 2025 portfolio – balance it. With some diversification across asset classes, knowing what’s happening and looking at your portfolio regularly, you can put the pieces in place to build the resilient strategy you need.

The real goal? Peace of mind. When you know all your investments are properly diversified, you can take life and focus on what it means to you: Spending time with family, pursuing your passions or planning the next adventure. It’s time to start applying these strategies and gain control over your financial future. Make 2025 a year of growth and stability for you.

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