



Brainy's Articles on Share Trading**

NSTI — Money and risk management

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page 1 of 1
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This article is free*

Money management and risk management

When undertaking any investment in the financial markets, there are a number of potential risks, including the following:

- What if one of my investment positions tanks? Might I lose all of it? And put a big hole in my portfolio value?
- How much of my portfolio value should I commit to any one position?
- If I have, say, \$10,000 to invest, should I put all of it into one stock? or spread it across a couple of stocks, or maybe 5 stocks (\$2,000 each), or even 10 stocks (\$1,000 each)?
- Over the years the experts have said that we are in this for the long haul, and that the buy-and-hold approach averages out over the long term. But is this really true? And what if I don't have a "long term" left, because I want results in the shorter to medium term? How can I do this without extra risk?
- Let's say I buy a few shares in a company, and then one day the share price suffers for some reason, is there a scientific way for me to work out the best time to sell so that I can protect my capital from further down side?
- I have heard about "stock liquidity", but I am not sure what it means. I just like investing in any old stock that I think will make money. Is it true that if I decide to sell in a hurry that I might not be able to find a buyer for the shares?

These issues have been addressed in other eBook (PDF) Articles, so readers are encouraged to view them for more details:

- eBook (PDF) Article **ST-4000**, "**Risk and money management**".
- eBook (PDF) Article **ST-4020**, "**How to reduce risk**".
- eBook (PDF) Article **ST-4050**, "**Optimising position size**".
- eBook (PDF) Article **ST-4100**, "**The 2 percent rule**".
- eBook (PDF) Article **ST-4300**, "**Risk and reward**".



For more information on Share Trading, or Technical Analysis, or BullCharts software, look for more of Brainy's articles, or the other resources, in **Brainy's Share Market Toolbox**: www.robertbrain.com

Your own notes and comments:

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** - The two words *trading* and *investing* are often used somewhat interchangeably.
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