

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Low Risk Investments 2020

By www.ProfitableInvestingTips.com

When the market is volatile you can look for high profits and accept the risk or find the low risk investments 2020 offers. Unfortunately, investments that are traditionally low risk are also low reward. And, many usually safe investments during normal times are terrible investments in a time when the covid-19 [pandemic is changing the economy](#). Here are some thoughts to consider when thinking about low risk investments during a perilous time for all investors, including how, in fact, you can [invest without losing any money](#) during these times.

How Much Risk Should I Take When Investing?

This is really the first question an investor needs to ask. Investing is should not be gambling. Successful investors learn to assess risk versus reward and manage their investment funds accordingly. The amount of risk you accept when investing should relate to your age, your investing goals, and how much of your net wealth is tied up in investments. But, the degree of risk may take is related to their personalities which can be a problem. A rule of thumb mentioned by *The Motley Fool* in their article about [how much investment risk you should take](#) says to subtract your age from 110 and limit your stock market investments to that number as a percentage of what you invest.

Which Investment Typically Carries the Least Amount of Risk?

The least risky investments are typically U.S. Treasury Bills, savings accounts, and certificates of deposit (CDs) because each of these is backed by the U.S. government up to a point. And, if you limit your investment in any given bank to the insured limit per account, you can potentially insure all of your savings accounts and CDs against loss. During times of extremely high inflation like the 1970s the risk of these investments is that inflation will outpace the interest rate that you are gaining. On the other hand, when you buy a long term CD when interest rates and inflation are high, you will have an excellent rate of return when rates and inflation are less.

Which Risk Should Be Avoided for Short Term Investments?

When the stock market or interest rates are extremely volatile, many investors limit themselves to short term investments. By purchasing short term CDs an investor avoids getting caught in a return investment when rates go up. And, when the stock market is extremely volatile, many choose to take short term profits. The biggest risk in short term stock market investing is getting stuck on the wrong side of a trade and having to take a loss or

seeing your money tied up for an extended period as you wait for a stock to recover.

Where to Invest Money with Low Risk

The first places most people think of investing with low risk, as well as low returns, are the savings accounts, CDs, U.S. Treasuries, and even AAA bonds from either Johnson & Johnson or Microsoft. Another option is an annuity issued by an insurance company. A fixed annuity is like an IRA in that your income is tax-deferred until you take it out but you get a tax penalty if you take anything out before age 59 ½. An immediate annuity is a common choice for retirees as you put money in and begin taking it out immediately. However, you get a guaranteed monthly payment for life.

Low Risk Medium Return Investments

The problem with the low risk investments 2020 offers is that while you are protecting your money, you are getting very little in return. This drives some investors to look for better returns albeit at a slightly higher risk. Here is where investment-grade corporate bonds come into the picture. These are rated BBB or higher. You get a better rate of interest than with a CD and your money is safe unless the company goes into bankruptcy. Preferred stocks in blue chip companies give you more protection if a company needs to restructure. And, investments like utility stocks are generally safe as they keep doing business even during the worst economic downturns.

Average Return on Medium Risk Investment

Medium risk investment historically return in the six to 8 percent range. However, this is over the long term. The safest approach in this case is usually [dollar cost averaging](#) in which you invest a fixed dollar amount on a regular basis and do not try to time the market. Using [intrinsic stock value](#) as a guide, this is a good long term investing approach. Choosing safe investments during a time like the current covid-19 pandemic you earn on the low side of the long term average but will likely catch up as the economy recovers.

High Risk Stocks to Invest in 2020

If you are comfortable with investment risk and willing to do your homework, there are high risk stocks that offer the potential for huge rewards. US News highlights seven of these in an article for [aggressive investors](#). These are Ameriprise Financial, Freeport-McMoRan, United Rentals, Boeing Co, Nvidia Corp, SVB Financial Group, and Citigroup. In each case they detail the reasons that the stock has suffered recently and how it is likely to do well in the future as the pandemic lessens and the economy begins to come back.

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