The S3 Concentration-Buster Tool

Eliminating the Risks You Choose (And Don't Have To)

Created by SafeSimpleSound Financial Planning

Your S3 Concentration-Buster

What You'll Discover:

- Safe: Immediate identification of "gambling" risks in your portfolio.
- Simple: The "Free Lunch" of diversification explained without complex math.
- Sound: How to capture market returns while removing the risk of total ruin.
- Constitutional Advantage: Differentiating between "Uncompensated Risk" (bad) and "Compensated Risk" (good).

Part 1: The "Unsystematic Hunter" Worksheet

Rule of Thumb: Any single company stock representing more than 5% of your investable net worth is a "Concentration Risk."

List Your Top Single Holdings:

1. Company: ____________ | Value: $_________ | % of Total: _____%
2. Company: ____________ | Value: $_________ | % of Total: _____%
3. Company: ____________ | Value: $_________ | % of Total: _____%
4. Company Employer Stock: $_________ | % of Total: _____%

The S3 Audit:

- If any % is >5%: You are taking Unsystematic Risk.

- If any % is >10%: You are in the "Danger Zone."
- If Employer Stock is >10%: You have "Double Jeopardy" (Your job *and* your wealth are tied to one CEO).

Part 2: The "Gambler's Odds" Calculator

Why do we call this "Uncompensated Risk"?

- Scenario A (The Index): You buy the S&P 500.
  - *Expected Return:* ~10% (historical avg).
  - *Risk of Total Ruin:* Near Zero.
- Scenario B (The Single Stock): You buy only Apple.
  - *Expected Return:* ~10% (analyst avg).
  - *Risk of Total Ruin:* Possible (Enron, Kodak, Lehman Brothers).

The Question: Why accept the *possibility of zero* (Scenario B) when the *expected return* is the same as the diversified option (Scenario A)?

S3 Principle: The market pays you to take *Systematic Risk*. It does not pay you extra to take *Unsystematic Risk*.

Part 3: The Correlation Visualizer (Simple)

- Correlation +1.0 (Twins): When one moves up, the other moves up. (e.g., Exxon and Chevron). *No Diversification Benefit.*
- Correlation -1.0 (Opposites): When one moves up, the other moves down. (e.g., Umbrella Sales and Sunscreen Sales). *Perfect Hedge.*
- Correlation 0 (Strangers): No relationship.

Action Step:
Check your portfolio. Do you own 5 different Tech stocks? That is NOT diversification. That is just buying 5 seats on the same airplane. If the engine fails, they all go down.

Insights Summary

> *Key S3 Differentiator: We believe Diversification is a Constitutional Right to safety. We don't guess which stock will win; we buy the whole stadium.*
>
> *Educational Generosity Promise: Even if you manage your own money, please consider selling down your concentrated positions to below 5%. It's the single best thing you can do for your family's safety.*

Your Next Steps

Immediate Action: If you have >10% in employer stock, verify your plan rules for diversification options today.

Professional Support: Need help unwinding a large tax position? We specialize in tax-efficient diversification strategies.