

# Why does volatility matter?

**Answer:** Because you spend dollars not percentages.

People often chase higher returns without considering the amount of risk they are taking. Below is a comparison of how two different allocations performed from 2008-2009.

Year	Portfolio 30	Portfolio 80
2008	-9.17	-31.66
2009	11.11	26.94

Allocation	Starting value	End of year 2008	End of Year 2009
30/70	\$5,000,000	\$4,541,500	\$5,046,061
80/20	\$5,000,000	\$3,417,000	\$4,337,540

You will notice that each portfolio was up about the same percentage in 2009 as it was down in 2008. Seeing this might trick you into thinking you have made back what you lost. However, the dollar amounts tell a different story. Remember, you spend dollars, not percentages.