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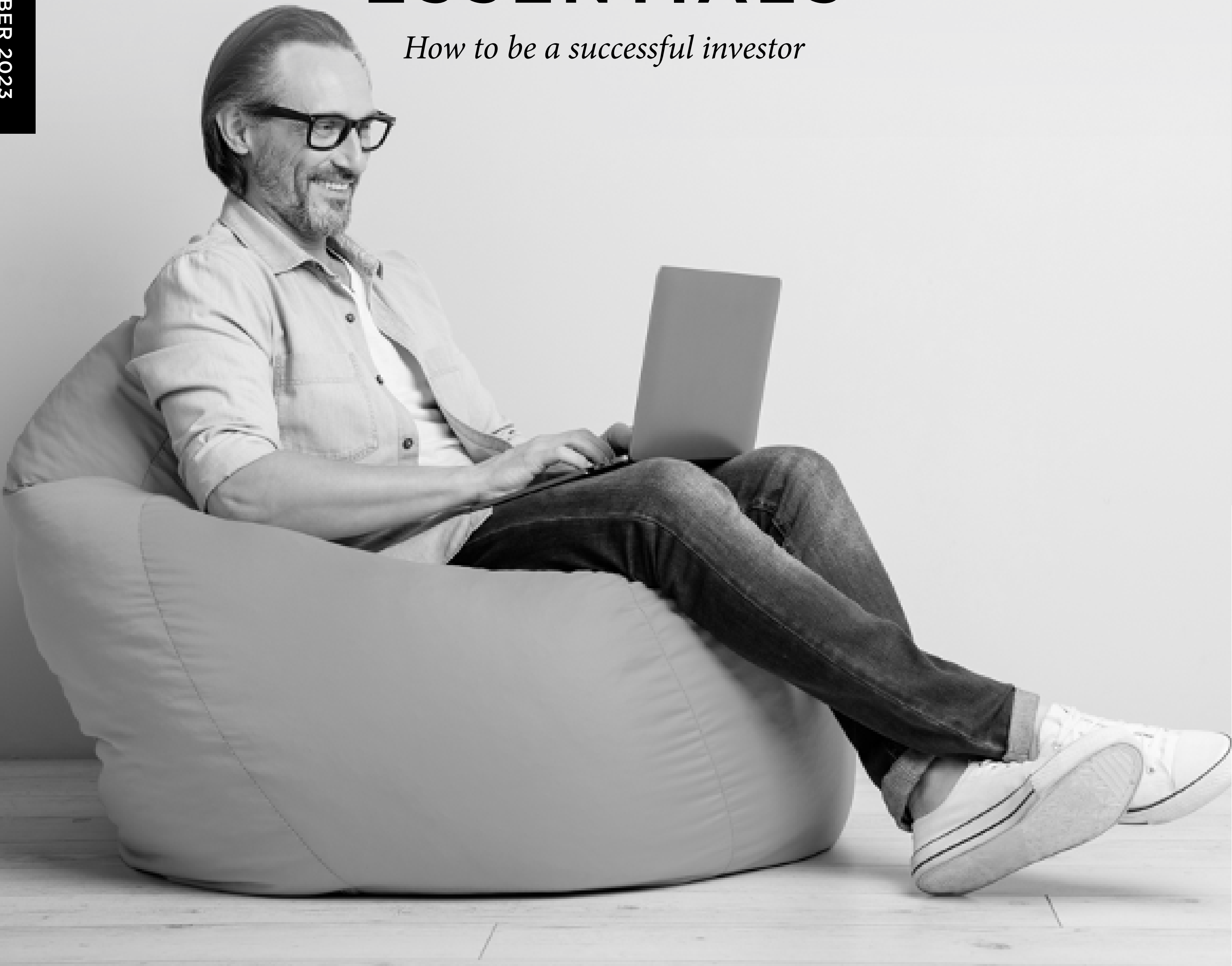
GUIDE TO

INVESTING ESSENTIALS

How to be a successful investor



GUIDE TO
INVESTING ESSENTIALS

How to be a successful investor

Welcome to our Guide to Investing Essentials. Investing is a powerful tool that can help you reach your financial goals. Whether you want to grow your wealth, generate an income, or combine both, the right investment strategy is crucial.

In today's rapidly evolving financial landscape, understanding the importance of investing has never been more critical. This guide highlights why investing is a key component of financial success and how it can significantly impact your future.

Investing is more than just a way to make money; it's a strategy to build wealth over time, achieve long-term financial goals, and secure your future. However, navigating the complex world of investments is not always straightforward, as countless options are available.

We will provide valuable insights, help you understand the intricacies of the market, and develop a personalised investment strategy that aligns with your financial goals and risk tolerance.

Whether you're a novice investor or looking to optimise your portfolio, this guide will underline the importance of investing and professional financial advice's crucial role in financial planning. That's why we prioritise open communication and personalised services to ensure you feel confident and informed about your financial journey.

We understand that each client is unique and has different communication preferences. You can receive updates about your portfolio and its performance anytime through face-to-face meetings, phone calls, or emails. Our goal is to create a relationship that suits your needs and preferences. ●

LOOKING FOR A DIFFERENT WAY TO INVEST?

We're committed to working closely with you to build your desired relationship. Your trust in us is invaluable, and we're dedicated to proving that your choice to partner with us is sound. To find out more or to discuss your requirements – please get in touch with us.

THIS GUIDE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

CONTENTS

CHARTING YOUR INVESTMENT TRAJECTORY

Understanding your present financial standing and visualising your aspirations

When it comes to charting your investment trajectory, a well-drawn roadmap can be an invaluable guide. By understanding your present financial standing and visualising your aspirations, you can devise a solid strategy to steer you towards your financial objectives.

UNDERSTANDING YOUR CURRENT FINANCIAL POSITION

The initial step in crafting your financial plan is defining your specific financial targets. What are your aspirations? Are you saving for retirement? Do you intend to create an investment portfolio that yields income, growth, or both? Or are you keen on establishing an emergency fund? Once you've crystallised your objectives, you can formulate a plan to achieve them.

SETTING DISTINCT FINANCIAL GOALS

Adopting a goal-oriented approach to financial planning can foster systematic and disciplined investing habits, which are key to realising your goals. Moreover, this method lets you stay focused and unperturbed by temporary market fluctuations.

Despite individuals' varying goals based on their life stages, these can generally be classified into three categories: essential needs, lifestyle desires, and legacy aspirations.

NAVIGATING THE PATH TO FINANCIAL SUCCESS

Achieving financial prosperity in these areas can be complex in our modern world. It demands a comprehensive understanding of various subjects, from intricate retirement and investment products to risk management strategies and tax laws.

Your financial roadmap should provide a clear vision of your future. It should encapsulate every facet of your aspirations - your hopes, fears, and goals. It should provide a vivid picture of your future, guiding you towards your destination and indicating when you will likely arrive.

Reflect on these questions:

Q: Can I rest easy knowing I've secured enough funds for my future?
Q: Am I confident about my financial trajectory?
Q: Will I be able to sustain my current lifestyle after retirement?
Q: Am I financially equipped to lead the life I desire, now and in the future?
Q: Have I made adequate financial preparations to live my dream life without depleting my funds?
Q: Do I fully comprehend my financial status?
Q: What monetary value do I need to secure my current and future lifestyle?

SECURING YOUR FUTURE LIFESTYLE

The first step is to identify the goal you're investing for and calculate the time required to achieve it. Next, ascertain its current cost. Add a reasonable inflation rate to this figure, and you'll know what the goal will cost when you aim to achieve it.

This process helps you determine 'your number' – the sum you'll ultimately need to ensure peace of mind, knowing your future lifestyle is secure, and ensuring you won't run out of money before you run out of time.

Your investment journey map empowers you to make informed financial decisions and balance present obligations and future dreams. This plan should help you meet your desired lifestyle goals and objectives over time. ●

GOALS-BASED SAVING AND INVESTING STRATEGY

Staying focused and disciplined, even when markets are volatile

It's crucial to remember that saving and investing is not just about making money. It's about making your money work for you to help you achieve your financial goals. Therefore, it's important to have a clear understanding of what those goals are before you start investing.

A well-defined goals-based saving and investing can help you stay focused and disciplined, even when markets are volatile. It can also help you make better saving and investment decisions and stay motivated throughout your wealth creation journey.

A goals-based strategy can help you make wise financial decisions and achieve your desired outcomes. The key lies in setting realistic and achievable goals that align with your personal and financial circumstances.

SPECIFIC GOALS

First, your goals need to be specific. It's not enough to say, "I want to save more money." Instead, you need to define what you're saving for, how much you need to save, and when you need the money. For example, "I want to save £200,000 for a deposit on a house in five years." This specificity provides a clear direction and helps avoid procrastination.

Alternatively, to generate a specific income to maintain your current lifestyle in retirement, you may say, "I aim to generate an annual income of £80,000 after tax. This will be sourced from my private pension, state pension and any residual income from my investment portfolio. I plan to start drawing down on these funds at age 58, which gives me 15 years to continue growing my investments and savings. To achieve this, I will consistently invest in a diversified portfolio with a balance of equities and bonds, focusing on long-term growth and income generation."

MEASURABLE GOALS

Next, your goals need to be measurable. This means setting specific targets and deadlines that can be easily tracked and assessed. For example, if you aim to save £200,000 in five years or generate an annual income of £80,000 after tax for your retirement, you can break this down into smaller, more manageable monthly monetary targets. You can track your progress and make necessary adjustments by making measurable goals.

ATTAINABLE GOALS

Your goals also need to be attainable. While it's good to aim high, setting unrealistic goals can lead to frustration and disappointment. Therefore, consider your income, expenses, and other financial obligations when setting your goals. Start with smaller, more achievable goals and gradually work your way up as your financial situation improves.

RELEVANT GOALS

Furthermore, your goals should be relevant to your overall life plan. If, for example, you're planning to start a family, your financial goals will likely include saving for a larger home, starting school fees or university funds, or increasing your protection coverage. By aligning your financial goals with your personal goals, you can ensure that your money works towards the things that matter most to you.

TIME-BOUND GOALS

Finally, your goals should be time-bound. Setting a specific timeline for achieving your goals can create a sense of urgency and motivate you to take action. Whether saving for a holiday next summer or planning for retirement in 20 years, having a defined timeline can help keep you on track.

NOT A ONE-TIME ACTIVITY

Setting financial goals is not a one-time activity. It's an ongoing process requiring regular reviews and adjustments as your circumstances and market conditions change. So, think about what you really want to achieve with your investments. Set clear, realistic and measurable goals. And then develop a saving and investment strategy that aligns with these goals. This will put you on the path to successful investing.

Remember, the journey of a thousand miles begins with a single step. So, take that first step today by setting your financial goals and starting to achieve them. You'll be glad you did. ●

CASH FLOW MODELLING

Are you looking to grow your wealth long-term or seeking immediate returns?

Investing can feel like navigating uncharted territory, particularly for those new to the field. With many options and strategies available, it's crucial to grasp what you aim to achieve with your investments clearly. Are you looking to grow your wealth long-term or seeking immediate returns? Specific goals will guide you in choosing the right investments and making sound decisions.

A key tool that can help you manage your finances effectively and work towards your investment objectives is cash flow modelling.

WHAT IS CASH FLOW MODELLING?

Cash flow modelling is a process that involves designing a comprehensive model of your income and expenditure. This model provides an overview of where your money is spent, enabling you to make well-informed decisions about resource management.

Here are some benefits of cash flow modelling:

- It provides a clear understanding of your financial situation.
- It identifies areas of potential overspending.
- It uncovers opportunities for savings.
- It helps in making informed decisions about investments and other financial commitments.
- It aids in setting realistic financial goals.

YOUR FINANCIAL FUTURE THROUGH CASH FLOW MODELLING

Cash flow modelling serves as a graphical representation of your financial future, shedding light on the impact of life events on your finances. This visual guide projects what might happen to your finances in the future, equipping you to plan effectively to achieve your financial objectives.

The process assesses your current and forecasted wealth, income inflows, and expenditure outflows. It paints a detailed picture of your financial state, encompassing your assets, investments, debts, income, and expenditure.

These elements are projected yearly, factoring in growth rates, income, inflation, wage increases, and interest rates. A cash flow model calculates the growth rate required to meet your investment objectives. This rate is then cross-referenced with your risk tolerance to ensure your expectations align with the asset allocation needed to achieve the growth rate.

Examining your financial journey lets you implement a detailed plan outlining securing your financial future. To ensure you achieve your lifestyle goals over time, it's vital to review your financial plan and make necessary amendments regularly should your circumstances change.

Investing may seem complex, but you can gain control over your financial future with a clear understanding of your goals and the strategic use of tools like cash flow modelling.

ASSET ALLOCATION MIX AND CASH FLOW MODELLING

The key to successful financial planning lies in understanding the ins and outs of your financial status, making informed decisions, and continuously monitoring your progress. Cash flow modelling and asset allocation mix are two crucial tools that are indispensable in this process.

DECIPHERING THE RIGHT ASSET ALLOCATION MIX

Cash flow modelling is an invaluable tool that provides a comprehensive financial situation overview. It can help identify the best action and determine the appropriate

> **INVESTING CAN FEEL LIKE NAVIGATING UNCHARTED TERRITORY, PARTICULARLY FOR THOSE NEW TO THE FIELD.**

asset allocation mix tailored to your needs. The growth rate required to meet your investment objectives can be accurately calculated with this method.

This approach becomes particularly beneficial when analysing different scenarios based on your potential decisions - from lifestyle choices to investment decisions. By aligning your present and anticipated future liabilities with your income and capital, recommendations can be made to ensure you don't run out of money throughout your life.

DETERMINING HOW MUCH TO SAVE, SPEND, AND INVEST

Financial planning involves taking a snapshot of your finances at a particular time. The calculated growth rates, income, and tax used to form the basis of any cash flow modelling exercise are always assumptions. This is why regular reviews and reassessments are required to keep you on track.

Almost all decisions are based on what is contained within the cash flow. This includes determining how much to save and spend and how funds should be invested to achieve the required return. Managing these factors effectively is vital to financial success.

RUNNING THROUGH THE NUMBERS

With every financial decision you make, it's important to 'run through the numbers.' This practice helps you make informed financial decisions. Being specific is crucial. For instance, it's not enough to say, 'I want to have enough to retire comfortably.' You need to gauge how much you will need realistically – the more specific you are, the easier it will be to devise a plan to reach your goals.

If your needs aren't accurately established, the cash flow won't be perceived as personal, reducing its value. Some years require minor tweaks, while others may necessitate significant changes. Regardless, keeping things updated for peace of mind and ensuring your plans remain on track is important.

It's also crucial to remember that certain assumptions have been made in creating your plan. Projected inflation and growth rates should be clearly communicated. It should be understood that the plan and cash flow model are only as good as the information provided, emphasising the importance of regular reviews. ●

UNDERSTANDING INVESTMENT OBJECTIVES

Risk appetite, current finances, and future aspirations

> **INVESTING IS A LIFELONG JOURNEY; THE SOONER YOU EMBARK ON IT, THE BETTER YOUR FINANCIAL FUTURE.**

Investing is a lifelong journey; the sooner you embark on it, the better your financial future. Whether you're a seasoned investor or a novice, understanding your investment objectives, risk tolerance, and timeline is crucial.

ASSESSING CURRENT FINANCES AND FUTURE GOALS

Your choice of savings or investments largely depends on your risk appetite, current finances, and future aspirations. Unlike saving, investing involves a greater potential for both returns and losses.

For instance, putting all your savings into high-risk investments may not be wise if you're on the brink of retirement. You might opt for safer options like cash accounts or bonds that protect most of your money while allocating a small portion to growth-focused shares.

On the other hand, if you're a young professional just starting to save, you might be comfortable investing a larger sum in higher-risk investments with higher potential returns, knowing you won't need immediate access to these funds.

CONSIDERING CASH OR TERM DEPOSITS

If you plan to put down a deposit on your first home soon, consider cash or term deposits. These can keep your savings safe in the short term.

DIVERSIFYING INVESTMENTS TO PROTECT WEALTH

A diverse portfolio can help safeguard your wealth from market volatility. There are four principal types of investments or 'asset classes', each with its own benefits and risks.

DEFENSIVE INVESTMENTS

Defensive investments aim to generate regular income rather than grow over time. The two most common types of defensive investments are cash and fixed interest.

CASH INVESTMENTS

Cash investments, such as high-interest savings accounts, provide stable, regular income through interest payments. Although they carry the least risk, the value of your cash could decrease over time due to inflation.

FIXED-INTEREST INVESTMENTS

Fixed-interest investments include term deposits, government bonds, and corporate bonds. Term deposits lock up your money for a specific term, earning you interest at a rate similar to or slightly higher than a cash account. Bonds are loans to governments or companies that pay a regular interest rate over a fixed period. Despite being considered low-risk, certain types of bonds can decrease in value over time.

GROWTH INVESTMENTS

Growth investments, including shares and property, aim to increase value over time and potentially pay out income. However, these investments come with higher risks.

SHARES

Shares represent ownership in a company. They are considered growth investments because their value can rise, and you can make money by selling shares at a higher price than you initially paid. Additionally, if you own shares, you may receive income from dividends - a portion of a company’s profit paid to shareholders.

PROPERTY

Just like shares, the value of a property may rise, and you can profit by selling a property for more than you paid for it. However, property prices are not guaranteed to rise, and properties can be harder to sell quickly than other investment types. Your home may be repossessed if you do not keep up repayments on your mortgage.

UNDERSTANDING RETURNS

Returns are the profits you earn from your investments. Depending on your investments, returns can be paid in several ways:

- Dividends (from shares)
- Rent (from properties)
- Interest (from cash deposits and fixed-interest securities)
- Capital gains or losses (the difference between the price you pay and the price you sell for)

POTENTIAL FOR YOUR MONEY TO GROW

Investing is a crucial component of financial planning. By understanding your current financial situation, defining your future goals, and understanding the different investment options, you can make informed decisions that align with your financial objectives and risk tolerance. Remember, investing is a long-term journey; the earlier you start, the more potential for your money to grow. ●

RISK TOLERANCE

There's no such thing as a ' no-risk' investment

Investment risk is an inherent part of the financial market. However, how much risk you should take on isn't a one-size-fits-all answer. It depends on your individual circumstances, goals, and comfort level with risk. Some people are more comfortable with risk than others. Some are willing to tolerate more risk to achieve their objectives, while others have different tolerance levels for various types of risk.

UNDERSTANDING INVESTMENT RISK

Before you invest, it's crucial to comprehend investment risk and decide what risk level you're comfortable with. The potential returns available from different kinds of investments—and the risks involved—change over time due to economic, political, and regulatory developments and other factors.

RISK TOLERANCE

Risk tolerance can be examined in a few different ways. One way is to consider how you would feel if your investments lost money in the short term. If the thought of seeing your account balance decrease makes you anxious, you may be more risk-averse. But if you're comfortable with short-term losses in exchange for potential long-term gains, you may be more willing to take on risk.

VOLATILE INVESTMENTS

Another factor to consider is how much volatility you're comfortable with. Volatility is a measure of how much prices fluctuate over time. More volatile investments will have bigger ups and downs in their value, while less volatile investments will have slower, steadier price changes.

STABILITY AND SLOWER GROWTH

Some investors are attracted to the potential for big gains from more volatile investments. Others prefer investments that offer stability and slower growth. So understanding your risk tolerance can help you make better investment decisions and avoid taking on too much—or not enough—risk for your goals.

DIFFERENT TYPES OF INVESTMENT RISKS

There's no such thing as a 'no-risk' investment. You're always taking on some risk when you invest.

Here are some of the common types of investment risks:

CAPITAL RISK

Your investments can decrease in value, and you may not get back what you invested. Investing in the stock market is typically through shares (equities), directly or via a fund. The stock market fluctuates in value daily, sometimes by large amounts. You could lose some or all of your money depending on the company or companies you've bought. Other assets like property and bonds can also fall in value.

INFLATION RISK

The purchasing power of your savings declines. Even if your investment increases in value, you may not be making money in 'real' terms if the things you want to buy with the money have increased in price faster than your investment. Cash deposits with low returns may expose you to inflation risk.

CREDIT RISK

Credit risk is the risk of not achieving a financial reward due to a borrower's failure to repay a loan or meet a contractual obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

LIQUIDITY RISK

You are unable to access your money when you want to. Liquidity can be a real risk if you hold assets such as property directly and in the 'bond' market, where the pool of people who want to buy and sell bonds can 'dry up'.

CURRENCY RISK

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when investments are exposed to foreign currency or in foreign-currency-traded investments.

INTEREST RATE RISK

Changes to interest rates affect your returns on savings and investments. Even with a fixed rate, the interest rates in the market may fall below or rise above the fixed rate, affecting your returns relative to rates available elsewhere. Interest rate risk is a particular risk for bondholders.

MAKING INFORMED INVESTMENT DECISIONS

While it's impossible to escape risk entirely, you can manage it by diversifying investments over the long term and paying money into your investments regularly rather than all at once. This approach can help smooth out the highs and lows and reduce the risk of making significant losses. Understanding your risk profile is essential to making informed investment decisions and achieving financial goals. ●

INVESTMENT ASSET ALLOCATION

Create and protect wealth, especially during volatile market conditions

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YOUR ASSET ALLOCATION SHOULD REFLECT YOUR FUTURE CAPITAL OR INCOME NEEDS, THE TIMESCALES BEFORE THOSE CAPITAL SUMS ARE REQUIRED, THE INCOME LEVEL SOUGHT, AND YOUR RISK TOLERANCE.

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Investment asset allocation is a critical component of successful financial planning. It's diversifying your investments across different asset classes, such as equities, bonds, property, and cash, to minimise risk and maximise potential return. The goal is to create and protect wealth, especially during volatile market conditions.

THE DYNAMIC PROCESS OF ASSET ALLOCATION

Asset allocation is not a static process; it evolves with your changing circumstances, goals, and risk tolerance levels. As you approach retirement, for instance, you might want to adjust your asset allocation towards a more conservative approach, focusing more on income-generating and less risky assets.

It's important to remember that there's no one-size-fits-all asset allocation strategy guaranteeing success. The key lies in finding an asset allocation that aligns with your financial goals and sticking with it over the long term.

FUTURE CAPITAL OR INCOME NEEDS

Your asset allocation should reflect your future capital or income needs, the timescales before those capital sums are required, the income level sought, and your risk tolerance. Investing is all about balancing risk and return.

A thoughtful asset allocation not only spreads risk across different asset classes but can also help maximise returns while potentially reducing the overall portfolio risk. Every investor has a unique attitude towards risk, and their asset allocation should reflect this individuality.

UNDERSTANDING INVESTMENT CHARACTERISTICS

Deciding what portion of your portfolio should be invested into each asset class is called 'asset allocation'. Portfolios can incorporate various assets, each with its own characteristics. For instance, cash is considered safe but offers low returns, bonds provide regular income but are sensitive to interest rate changes, equities offer high potential returns but come with higher risks, and property can provide a steady income and potential capital appreciation but requires a significant upfront investment.

The idea behind allocating your money between different assets is to spread risk through diversification and understand how these characteristics can impact your portfolio performance under varying market conditions.

LOOKING INTO THE FUTURE

Investments can go down and up, depending on your invested assets and market performance. It's a natural part of investing. Economic, political, and regulatory developments and many other factors can change the potential returns and risks associated with different investments over time. Diversification helps to mitigate this uncertainty by combining a variety of investments.

Moreover, your risk tolerance will likely change over time. Given their longer investment horizon, younger investors may be more willing to withstand market downturns. However, middle-aged investors with responsibilities like a mortgage or family might focus more on protecting against significant losses.

UNDERSTANDING ASSET CLASSES

When assembling an investment portfolio, asset allocation is one of the most critical considerations. This involves diversifying your investments across various asset classes to achieve better returns than leaving all of your investment on deposit as cash.

THE ROLE OF CASH

Cash investments often take the form of bank and building society savings accounts or money market funds. These funds invest in short-term bonds and other securities, allowing institutions and larger personal investors to invest cash for the short term.

While money held in the bank is arguably more secure than other asset classes, it's also likely to provide the poorest return over the long term. However, having some cash allows you to deal with unexpected expenses or income loss without dipping into your core portfolio.

Remember that cash savings accounts are generally not great for long-term investment because the interest is almost always lower than inflation.

BONDS AS AN ASSET CLASS

Bonds are IOUs issued by governments or corporations. When you invest in a bond, you're lending the issuer your money in exchange for regular interest payments (the 'coupon') and the promise to return your initial investment at the end of a fixed term.

The riskiness of a bond depends largely on the issuer's financial strength. High-risk issuers need to offer more attractive coupons to attract investment. Bond prices fluctuate throughout their

lifetime due to changes in interest rates, inflation expectations, and the perceived creditworthiness of the issuer.

INVESTING IN EQUITIES

Equities, or shares in companies, are considered riskier investments than bonds but can yield superior returns over the long run. Bondholders are prioritised over shareholders when distributing remaining assets if a company encounters financial trouble.

However, equities can potentially have higher long-term returns as share prices rise significantly as a company grows. Returns from equities come from changes in the share price and dividends paid by the company to its investors. Factors influencing share prices include company profits, economic conditions, and investor sentiment.

PROPERTY AS AN INVESTMENT

Commercial real estate—offices, warehouses, retail units, etc.—is another asset class. Each property is unique; only one fund can own a building or shop. Property values can shift dramatically, illustrating the relative illiquidity of property compared to equities or bonds. Think carefully before securing other debts against your property, your commercial property may be repossessed if you do not keep up repayments on your mortgage.

Rental income is typically the main driver of commercial property returns. Property owners can enhance their assets' income potential and capital value through refurbishments or improvements. Managed properly, the stable nature of the property's income return makes it an appealing choice for investors.

UNFORTUNATELY, WE LACK THIS CLAIRVOYANT ABILITY

The concept of viewing the future is an enticing one, especially when it comes to investments. We wouldn't need to diversify our investments if we had this ability. Instead, we could choose a future date when we want our money returned and then pick the investment that would yield the highest return by that date. This investment could be anything from a company share, a bond, gold or any other type of asset. Unfortunately, we lack this clairvoyant ability.

The strategy of diversification serves as a solution to this uncertainty by integrating a variety of different investments. To optimise the performance potential of such a diversified portfolio, managers continually adjust the composition of assets they maintain in response to current market conditions. These adjustments can occur at several levels, including the overall asset blend, the target markets within each asset class, and the risk profile of underlying funds within those markets.

Generally speaking, a climate of positive or rebounding economic growth coupled with a healthy risk appetite often leads to a higher weighting in equities and a reduced exposure to bonds. Within these asset groups, the manager may transition into more aggressive portfolios when markets are thriving and adopt more conservatively during challenging conditions. Factors like local economic growth, interest rates, and political climate also impact the balance between markets within equities and bonds.

Regarding the underlying portfolios, managers usually take a more defensive stance during periods of low-risk appetite. For instance, equities might favour larger companies operating in sectors less dependent on strong economic growth. On the flip side, when there's a high-risk appetite, underlying portfolios are likely to increase their exposure to areas of the market that are more sensitive to the economy and to smaller companies.

A well-planned asset allocation strategy can help you safeguard wealth and meet financial goals. Regularly reviewing and adjusting your asset allocation can ensure it remains aligned with your changing needs, goals, and risk tolerance. ●

RESPONSIBLE ASSET SELECTION

Supporting responsible practices and contributing to a sustainable future

Environmental, Social and Governance (ESG) investing is a strategy that focuses on companies that prioritise environmental, social and governance factors in their operations. Investing in these businesses supports responsible practices and contributes to a sustainable future.

By focusing on companies with high ESG scores, investors can support sustainable and ethical businesses while enjoying the potential for superior financial performance.

Here's a breakdown of the three ESG criteria:

Environmental: This criterion evaluates a company's impact on the environment. Factors such as energy use, sustainability policies, carbon emissions and resource conservation are considered when assessing a company's environmental performance. Companies with strong environmental practices often have lower environmental risks and demonstrate a commitment to reducing their ecological footprint.

Social: The social aspect of ESG investing examines how a company treats its employees and interacts with the communities in which it operates. Businesses prioritising employee welfare, workplace safety and community engagement are more likely to have a positive social impact and maintain a good reputation. Supporting companies with strong social values can promote fair labour practices and foster a more inclusive society.

Governance: Governance factors relate to a company's leadership, management and overall corporate structure. Key considerations include executive compensation, audit processes, internal controls, board independence, shareholder rights and transparency. Companies with robust governance structures are more likely to be accountable, trustworthy and better prepared to manage potential risks.

By considering ESG factors in investment decisions, investors can support companies that demonstrate a commitment to sustainability, ethical practices and strong governance. This approach aligns investments with personal values and can lead to long-term financial benefits, as ESG-focused companies are often better equipped to navigate evolving regulations, mitigate risks and capitalise on emerging opportunities.

FOCUSED ON SUSTAINABILITY, ETHICAL PRACTICES AND STRONG GOVERNANCE

ESG factors are increasingly essential for investors when evaluating companies and making investment decisions. Investing in high-scoring ESG companies allows for responsible and ethical investments without sacrificing returns. Numerous studies have shown that companies with strong ESG performance tend to outperform their counterparts with lower ESG standards.

High ESG scores indicate that a company is focused on sustainability, ethical practices and strong governance, which can lead to long-term success and reduced risk exposure. These companies are more likely to be resilient in market fluctuations and other challenges.

On the other hand, businesses with low ESG standards have often faced consequences like declining share prices and reputational damage. Examples of such companies include those causing significant environmental harm, engaging in unethical practices or attempting to cheat regulatory systems. These events can lead to financial losses for investors who hold shares in these companies.

Challenges of ESG Investing:

GREENWASHING AND SUBJECTIVITY

ESG investing has gained significant traction recently as investors increasingly seek to align their portfolios with ethical values. However, the varying interpretations of ESG categories and the rise of 'greenwashing' can make it challenging for investors with specific ethical requirements to navigate this space.

SUBJECTIVE NATURE OF ESG

One of the main challenges of ESG investing is the subjectivity in evaluating companies based on their environmental, social and governance policies. What is considered a responsible investment for one person could be viewed as unethical by another. For instance, a sugary drinks manufacturer may have an excellent recycling policy, earning them high marks in the 'E' category. However, some investors might argue that sugary drinks are detrimental to society, making the company an unsuitable investment choice.

This subjectivity makes it difficult for investors to find a universally agreed-upon standard for determining whether a company or fund meets their ethical criteria.

THREAT OF GREENWASHING

Another challenge facing ESG investors is the phenomenon of 'greenwashing,' where companies or funds market themselves as environmentally friendly or socially responsible when, in reality, they do not meet these standards. This deceptive practice can lead to investors unwittingly supporting businesses that do not align with their values.

To combat greenwashing, investors must conduct thorough due diligence on the companies and funds they are considering. This may involve reviewing third-party ESG ratings, examining a company's sustainability reports and scrutinising the portfolio holdings of ESG-focused funds.

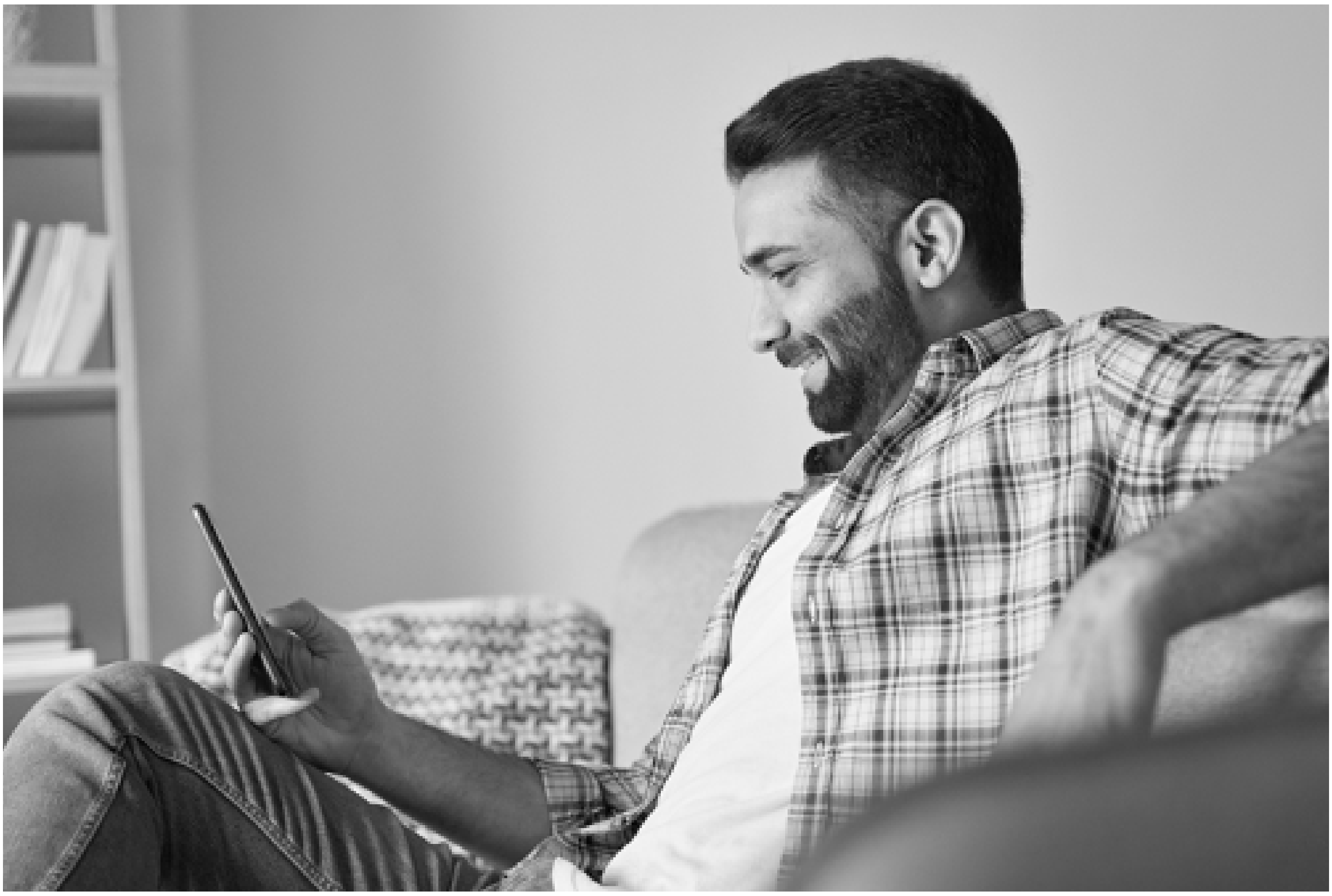
NAVIGATING ESG INVESTING CHALLENGES

Despite the challenges posed by subjectivity and greenwashing, ESG investing remains an essential tool for those who wish to align their financial goals with their ethical values.

To successfully navigate these obstacles, investors should:

- Clearly define their values and priorities when it comes to ESG issues.
- Conduct thorough research on companies and funds, utilising third-party ESG ratings and other available resources.
- Be cautious of companies or funds that make bold sustainability claims without providing concrete evidence to back them up.
- Diversify their investments across ESG-focused companies and funds to mitigate the risk of inadvertently supporting unethical businesses.

By taking these steps, investors can better ensure that their investment choices align with their ethical values and contribute to a more sustainable and socially responsible future. As awareness and interest in ESG factors continue to grow, the trend towards responsible investing will only strengthen. ●



IMPACT OF INFLATION ON INVESTMENTS

Navigating effectively through inflationary periods

Inflation, the general increase in prices and fall in the purchasing value of money, is a critical factor that investors must consider. It's particularly relevant in the current economic climate in the UK, where inflation rates still remain high.

Very high inflation tends to have a negative impact on assets such as stocks and bonds. As the prices rise, the purchasing power of money falls, which means the real value of cash savings decreases over time. However, some investments may fare better than others during inflationary periods.

THE EFFECT ON SAVINGS

Rising inflation creates uncertainty, which can be detrimental to your savings. High inflation can mean that your cash in the bank will lose value over time. Investing your money over the medium to long term may provide a better chance of beating inflation.

Inflation isn't only a domestic issue. Rising commodity prices, including oil, have recently led to upward inflationary pressures globally. This global inflationary trend can impact the performance of international investments, adding another layer of complexity for investors.

RETHINKING INVESTMENT RETURNS

With inflation remaining high, investors need to rethink their expected returns, taking into account 'real' returns - that is, the return after inflation. If inflation remains high, the 'real' return on investments could be lower than anticipated, which may prompt a reassessment of investment strategies.

While inflation presents challenges, it also offers opportunities. By understanding the impact of inflation on different types of investments and adjusting strategies accordingly, investors can navigate effectively through inflationary periods. ●

INVESTING IS BOTH AN ART AND A SCIENCE

Creating an investment strategy is pivotal to reaching your financial goals

Investing is both an art and a science, with successful outcomes often hinging on applying sound principles. When employed consistently, these principles can help guide investors through the ever-changing financial landscape, providing a roadmap to achieving their financial goals.

Whether you're a seasoned investor or just starting out, these principles - including establishing a financial plan, starting early, diversifying your portfolio, and understanding the trade-off between risk and return - are crucial to navigating the investment terrain effectively. Let's examine these principles and how they can shape your investment journey.

DEVISE A STRATEGY AND REMAIN COMMITTED TO IT

Creating an investment strategy is pivotal to reaching your financial goals rather than merely hoping for positive outcomes. Regularly reviewing your plan with a professional financial adviser and making necessary adjustments is important. However, focusing on your strategy can prevent you from being swayed by short-term market volatility.

EVALUATE THE IMPLICATIONS OF HOLDING ALL YOUR MONEY IN CASH

While keeping all your money in cash might seem like a secure option, rising inflation can erode your savings over time. This trend is currently visible with UK inflation, coupled with escalating energy costs potentially exacerbating inflationary pressures and dampening economic growth. For those with long-term investment plans, it's crucial to complement cash holdings with investments in other asset classes that can withstand inflation and offer superior capital growth potential.

DIVERSIFY AND VIEW YOUR INVESTMENTS HOLISTICALLY

During market fluctuations, it's easy to become consumed with worry about individual investments, losing sight of the larger picture. However, even when one asset class underperforms, others may thrive under the same market conditions. A diversified portfolio comprising various assets can help smooth market volatility and mitigate excessive risk exposure.

BEGIN INVESTING EARLY, IF POSSIBLE

Generally, the earlier you start investing, the greater your potential for long-term growth. Compound growth, achieved through reinvestment of earnings, is a potent tool but requires time to yield results. The ideal time to invest is after formulating a clear financial plan that necessitates growth.

BEWARE OF 'ACTIVITY BIAS'

Investors often succumb to 'activity bias', a tendency to take action during a crisis, irrespective of whether it's beneficial. In situations where investments are depreciating, abandoning your plan and selling off assets may be tempting.

However, this could be detrimental as you'd miss out on potential price recoveries. Recognising that markets experience cycles, with good and bad years, is essential. Over the long term, short-term market dips tend to even out, leading to potentially healthy returns.

A CUSTOMISED STRATEGY IS IRREPLACEABLE

Every investor has unique needs, and while the above points provide general guidance, nothing replaces a strategy custom-tailored to your situation. Especially in volatile times, professional financial advice can help remove emotional decision-making and provide a balanced perspective. This advice could be the best investment you ever make. ●

PITFALLS OF TIMING THE MARKET

It's not about timing the market—it's about time in the market

In investing, timing the market—buying low and selling high—seems like an attractive strategy. However, this approach is akin to a high-stakes gamble. More often than not, it's fraught with pitfalls that can potentially undermine your investment goals.

THE ILLUSION OF MARKET TIMING

Market timing is the strategy of making buy or sell decisions by predicting future market price movements. An investor can jump in at the lows and cash out at the highs. However, the fundamental flaw in this approach is its reliance on prediction—a task that even seasoned investors and financial analysts find challenging.

Many factors influence financial markets, such as geopolitical events, economic indicators, corporate earnings, and even investor sentiment. Predicting how these elements will interact and influence market direction is nearly impossible. Moreover, studies have shown that most of the market's best days often occur close to its worst days, making timing the market even more perilous.

THE COST OF MISSING OUT

Missing out on a few of the market's best days can significantly impact your returns. Instead of trying to time the market, a more reliable approach to investing is the buy-and-hold strategy. This strategy involves buying a diversified portfolio of investments and holding them long-term, regardless of market fluctuations.

The buy-and-hold strategy is based on the premise that despite short-term volatility, the value of quality investments increases over the long term. This strategy reduces the risk associated with market timing and benefits from compounding—earning returns on your returns—which can significantly boost your investment's growth over time.

STAYING REALISTIC AND COMMITTED TO YOUR PLAN

It's crucial to set realistic expectations for your investment returns. Staying committed to your long-term investment plan, especially during market downturns, is key to successful investing. Short-term market movements can be unpredictable and dramatic, but investors who remain focused on their long-term objectives are more likely to weather these storms and emerge stronger.

Timing the market is a risky strategy that, more often than not, leads to disappointing results. Instead, adopting a long-term perspective, maintaining realistic expectations, and sticking to your investment plan through market ups and downs can help you navigate the path to your financial goals. Remember, it's not about timing the market—it's about time in the market. ●

THE POWER OF POUND COST AVERAGING IN INVESTING

Lowering the average cost of your investments over time

In investing, where market volatility is a given, having a strategy that can help smooth out the effects of these fluctuations and reduce overall risk is a boon. One such strategy is pound cost averaging, which involves making regular investments over time rather than investing a lump sum all at once.

UNDERSTANDING POUND COST AVERAGING

Pound cost averaging is a disciplined approach to investing. Instead of trying to time the market, which is notoriously difficult and risky, you invest a fixed amount at regular intervals—regardless of whether the markets are up or down. This steady, consistent investment approach can potentially lower the average cost of your investments over time, as you buy more shares when prices are low and fewer when prices are high.

Consider this example: Let's say you have £200,000 to invest. Instead of investing it all at once, you invest £20,000 each month for ten months. This way, you're not trying to predict the best time to invest; you're simply committing to a regular investment schedule, spreading the risk over time.

Alternatively, you could adopt an open-ended approach by investing a fixed amount, such as £2,000, every month. This principle means you invest no matter what the market is doing. It instils investment discipline and ensures you're buying at ever-lower prices in down markets, potentially limiting losses.

> **“POUND COST AVERAGING OFFERS SEVERAL ADVANTAGES. IT ELIMINATES THE NEED TO TIME THE MARKET—AN EXERCISE OFTEN FRAUGHT WITH STRESS AND UNCERTAINTY.”**

BENEFITS OF POUND COST AVERAGING

Pound cost averaging offers several advantages. It eliminates the need to time the market—an exercise often fraught with stress and uncertainty. By investing regularly, you eliminate the risk of investing a large amount at the peak of the market cycle or pulling out at the bottom.

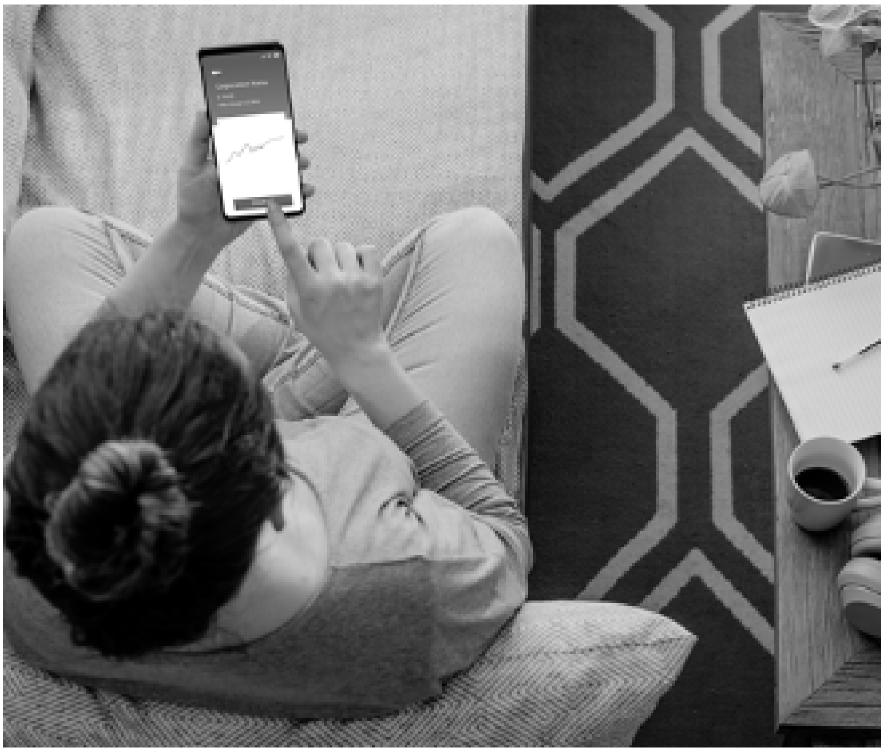
Pound cost averaging can also help smooth out market volatility. Since you're investing at various points in the market cycle, the highs and lows can average over time. This could potentially lead to better overall returns compared to a lump sum investment made at an inopportune time.

Additionally, pound cost averaging can boost your savings over time. Even small, regular investments can add up to a sizeable sum over the long term. As your financial situation improves, you can increase the amount you invest each month, giving your savings a valuable boost.

CONSIDERATIONS AND COSTS

While pound cost averaging has benefits, it's important to be aware of potential costs. Any charges involved in making regular investments could eat into your returns, especially if they are substantial relative to the size of your investment. Before adopting this strategy, it's crucial to understand all associated costs and factor them into your investment plan.

Pound cost averaging is a simple yet powerful investment strategy that can help mitigate risk and smooth out the effects of market volatility. Regularly investing a fixed amount can lower your average investment cost over time and build a substantial portfolio. As with any investment strategy, it's important to consider your financial goals, risk tolerance, and investment horizon before getting started. ●



INVESTMENT FUNDS

Spreading risk across various asset classes, countries, and sectors

Investing can be complex, especially for those new to it or with limited time and resources. This is where investment funds come in, offering an effective way to diversify your portfolio, gain access to professional management expertise, and potentially lower transaction costs.

> **"AT ITS CORE, AN INVESTMENT FUND IS A POOL OF CAPITAL MULTIPLE INVESTORS CONTRIBUTE."**

UNDERSTANDING INVESTMENT FUNDS

At its core, an investment fund is a pool of capital multiple investors contribute. Each investor owns a portion of the fund, which invests in assets like stocks, bonds, and other securities in line with the fund's objectives.

One of the key benefits of investing through a fund is the professional management it provides. Fund managers make investment decisions on behalf of the investors, leveraging their expertise and market insights to generate higher returns potentially. As an investor, you receive regular reports on the fund's performance but do not have a direct say in the specific investment choices.

Investment funds offer an easy way to achieve diversification, spreading risk across various asset classes, countries, and sectors. Even if you're investing a small amount, you can own a wide array of assets, reducing the impact of any investment performing poorly.

Another advantage of investment funds is the potential for lower transaction costs. By pooling your money with other investors, you share the costs associated with buying and selling assets, which can lead to significant savings. Moreover, the fund manager handles all the administrative tasks, such as collecting dividends and income, saving you time and effort.

ACTIVE VS PASSIVE FUND MANAGEMENT

Investment funds typically follow either an active or passive management strategy.

Active Management: Most investment funds are actively managed. The fund manager uses their knowledge and research to select assets they believe will outperform the market. The goal is to achieve above-average growth or provide steadier returns than following market movements.

Passive Management – Tracker Funds: Some investors prefer to track market indexes. If the index rises, so does the value of your investment—and vice versa. Tracker funds, also known as index funds, replicate the performance of a particular market index, such as the FTSE 100 in the UK.

Because these funds require less active management, their fees are typically lower than those of actively managed funds. However, while closely mirroring market performance, their returns may be slightly lower due to these fees.

Choosing between active and passive management depends on your investment goals, risk tolerance, and cost considerations.

FINDING THE RIGHT FUND FOR YOU

Whether you're saving for retirement or building a nest egg for the future, finding the right investment fund is crucial. Consider your financial goals, risk appetite, and investment horizon, and seek professional financial advice. Remember, investing is a long-term journey, and investment funds can be a valuable tool to help you navigate this journey successfully. ●

BONDS VS EQUITIES

Where should income-seekers turn?

UK income-seekers often face the dilemma of choosing between bonds and equities for their investments. Both asset classes have their unique advantages and risks.

To make an informed decision, it's essential to understand the differences between the two and assess your risk tolerance, investment goals and time horizon.

BONDS

Bonds are fixed-income securities that governments, corporations or other entities issue to raise capital. They pay periodic interest (coupon) to bondholders and return the principal amount upon maturity.

Some key features of bonds include:

Lower risk: Bonds are generally considered less risky than equities because they provide regular income and a predetermined return on investment.

Stability: Bonds can add stability to your portfolio as their values tend to be less volatile than equities.

Predictable income: Bonds provide a predictable income stream through coupon payments, making them attractive for income-seeking investors.

However, there are some downsides to bonds:

Lower returns: Bonds typically offer lower returns than equities due to their lower risk profile.

Interest rate sensitivity: Bond prices are sensitive to interest rate changes, and rising rates can lead to capital losses.

Inflation risk: Inflation can erode the purchasing power of bond income, making it less attractive over time.

EQUITIES

Equities, or stocks, represent ownership in a company. You can benefit from the company's growth and profitability as a shareholder.

Some advantages of equities include:

Higher returns: Equities have historically provided higher long-term returns compared to bonds, making them more suitable for investors seeking capital appreciation.

Dividend income: Many companies pay dividends to shareholders, providing a source of income.

Inflation hedge: Equities can potentially outpace inflation over time, preserving the purchasing power of your investments.

On the other hand, equities come with their own set of risks:

Higher volatility: Equities can experience significant price fluctuations, leading to higher potential returns and losses.

Company-specific risks: The performance of individual companies can significantly impact your investment, making stock selection crucial.

DIVERSIFIED PORTFOLIO CONTAINING BOTH BONDS AND EQUITIES

For UK income-seekers, determining whether to invest in bonds or equities largely depends on your individual goals, risk tolerance and investment horizon. Bonds may be a better choice if you prioritise stability and predictable income. However, equities could be more suitable if you're willing to accept higher volatility for potentially higher long-term returns and an inflation hedge.

A diversified portfolio containing bonds and equities might be the best approach, as it can help strike a balance between risk and return while providing multiple sources of income. ●

POOLED INVESTMENT FUNDS

A gateway to diverse asset classes and strategies

Pooled investment funds offer individuals with relatively small investments an opportunity to participate in various asset classes and benefit from professional fund management. Known as 'collective investment schemes', these funds aggregate resources from multiple investors to achieve greater financial impact.

UNDERSTANDING POOLED INVESTMENT FUNDS

Pooled investment funds are large funds built by aggregating smaller investments from individuals. A professional fund manager, or a team of fund managers, determines the assets to invest in and purchases them accordingly. By pooling resources, investors can collectively achieve greater results than they could individually.

These funds offer diverse investment strategies, including high income, capital growth, and income and growth. This diversity allows investors to choose a fund that aligns with their financial goals and risk tolerance.

Popular types of pooled investment funds:

UNIT TRUSTS AND OEICS

Among the popular types of pooled investment funds are Unit Trusts and Open-Ended Investment Companies (OEICs). These professionally managed collective investment funds pool money from many investors to buy shares, bonds, property, cash assets, and other investments. They provide a robust foundation for individual investors seeking to fulfil their financial aspirations.

When you invest in an OEIC or a unit trust, you buy shares (in an OEIC) or units (in a unit trust). The fund manager combines your money with other investors and invests it in the fund's underlying assets. Each fund invests in a unique mix of investments, ranging from shares in British companies, bonds, and shares of foreign companies, to other types of investments.

THE MECHANICS OF BUYING AND SELLING IN POOLED FUNDS

As an investor, you own a share of the overall unit trust or OEIC. If the value of the

underlying assets in the fund rises, the value of your units or shares will rise. Conversely, if the value of the underlying assets falls, your units or shares will also decrease. The overall fund size will fluctuate as investors buy or sell.

Funds often give investors the choice between 'income units' or 'income shares' that make regular payouts of any dividends or interest earned by the fund, or 'accumulation units' or 'accumulation shares', which are automatically reinvested in the fund.

RISK AND RETURNS IN POOLED INVESTMENT FUNDS

Investing in pooled funds involves risk. The value of your investments can go down and up, and you might get back less than you invested. Some assets are riskier than others, but higher risk also gives you the potential to earn higher returns. Before investing, it's crucial to understand the kind of assets the fund invests in and whether they align with your investment goals, financial situation, and risk tolerance.

One of the key advantages of unit trusts and OEICs is that they help spread your risk across many investments without requiring a substantial investment. Most unit trusts and OEICs allow you to sell your shares or units at any time, although some funds deal only monthly, quarterly, or twice-yearly.

THE IMPORTANCE OF INVESTMENT LENGTH

The length of time you should invest depends on your financial goals and what your fund invests in. If it invests in shares, bonds, or property, you should plan to invest for five years or more. Money market funds can be suitable for shorter time frames. Additionally, if you own shares, you might receive income as dividends, a portion of the profits made by the company that issued the shares you've invested in.

Pooled investment funds offer an accessible and diverse platform for individuals to grow their wealth. By understanding the mechanics and risks associated with these funds, investors can make informed decisions that align with their long-term financial goals. ●

> ONSHORE INVESTMENT BONDS TYPICALLY CARRY A LOWER RISK AND CONTRIBUTE SIGNIFICANTLY TO A WELL-ROUNDED PORTFOLIO.

INVESTMENT BONDS

Exploring why they are an attractive option to mass-affluent investors

Onshore investment bonds typically carry a lower risk and contribute significantly to a well-rounded portfolio. Historically, numerous investors have opted for a 60% equities and 40% bonds split in their portfolios, as these two assets often (keep in mind, not always) exhibit contrasting performances under varying economic circumstances – a beneficial attribute during market volatility.

Following the Capital Gains Tax (CGT) changes announced in last year's November Autumn Statement, many investors are likely considering investment bonds a more attractive option. The Chancellor's decision to reduce the CGT allowance to £6,000 this year and to £3,000 in April 2024 means investment bonds are more attractive to mass-affluent investors who previously held money in OEICs and unit trusts.

Investment bonds offer several benefits:

- Onshore bonds are not liable to CGT. Onshore bonds are treated as having already paid 20% tax on any gains when calculating a chargeable gain. In reality, the tax deducted is likely to be less than this.
- They can be ideal for Inheritance Tax (IHT) planning and are exempt from IHT after seven years if held in a trust.
- Investors can withdraw up to 5% of their initial investment annually without triggering a chargeable event or any immediate tax liability.
- Top slicing relief is available to reduce tax liability, which can eliminate or significantly reduce any tax liability when a chargeable event is incurred – helpful if investors are in the accumulation phase and are preparing for retirement (maybe a higher rate taxpayer while owning the bond, but a basic rate taxpayer when encashing).
- There are options to assign a bond (for example, between husband and wife as a genuine gift). For tax purposes, the assignment will generally be treated as if the new owner had always owned it – if one is a basic rate taxpayer, they could have no tax to pay on encashment.

HAVE YOU EXHAUSTED YOUR OTHER TAX ALLOWANCES?

Changes to CGT and the tax-free dividend allowances are also likely to appeal to investors looking to reduce IHT liabilities and those who have used their Individual Savings Account (ISA) allowances or received a large windfall payment. ●

INVESTMENT TRUSTS

Different objectives and a diverse mix of investments

When it comes to investing, there are several avenues to explore. One such route is through investment trusts. An investment trust is a public limited company that raises capital by selling shares to investors. This pooled money is used to buy and sell a broad range of shares and assets. Each investment trust will have different objectives and a diverse mix of investments.

UNDERSTANDING INVESTMENT TRUSTS

Investment trusts differ from unit trusts in their ability to borrow money to buy additional shares - a process known as 'gearing'. This leverage can amplify gains in rising markets and accentuate losses when markets fall. Generally, investment trusts have more freedom to borrow than unit trusts available for purchase by the general public.

BUYING AND SELLING SHARES IN INVESTMENT TRUSTS

Unlike unit trusts, an investor must find another buyer if they wish to sell their shares in an investment trust. Typically, this is done by selling on the stock market. The investment trust manager is not obliged to repurchase shares before the trust's winding-up date.

The price of shares in an investment trust can be lower or higher than the value of the assets attributable to each share. If the share price is lower, it's said to be 'trading at a discount'; if it's higher, it is 'trading at a premium'.

TYPES OF INVESTMENT TRUSTS

CONVENTIONAL INVESTMENT TRUSTS

Conventional investment trusts, constituted as public limited companies, issue a fixed number of shares, making them closed-ended funds. These shares are traded on the stock exchange like any other public company. The price of an investment trust's shares depends on the value of its underlying assets and market demand for its shares.

They can borrow money which can be used to buy shares or other assets. This is often referred to as 'gearing and can enhance returns in a rising market but detract from returns when a market falls. Different investment trusts will vary in their level of gearing. Before investing, checking the gearing level is essential, as it can significantly influence your investment's risk and return.

SPLIT CAPITAL INVESTMENT TRUSTS

Split capital investment trusts have a specified term, usually five to ten years. However, investors are not tied in for this period. This type of trust issues different shares, which payout in a specific order at the end of their term.

Investors can choose a share type that suits their risk tolerance and return expectations. Typically, shares that pay out later carry greater risk but offer higher potential returns.

FACTORS TO CONSIDER WHEN INVESTING IN INVESTMENT TRUSTS

Before investing in an investment trust, consider the following factors:

Asset Type: The risk and return l evels depend on the chosen investment trust. Understanding the type of assets the trust invests in is crucial, as some are riskier than others.

Discount or Premium: Investigate the difference between the investment trust's share price and the value of its assets. This gap could affect your return. If a discount widens, this can depress returns.

Borrowing Money: Determine if the investment trust borrows money to buy shares. If so, the potential returns might be higher, but the losses could also be greater.

Tax-Efficiency: Many unit trusts can be held in an Individual Savings Account (ISA), making your income and capital gains tax-efficient. Any profit from selling shares outside an ISA may be subject to Capital Gains Tax.

Investment trusts provide a unique opportunity for investors to diversify their portfolios. However, as with all investments, it's important to understand the potential risks and conduct thorough research before committing to an investment strategy. ●

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

Maximising your tax-efficiency

When it comes to investing, tax-efficiency plays a significant role in the overall returns on your investments. One method that UK residents can use to minimise the amount of tax they pay on their investment returns is through an Individual Savings Account (ISA).

ISAs are often referred to as a 'tax-efficient wrapper' that ensures the interest you earn, the dividends you receive, or the gains you make on your investments are tax-efficient. Depending on your financial goals and risk tolerance, ISAs can provide instant access to your money for short-term planning or as a long-term investment tool.

UNDERSTANDING ISAS

In the 2023/24 tax year, from 6 April 2023 until 5 April 2024, you can contribute up to £20,000 to your ISA.

Several types of ISAs are available, each with its specific features and benefits. Let's delve into these options:

CASH ISA

A Cash ISA is a savings account where the interest is tax-free. It's suitable for short-term savings goals and is often considered an 'emergency fund', providing a financial safety net for unexpected expenses. However, with current low-interest rates, the growth potential of a Cash ISA is relatively limited and may not keep pace with inflation. You must be at least 16 years old to open a Cash ISA.

STOCKS & SHARES ISA

For those with a longer-term perspective and higher risk tolerance, a Stocks & Shares ISA might be a suitable choice. This type of ISA allows you to invest in shares, government bonds (gilts), and property without paying any Capital Gains Tax or Income Tax on the proceeds. While this has the potential to outperform Cash ISAs over the medium to long term, it also carries varying levels of risk.

INNOVATIVE FINANCE ISA

An Innovative Finance ISA allows you to lend money through peer-to-peer lending platforms and enjoy tax-efficient interest and capital gains. Although the interest rates can be attractive, this type of investment carries a higher level of risk as your capital is entirely at risk, and there is no protection from the Financial Services Compensation Scheme (FSCS).

LIFETIME ISA

If you're between 18 and 39 years old and saving for your first home or retirement, a Lifetime ISA could be a good option. This type of ISA allows you to contribute up to £4,000 each year and receive a government bonus of 25% on your contributions. However, a withdrawal charge of 25% applies if you withdraw funds before age 60 or for reasons other than buying your first home or terminal illness.

JUNIOR ISA

A Junior ISA is a tax-free savings account for children under 18. Parents or guardians can open this account, and anyone can contribute up to the annual limit of £9,000 for the 2023/24 tax year. The funds in a Junior ISA cannot be withdrawn until the child turns 18.

MAKING THE RIGHT CHOICE

Choosing the right ISA largely depends on your investment horizon, risk appetite, and financial goals. Consider factors such as the impact of inflation over time, the potential risks and rewards of different types of ISAs, and your financial objectives when deciding. Whether you're saving for a rainy day, planning for retirement, or investing for your child's future, there's an ISA that can help you reach your goals tax-efficiently. ●

ADJUSTING YOUR INVESTMENT PORTFOLIO WITH AGE

Is your asset allocation aligned with your risk tolerance?

> **REGULARLY REBALANCING YOUR PORTFOLIO DURING RETIREMENT IS CRUCIAL FOR MAINTAINING YOUR DESIRED ASSET ALLOCATION, MANAGING RISK AND STAYING ALIGNED WITH YOUR FINANCIAL GOALS.**

Your retirement portfolio serves as crucial financial support for an enjoyable retirement. Retirees with substantial portfolios may enjoy living off returns without touching the principal. However, those with smaller portfolios will likely need to access their funds eventually.

Seeking professional guidance on your investment objectives can offer valuable insights into the ideal frequency for rebalancing your retirement portfolio, ensuring that your asset allocation consistently aligns with your risk tolerance.

WHY REBALANCING IS IMPORTANT

MAINTAINING YOUR DESIRED ASSET ALLOCATION

Over time, your portfolio's asset allocation may shift due to market fluctuations. Rebalancing helps you maintain your desired allocation, ensuring that your investments align with your risk tolerance and long-term objectives.

MANAGING RISK

If left unchecked, your portfolio may become too heavily weighted in one asset class, exposing you to more risk than initially intended. Rebalancing allows you to redistribute your investments and maintain an appropriate level of risk.

OPPORTUNITY FOR REASSESSMENT

Regularly reviewing your portfolio allows you to re-evaluate your investment strategy and adjust as needed. This can be particularly important when your financial needs and goals may change during retirement.

HOW OFTEN SHOULD YOU REBALANCE

There is no one-size-fits-all answer to this question, as the ideal frequency will depend on your circumstances and preferences.

However, some general guidelines include:

Annually: Rebalancing once a year is often sufficient for most investors. This allows you to take advantage of market performance while minimising the impact of short-term fluctuations.

Semi-annually or quarterly: Some investors may prefer to rebalance more frequently, such as every six months or quarterly. This can provide additional opportunities to adjust your portfolio and respond to changes in the market.

TIPS FOR REBALANCING YOUR PORTFOLIO

SET TARGET THRESHOLDS

Establish specific allocation targets for each asset class in your portfolio. When an asset class's weight deviates significantly from its target, it may be time to rebalance.

CONSIDER TRANSACTION COSTS AND TAXES

When rebalancing, be mindful of transaction costs and potential tax implications. These can eat into your returns if not managed carefully.

REMAIN DISCIPLINED

Stick to your rebalancing plan and avoid making impulsive decisions based on market movements or emotions. A consistent approach will help you stay on track with your investment goals.

REBALANCING YOUR PORTFOLIO DURING RETIREMENT

As time progresses, your personal risk tolerance and investment objectives will evolve. Adjusting your investment portfolio with age – particularly as you enter retirement – can help align your asset allocation with your risk appetite and investment goals. It's equally crucial to rebalance your portfolio during retirement.

Unlike younger investors, who can weather market fluctuations, retirees aim to safeguard their capital rather than maximise returns. In retirement, your risk tolerance is likely to be significantly lower than when you were employed and received a stable income.

Regularly rebalancing your portfolio during retirement is crucial for maintaining your desired asset allocation, managing risk and staying aligned with your financial goals. By following these guidelines, you can ensure your portfolio remains well positioned for success throughout retirement. ●

MAXIMISING YOUR INVESTMENTS IN YOUR 50S

Time to evaluate whether you need to modify your objectives or saving strategies?

As you enter your 50s, retirement is no longer a distant dream but a rapidly approaching reality. Ensuring that your investments work diligently to secure the lifestyle you envision for your golden years is crucial. By optimising your financial strategy now, you can confidently retire according to your personal goals and aspirations.

Defining your retirement savings target may have been on your financial to-do list for some time. However, delving deeper and establishing a more precise goal is essential. Determining the amount you need to save for retirement involves considering your desired retirement age, post-retirement activities, expected investment returns and inflation rates.

Obtaining professional financial advice will provide valuable insight into the longevity of your retirement savings', helping you evaluate whether you need to modify your objectives or saving strategies. By refining your retirement goals, you can work towards a concrete target and ensure a comfortable and secure future.

EVALUATE YOUR INVESTMENT STRATEGY IN YOUR 50S

In your 50s, as you approach retirement, it's crucial to reassess your investment portfolio to ensure the proper balance between risk and reward. The level of risk suitable for you will depend on your retirement funding plan and target retirement date.

If you plan to purchase an annuity in a few years, it may be wise to gradually shift your pension fund from equities to lower-risk assets like cash. This helps avoid a potential stock market downturn that could deplete your pension just before you need to buy an annuity.

On the other hand, if you intend to finance your retirement through income drawdown and additional savings and investments, moving to cash too early might result in your money running out sooner than expected. Maintaining some exposure to equities allows your portfolio the chance for long-term growth. Remember that your retirement could last for several decades, during which inflation will decrease the real value of

> **DEFINING YOUR RETIREMENT SAVINGS TARGET MAY HAVE BEEN ON YOUR FINANCIAL TO-DO LIST FOR SOME TIME. HOWEVER, DELVING DEEPER AND ESTABLISHING A MORE PRECISE GOAL IS ESSENTIAL.**

your savings and diminish your money's purchasing power.

One way to counter rising prices is to stay invested in the stock market, as history demonstrates that it performs better than cash and outpaces inflation over extended periods. Diversifying your investments across various asset classes can help your portfolio withstand market fluctuations.

Obtaining professional financial advice will help you determine the ideal asset mix for your situation, considering your investment horizon and risk tolerance.

BOOST YOUR RETIREMENT SAVINGS WITH PENSION TAX RELIEF

Pensions are a powerful tool for saving for retirement, especially when you're in your 50s. One of the main reasons for this is the tax relief you receive on personal pension contributions. This tax relief can significantly enhance your retirement savings, making it essential to focus on your pension as you approach retirement.

When you make a pension contribution, the government provides tax relief, essentially free money. For example, a £1,000 pension contribution would only currently cost you: £800 if you're a basic rate taxpayer; £600 if you're a higher rate taxpayer; and £550 if you're an additional rate taxpayer (assuming you have at least £1,000 of income in the higher/additional rate bands). This tax relief can help you grow your retirement savings more quickly and efficiently.

You can make tax-relievable personal contributions of up to 100% of your UK relevant earnings or £3,600 if more up to age 75. The annual allowance is currently £60,000 and this applies to contributions from all sources including any employer contributions. If the annual allowance is exceeded, you will be liable for a tax charge on the excess. However, your pension annual allowance could be lower than this if you have a very high income.

If you wish to save more than your annual allowance, you may be able to utilise unused allowances from the previous three tax years under carry-forward rules. This option allows you to maximise your pension contributions and use the tax relief available.

Focusing on your pension and taking advantage of tax relief is a smart strategy for those in their 50s looking to boost their retirement savings. Understanding the benefits of pension tax relief and maximising your contributions can ensure a more financially secure future during your retirement years.

MAXIMISE YOUR TAX ALLOWANCES

As an investor, there are numerous tax allowances you can take advantage of to maximise your financial benefits. One such allowance is the Individual Savings Account (ISA), which currently allows you to invest up to £20,000 per year (tax year 2023/24) and enjoy tax-efficient income and growth.

With the flexibility to withdraw from ISAs without paying tax, they serve as a valuable income source for those retiring before age 55 (the current normal minimum pension age (NMPA) and contribute to a tax-efficient retirement income portfolio. Starting from April 6 2028, the NMPA will increase to 57. This change may affect you differently depending on your birth date.

Other essential allowances to explore include the personal savings allowance, dividend allowance and capital gains tax exemption. These allowances currently allow you to earn tax-free interest up to £1,000, depending on your marginal Income Tax rate. Additionally, you can receive tax-free dividends up to £1,000 (the allowance is set to reduce to £500 in April 2024) and enjoy tax-free investment gains up to £6,000 for the 2023/24 tax year (the allowance is set to reduce to £3,000 in April 2024).

Obtaining professional financial advice will help you optimise your allowances and structure your portfolio for maximum tax efficiency. By leveraging these allowances, you can make the most of your investments and secure a comfortable financial future. ●

INVESTING AFTER RETIREMENT

Ensure your hard-earned savings continue to support you

As you enter your golden years, the excitement of finally retiring may be tinged with some uncertainty. With the working days behind you, it's natural to wonder if you've amassed sufficient resources and how best to utilise them.

Additionally, life can be unpredictable, so it's essential to be prepared for unforeseen circumstances. Investing for income after retirement can seem a daunting task, but it is by no means impossible. With professional advice, careful planning and continuous monitoring of your investments, you can ensure that your savings last as long as needed.

To help you navigate this new chapter, here are some tips on investing after retirement to ensure your hard-earned savings continue to support you throughout your well-deserved rest.

KEEP AN EYE ON INFLATION

When it comes to investing after retirement, inflation should always be taken into account. Inflation reduces the purchasing power of money over time, so it's essential to consider this when making investment decisions. Investing in products such as index-linked annuities or government bonds can help protect against inflation risk and provide consistent income over the long term.

CONSIDER DIFFERENT ASSET CLASSES

Investing in different asset classes can help diversify your portfolio and minimise risk. This could include equities, fixed income (such as bonds), property, cash or alternative assets. Different asset classes have varying levels of risk and returns, so it's essential to understand the risks associated with each before investing.

DON'T FORGET ABOUT TAXES

Taxation rules change regularly, so it's crucial to ensure you are up-to-date on the latest regulations to take advantage of potential tax breaks or benefits when investing after retirement.

KEY POINTS TO CONSIDER

Income Tax: Depending on your total income, including pensions, investments and other sources, you may be liable to pay Income Tax. Keep track of your personal allowance, which is the income you can earn before paying Income Tax (other allowances are also available for specific income types such as dividends and savings income).

Capital Gains Tax (CGT): When you sell an investment or asset that has appreciated in value, you may be subject to CGT. However, there is an annual tax-free allowance for capital gains, so ensure you know the current threshold.

Dividend Tax: If you receive dividends from investments in shares, you'll need to consider dividend tax. There's a tax-free dividend allowance, but any dividends above this threshold will be taxed.

Inheritance Tax (IHT): Proper estate planning can help minimise the impact of IHT on your loved ones. Make sure you understand the current IHT threshold and consider strategies such as gifting assets or setting up trusts to reduce potential tax liabilities.

Pension Contributions: Even after retirement, you can still contribute to your pension and potentially receive tax relief on those contributions. This can be an effective way to grow your pension savings while reducing your overall tax liability.

Individual Savings Accounts (ISAs): Utilising ISAs allows you to invest in equities, bonds and other assets without being subject to Income Tax or CGT on the returns. Maximise your annual ISA allowance to take advantage of these tax benefits.

REBALANCE YOUR PORTFOLIO REGULARLY

Once you have created a well-diversified portfolio, reviewing and rebalancing it regularly is essential. This will help ensure that it remains aligned with your goals and the risk profile you are comfortable with.

With careful planning and diligence, investing after retirement can be less intimidating and more successful. ●

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WHEN IT COMES TO INVESTING AFTER RETIREMENT, INFLATION SHOULD ALWAYS BE TAKEN INTO ACCOUNT. INFLATION REDUCES THE PURCHASING POWER OF MONEY OVER TIME, SO IT'S ESSENTIAL TO CONSIDER THIS WHEN MAKING INVESTMENT DECISIONS.

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FUTURE WEALTH

Ready to start investing for your grandchild's future?

Investing in the future of your grandchildren is a great way to help them prepare for their financial needs in life. By setting aside money now, you can provide them with added security and increased opportunities in the years to come. Investing for grandchildren can be used to help fund college tuition, make a down payment on their first car or home, or even start a retirement fund.

The earlier you invest, the more time your funds have to grow and compound over time. This means that a relatively small contribution today could lead to much larger returns over the long run. Furthermore, it's important that you consider professional advice when making decisions about investing for your grandkids. This will enable you to take advantage of all available tax deductions and legal rules that could make your investment even more beneficial to your grandchildren.

HELPING A GRANDCHILD PREPARE FOR THEIR FINANCIAL NEEDS IN LIFE

By investing for your grandchild's future, you can provide peace of mind knowing that you are helping them prepare for their financial needs in life. Not only will this give them the chance to pursue their dreams and goals, but it also allows you to create a lasting legacy that will be remembered for years to come.

Investing now may help ensure a bright future for your grandchildren. In addition, investing is an effective way to pass down wealth from one generation to the next. This can help reduce Inheritance Taxes due on large estates and enable families to retain more of their assets into the future.

NO TAX IS DUE ON ANY GIFTS YOU GIVE IF YOU LIVE FOR SEVEN YEARS AFTER GIVING THEM

As well as providing your grandchildren with financial support, investing can also be an effective way of reducing an Inheritance Tax liability. Gifting out of surplus income is a strategy for reducing an Inheritance Tax liability when investing for grandchildren. This involves gifting money from any excess income generated over and above what you need to cover your day-to-day living expenses.

No tax is due on any gifts you give if you live for seven years after giving them

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THE EARLIER YOU INVEST, THE MORE TIME YOUR FUNDS HAVE TO GROW AND COMPOUND OVER TIME. THIS MEANS THAT A RELATIVELY SMALL CONTRIBUTION TODAY COULD LEAD TO MUCH LARGER RETURNS OVER THE LONG RUN.

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– unless the gift is part of a trust. This is known as the seven year rule. If you die within seven years of giving a gift and there's Inheritance Tax to pay on it, the amount of tax due after your death depends on when you gave it. When making gifts out of surplus income, it's important to ensure that the money is treated as a gift and not used as an investment.

JUST ONE WAY TO REDUCE YOUR INHERITANCE TAX LIABILITY WHEN INVESTING

HM Revenue & Customs (HMRC) has very specific guidelines on what constitutes a 'gift', so professional advice should be sought before gifting any money to your grandchildren. We can help you create an effective Inheritance Tax mitigation strategy for investing for grandchildren that meets all relevant legal requirements.

Gifting out of surplus income is just one way to reduce your Inheritance Tax liability when investing for your grandchildren; there are other options available too. It's essential that professional advice is sought in order to find the best approach for your individual circumstances.

PUTTING MONEY INTO A PENSION COULD BE AN IDEAL SOLUTION

If you're looking to build long-term wealth for your grandchildren, putting money into a pension is an ideal solution. However, there are some limits that you should know before taking this route. The earliest your grandchild can access the money in their pension is age 58. Therefore, it's important to think about how much time you have to allow the investments to grow and compound interest over the years until they reach adulthood.

You can open a Junior Self-Invested Personal Pension as soon as your grandchild is born. It's protected from Income Tax and is usually exempt from Inheritance Tax, too. You can pay in a maximum of £3,600 a year (tax year 2022/23) and the government will top it up by 20%, up to £720 a year – so that maximum contribution will actually only cost you £2,880.

If you start investing in a Junior Self-Invested Personal Pension at birth, then by age 58 a child or grandchild will have had 58 years of growth potential if contributions are made regularly. This should help build significant capital which can then be used as desired once mature enough to do so.

A HIGHLY TAX-EFFICIENT WAY TO SAVE OR INVEST FOR THE FUTURE

Junior ISAs (JISAs) are another option. A Junior ISA is an Individual Savings Account that can be opened by anyone on behalf of a child under the age of 18, when they can gain full access to it. A Junior ISA is tax-efficient way to save or invest as it is free from any Income Tax, tax on dividends and Capital Gains Tax on the proceeds.

The Junior ISA subscription limit is currently £9,000 for the tax year 2022/23. This means that if you start investing in a Junior ISA when your grandchild is young, by the time they turn 18 they could have had considerable growth in the funds you have contributed towards them. It also allows you to make sure that any money that you have saved for them is in a secure environment, with professional money management.

A children's savings account also provides an easy and convenient way to start investing in your grandchild's future. These accounts come with various features that make them ideal for long-term investments, such as tax-free growth on earnings and no contribution limits.

MATURITY NEEDED TO RESPONSIBLY HANDLE ANY MONEY

Additionally, you have the flexibility to choose how much money you want to invest and when you want to add or withdraw funds from the account. With these advantages, children's savings accounts provide a secure and practical option for diversifying a child's portfolio.

When investing for your grandchildren, professional advice should be sought to ensure that all legal requirements are met. It is important to consider the legal ownership of the money and when your grandchild will become eligible to access it. Consideration should also be given as to whether your grandchild will have the necessary skills, knowledge and maturity needed to responsibly handle any money they may receive.

SAFEGUARD YOUR GRANDCHILDREN'S FINANCIAL SECURITY

Parents or guardians should take advice in order to make informed decisions about what is best for their child's long-term financial future. By taking our professional guidance you can ensure that you are making the best decisions possible when investing on behalf of your grandchildren. Taking the time to make it part of your annual review will give you peace of mind knowing that you are taking steps towards building a solid financial foundation for your grandchildren.

With professional guidance, you can tailor an investment strategy specifically for them. Investing in their future today can have long-term benefits as they grow into adulthood. Start planning now and make sure your grandchildren's future is secure. ●

READY TO DISCUSS CREATING AN INVESTMENT PORTFOLIO TAILORED TO YOUR NEEDS?

Your investment funds may originate from diverse sources like inheritance, income, or business profits.

Our advice will be based on your objectives, risk tolerance, investment knowledge, and financial status, including tax considerations and specific needs like regular income or ethical investing.

Talk to us about your priorities, and we'll create a portfolio tailored to your needs.

To find out how we can help you – please get in touch with us.

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