



# Investment choices

Which is the right approach for you?

The world of investing can seem daunting. Whatever stage of life you're at, we'll guide you through the appropriate investment opportunities available to you. Every investor needs to ask themselves the same basic questions before getting started.

You'll need to know what your goals are, how long you expect to invest, how much money you are able to invest and how comfortable you are taking risks. You'll invest differently for a goal that's five years away than for one that's 20 years into the future, as a longer time-horizon should allow you to take on more risk (provided you are comfortable doing so).

## TAKE INTO ACCOUNT INFLATION

The cost of living will rise over the years, so if you're investing for the long term, you need to also take into account a realistic rate of inflation for every year you invest. There's no point in getting to retirement age to discover your spending power has been reduced due to this oversight, so make sure you factor in inflation when working out your investment returns strategy.

If you're investing for a shorter-term goal, you may well want to take a cautious approach, because losses can be harder to recover. Thinking about how much financial risk you are comfortable exposing yourself to is vital.

## DIFFERENT TYPES OF INVESTMENTS

Asset allocation is all about deciding how much of your money you choose to put into different types of investments. The main types of assets people rely on for investing are shares, bonds, cash and commercial property – many investors prefer to invest in these via funds too, as their cash is then spread across a basket of each. By investing across a broad range of assets, it helps you to diversify your risk, as you are not relying on the success of one single investment.

How you allocate across these assets will be largely down to not only what you want to achieve, but also how long your investment time horizon is. If you're comfortable with more risk and you want a greater chance of stronger growth, you might allocate more money into shares. But if you are looking for more consistent returns, then government and corporate bonds could be the way to go.

## SPREADING YOUR RISK EVEN FURTHER

Always remember the golden rule of investing though, which is the greater the potential returns, the bigger the risk. But by combining both investment types, you'll be spreading your risk even further. Many investors keep a proportion of their portfolio in cash. This provides the necessary 'liquidity' to minimise risk as much as possible and can be used to buy assets if a good opportunity arises.

In order to decide which investments to focus on, you need to decide whether you are primarily looking for capital growth from your investments, an income, or a combination of the two.

## INVESTMENT OPTIONS AND STRATEGIES

How involved you want to be in choosing your investments depends on how much experience you have and the kinds of decisions you're comfortable making. Some people like to choose the investments that make up their portfolio themselves. Others prefer to invest through funds. Funds offer an easy way to build a diversified portfolio and, depending on how they're managed, they can be cost-effective too.

Or you might prefer to explore your investment options and strategies. You could opt for a multi-asset fund, which is run by a portfolio manager who invests across a variety of investment assets, including shares, bonds and property as well as cash. But whichever route you take, always ensure you understand what you are investing in and the associated risks.

## REMEMBER TO KEEP TO YOUR PLAN

One of the key things to remember is to keep to your plan. This goes back to working out what you need and want from your investments. You'll want to keep an eye on things over time, adjusting your asset allocation to make sure the portfolio stays on track to meet your goals and within your risk parameters. It's also important to remember that movement in the markets is normal, and it can be harmful to switch your investments too much, as well as costly.

Any investment carries risk, and there's always the chance that you could get back less than the sum you invest. But leaving your money to grow in the long term means there's more chance of recovering any losses along the way. ■

## NEED HELP? HAVE QUESTIONS?

If you're looking for further information or want to chat about your investment options, we can help. Please contact us.