

Ten Things to Consider Before Investing

When it comes to Financial Investments there are some things you might like to be aware of. We have produced a guide “10 Things to Consider Before Investing” You can read all about it below.

You probably wouldn't buy the first house you saw, nor the first car. The same principle applies to making an investment. There are several issues you need to consider before parting with your money, some of these relate to what you want your investment to achieve for you, others will relate to the advice you need to receive to assist you in making an informed choice.

There are basic considerations. What do you want to achieve with your investment? Do you want to achieve growth or Income from your money? Perhaps a combination of the two? Some investments can allow you to reinvest any income they produce until you may need it, in order to boost the growth of the plan.

If you would like an income from your investment, how often will you want this income to be paid to you? Are you going to prefer to receive a fixed amount on a regular basis or perhaps a percentage of the value of your plan? As an alternative to a regular income, many plans will allow you to make partial surrenders, should you need to make a lump sum withdrawal; if this is an important element to a plan you wish to begin you must ensure that you read the Key Features document carefully, in case there are penalties applied to lump sum withdrawals.

You must also consider the tax implications involved with all investments, there may be advantages or disadvantages of a particular product in relation to tax, these should also be discussed thoroughly with your Independent Financial Planner.

When will you want to spend it? The type of investment to consider will depend on the length of time that you are happy to invest for.

Do you have a particular target date when the money will need to be released, for example a wedding, birthday or Anniversary?

Are you able to leave the amount invested for a specified period of time? Or will it need to be accessed on occasion?

Short Term Investment = Under 5 years, Deposit based investments are more suitable for this term

Medium to Long Term = 5 - 10 years, Share Based investments or investments where the money can be left for the long term to incur growth, perhaps to pay out an income later in life.

Rainy Day Money. Unfortunately, there is no way of knowing when we might need money for an emergency. It is a good idea to retain a small amount of money in an instant access deposit based

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investment /account so that you always have an accessible means to your fund should you need to in an emergency E.g. A Cash ISA. However, it is important to remember that deposit account interest rates can often be low, shop around for the best rates and be prepared to move your money should you need to in order to secure the best growth rates for your pot.

Your Risk Profile

It is a basic rule of thumb that the more risk you are prepared to take the greater the potential for the return from your investment. RISK v REWARD. If you are considering a higher risk investment, this should be linked to a long time investment.

Lessons from the last five years of poor performance from share based investment shows that where possible you should look to have balance in your investments. This may mean spreading your money over a mix of low, medium and high risk investment areas, the percentage of your money in each area will determine the overall risk profile of your portfolio.

Considerations Needing Advice: Which type of plan or investment is most suitable? The Financial marketplace contains a bewildering number of investment plans and providers. An Independent Financial Planner (hereafter referred to as an IFP) will be able to discuss with you the various vehicles on the market that may be suitable in accordance with your long term objectives and risk profile. An IFP will be familiar

with the products available and be able to advise on the whole of the market, meaning you are getting the most Independent advice available. The next five issues we will cover will be used to refine the choice of investment that is recommended. Please note that although tax breaks are attractive, you should not invest in a plan purely for tax reasons, these tax breaks could be removed in the future.

Fund Choice

There are even more funds on the market than plans, so many seem to be very similar, however the results can be very different. There are fund available for any purpose and they can be grouped into categories such as asset type (i.e. shares, corporate bonds, property, managed, with profit etc), geography (i.e. UK, USA, Japan, Europe etc); Growth, Income, and Specialist. The type of fund suitable for you will once again be based on the basic issues of when you will want to spend the money, whether you are investing for growth or income etc.

Fund Performance

The performance of your fund is what will make your investment a success or otherwise, however, it is the once aspect that is impossible to predict. An IFP will conduct detailed research prior to recommending a fund and past performance will give an indication of how the fund may perform in the future however there is a golden rule in investments that states - 'Past performance is no guarantee of future performance'. An IFP may consider actual

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performance, relative performance to similar funds, volatility, consistency, and the fund manager.

Balance. As previously mentioned, previous performance on the stock market has emphasised the need for balance within your investments. The old saying 'don't put all of your eggs in one basket' is appropriate in this instance; an IFP will assess the financial objectives you are hoping to achieve and then suggest financial recommendations that encompass your entire financial situation, not just one bond or ISA, but ensure your tax planning is correct, that your life assurance is up to date, that your pension provision is adequate etc.

Don't follow the crowd. There is no such thing as a quick profit. Because performance is so difficult to predict it is often easy to fall into the trap of following what seems to be popular. If everyone is investing in a particular fund or product because it is performing well, you may invest at the peak of growth, leaving yourself open to the affects when the performance begins to slow down or go backwards.

Charges. This is an issue that must be considered carefully. Charges can affect overall performance, but they need to be kept in context. Above average charges may be worth paying if the end result is above average performance, whilst below average charges may seem a false economy if the performance is poor. It is important that the charges

are clear before you begin a policy so that you know how much is being taken from your investment, also beware of hidden charges that may apply should you wish to take a withdrawal from your policy. The important thing to remember is that you should acquire Independent Financial Advice before investing into any product, this way you can be sure that you are investing in the vehicle most suitable for your personal situation.

To speak to a friendly voice you can call us now on, 02920 301014

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Or send us an email. We would be delighted to provide you with the advice you require.

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