

---

---

# Investing for the future

— Managing your finances —

---

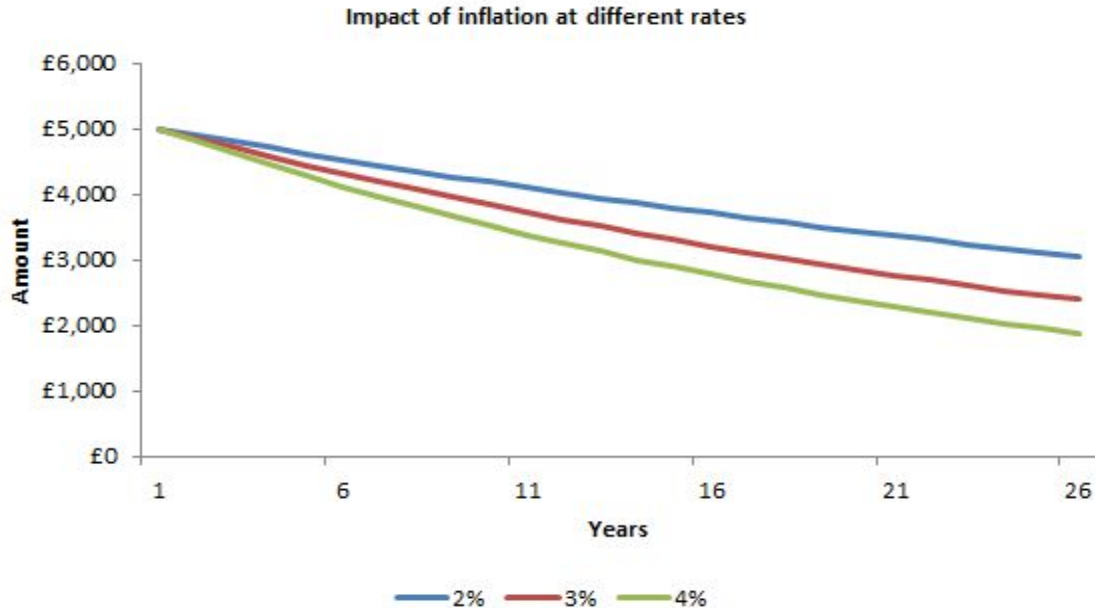
---

# Have a budget? Where next?

- CAP has given you the ability to budget, spend and save
- What are your financial objectives with those savings?
  - Retirement - workplace pension or SIPP (Self Invested Pension Plan - do it yourself)
  - Specific or special sum (e.g. Christmas fund, rainy day)
- Inheritance Tax (IHT) planning - ensure you have a will!
  - High London property prices mean more people fall into the IHT bracket
  - London & SE pay over 50% of UK's IHT bill
  - Charged at 40% on estate >£325k (single) or £650k (couple)
  - Gift money to a partner, friends or family
  - Put money into trust
  - Give to charity
  - Take out life insurance

# Why invest: Protect your money from inflation

Higher prices erode purchasing power: £5k @ 2% pa ends as £4k in just 10 years, or £3,400 @ 4%



# Types of investments

- Bank/savings account - low or no interest paid
- Premium bonds
- Government bonds - interest paid and capital back at end of term
- Property (residential and commercial - rent or capital appreciation)
- Investment Funds (active or passively managed, £50 min monthly)
- Stocks and shares - owning company profits may provide dividends/benefits
- Corporate bonds/debt - higher rates of interest
- Commodities (agricultural, industrial, precious, energy)
- Currencies
- Exotics (weather futures, satellite insurance)

# How to invest

## Types of accounts

- General Investment Account (subject to Capital Gains Tax & Income Tax)
- ISA - tax advantages for up to £15,240 by April 5 (£20k 2017/18)
  - Free of CGT/IT within ISA but charged on withdrawal
  - Anyone for >18
  - Junior ISA (JISA) for children
- Self Invested Pension Plan (SIPP)

# DIY or pay for advice? You decide

- DIY can be cheaper but requires regular monitoring
  - You determine what to invest in (mix of different assets)
  - Where (countries/regions)
  - For how long

[www.moneyadvice.service.org.uk/en/articles/investing-beginners-guide](http://www.moneyadvice.service.org.uk/en/articles/investing-beginners-guide)

- Advice can be more expensive but less time consuming
  - Additional help in planning and meeting future needs

[www.unbiased.co.uk/advice-on](http://www.unbiased.co.uk/advice-on)

# Choosing your investment strategy

Determine your

- **Investment horizon and long-term financial goals:** Your money needs to keep working for you far into the future, even if you're already retired. Do the work now to project your long-term cash flow.
- **Return requirements:** What kind of return do you need from your portfolio? The answer will tell you how conservative or aggressive your investment strategy needs to be.
- **Risk tolerance:** How far are you willing to go to get the return you need? The higher the return you'd like, the more risk you must take.

# Risk: Investing can feel scary - what would you do?

Trump's election victory - should I sell? (down over 8% intra-day)





# Risk: Investing can feel scary - what would you do?

Panic?



# Risk: Investing can feel scary - what would you do?

Smart investors don't panic (3 hrs later market ended up +1.5%)



# Risk: Investing can feel scary - what would you do?

Trump's election victory - being unemotional leads to long-term rewards (+8%)



# How risky are you?

Free resources to help you determine your risk tolerance

<http://quadrantgroup.co.uk/financial-risk-assessment/>

[www.royallondon.com/customers/pensions-investments/int/fund-information/risk-profiler/](http://www.royallondon.com/customers/pensions-investments/int/fund-information/risk-profiler/)

[www.standardlife.co.uk/c1/guides-and-calculators/assess-your-attitude-to-risk.page](http://www.standardlife.co.uk/c1/guides-and-calculators/assess-your-attitude-to-risk.page)

[www.oldmutualwealth.co.uk/Adviser/investment-and-funds/The-advice-process/Risk-assessment/](http://www.oldmutualwealth.co.uk/Adviser/investment-and-funds/The-advice-process/Risk-assessment/)

# Choosing your investment strategy

Define your

- **Constraints:** Maybe you won't consider certain investments for personal, ethical or moral reasons. Maybe you won't even think about dropping a poorly performing stock from your portfolio because you inherited it from your Great-Aunt Jenny.
- **Tax situation:** Take advantage of tax wrappers like ISAs/SIPPs and consider your tax rate and CGT payable when selling an investment
  - CGT allowance of £11,100
  - £5,500 for trusts

# Long-term investing

- Have a balanced spread of investments
  - Roman comic Titus Maccius Plautus said “in everything the middle course is best: all things in excess bring trouble to all”
  - Needs change over time and what works one year may be obsolete the next
- Do your research and invest in what you can understand
  - Don't go for what is fashionable, if you don't understand how your investments work then how can you expect them to work for you?
- Start early & be patient: the longer money is invested the more potential it has to grow
  - A person who invests £1,000 per year between the age of 20-30 and then stops will beat someone who starts at 30 and invests £1,000 pa for the next 35 years. If we assume a 7% annualised return, the first person will have £168,515 at 65 and the second just £147,914

# Long-term investing

- Use your CAP budget to set up and stick to managing your cash needs
  - Try to utilise excess cash to invest regularly or automatically each month during working years, while making gentle adjustments to your budget as needs change gets you 90% of the way of achieving your long-term goals
- Separate emotions from your long-term objectives
  - Looking at things rationally can lead to better results
- Separate money into different buckets (<1yr, 2-3yrs, 5+yrs, 10+yrs)
  - Ensure you have different pots for different time periods so you have cash on hand if needed. The biggest risk is needing to take money out of investments at the wrong time or at a loss
- Don't forget about inflation
  - Inflation (rising prices) erodes the value of your money over time unless it grows more quickly than inflation rates

# Long-term investing

- Make sure you diversify
  - Never put all your eggs into one basket. Having a balanced spread of investments helps smooth out the long-term journey
- Make gentle adjustments not drastic ones
  - Make small infrequent changes in line with your long-term needs leads to a better outcome. Don't be too clever with timing. It's time in the market not timing the market that makes a difference



# Don't be afraid to start small

- Not a race - investing is long-term
- Not a size contest - even a small mustard seed grows
- Don't be afraid to DIY - technology makes it easier
- Or seek advice from an independent financial adviser if you need help

Questions?