SmartMoney

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FINANCIAL CONSULTING PLC

MARCH/APRIL 2022

INVEST YOUR WAY **OUT OF INFLATION**

Why now is the time to make sure you protect your wealth

PENSION FREEDOMS
You work, you save and then you retire

IMPROVING YOUR FINANCIAL HEALTH
Staying on track to achieving specific financial goals

'TIME IS MONEY'
Five principles of investing everyone should know

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Inside **this issue**

Welcome to our latest edition. Inside, we look at why now is the time to make sure you protect your wealth. The word 'inflation' had barely featured in the market's vocabulary in the last three decades until it suddenly started to come back with a vengeance in 2021. As higher inflation looks set to persist throughout 2022, on page 09 we consider why finding ways to generate a return on investments greater than inflation will be a key investment theme – otherwise your wealth falls in real terms.

A full and happy retirement is a priority for many. But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone's individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others. On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. Read the full article on page 03.

On page 06 we look at the importance of staying on track to achieving your specific financial goals. All of your financial decisions and activities have an effect on your financial health. To help improve your financial health during this period of rising inflation and interest rates, we explain three areas that could help keep you on track to achieving your financial goals.

Are your investments working as hard as they could be? With so many options out there, it can be confusing. We can help you navigate your options, and provide a personalised recommendation based on your investment goals. On page 10 we look at five principles that affect everyone who invests their money.

A full list of the articles featured in this issue appears opposite.

LOOKING TO MAKE THE MOST OF TOMORROW BY PLANNING TODAY?

Your wealth needs to serve you differently at different stages of your life. Find out how we can help you make the most of tomorrow by planning today. To discuss how we can help, please contact us.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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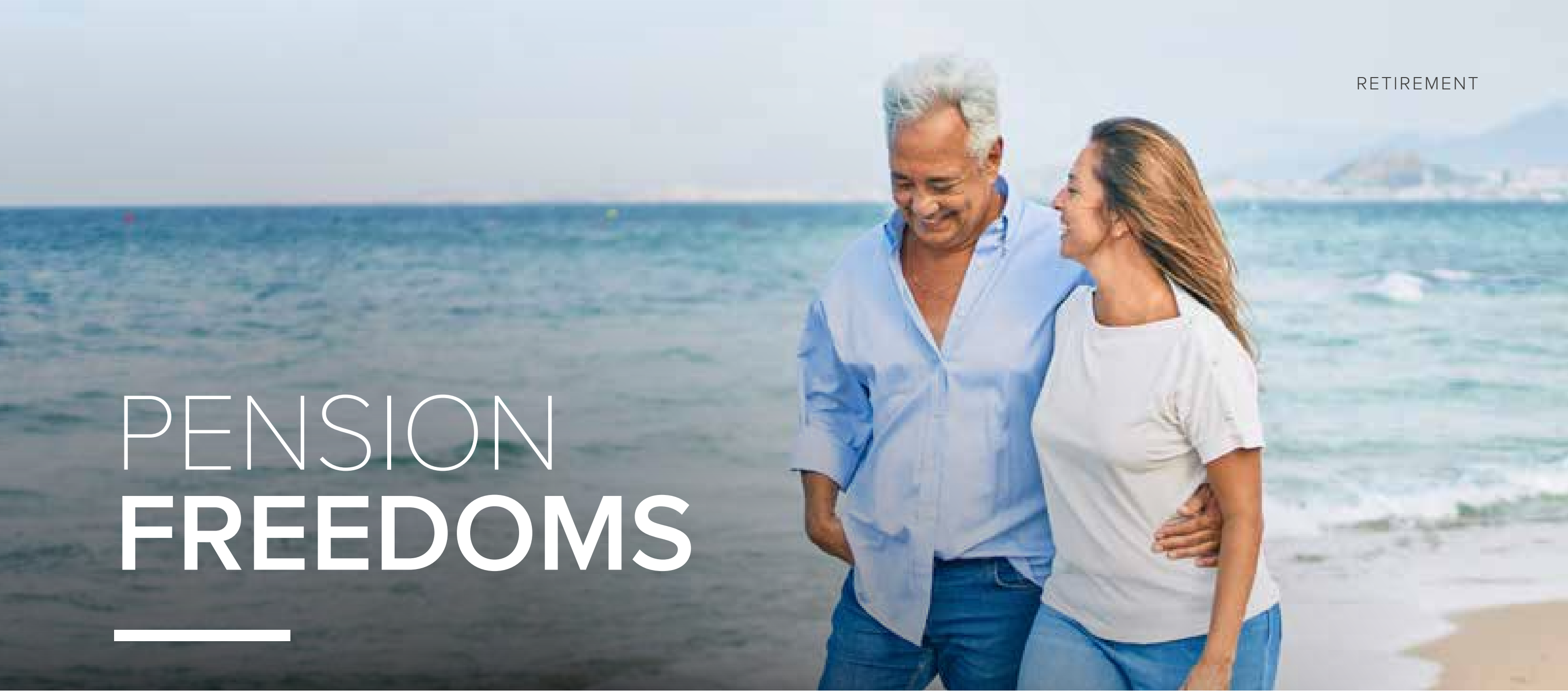

You work, you save and then you retire

A full and happy retirement is a priority for many. But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone's individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others.

On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. But while the mechanics may be the same, today's savers are facing some challenges that previous generations didn't have to worry about.

GOLDEN YEARS

First of all, life expectancy is longer, which means you'll need your money to last longer. This is compounded by the fact that more companies are moving away from defined benefit pensions – which guaranteed you a certain amount of money in your golden years – to defined contribution plans, which are more subject to market ups and downs.

So, how can you have the retirement you've always wanted? Retirement is inevitable, but that doesn't mean you have to stop living. Your retirement should be a time for enjoying your life and the things you most enjoy doing.

WORKING LIVES

However, some people are unprepared for retirement due to high debt levels at the end of their working lives or because they were not saving enough during their careers. Sometimes, people are forced into retirement through circumstances outside of their control.

Some people might choose to live off their savings entirely, while others may choose to supplement their income with rental properties. Still others might prefer to have a mix of sources for retirement incomes.

PENSION MONEY

Whatever the case, being aware of the options available today can help you prepare for your future in an effective way. With the introduction of pension freedoms, there is no onus on us to cash in our pensions at set ages, and instead we can take our pension money any way we choose. But, with this freedom also comes responsibility, and for some, uncertainty.

Some people find they don't have a clear plan for what they want from their retirement, and many underestimate how much money they will actually need when they do eventually retire. The reality is our goals are all very individual, but whatever it is you want from your retirement, it pays to plan ahead.

If you have a defined contribution pension, here are six simple tips to consider:

1. Use pay rises as an excuse to save more
2. Pay in more when a regular spend ends
3. Maximise any employer contributions
4. Invest lump sums you receive
5. Put off breaking into your pension pot
6. Be choosy about your investment choices

TIME TO TAKE CONTROL OF YOUR RETIREMENT PLANNING?

Planning for your financial future can help ensure that your lifestyle is what you want it to be after you retire. There's a whole lot to think about when you're planning for retirement. But where do you begin? To ensure your plans stay on track or for more information, please contact us.

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GETTING **READY TO RETIRE?**

Bolstering your retirement lifestyle as you approach retirement

Have you ever wondered what you need to consider as you approach retirement? Whatever your concept of what is a good pension pot, one certainty is that relying on the State Pension alone will not give you a good enough pension to live on comfortably through your retirement.

'Will I be able to retire when I want to?' 'Will I run out of money?' 'How can I guarantee the kind of retirement I want?' These are hard questions to answer unless you obtain professional financial advice and why you need to start by reviewing your finances sooner rather than later to ensure your future income will allow you to enjoy the lifestyle you want.

After decades of working and saving, you can finally see retirement on the horizon. If you plan to retire within the next five years or so, consider taking these steps today to help ensure that you have what you need to enjoy a comfortable retirement lifestyle.

Taking these actions now could help bolster your retirement lifestyle as you approach your planned retirement date.

8 THINGS TO CONSIDER AS YOUR RETIREMENT APPROACHES

1. TRACK DOWN YOUR PENSIONS

It's important to track down all the different pension schemes you've previously paid into, so you can be sure you're claiming everything you're entitled to in retirement.

If you're unsure where to start, the UK government offers a pension tracking service to help you find lost pensions.

2. WHEN CAN YOU ACCESS YOUR PENSIONS?

Since April 2015, pension freedoms have given savers in defined contribution (DC) schemes greater access to their cash, allowing flexible withdrawals from the age of 55.

3. WHAT'S YOUR PENSION'S VALUE?

The easiest way to find out how much your pension is worth is to check your pension statements. Whatever type of pensions you have, you'll receive an annual pension statement from your provider.

In it they'll tell you how much your pension is currently worth and what it's expected to pay out at your retirement date.

4. GET A STATE PENSION FORECAST

You can call the Future Pension Centre and ask for a State Pension statement. Your statement will tell you how much State Pension you have built up so far based on the National Insurance contributions and credits that are on your National Insurance record at the time your statement is produced.

Contact the Future Pension Centre for questions about the State Pension or to ask for a statement. Telephone: 0800 731 0175, or from outside the UK: +44 (0)191 218 3600. Or obtain a forecast online at https://www.gov.uk/check-state-pension

5. GETTING INVESTMENT ADVICE

If you are close to, or at retirement, you may want to reevaluate your plans. If you have access to other savings and investments, you might want to consider using these before accessing your pension.

If you have other investments or savings, such as Individual Savings Accounts, stocks and shares, bonds, funds, property, etc, it's worth checking their value as you approach retirement age as they can support you in addition to your pension.

6. HOW WILL YOU ACCESS YOUR PENSION?

When it comes to deciding how to use your pension pot, there's no one 'right answer'. There are more pension options than ever thanks to the pension freedoms that allow savers access to every penny of their retirement savings.

Your options may include taking a regular income or lump sums and keep investing the remainder in the stock market, or cashing in the entire amount. You can also choose to swap the money for a guaranteed income via an annuity.

7. HOW IS YOUR PENSION INVESTED?

Pensions may be for the long term, but it's important regularly to review where your money is being invested. You need to keep a close eye on which funds your retirement savings are in so that you can check you're comfortable with the risks involved.

You should also keep a close eye on how much you're being charged, as fees can have a big impact on the amount you end up with at retirement.

8. THE BENEFITS OF ADVICE

Pension advice is important because pension products can be complicated, and life can be unpredictable. Professional financial advice will help you make the right decisions about your money and your future.

Retirement planning is important because it can help you avoid running out of money in retirement. You need to know how much you've got, how to access it and when you can afford to retire comfortably.

THINKING OF RETIRING SOON? WE'RE HERE TO HELP

The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs. To discuss your plans or for further information, please contact us.

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LOOKING TO BUILD A BIGGER PENSION?

Don't miss the deadline to give your pension savings a boost

As another extraordinary financial year comes to a close, it's more important than ever to make good use of your annual pension allowances. Giving your pension savings a boost and assessing where you stand will give you peace of mind that you are on track to enjoying the retirement you are planning for.

The 2021/22 tax year ends on 5 April. Staying on top of your retirement plans is important all year round but with the tax year ending on 5 April, just a few weeks away, it's a good time to consider if you've made the most of this year's pension tax benefits. If you haven't, there's still time for any payments or changes to be processed.

TAX RELIEF

Pension tax relief is an extra amount that's added to your pension contributions. So it effectively means it'll cost you less to save more into your pension plan. Although most people receive tax relief on their pension contributions, depending on how your pension scheme works (if you're part of a salary sacrifice or salary exchange scheme, for example) you might receive tax benefits in a different way. So you should either speak to us or check with your employer if you're not sure.

The amount of tax relief you receive on your own contributions usually depends on the rate of income tax you pay. For most of the UK, this means basic rate taxpayers (who pay 20% income tax) receive tax relief at the same rate. If you're a higher rate taxpayer you receive 40% tax relief on contributions that are matched by income taxed at that rate, and the same for additional rate taxpayers at 45%, but you'll need to claim back anything over 20% from the government unless you pay using salary sacrifice or are a member of an occupational scheme operating the 'net pay' method of tax relief.

ANNUAL ALLOWANCE

If you don't earn any taxable income, you're still entitled to receive 20% tax relief on your contributions up to the amount you earn. If you have no earnings, or earn less than £3,600 in the current tax year, you can still receive tax relief on contributions up to £3,600 (i.e. if you pay £2,880 net of basic rate tax relief, an amount of £3,600 is added to your pension). While income tax is slightly different in Scotland, the effect on your pension contributions is broadly the same.

In addition to the tax relief limit described above, there is an annual allowance, which is £40,000 for most people. If all contributions combined, including those from an employer, exceed the annual allowance in a tax year, a tax charge will be applied to the excess.

PENSION CONTRIBUTIONS

The annual allowance applies to the total amount of contributions made into all of your pension plans in a tax year – including the ones your employer, or any third-party, makes on your behalf. The good news is that if you haven't used all of your pension annual allowances in the last three tax years, you may be able to carry them over and use them to pay in more in the current tax year.

When planning to make large pension contributions, spreading them across tax years can make tax sense, for example, that will mean higher rate relief is available on the full contributions. Remember that you still can't contribute more than 100% of your earnings in any tax year if tax relief is to be available on the contributions.

RETIREMENT GOALS

Most people can contribute up to £40,000 to pensions each year and benefit from tax relief. But if your income rises above a certain level – which is £200,000 for the 2021/22 tax year – this allowance could be reduced or 'tapered'. The tapered annual allowance effectively reduces the amount of money that can be contributed to a pension by you and/or your employer before having to pay tax.

The taper doesn't usually apply if your 'threshold income' is less than £200,000. If it is above this level, you will need to check whether your 'adjusted income' is greater than £240,000 (2021/22 tax year). The annual allowance reduces by £1 for every £2 that your adjusted income exceeds £240,000, to a minimum tapered allowance of £4,000. Without careful financial planning, you could find yourself subject to an unwelcome tax charge.

READY TO PLAN YOUR RETIREMENT INCOME WITH US, STEP BY STEP?

You should bear in mind that tax rules and legislation may change and your own individual circumstances, including where you live in the UK, will have an impact on your tax treatment. For more information about how we can help you build a bigger pension, please contact us.

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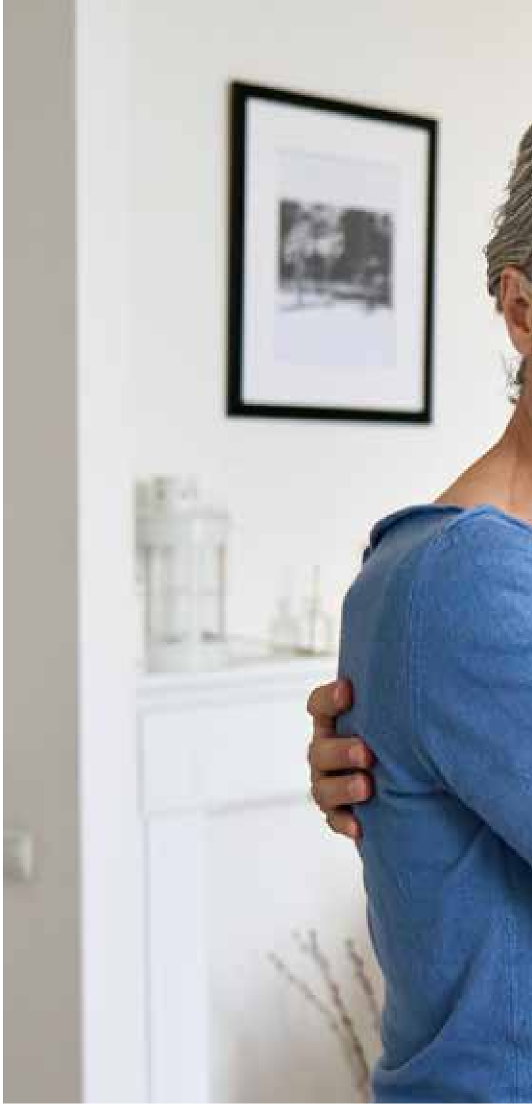


IMPROVING YOUR **FINANCIAL HEALTH**

Staying on track to achieving specific financial goals

All of your financial decisions and activities have an effect on your financial health. To help improve your financial health during this period of rising inflation and interest rates, we look at three areas that could help keep you on track to achieving your specific financial goals.

BEAT THE NATIONAL INSURANCE RISE

The National Insurance rise from April this year is going ahead for workers and employers despite pressure to reverse the decision to increase this by 1.25%, which is aimed at raising £39 billion for the Treasury. From April 2023, it is set to revert back to its current rate, and a 1.25% health and social care levy will be applied to raise funds for further improvements to care services.

One way to beat the National Insurance increase is by taking advantage of salary sacrifice, which means you and your employer pay less National Insurance contributions. Some employers may decide to maximise the amount of pension contributions by adding the savings they make in lower employer National Insurance contributions (NICs) to the total pension contribution amount they pay.

This is also a way to make your pension savings more tax-efficient. If you choose to take up a salary sacrifice scheme option, you and your employer will agree to reduce your salary, and your employer will then pay the difference into your pension, along with their contributions to the scheme.

As you're effectively earning a lower salary, both you and your employer pay lower NICs, which could mean your take-home pay will be higher. Better still, your employer might pay part or all of their NICs saving into your pension too (although they don't have to do this).

REVIEW YOUR SAVINGS ACCOUNTS AND RATES

Money held in savings accounts hasn't grown much in recent years due to historically low interest rates. But with inflation running higher, your savings are now at risk of losing value in 'real' terms as you'll be able to buy less with your money.

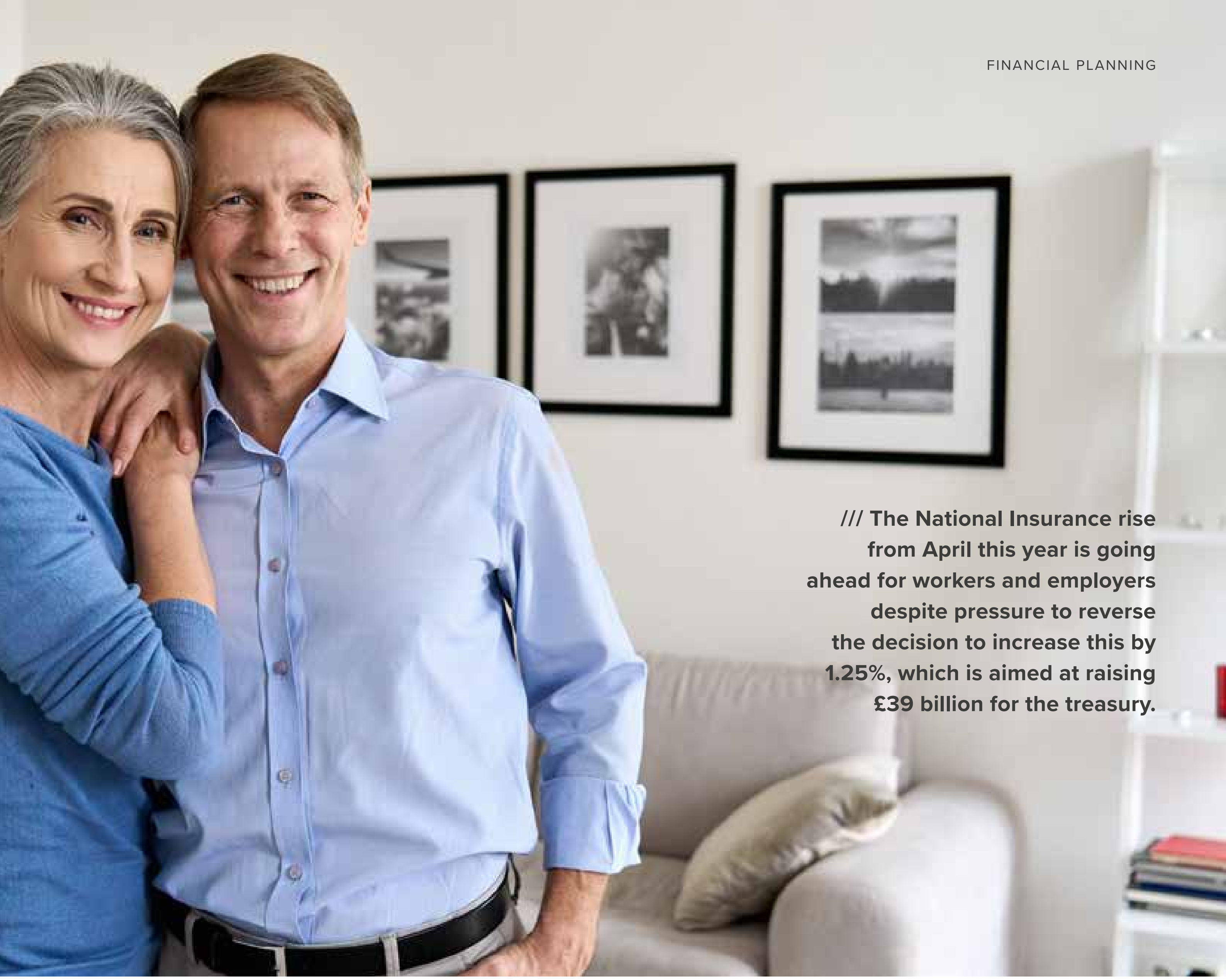
In some respects, inflation can be seen as a positive. It's a sign of strong economic recovery post-COVID, increasing salaries and higher consumer spending. But it's bad news for your cash savings. Relying solely or overly on cash might prevent you from achieving your long-term financial goals, which may only be possible if you accept some level of investment risk.

In an environment where the cost of living is rising faster than the interest rates received on cash, there is a danger that your savings will slowly become worth less and less, leaving you in a worse position later on.

If you have money in savings, it is important to keep an eye on interest rates and where your money is saved. Rates are low and you will lose money in real terms if inflation is higher than the interest rate offered on your savings account or Cash ISA.

SHIFT LONGER-TERM SAVINGS INTO EQUITIES

During times of high inflation, it's important to keep your goals in mind. For example, if your investment goals are short term, you may not need to worry much about how inflation is impacting your money. But if you're investing for the long term, inflation can have a larger impact on your portfolio if it's sustained – although high inflation that only lasts for a short period may end up just being a blip on your investment journey.



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If you have large amounts of money sitting in cash accounts one way to beat inflation is to invest some of your money in a long-term asset that will appreciate with time, thus increasing your buying power over time. There are many ways to invest your money, but most strategies revolve around one of two categories: growth investments and income investments.

Historically, equities have offered an effective way to outperform inflation. Cyclical stocks – like financials, energy and resources companies – are especially well-suited to benefit from rising prices. These sectors typically perform better when the economy is doing well, or recovering from a crisis.

Depositing funds into your investment portfolio on a regular basis (such as monthly from salary) can help you invest at different prices, averaging out the overall price at which you get into the market. Known as pound-cost averaging, this can help you smooth out any fluctuations caused by market volatility over the long term. While volatility will always exist, it can be managed and reduced by taking this approach.

LET US HELP CHART YOUR PATH THROUGH LIFE

The most effective way to make the most of your money is by receiving professional financial advice. We can help you chart your path through life, ensuring you are financially ready for every stage. To discuss your requirements, please contact us for more information.

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HOW MUCH DO I NEED TO SAVE TO RETIRE?

Questions to help you live your best life in later life

The question, 'Have I saved enough to retire?' is a difficult one. It requires a lot of information about you, your family, your income needs in retirement, and an understanding of the various financial vehicles available for saving and investing before it can be answered definitively.

It's hard to know exactly how much you'll need in later life because everyone has different circumstances and different expectations. But by planning how much you'll need, and working out how best to build up your pension pot, you'll be in a better position to live your best life in later life.

Most people know they should save money to fund their retirement. But they may not know, however, how much money they should be saving in order to retire comfortably. So what should you consider?

Q: WHAT WILL MY LIFE LOOK LIKE WHEN I RETIRE?

While this might seem obvious, it's easy to forget about all of the little details when thinking about retiring or what your daily life will look like after retirement. Your budget is aimed at having a certain standard of living now, while working. Will that standard of living carry over into your retirement years? Will you need to scale back? Or will you be able to enjoy more of the finer things in life after you retire?

Q: HOW MUCH AM I CURRENTLY SAVING TOWARDS RETIREMENT EACH MONTH OR YEAR?

This is always a good metric to know how well your current savings are holding up, especially since you can compare it with other metrics later on. Saving early means your money is invested for longer and has more time to grow – and any returns your savings make are also reinvested and have a chance to grow too. If you know how much money is being put away for retirement now, it's easier to estimate how long it will take before that particular goal has been reached.

Q: HOW WOULD MY DAILY LIFE CHANGE IF I HAD LESS INCOME COMING IN?

By looking at your current income and expenditure, you can start to get a picture of what life would look like with a smaller income. Your expenses will likely decrease as you retire if it's only necessary to pay for the essentials, such as housing, food and utilities. You may be able to save more or spend more on things that make you happy (within reason). If most of your lifestyle doesn't change much after retirement, chances are that you're doing all right with your savings. But be mindful that people are living longer than ever, and that will create some challenges for retirees.

Q: HOW LONG WILL MY MONEY LAST IN RETIREMENT?

This is where it starts getting complicated because there are several questions involved: How much money do we plan to live on each month (that includes any and all expenses)? How long will that money need to support us? How much income do we expect to have throughout retirement? It may take several years of research, but being aware of your 'magic number' for retirement is a good way to see how well you are doing with saving. Turning your dreams into reality will take careful planning and budgeting. Once you've got a good idea of your life expectancy, pension pot and any other retirement income, we can help you make an informed decision about when the right time to start your retirement is likely to be.

Q: HOW CERTAIN AM I THAT MY SAVINGS ARE ENOUGH?

No one has an exact answer as to how much money they should be saving towards retirement – everyone's situation is different. Knowing your savings certainty can help you better understand whether or not it's enough for your needs. This metric may require some thinking about what type of lifestyle you want in the future, what expenses will change or go away, and how long you might live if nothing changes. Retirement can be a long time, so it's important to think about how you plan to spend your golden years. The common perception is that you'll need between half and two-thirds of the final salary you had when you were working, after tax, to maintain your lifestyle once you retire. ◂

NEED HELP PUTTING A RETIREMENT PLAN IN PLACE, AND KEEPING IT ON TRACK?

If it looks like what you have won't cover the lifestyle you want in retirement or you want to review your current retirement plan, speak to us. We'll give you peace of mind by helping you put a plan in place, and keeping it on track, so you can make the most of your retirement. Don't delay, please contact us if you require further information.

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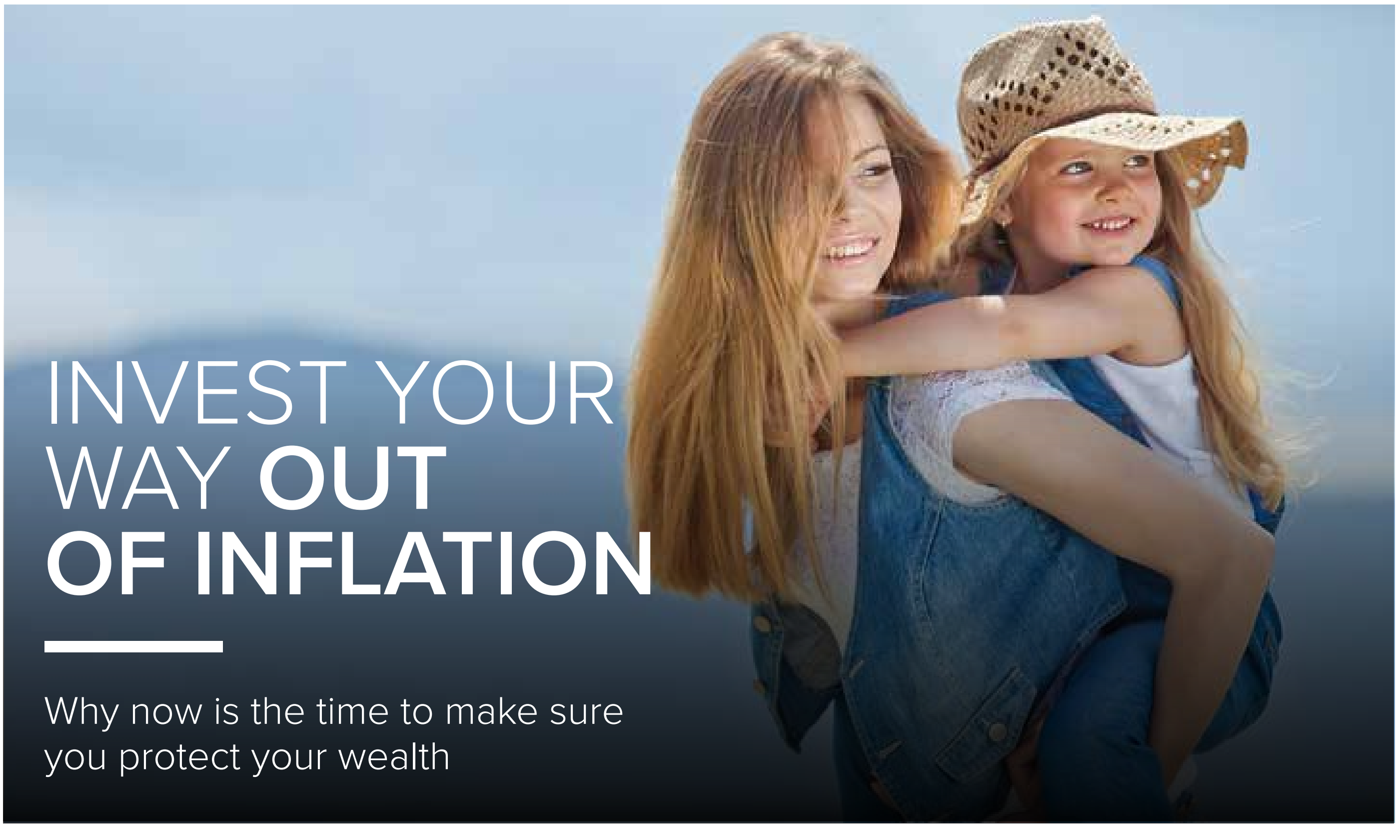

INVEST YOUR WAY **OUT OF INFLATION**

Why now is the time to make sure you protect your wealth

The word 'inflation' had barely featured in the market's vocabulary in the last three decades until it suddenly started to come back with a vengeance in 2021. As higher inflation looks set to persist in 2022, finding ways to generate a return on investments greater than inflation will be a key investment theme – otherwise your wealth falls in real terms.

SPENDING SPREE

There are two basic reasons why inflation has been increasing: supply and demand. Starting with the latter, consumers have been on a spending spree after having spent a large proportion of time during 2020 and 2021 at home bingeing on Netflix.

The main reason for the current rise is due to the global price of energy. This has meant higher energy and transport bills for businesses, many of whom pass on the extra costs to their customers. Supply problems and higher shipping costs are also continuing to have an impact on businesses.

HEALTHY ECONOMY

Central banks kept saying that inflation was 'transitory', but this now seems to have been replaced by the word 'persistent'. The result is that inflation will remain high on the economic agenda in 2022.

Inflation is a measure of how much prices have gone up over time. It's the rate at which cash becomes less valuable – £1 this year will get you further than £1 next year. It tends to be a good sign in a healthy economy, but too much of it can be hard to reel in and control.

BOE FORECAST

The Bank of England (BoE)[1] expects inflation to reach over 7% by spring 2022 and then start to come down after that. That's because most of the causes of the current high rate of inflation won't last. It's unlikely that the prices of energy and imported goods will continue to rise as rapidly as they have done recently. And this means that inflation will eventually decline.

The BoE forecasts the rate to be much closer to their 2% target in two years' time. But even though the rate of inflation will slow down, the prices of some things may stay at a high level compared with the past.

PURCHASING POWER

Beating inflation means earning higher returns from an investment than the inflation rate in the economy. If your return on investment is less than the inflation rate, this could basically nullify the returns you have earned. Due to various reasons, the purchasing power of money decreases significantly every year.

Investing with inflation in mind is essential for protecting your current and future wealth and involves choosing assets that naturally keep pace with rising prices. These mostly include either real, tangible assets, or investments that pay a variable rate and appreciate or increase over time.

LOOKING FOR A BETTER CHANCE OF BEATING INFLATION OVER THE LONG TERM?

If you've already got an emergency fund, or have excess cash in the bank, it may be time to consider investing some of it to protect your wealth from inflation. Investing some of your money may give you a better chance of beating inflation over the long term. To discuss your options, please contact us.

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Source data:

[1] https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising

'TIME IS MONEY'

Five principles of investing everyone should know

Are your investments working as hard as they could be? With so many options out there, it can be confusing. We can help you navigate your options and provide a personalised recommendation based on your investment goals.

The following five principles will help you get on top of some key issues that affect everyone who invests their money.

1. SET INVESTMENT GOALS

Successful investing begins by setting measurable and attainable investment goals and developing a plan for reaching those goals. Keeping your plan on track also means evaluating the progress on a regular, ongoing basis.

Whatever your personal investment goals may be, it is important to consider your time horizon at the outset, as this will impact the type of investments you should consider to help achieve your goals.

Committing to investment goals will put you on the path to building further wealth. Investors who make the effort to plan for the future are more likely to take the steps necessary to achieve their financial goals.

2. INVEST AS SOON AS POSSIBLE

It's easy to say that it is better to invest early, but why? The benefits of investing early are numerous and should not be overlooked. However, the benefits that come with starting your investment portfolio as soon as possible will also depend on your attitude towards investment risk and how patient you can be. It is no secret that the well-known proverb 'time is money' could not ring more true in today's society.

You might be inclined to ask yourself the following questions: 'Why bother investing early?' 'What difference does it make?' And 'Why should I invest now instead of next year or beyond?' The answer is that time allows you to take more calculated risks.

If you invest for the long term, any short-term volatility shouldn't affect your ability to reach your investments goals over time.

If you invest early and incur a loss, you have more time to make up for the loss on investment. Whereas an investor who starts investing at a later stage in life will get less time to recover any losses. Thus, with early investments, your investment has the opportunity of more time to grow in value.

Not only is time your best friend when you're investing, but you'll also reap the benefits of something called 'compounding'. To paraphrase Ben Franklin: Your money makes money. And then you make more money on the money your money makes. The longer your money can benefit from the power of compounding, the bigger your gains will be as time goes on.

3. INVEST REGULAR AMOUNTS

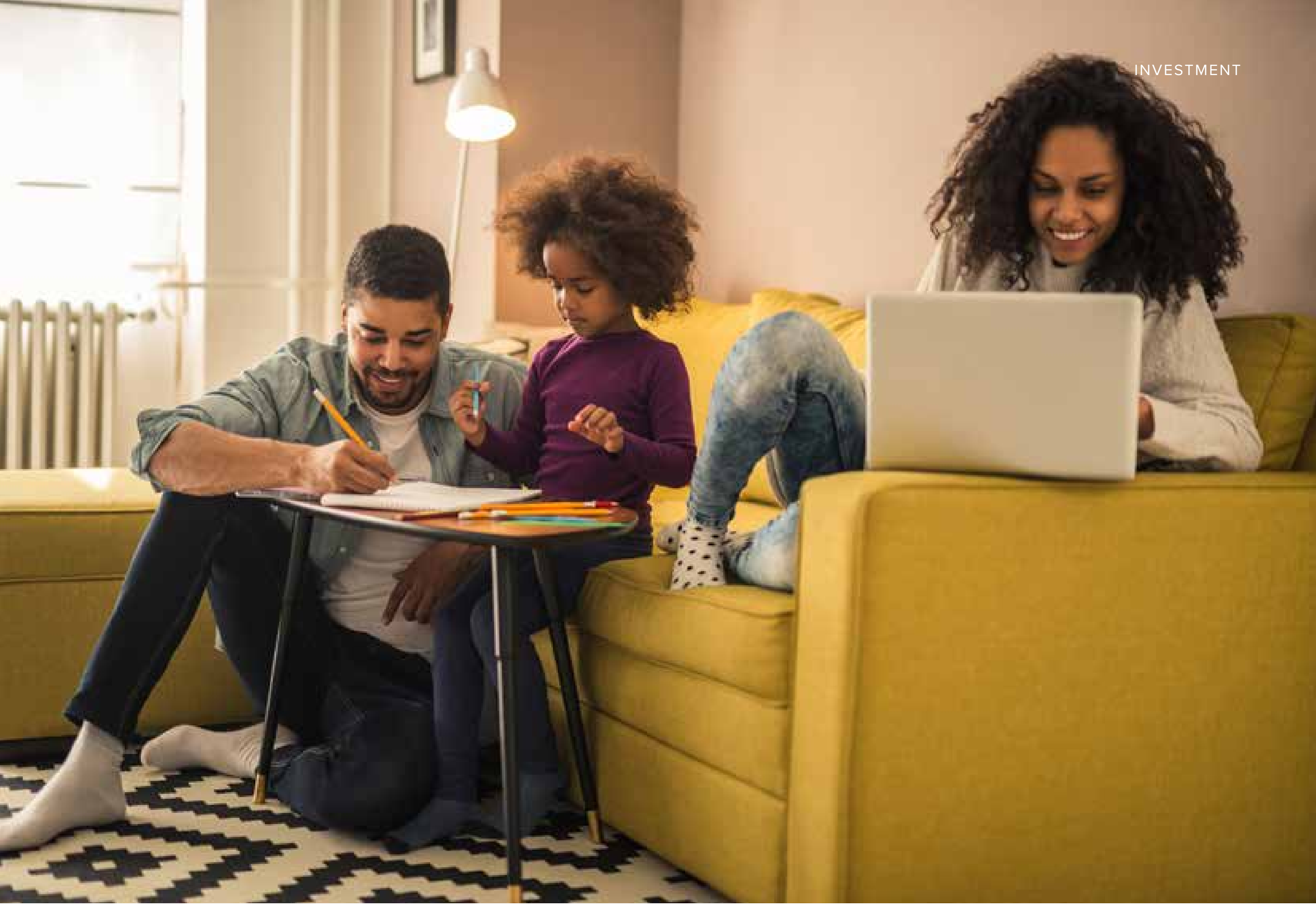
By investing regularly, you benefit from highs and lows in the market – called 'pound cost averaging' – and this helps cut down the risk of investing when the market is high. Dips in the market, particularly in the early years, could even work to your advantage provided you have committed to investing for a lengthy period.

If your chosen investments have become cheaper to accumulate it means your investment buys more shares or units to keep for the long term. By investing regular monthly amounts, rather than a larger lump sum in one go, you end up buying more shares or units when prices become cheaper and fewer when they become more expensive.

Although it might sound quite technical, it essentially means adding money on a regular basis into your investment. This is an effective way to invest because if you keep buying when the market falls you could, over time, turn volatility to your advantage.

4. DIVERSIFY YOUR PORTFOLIO

Diversification is spreading investment risk, the goal being to increase your odds of investment success. Your investment portfolio risk tolerance should be split across different types of investment, so your money is less



likely to be affected by any single event or economic development.

A simple example might be splitting £10,000 between shares in FTSE100 companies and shares in small companies, government bonds and corporate bonds. Diversification is important in investing because markets can be volatile and unpredictable. While individual asset classes can suffer declines, it's very rare that any two or three assets with very different sources of risk and return, like government bonds, gold and equities, would experience declines of this magnitude at the same time.

Where possible, always make investment decisions and portfolio allocations based on your personal circumstances and goals. Accordingly, asset allocations in a portfolio should not only be guided by your risk tolerance and its ability to guard against market volatility, but also by the stage of life you are at.

5: RESIST THE URGE TO PANIC SELL

What this means is that your ability to cope with short-term volatility in your investments is just as important as the choices you make at the outset of your investment journey. But if, say, there is a stock market correction, resist the urge to sell up immediately; instead sit tight and ride out any downward movement before looking for opportunities to exploit if they arise later.

The fear of incurring major losses could make it extremely tempting to sell your investments. Yet while this may temporarily alleviate your nerves, doing so could put a significant dent in your long-term gains. Investment trends show that leaving your money invested increases the chances of it growing and building your wealth pot.

If you invest for the long term, any short-term volatility shouldn't affect your ability to reach your investment goals over time. Keep calm and carry on building up your investments. History has shown that over long enough time periods, no matter what challenges the global economy has faced, markets recover from significant downturns.

VALUABLE ADVICE, TAILORED TO YOU

We believe in helping you plan for the life you want rather than letting the future take you by surprise. We want to give you access to our financial and investment expertise, to help give you the chance to choose what your financial future looks like. To find out more, please contact us.

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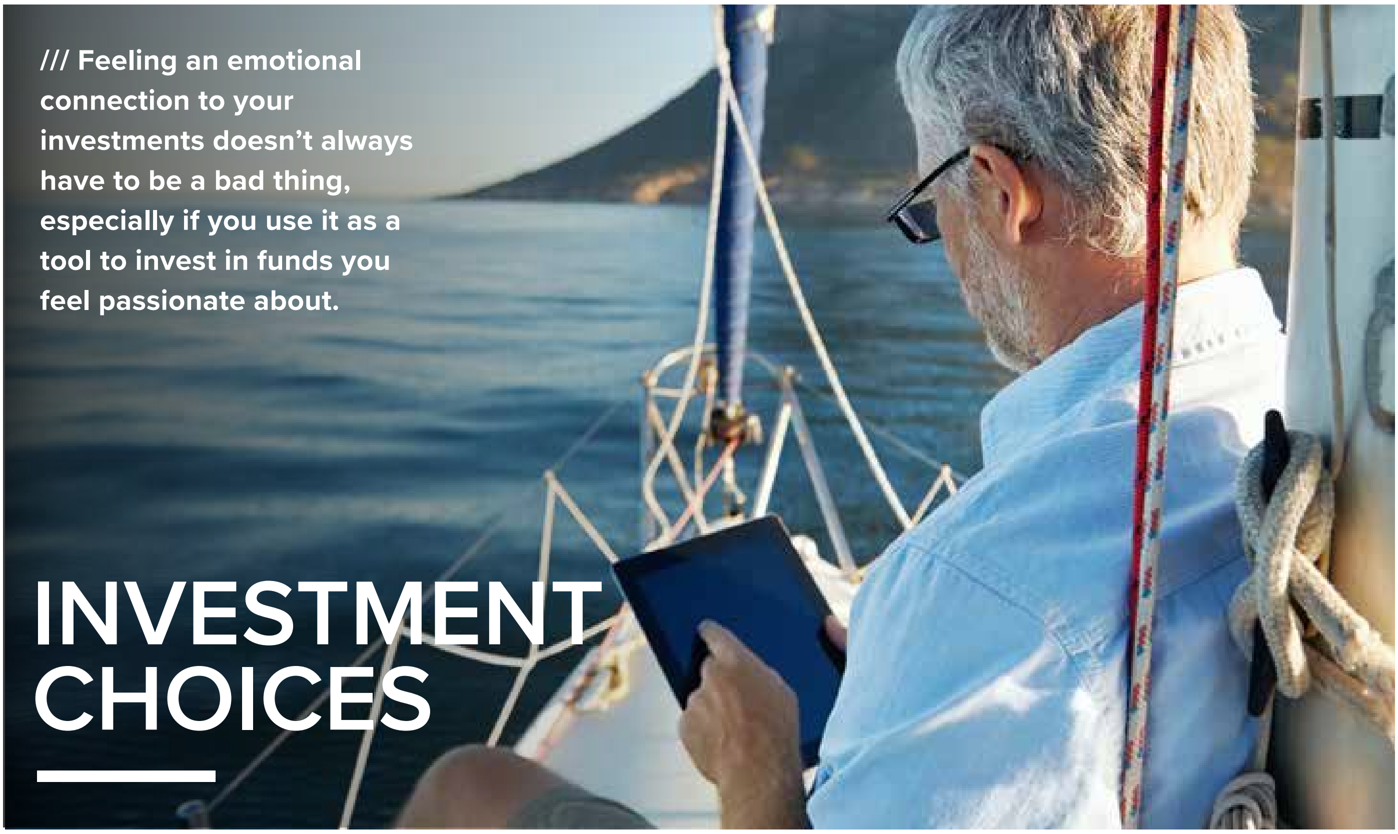

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INVESTMENT CHOICES

Behavioural patterns shaping our way of investing, for better or worse

When it comes to money and investing, we're not always as rational as we may think. Every human being is driven by emotions – more than we would like to admit. Emotions are the key drivers of our behaviour, and these behavioural patterns shape our way of investing, for better or worse.

Investors know they shouldn't let emotions or impulses drive their investment choices, but many just can't help themselves, according to new research that has revealed half of British investors (50%) admit to having made an impulsive investment decision, with two-thirds (67%) going on to regret it.

INVESTMENT DECISIONS

When asked what influenced their investment decisions, social media topped the list, with a third (32%) of investors citing it as a factor, closely followed by friends (31%) and the fear of missing out (30%). The research also showed separating emotions from investments is hard no matter what it is investors are feeling. A third (34%) of them have made an impulsive investment decision while excited, a fifth (21%) when feeling impatient and 16% have made a decision in fear.

More broadly, just under half (47%) of investors have admitted they often feel anxious about their investments and two-thirds often feel excited when checking on their investments. Anxiety and excitement can also lead to other bad investment habits, with 62% feeling the need to constantly monitor their investments to succeed, meaning they could be prone to react to short-term fluctuations in the market.

DIVERSIFIED PORTFOLIO

Feeling an emotional connection to your investments doesn't always have to be a bad thing, especially if you use it as a tool to invest in funds you feel passionate about. However, when your feelings start to cloud your decision-making, it's time to take a step back. By understanding your emotions, it's easier to manage them and create a diversified portfolio that does not just take advantage of market opportunities but can also weather any storms.

It's understandable that many investors enjoy the thrill and excitement of investing. One compromise investors can make is the 'core-satellite approach'. Investors may want to put their money into something stable and less exciting, and then add a small, satellite component of investments that give them more enjoyment, keep them engaged and give them an emotional reward – but without causing investors to make any decisions they may regret. ◂

CREATING THE FUTURE YOU WANT

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We understand the impact your wealth has today and for generations to come. That's why we work with you to help your investments create the future you want. We listen to you and build our service around your vision. To find out more, please contact us.

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Source data:

[1] All data, unless otherwise specified is taken from 2,000 respondents of a representative sample size conducted by Censuswide in September 2021 – all respondents were 18+ and had previously invested money.

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