



LLOYDS

Independent Financial Planning

GUIDE TO

SIX PRINCIPLES OF INVESTING

PUTTING ASIDE MONEY FOR YOUR FUTURE
AND GETTING IT TO WORK FOR YOU

MAY 2021



GUIDE TO

SIX PRINCIPLES OF INVESTING

Putting aside money for your future and getting it to work for you

Whatever stage of life you've reached and whatever plans you may have for the future, you want your money to earn the best return possible without taking undue risk. That's why it's important to invest in a way that's right for you and that will meet your goals.

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. How much control do you want over your investments? Investing can seem daunting but you don't have to do it all on your own.

So what do you need to consider?

1

Have a plan and stick to it

Your wealth should work in all the ways you want it to. Whatever your goals are in life, careful planning and successful investing of your wealth can help you get there. The first thing to consider is to establish your investment objectives based on your future goals. It is one thing to have a target, but a sound financial plan can make the difference between simply hoping for the best and actually achieving your investment goals. You need to review your investments regularly to ensure they remain on track, stay focused on your plan and make sure you don't get distracted by short-term market uncertainty.

2

Cash isn't always king

Putting your money in cash can seem appealing as a safe and secure option – but inflation is likely to eat away at your savings. For most people with longer-term investment plans, cash needs to be supplemented with investment in other asset classes that can beat the perils of inflation and offer better capital growth potential. If you're investing – especially for major goals years away, such as retirement – you can't afford to ignore the corrosive effect rising prices can have on the value of your assets. Different asset classes provide varying degrees of protection against inflation.

3

Diversify and always consider your investments as a whole

If we could see into the future, there would be no need to diversify our investments. We could merely choose a date when we needed our money back, then select the investment that would provide the highest return to that date.

One of the easiest ways to manage investment risk and improve your probability of success is to have a variety of investments. You can diversify your portfolio across different asset classes, geographical markets and industries. A diversified portfolio, including a range of different assets, will help to iron out the ups and downs and avoid exposing your portfolio to undue risk.

4

Start investing early if you can

Starting early is one of the best ways to build wealth. Investing for a longer period of time is widely considered more effective than waiting until you have a large amount of savings or cash flow to invest. This is due to the power of compounding. Compounding is the snowball effect that occurs when the money you earn investing generates even more earnings. Essentially, you grow not only the original amount you invested, but also any accumulated interest, dividends and capital gains. The longer you are invested, the more time there is for your investment returns to compound.

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Don't abandon your plans

Some investors suffer from what behaviourists call 'activity bias': the urge to 'just do something' in a crisis, whether the action will be helpful or not. When investments are falling in value, it can be tempting to abandon your plans and sell them – but this can be damaging because you won't be able to benefit from any recovery in asset prices. Markets go through cycles, and it's important to accept that there will be good and bad years. Short-term dips in the market tend to be smoothed out over the long term, increasing the potential for healthy returns.

6

Tailored investment advice

Every single investor's needs are different and, while the points above are good general tips, there's no substitute for an investment approach that's tailored specifically for you. Once we know an investor's risk tolerance and their investment goals, we can put in place a global portfolio of equities, fixed income, cash, and, when appropriate, alternative investments. The goal is to invest with a long-term view and maximise after-tax returns. It may just be the best investment you ever make.

Make informed decisions

Making the right choices to invest for your future can seem complex. But with the right investment strategy in place you can ensure you are able to make informed decisions to secure the financial future you want. Life doesn't stand still, so your investment approach shouldn't either.

Although people may have very different goals depending on what life stage they are at, their goals can be broadly categorised into essential needs, lifestyle wants and legacy aspirations. Getting investment advice can be one of the most beneficial things you can do for your personal finances and long-term financial wellbeing. ■

LOOKING TO INVEST FOR GROWTH, INCOME OR BOTH?

If you're not sure which investments are right for your needs, we can help. Whether you are looking to invest for growth, income or both, we can provide the expert advice to ensure you achieve your financial goals. To identify which investment options are right for your individual circumstances or to find out more, please contact us – we look forward to hearing from you.

THE VALUE OF YOUR INVESTMENT CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU PAID IN.

LAWS AND TAX RULES MAY CHANGE IN THE FUTURE. YOUR OWN CIRCUMSTANCES AND WHERE YOU LIVE IN THE UK ALSO HAVE AN IMPACT ON TAX TREATMENT.

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NEED TO KNOW MORE ABOUT INVESTING FOR YOUR FUTURE?

Creating and maintaining the right investment plan will play a vital role in helping you to secure your financial future.

To review your current situation or to discuss the options available, please contact us for further information – we look forward to hearing from you.

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2021/22 tax year, unless otherwise stated.