Slater Financial
9-10 St Anne's Square, Buxton,
Derbyshire, SK17 6EA
Tel: 01298 212444 **Mobile:** 0771 2886 508
Email: advice@slaterfinancial.co.uk
Web: www.slaterfinancial.co.uk

Slater Financial
independent financial advice

FACTSHEET INVESTMENT

DEFINING THE SHORT, MEDIUM AND LONG-TERM RATIONAL FOR YOUR PORTFOLIO

Providing a clear road map for developing a proper investment strategy, with the correct balance of risk

Whatever your needs, we can help. You may wish to entrust the entire wealth management process to us, or make the investment decisions yourself and still leverage our extensive services and expertise.

Developing an investment strategy requires that you clearly define the short, medium and long-term rational for your portfolio.

Questions that should be considered are:

- What are the investment objectives of your portfolio?
- What appropriate investment strategies will achieve these objectives?
- What is your attitude to risk tolerance relative to your objectives?
- What is your time horizon for achieving your objectives?

A CLEAR ROAD MAP

Defining your investment objectives will provide a clear road map for developing the proper investment strategy, with the correct balance of risk.

There are different types of risk involved with investing, so it's important to find out what they are and think about how much risk you're willing to take. It all depends on your attitude to risk (how much risk you are prepared to take) and what you are trying to achieve with your investments.

INVESTMENT CONSIDERATIONS

It is important for you to establish the general purpose for creating the investment portfolio.

Such analysis should be undertaken:

- How much can you afford to invest?
- How long can you afford to be without the money you've invested (most investment products should be held for at least five years)?
- What do you want your investment to provide – capital growth (your original investment to increase), income or both?
- How much risk and what sort of risk are you prepared to take?
- Do you want to share costs and risks with other investors (by using a pooled investment, for example)?
- If you decide to invest using pooled investments, consider which type would be most suitable for you. The main differences between pooled investments are the way they pay tax and the risks they involve (especially investment trusts and with-profit funds).
- What are the tax benefit implications, what tax will you pay and can you reduce it?

INVESTMENT OBJECTIVES

You may be looking for an investment to provide money for a specific purpose in the future. Alternatively, you might want an investment to provide extra income. So having decided that you are in a position to invest, the next thing to think about is: 'What am I investing for?' Your answer will help you to choose the most suitable type of investment for you. If you have a particular goal, you will need to think about how much you can afford and how long it might take you to achieve your goal.

Slater Financial
9-10 St Anne's Square, Buxton,
Derbyshire, SK17 6EA
Tel: 01298 212444 **Mobile:** 0771 2886 508
Email: advice@slaterfinancial.co.uk
Web: www.slaterfinancial.co.uk

Slater Financial
independent financial advice

You may have a lump sum to invest that you would like to see grow or from which you wish to draw an income. Equally, you may decide to invest in instalments (for example, on a monthly basis) with a view to building up a lump sum.

RISK RETURN TRADE-OFF

Through a balancing process of the potential risk return trade-off, your portfolio objectives can be achieved. All investment strategies used to achieve the objectives must focus on these two important portfolio elements, 'risk and return'.

The best investment strategy is the one that achieves your objectives with the correct balance of the risk return trade-off, viewed over the proper duration or time horizon. The asset class, which has historically provided higher returns over the long-term risk adjusted, is equities, followed by bonds. Equities contain the highest degree of risk volatility. However, the longer the duration or time horizon for equities, the lower the potential for volatility.

Investors typically hedge against volatility through an asset allocation across a diverse range of asset classes and strategies. A combination of these different asset classes and strategies should achieve the investment returns for investors relative to their objectives.

DELIVERING HIGHER RETURNS

Your investment goals should determine your investment strategy, and the time question 'How long have I got before I need to spend the money?' is crucial.

Generally, the longer it is before you need your money, the greater the amount of risk you are able to take in the expectation of greater reward. The value of shares goes up and down in the short term, and this can be very difficult to predict, but long term they can be expected to deliver higher returns. The same is true to a lesser extent of bonds. Only cash offers certainty in the short term.

Broadly speaking, you can invest in shares for the long term, fixed interest securities for the medium term and cash for the short term.

'LIFESTYLE' YOUR NVESTMENTS

As the length of time you have shortens, you can change your total risk by adjusting the 'asset mix' of your investments – for example, by gradually moving from share investments into bonds and cash. It is often possible to choose an option to 'lifestyle' your investments, which is where your mix of assets is risk-adjusted to reflect your age and the time you have before you want to spend your money.

Income can be in the form of interest or share dividends. If you take and spend this income, your investments will grow more slowly than if you let it build up by reinvesting it. By not taking income you will earn interest on interest and the reinvested dividends should increase the size of your investment, which may then generate further growth. This is called 'compounding'.

PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

Investing is easier if you have a plan, and that means thinking about what you really want to aim for and when, and working out how much you can allocate towards achieving your investment goals. To discuss how we can help you create a portfolio that meets your needs, please contact us.