



INVESTMENT QUORUM

UNIQUE, BOUTIQUE WEALTH MANAGEMENT

No pain, no gain

Planning to get where you want to be

Successful saving and investing is arguably a lot like exercise – no pain, no gain. As is the case when undertaking a new fitness regime, if you properly commit yourself and stick to it, the eventual outcomes can be very rewarding.

Many people have savings and investment goals in their life, from the old adage of saving for a rainy day to planning for a comfortable retirement. Working out exactly what you want to get out of your investments will help you set realistic targets and keep you on track.

It will also give you an incentive to keep going when you need to and enable you to arrange your personal finances to get you where you want to be.

TYPES OF GOALS

The three most common types of investment goal are retirement planning or a property purchase over the very long term (15 years or more); life events, such as school and university fees over the medium term (10-15 years); and rainy day fund or lifestyle funds to finance goals such as that dream car or dream cruise over the medium to shorter term (5-10 years).

The minimum time horizon for all types of investing should be at least five years. But whatever your personal investment goals may be, it is important to consider the time horizon at the outset, as this will determine the type of investments you consider to help achieve your goals.

It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member of the family.

INVESTMENT STRATEGIES

Investment strategies should often include a combination of various fund types in order to obtain a balanced and diversified approach. Maintaining this approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money. This makes it important to allow for flexibility in your planning.

LONG TERM: RETIREMENT PLANNING

The importance of shifting goals can be seen in retirement planning, where it is quite common for

funds to be more geared towards equities in their early stages to try to build capital. As an individual grows closer to retirement age, their pension plan will tend to lean more towards bonds to reduce volatility. Exposure to riskier sectors such as commodities or real estate may also be gradually reduced as the individual ages.

A typical pension plan may start out as 60% equities, 30% bonds, and 10% 'other', including real estate or commodities, when the employee starts work. Towards the end of its life, the plan may be 70% bonds, about 20% in equities, and up to 10% in cash. This ensures that the person retiring does not become susceptible to a sudden slump in stock markets just as they are about to cash in some of the fund.

MEDIUM TERM: SCHOOL AND UNIVERSITY FEES PLANS

School and university fees planning may involve the same idea of buying a mix of equities, bonds and other investments in order to build enough capital to pay for education. Most plans of this type are geared to begin paying out after a fixed-term horizon, usually ten years, with withdrawals allowed incrementally after that to meet the fees. In this way, they need to be more flexible than pension plans that only pay out on retirement.

For this reason, parents often start plans when their baby is born so that they can start paying out when the child starts secondary school at age eleven, or even years before then, especially if they want their children to go to fee-paying primary or preparatory schools.

SHORT TO MEDIUM TERM: LIFESTYLE PLANS

Investment companies can offer ten-year plans or even shorter savings schemes that help pay out for a future holiday or dream car. A large number of products now exist for this, including Individual

Savings Accounts that contain stocks and shares, depending on your timescale and willingness to accept risk. ■

READY FOR THE NEXT STEP?

Whether you are looking to invest for income or growth, we can provide the professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To identify which options are right for your individual circumstances or to find out more, please contact us – we look forward to hearing from you.

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