Keeping you informed

A guide to investing

Banks Sheridan Wealth

o.brigman@bswealth.co.uk

07855 414515
01270 530971

Contents

The right investment choices

Simplifying investing

Fact finding and getting to know you

Understanding risk and how it affects your investments

Determining the appropriate level of risk for you

Understanding your risk profile

Diversifying to spread the risk

Choosing investment funds

Our investment philosophy

Our guarantee to you

The right investment choices

Being well-informed of your investment options and what they could mean for your future financial situation is absolutely essential in giving you the confidence that you are making the right decisions based on your personal circumstances.

Knowledge is power, which is why we have developed this guide explaining everything you need to know to make an informed decision regarding the right investment choices for you.

Our approach to offering any investment advice always starts with understanding the facts:

- What is your current financial situation?
- What goals and ambitions do you aspire to in the future?
- Do you understand the meaning of risk?
- How much risk are you comfortable taking to achieve your goals?

It's your money at the end of the day, so while your financial adviser will offer you expert professional guidance, you also need to know that the conclusions we come to together are right for you and that, wherever you decide to invest, we will guide you along the way as we manage the process to deliver the best solution for looking after your money.

Simplifying investing

While there are different processes and strategies around investing, it essentially comes down to putting aside money you can live without now, to use when you do need it in the future.

The best investment strategy is one that is defined by objectives and risk. With the returns on investments typically reflecting the risk profile of the investor.

It's important to be aware that the majority of investments come with no guarantees.

Even the most likely projected scenario for your investments are not certain as they can always be affected by market conditions and global events.

That doesn't mean your money is not secure though, as there are certain areas of investment that do offer secure returns, such as cash investments of the type usually offered by a bank or building society.

These could be considered low-risk investments, but with that low risk, generally comes a lower reward - or a lower return-on-investment.

The bigger picture: Investing for the long-term

If you are looking to generate money to meet a specific goal, such as preparing yourself for retirement, this would usually be considered to be a medium to long-term strategy.

In this scenario, you wouldn't be as affected by short-term changes in the market but would be focused on your end goal and what your finances could look like once you reach it.

Longer-term goals like these are usually achieved by setting up a regular monthly or annual investment, rather than a one-off injection of money.

Should you come into money that you wish to invest, you can of course invest a one-off lump sum though. An approximate timescale of short/medium/long term investments could be seen as:

Short: 3-5 years
Medium: 5-10 years
Long: 10+

What is the purpose of investing?

So why invest? Why not just enjoy what you have now? We've already covered the need to invest to work towards achieving a certain goal that you need a greater amount of finance for than you currently have, but there are other reasons to invest too.

No one knows what is around the corner and when you might need extra money, so building this pot of money for your own personal use is both wise and beneficial for offering the peace-of-mind that you have access to future capital should you need it.

Finally, saving now can help you to beat the rising cost of inflation and ensure that you maintain the great standard of living that you desire. Prior to any form of investment, we recommend you look at the following key areas:

- You have acknowledged and are managing any outstanding debt.
- You have adequate money left for any emergencies after you start investing (approximately 3-6 months of outgoings).
- You have taken out financial protection to cover you for situations where you might be unable to work due to injury or illness.

If you are unsure of what your financial needs would be in these scenarios, your financial adviser will be able to offer assistance and will make recommendations to address them, in line with your investment requirements.

“

OUR FACT-FINDING PROCESS WILL TAKE AN IN-DEPTH LOOK AT YOUR CURRENT **FINANCIAL SITUATION**, YOUR **INVESTMENT GOALS**, AND YOUR **OBJECTIVES**.

”

‘Fact finding’ and getting to know you

One of the most important things to do in ensuring that you follow the most appropriate investment strategy, is not just to determine your expectations, but also your attitude and comfort with risk.

Risk is often determined, in part, by how important the goal you are saving towards is.

For this reason, we get to know and understand you as a person before making any suggestions. What is it that you are you investing for? What have your investment experiences been like in the past?

Our fact-finding process will take an in-depth look at your current financial situation, your investment goals, and your objectives.

We will also speak to you on a personal level to determine your feelings regarding investing. Some people are more comfortable with risk than others.

There are no right and wrong answers – we just ask you to be honest about how you feel personally.

Finally, our fact-find will also look at the practical steps you are already taking, or could be taking, to make sure you are using any appropriate tax relief and allowance entitlements.

Important areas to consider

The following summarise the key areas you should be thinking about so that your financial adviser can offer you the most appropriate solutions for what you are looking to achieve through investing. If you are unsure about some of the answers don’t worry as that’s what we will be helping to guide you on:

- Are you investing for growth or income? (Or both?)
- Do you already have other investment products?
- Do you have the financial means to be able to invest? If so, what are they?
- Are you looking to invest for the short, or long term?
- Will you need to access your money at any point?
- What is your current tax position, and what is it projected to be when you cash in your investment?
- What would be the most tax-efficient investment products for you?
- Are you comfortable with a little risk, a lot of risk or somewhere in the middle?

Once the answers to these important questions have been explored, we will be in the best position to offer investment advice tailored specifically for you.

Understanding risk and how it affects your investments

One of the main factors in determining how and where to invest is your comfort level when it comes to risk. Everyone is concerned about financial risk – it's totally understandable that you don't want to see your hard-earned money disappear.

It's also understandable though that without some degree of risk, you are unlikely to see it grow significantly either.

We all feel comfortable with different levels of risk, which could be influenced by how much money you have to invest, your past experiences when it comes to investing and simply your personality.

While it's important to know that no investment is risk-free however, it's also important to realise that, generally speaking, the higher the level of risk, the higher the potential reward.

Higher risks often come with the potential for higher returns.

Any investment strategy brings with it the potential for loss and each type of investment carries a different degree of risk. For most people, their first experience of investing is to save with a bank as this is perceived as risk-free and keeps your money easily accessible should you need it. So why not just keep all of your money in the bank? Because along with the low level of risk, comes a lower rate of interest – typically lower than inflation, or the cost of living. What this means in real terms is that if your investment rate with the bank is less than inflation, then that money is guaranteed to lose money.

If you are looking to get a return on your investments greater return than inflation, you will need to take some risk.

Determining the appropriate level of risk for you

To fully understand the level of risk you are prepared to take when it comes to investing, there are three key factors we need to explore with you; attitude, capacity and need:

1. Your attitude to risk

We will guide you through our risk profiling process with a series of questions, examples of which can be found on the next page.

We want you to answer honestly so that we can determine the level of risk it is appropriate for you to comfortably take - remember that there are no wrong answers.

You won't need to explain or justify your reasoning but will simply be asked to respond with a 'Strongly Agree', 'Agree', 'No strong opinion', 'Disagree', or 'Strongly Disagree.'

2. Your capacity for loss

How you personally feel about risk is not the only criteria we use to determine your risk profile and find the most suitable investment strategy for you.

As no investments are guaranteed, we also need to consider the potential loss that could occur and explore the impact this would have on your financial objectives.

Your financial adviser will have an open and honest conversation to help you understand your capacity for loss; the level of potential loss you could afford and feel comfortable with.

Your attitude towards risk and your capacity for loss may be different. It is not usual, for example, to be prepared to take a lot of risk, but not have the emergency funds in place should your investments fall in value.

Understanding your attitude towards risk alongside your capacity for loss helps us to find the best balance.

3. Your need to take risk

You may not wish to take any form of risk with your investments. From an emotion perspective, this is understandable.

From a practical perspective though, you might need to take some risk if you are to meet your financial investment goals.

Any implications will be discussed with you and fully explained as it's absolutely essential that you understand any potential risk behind any investment you choose to make.

Determining your attitude to risk, your capacity for risk and your need to take risk to meet your investment objectives, enables us to agree your overall risk profile.

It could also be the case that we advise not to take as much risk because needs could be met via a lower risk solution.

Example statements that could determine your risk profile

1. I would enjoy exploring investment opportunities for my money.

    a. I strongly agree with this statement
    b. I tend to agree with this statement
    c. In between
    d. I tend to disagree with this statement
    e. I strongly disagree with this statement

2. I would go for the best possible return even if there were risk involved.

    a. Always
    b. Usually
    c. Sometimes
    d. Rarely
    e. Never

3. How would you describe your typical attitude when making important financial decisions?

    a. Very adventurous
    b. Fairly adventurous
    c. Average
    d. Fairly cautious
    e. Very cautious

4. If I had money invested in shares I would be nervous about the stock market falling in the short term.

    a. I strongly agree with this statement
    b. I tend to agree with this statement
    c. In between
    d. I tend to disagree with this statement
    e. I strongly disagree with this statement

Understanding your risk profile

Now that we will have a thorough understanding of the appropriate level of risk that is right for you in order to meet your investment goals, we will be able to understand what your risk profile looks like.

The following six risk profiles give an overview to the typical types of investors, of which there will be one that you are most aligned with – the level of risk goes up with each profile:

Very cautious

You are prepared to take only a small amount of investment risk.

This means that your portfolio will concentrate on investments which provide low returns in the long term with low risk to your capital. Only a small amount of riskier assets will be included in your portfolio in order to increase the chance of obtaining better long-term returns.

A typical Cautious investor will be invested mostly in fixed interest and cash with a small element (up to about one third) in equities and property which can boost longer term returns but are associated with more risk. Because you are a Very Cautious investor there will be slightly more invested in fixed interest and cash. The range of assets provides diversification benefits which also help to reduce the overall risk.

Cautious

You are prepared to take only a small amount of investment risk.

This means that your portfolio will concentrate on investments which provide low returns in the long term with low risk to your capital. Only a small amount of riskier assets will be included in your portfolio in order to increase the chance of obtaining better long-term returns.

A typical Cautious investor will be invested mostly in fixed interest and cash with a small element (up to about one third) in equities and property which can boost longer term returns but are associated with more risk. The range of assets provides diversification benefits which also help to reduce the overall risk.

Low end of cautious to moderate

You are prepared to take a limited investment risk in order to increase the chances of achieving a positive return, but you only want to risk a small part of your capital to achieve this.

A typical Cautious to Moderate portfolio will have up to half invested in fixed interest products which are low risk but have low returns. The larger part of the portfolio will be invested in equities and property which can boost longer term returns but are associated with more risk. Because you are a Low end of Cautious to Moderate investor there will be slightly more invested in fixed interest and cash.

The range of assets provides diversification benefits which also help to reduce the overall risk.

Adventurous

You are prepared to take a substantial degree of risk with your investment in return for the prospect of the highest possible longer term investment performance.

You appreciate that over some periods of time there can be significant falls, as well as rises, in the value of your investment and you may get back less than you invest. This strategy holds significant risk in the shorter term.

A typical Adventurous investor will be invested entirely in equities, both in the UK and overseas. There may be a significant proportion of the Investment in specialised equities.

Moderate to adventurous

You are prepared to take a medium degree of risk with your investment in return for the prospect of improving longer term investment performance.
Short term capital protection is not important to you and you are willing to sacrifice some long term protection for the likelihood of greater returns.
A typical Moderate to Adventurous investor will be invested mainly in equities but with other assets included to provide some diversification. There may be a small amount of specialised equity within the portfolio.

Very adventurous

You are prepared to take a substantial degree of risk with your investment in return for the prospect of the highest possible longer term investment performance.

You appreciate that over some periods of time there can be significant falls, as well as rises, in the value of your investment and you may get back less than you invest. This strategy holds significant risk in the shorter term.
A typical Adventurous investor will be invested entirely in equities, both in the UK and overseas. There may be a significant proportion of the investment in specialised equities. Because you are a Very Adventurous investor there will be slightly more invested in specialised equities.

Diversifying to spread the risk

Even if you are an Adventurous Investor, we need to determine the most appropriate way to invest your money.

One of the most important things to look at is how we can spread your risk – both across different types of investments and different companies.

This way, if something doesn't go to plan, your entire investment won't be affected.

Different investment types are known as asset classes and together we will decide the best asset classes to invest in based on your desired return and your risk profile.

The following examples showcase the different asset classes that may be available to you, ranked from a higher to a lower risk category:

Commodities

Commodity investments place your capital in raw materials or primary agricultural products and are a good way to achieve portfolio diversification.

Equities (Shares)

Investing in tradable shares of a company, either within the UK or internationally, offers long-term growth potential for both capital and dividend income, although performance, particularly in the short term, can be volatile.

Hedge funds

Hedge funds are a higher risk financial partnership that use a pooled fund to invest in the market, while offering greater protection against capital loss.

Commercial property

Investing in property as an asset offers the potential to generate ongoing capital in the long term.

Fixed interest (Bonds)

Bonds pay a guaranteed amount of interest over a set length of time.

There are a variety of government and corporate bonds available and they are often combined with equity investments, as the performance of them does not usually correlate, meaning that you will have a better diversified portfolio with a greater spread of the risk involved.

Cash

While cash can be one of the most risk-free investments, it also typically offers the lowest returns. Once you take into account inflation, cash can actually give you virtually no return on your investment at all.

Choosing investment funds

The type of funds you choose to invest in will be somewhat based on your risk profile.

A risk averse investor is likely to invest in lower risk assets such as cash, for example, while an adventurous investor is likely to choose higher-risk funds, such as equities, commodities and property.

While higher-risk funds often result in higher returns, it's important to realise that there are no guarantees.

The value of your investments can go down as well as up and you may not get back as much as you put in.

Types of investment fund

Cash and cash-like funds

Less risk and lower volatility with returns linked to bank and building society deposit rates. Returns will be lower though and there is no guaranteed capital protection.

Multi-asset passive management funds

Investment in multi-asset classes. Some, or all, of the fund management is based on tracking a particular market or index and will attempt to mirror their performance.

Some, or all, of the investment computer programme managed so do not include active fund management or processes.

Multi-asset single manager funds

Investment in multi-asset classes and funds from a single investment fund house. Funds may be managed by specialist managers within the single investment fund house or by the individual single manager.

Funds may invest across different asset classes or single managed funds may be blended from within that fund house to meet a specific risk profile and asset allocation.

This type of fund is actively managed to achieve the expected return.

Multi-asset multi-manager funds

A specialist multi-manager chooses a number of single managed funds from the whole of the market, combining them to meet a specific risk profile and asset allocation. Asset allocation is actively managed to achieve the expected return.

The multi-manager will monitor the market and switch between funds and sectors when appropriate, with the aim of reducing volatility. This gives the investor access to a wide range of different fund managers and asset types.

Discretionary fund management

Often considered a more personal approach consisting of a portfolio of investment vehicles rather than a fund of funds. A portfolio of varying assets and investment types will be constructed based on your risk profile and agreed investment strategy.

The discretionary fund manager will monitor the market and switch between funds and sectors when appropriate, rebalancing your portfolio assets in line with the agreed strategy.

A minimum overall investment value is usually needed for this service, inline with your investment requirements.

Our investment philosophy

We appreciate that choosing the right savings and investments can be a complicated and time-consuming process.

That's why our philosophy is to support you along your own individual journey, putting you in the ideal position to reach your long-term financial goals.

By trusting us to provide you with tailored financial advice we will help you plan, review and adapt your investment journey where necessary, helping you determine:

- The amount you need to save to reach your objective
- How long you need to save for
- The appropriate level or risk versus potential reward
- Funds and investments you feel comfortable with
- The most tax-efficient ways to manage your money

Naturally, life moves us in different directions that we can't always predict. Your personal situation can change, stock markets fluctuate, and tax regulations change.

Why you should regularly review your financial plans

Your financial plans should not be static Objects. It is crucial to review your plans over time and on a regular basis to ensure that you remain on track towards your goals. You also need to adapt your financial plans as your circumstances change.

When should you review your financial plan?

This can depend on your circumstances, but it should certainly be at least annually, and probably also when something major happens to your personal or financial situation.

Having an expert on hand to support you with your Investment decisions is the best thing you can do for your own peace-of-mind.

Our guarantee to you

The financial world is complex, and financial advice should always be sought when making any big financial decisions. When it comes to ensuring the investment path you choose is right for you, we are here to help you.

Each of our clients is viewed as an individual with their own unique set of circumstances. We offer a truly personal service and we strive to discover what motivates you and what your goals and aspirations are. Any financial recommendations we make are the result of a detailed exploration of your needs and desires.

Whether you are looking to save and invest for your future, plan for your retirement, own your own home or ensure that it, as well as any other assets, are passed down to your dependants in a tax-efficient way, we will always treat you with the utmost respect, honesty and fairness.

Banks Sheridan Wealth

o.brigman@bswealth.co.uk

07855 414515
01270 530971

Datum House,
Electra Way,
Crewe,
CW1 6ZF

Important Information

This is a marketing communication.

The contents featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. 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 any articles.

Investments carry risk. The value of your investments (and income from them) can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

Banks Sheridan Wealth Limited is an appointed representative of Sense Network which is authorised and regulated by the Financial Conduct Authority. Registered Address: Datum House, Electra Way, Crewe, CW1 6ZF Registered in England & Wales No. 13558124.