



What dictates your investment approach?

Building a consistent, long-term and well-diversified investment strategy

To make the most of your investment opportunities, allow your lifestyle and not stock market fluctuations to dictate your investment approach. Your goals are what count, so keep them firmly in mind when you make financial decisions.

LONG-TERM STRATEGY

Many investors use a consistent, long-term strategy to build a more secure financial future through steady purchases of well-diversified investments. But speculators and market timers are usually less concerned about consistency. They may switch investment philosophies on an emotional whim, sometimes treating their investments more like play money than the serious money needed for their financial future.

Most people would probably say they are investors, but the question is not so easily answered. During a bull market, it can be relatively easy to be a long-term investor. However, when the stock market really starts fluctuating, this is when an investor's resilience can be tested – revealing many closet speculators.

PREDICTABLE CYCLE

Market timers follow a fairly predictable cycle. When prices seem low relative to historical norms, they buy. When an investment's value seems to peak, they sell.

In theory, market timing seems fairly rational, but in practice it rarely works. Even the most sophisticated investors, with years of experience and the best analytical tools, cannot predict the whims of the financial markets. What's more, market timers are often misled by emotional factors such as greed or fear. Many end up potentially buying at the tail end of a market rally or selling in a panic at a loss.

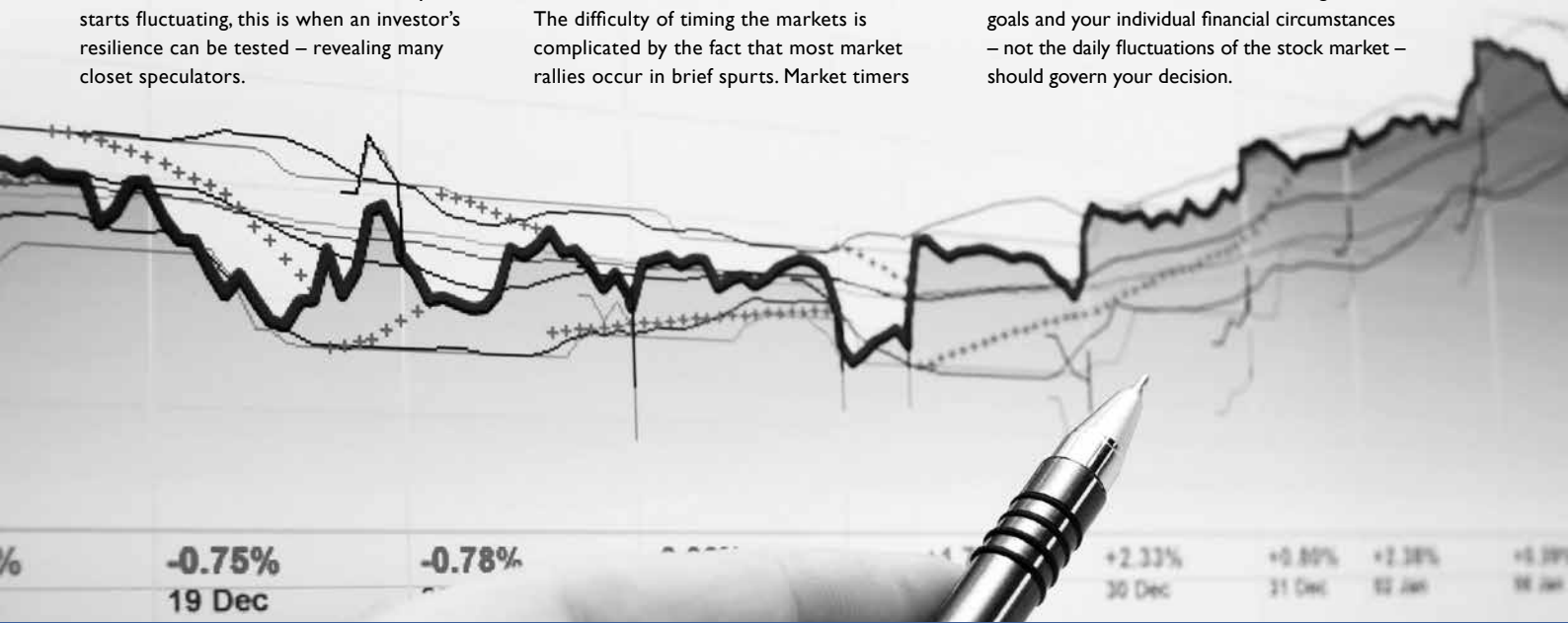
The difficulty of timing the markets is complicated by the fact that most market rallies occur in brief spurts. Market timers

waiting for the right opportunity to buy or sell risk being out of the market during these sudden market changes.

MARKET TIMING

To benefit from market timing, you must accurately predict the future – not once, but twice. First, you must correctly determine when to sell. Second, you must accurately determine when to get back in. Because falling markets can rise steeply within days, your timing must be nearly perfect.

To avoid falling into the speculator's trap, focus on the term 'individual' before making any investment decision. Your individual long-term goals and your individual financial circumstances – not the daily fluctuations of the stock market – should govern your decision.





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By focusing on your individual needs and sticking to your investment strategy, you could actually benefit from the stock market's fluctuations. For example, a good long-term investment strategy generally includes investing a set amount at regular intervals.

Of course, changing your investments during a fluctuating market is not always speculating. It can be the mark of an astute investor if the reasons for your changes are consistent with your individual long-term goals.

Instead of market timing, try lifestyle timing. Look at your own investment portfolio and compare it to your long- and short-term goals.

LIFESTYLE CHANGE

Do you need to withdraw money within the next year or so to begin funding your retirement or to make some other lifestyle change? If so, you might want to rebalance your portfolio to a more conservative mix of assets.

What about your long-term goals? Short-term market fluctuations will probably not significantly

affect your long-term plans, and it may be wise to stick with your current strategy.

EMOTIONAL FACTOR

Disciplined, systematic investing does not promise a profit or protect you from a loss, but it does reduce the odds of you putting too much money into an investment when prices are high, and it also removes the emotional factor from your investment strategy. ■

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THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

HELPING YOU MAKE THE RIGHT CHOICES

To afford the lifestyle you want, you need to do something about it today. It's never too early to start saving and investing in order to plan for your future. To find out what you'll need to think about so that you make the right choices, or to find out more, please contact us.



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