Roberts Mackie Winstanley
Independent Financial Advisers

FACTSHEET

Reasons for investing

Taking a long-term view to wealth creation

Stock markets can be unpredictable. They move frequently – and sometimes sharply – in both directions. It is important to take a long-term view (typically ten years or more) and remember your reasons for investing in the first place.

OCCASIONAL DOWNTURNS

Be prepared to view the occasional downturns simply as part of a long-term investment strategy, and stay focused on your goal. Historically, the longer you stay invested, the smaller the likelihood you will lose money and the greater the chance you will make money.

Of course, it's worth remembering that past performance is not a guide to what might happen in the future, and the value of your investments can go down as well as up.

TIME TO GROW

Give your money as much time as possible to grow – at least 10 years is best. You'll also benefit from 'compounding', which is when the interest or income on your original capital begins to earn and grow too.

There will be times of market volatility. Market falls are a natural feature of stock market investing. During these times, it is possible that emotions overcome sound investment decisions – it is best to stay focused on your long-term goals.

DON'T TRY TO TIME THE MARKET

Resist the temptation to change your portfolio in response to short-term market movement. 'Timing' the markets seldom works in practice and can make it too easy to miss out on any gains.

The golden rule to investing is allowing your investments sufficient time to achieve their potential.

HOLDING PERIOD

Warren Buffett, the American investor and philanthropist, puts it very succinctly: 'Our favourite holding period is forever.' Over the long term, investors do experience market falls which happen periodically. Generally, the wrong thing to do when markets fall by a reasonable margin is to panic and sell out of the market – this just means you have taken the loss. It's important to remember why you're invested in the first place and make sure that rationale hasn't changed.

REGULAR PORTFOLIO REVIEWS

It is important to carry out regular portfolio reviews to consider the suitability of your investments and to make sure that any changes in your attitude to risk are accurately reflected. Over time, your attitude to risk is likely to change. If you are approaching retirement, for example, you may want to preserve capital or generate an income, while if you are investing for growth, you may need

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to take on more risk to potentially boost returns. There are two key questions that you should ask yourself: firstly, 'How much capital can you afford to lose?', and then, 'How long is your investment horizon?' The general rule is that the more risk you are prepared to take, the greater your potential returns could be. At the same time, however, it is important to realise that there is a greater potential for loss.

REVIEWING THE AMOUNT OF RISK

As these two factors can change over time, it is crucial that you are able to adjust your portfolio to reflect them. Please remember that the value of your investments and the income received from them may go down as well as up, and you may not get back the full amount invested.
As well as regularly reviewing the amount of risk taken in your portfolio, it is also important to make sure your portfolio remains as diversified as it can be and that it reflects any changes in your investment objectives. The key to building a diversified portfolio is to take a balanced approach. This means combining a range of investments that can help you meet your investment goals within an appropriate level of risk.

EXPOSURE TO DIFFERENT MARKETS

Income-seeking stock market investors may want to diversify away from their home UK market to take advantage of dividend opportunities globally. Meanwhile, in fixed income, the current low yield environment means that investors may need to look across a wider range of global bond sectors and markets to maintain attractive future returns. Either way, you need to make sure you have the right levels of exposure to different markets for the outcomes you're looking for. However, please note that diversification does not guarantee investment returns and does not eliminate the risk of loss.

Investing outside of the UK can involve a higher degree of risk and also involves a degree of exchange rate risk. If you are in any doubt about the suitability of an investment or understanding your risk appetite, you should always seek professional financial advice.

ACHIEVING FINANCIAL WELL-BEING AND SECURING YOUR FUTURE

Having a plan for the future can make the present feel less stressful, as it provides you with the knowledge that you have a helpful buffer for any unexpected events that may come your way. It's also essential to achieving financial well-being and securing your future. There are many different ways of accumulating wealth for your future. To discuss how we can help you, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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.

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