VINTAGE
WEALTH MANAGEMENT

INVESTMENTS: ADOPTING A PLAN FOR LONG-TERM RETURNS

Whether you're a spender or a saver, what you choose to do with your money is a very personal decision. And such decisions will be made by weighing up multiple factors, including your appetite for risk and your ambition for return in the future. The broad spectrum of financial products that fall under the category of investments provides individuals with an extensive menu of options aimed at generating growth over time. Investors can pick and choose the products and platforms that fit best with their profile and their particular financial objectives.

Looking to the future

The Investment Association estimates that assets managed by the UK investment management industry increased to £11.0 trillion in 2020, up from £10.0 trillion in 2019. This figure incorporates institutional investors as well as the many individuals seeking a growth platform for cash generating comparatively little earnings while sitting in bank accounts with interest rates of less than 1%.

Key question:

If you have cash sitting in bank accounts, are you aware of the interest rates and the returns those savings are generating? Would you consider investing as an alternative?

An assessment of risk

Investing can take many forms, dependent on how much control an individual will want over decision making and how much risk they are prepared to take. Risk is an inherent part of investing, which is a concept predicated on markets rising over the long term as companies grow and enabling greater returns to be realised over time when compared with standard savings accounts. However, while it would be hoped that the amount you take out would be higher than the amount you put in, there are no absolute guarantees. Companies, funds and markets are subject to a variety of variable forces and no-one can state with certainty that strong past performance will be repeated in the future.

Key question:

Do you have a clear understanding of the risk-based nature of investments? What level of investment risk are you comfortable with?

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> 85% of people want their investments to make a positive impact.
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> BlackRock

Clarifying your investment goals

Having established your personal risk profile, it's also important to consider the motivating forces and objectives that are driving your decision to invest. This can help bring clarity to your expected investment timeframe, the level of funding you are planning to allocate, the returns you are hoping to achieve, and the level of contingency or emergency funds you might want to access at any time. By defining these parameters and goals from the outset, you put yourself in a more robust position when it comes to making choices about where and when to invest. Crucially, it will also help guide decisions about when not to invest. And, by focusing your mind on a particular point on the horizon, it can also provide security to help ride out periods of short-term volatility in relation to a company, sector or the market as a whole.

Key question:

What are your motivations for investing? What specific financial goals do you have in mind? Over what timeframe are you looking to achieve these goals?

Ways to invest

Investing doesn't need to be complicated, with technology such as mobile apps now making it even easier to buy and sell equities. However, there are a broad range of investment vehicles available that are designed to manage risks factors while optimising the potential for returns. Investment bonds, Unit Trusts, Investment Trusts and Open-Ended Investment Companies (OEICs), for example, are collective investments where funds are pooled with other individual investors. Alternatively, money can be placed into a Managed Portfolio Service (MPS), where the selection of investments and trading activity is managed actively or on a discretionary basis in tandem with an adviser. For a more bespoke approach, individuals can work with qualified investment managers to create a fully tailored portfolio of investments. Which of these routes you take will depend partly on your appetite for risk and whether your approach will be more active or passive.

Key question:

Are you aware of the various investment vehicles available to you and how they differ? Do you want to take an active or passive role in your investment decisions?

An ethical approach to investing

In recent years, investors have shown increasing interest not just in what returns they can expect to generate but how those returns are generated. This has contributed to dramatic growth in ESG funds, which aim to support companies and investment vehicles with strong environmental, social and governance credentials. However, it's important to note that there are no fixed definitions in this area, so investors need to look carefully at the make up of ESG funds to see if there is alignment with their own idea of what is ethical, socially responsible or environmentally sound.

Tax-efficient investing options

Another route into investing is to open a stocks and shares Individual Savings Account (ISA). This provides a simple 'wrapper' into which funds are invested into OEICs, investment trusts or directly into equities, gilts or corporate bonds. Every year, an individual can deposit all or part of their allowance (currently £20,000) into a stocks and shares ISA and any income generated from the investment is free from dividend, capital gains or income tax.

Vintage Wealth Management Limited understands how to help individuals progress on their investment journey, whether you are just starting out or have years of investing experience. Contact us today for more information on how we can support you in achieving your long-term investment goals.

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