

## Are you ready to invest?

### 5 reasons to open a Stocks & Shares ISA

Whatever you're putting money aside for, there's likely to be a role for Individual Saving Accounts (or 'ISAs'). Low interest rates on cash savings since the financial crisis have meant that many savers have turned to the markets in the hope of achieving a better return.

Although investing means taking risks with your money, this is not necessarily a bad thing – more risk could mean better returns. But if you are going to invest, you need to be prepared for the fact that you could lose some, or even all, of your savings.

If you're looking to grow your money over many years – perhaps to fund a dream purchase or help you in retirement – cash might not be the right option.

If you are able to accept some level of risk, investing in the markets through a Stocks & Shares ISA might offer you exposure to higher returns than cash alone can deliver.

#### 1. INFLATION CAN BE THE ENEMY OF CASH SAVINGS

One of the appeals of cash savings is that you can access them when you want. Your interest is also generally fixed, so their value won't swing up and down like share prices can. It's sensible to keep enough cash to cover any short-term needs, but keeping too much of your savings in cash can carry a cost.

However, when the price of goods and services, or inflation, is rising faster than the rate of interest you receive on, say, your cash savings in a UK bank or building society, the 'real' value of the amount is eroded which could leave you worse off.

By accepting some level of risk and investing your money in assets such as company shares, bonds and property, you could potentially achieve higher returns than cash alone can offer. Returns from investing can never be guaranteed, however, and you should remember that past performance is no guide to future performance.

#### 2. DIVERSIFY YOUR ASSETS

Relying on any one asset could expose you to an unnecessary risk of losing money. The key to managing risk over the long run is holding the right blend of assets that can collectively perform in different circumstances.

A wide range of investments can be held in a Stocks & Shares ISA. As well as individual

company shares and bonds – both government and corporate – you can invest in funds that package several assets. Some funds focus on one type of asset, and sometimes even one region, while others hold a mix of assets from around the world. A broad and diversified portfolio should help spread the risk of individual assets failing to deliver returns or falling in value.

#### 3. PROTECT YOUR INVESTMENTS FROM TAX

The beauty of investing through an ISA is that any income you receive, and any capital gains from a rise in value of your investments, will be free from personal taxation, irrespective of any other earnings you have.

It's important to remember that ISA tax rules may change in the future. The tax advantages of investing through an ISA will also depend on your personal circumstances.

#### 4. ISA PORTFOLIOS CAN BE FLEXIBLE

Professional fund managers are constantly preparing for and reacting to changing market conditions, adjusting their portfolios accordingly. Your circumstances – and attitude towards investment risk – are also likely to evolve, meaning different types of assets will become more or less appropriate over time.

For example, if you're close to retirement, you may want to reduce the level of risk in your portfolio, or move towards income-generating assets. It's sensible to review your investments regularly, even as a long-term investor.

Within an ISA, you can reallocate your portfolio according to your outlook and needs at any time without losing any of the tax benefits. You can also move money from your Cash ISA to your Stocks & Shares ISA, or vice versa, as your short-term cash needs change.

#### 5. INVESTING MIGHT BE EASIER THAN YOU THINK

You can choose to invest a lump sum or set up a regular savings plan that fits your circumstances

and your financial goals. There are a number of different approaches to investing, each with their own risk and return profiles.

It's important to consider obtaining professional financial advice to help you establish an investment approach that is right for you. ■

#### MUCH GREATER POTENTIAL FOR GROWTH

If you invest your money, you have much greater potential for growth than you do if you leave your money in a savings account. In the current economic climate, with interest rates still around record lows, you could be losing out by keeping your money in a savings account because inflation will eat into your returns, meaning you could lose money in real terms. To find out more about your investment options, please contact us.

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