

Balancing act

You've worked hard for your money – now investing can get your money working harder for you

Before investing, you need to decide how much risk you are willing to take and consider your ability to deal with any losses. Some investors are happy to take higher risk if there is a chance for higher returns over the longer term, while others don't want to accept any risk. Others may sit somewhere in the middle. The value of investments can go down as well as up, and so there is always a risk that you may not get back the amount you put in.

WHAT ARE MY FINANCIAL GOALS?

Whether you decide to save or invest your money will depend on your financial goals and attitude to risk. If your financial goals are shorter term, such as saving for a car or holiday, you will be unlikely to want to take any risk with your money and might prefer to keep it in a savings account. If you have a longer-term goal, you may be willing to accept the risks of investing in exchange for the potential for better returns.

COULD I MANAGE IF MY INVESTMENT FELL IN VALUE?

Think about whether you could afford to lose your money or manage financially if your investments fell in value. Would your lifestyle be impacted? Are others financially dependent on you, and how would they be impacted? Your own financial situation will impact how you feel about this and how much of your money you are investing.

WHAT IS MY ATTITUDE TO RISK?

Whilst most investments carry the risk that you may not get back the amount you invested, some types of investments carry more risk than others. The general rule of thumb is that the more risk you take, the greater the potential return – but also the greater the potential loss. The less risk you take will generally reduce potential losses but offer less potential returns.

When you invest, the value of your investment will fluctuate. Some investors are comfortable with the value of their investment going up and down over time, while others may prefer to see less or no fluctuations. You need to be happy with the level of risk you are taking.

HOW DO I UNDERSTAND INVESTMENT RISK?

Trying to understand and decide on the level of risk you are willing to take with your investment can be a difficult task. Understanding some of the risks that an investment could be exposed to could help you assess how much risk you are willing to take. Growth from your investment cannot be achieved without exposure to some risk.

Some investment funds are more risky than others, so how do you decide which investments are most appropriate for you based on how much risk you are willing to take with your money?

One way of balancing potential returns whilst limiting investment risk is to spread your money across different types of investment. This is called 'diversification' and is an investment concept meaning that you avoid putting all your eggs in one basket. ■

GET YOUR MONEY WORKING HARDER FOR YOU

Does it feel like your savings aren't earning as much as you'd like? You've worked hard for your money – now investing can get your money working harder for you. We believe you'll be better off having the best information to hand to make investment decisions. To review your investment objectives, please call us to arrange a meeting.

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