

# CAN YOU AFFORD NOT TO INVEST?

Life, it's fair to say, can be expensive. And, while savings pots and pension contributions are important when planning for different life stages, exploring the option of investing could help future-proof your finances and make your money work harder for you.

## 0.75%

The Bank of England base interest rate has been at this level or lower since March 2009.<sup>1</sup>



### Why should I invest?

Investing – especially for the first time – can seem daunting and confusing. Many also believe that investing is for a later time in life, when savings have grown and mortgages are on their way to being paid off. But, with wage growth in the UK remaining sluggish and disappointing interest rates on savings accounts, building up a diverse investment portfolio could offer much healthier returns and enable you to achieve your savings goals much faster.

With recent rises in UK inflation, many people have been forced to dip into their savings to help make ends meet. This is obviously reducing the amount they had hoped to have saved for the future. This monthly shortfall makes it difficult to plan ahead for your future financial goals no matter what stage in life you're at.

It's important to remember that investments are not risk-free and you could get back less money than you originally invested. However, the potential gains can be much greater than leaving your money in a low-interest savings account.

<sup>1</sup> <https://www.bankofengland.co.uk/boeapps/iadb/Repo.asp>



### When is the right time to invest?

Many people wait until later in life before considering investing their money, but in truth, investing is for people of any age with long-term financial goals in mind. This could range from hoping to grow their savings for a house deposit right through to investing with the aim of a more comfortable retirement.

There are many do-it-yourself investing platforms available online, but the right time to invest is when you've done your own homework and sought professional financial advice based on your own circumstances. You should always feel happy with your investment choices in relation to what your current circumstances are and how you see things in the future.



### Types of investment

If you're new to investing, you may assume that it's all about buying stocks and shares in large businesses such as those listed on the FTSE 100 index. However, there are many different ways to invest your money depending on your attitude to risk. As well as shares in companies (also known as equities), there are other investment types too. These include things such as property, bonds and cash. Your professional adviser can explain these in more detail and help you choose the right mix of investments tailored to meet your financial circumstances and long-term objectives.

As with many things in life, it can be risky too put all your investment eggs in one basket. For example, if you had £10,000 to invest and used all of it to buy shares in just one company, the potential for losses is greater than if you spread your money over different types – known as a diversification strategy.



**3.81%**

The FTSE 100 Index's yield for 2017 was 3.81%.<sup>2</sup> This is a higher growth rate than the majority of current and savings accounts in the UK.



**4.8%**

The average growth from stocks and shares ISAs in the 2017/2018 tax year.<sup>3</sup>



**0%**

Comparing the three months to March 2018 with the same period in 2017, real average wage growth (total pay) was 0%.<sup>4</sup>

<sup>2</sup> <http://siblisresearch.com/data/ftse-all-total-return-dividend/>

<sup>3</sup> <https://moneyfacts.co.uk/news/isas/stocks-shares-isas-still-outshining-cash-isas/>

<sup>4</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/supplementaryanalysisofaverageweeklyearnings/may2018>



### What should I invest in?

People can take very different approaches to investing their money. A financial adviser can help you choose the most suitable areas to invest in based on your attitudes and beliefs. They can also help distill the vast amounts of investing information that exists into clear advice that suits your investment objectives.

You may be thinking about choosing your own individual investments to make up your portfolio. However, while there's lots of investment advice in the market, it tends to be very general in nature. For example, a newspaper's financial columnist recommending buying a certain stock knows nothing about you, how much you have to invest or what your attitude to risk is.



### Accessing my money

If you've always saved your money in a bank account, it's only natural to feel apprehensive about being able to access the money in your investments should you need it. It's important to be clear about your requirements from the outset in terms of being able to withdraw your money at any time if your circumstances dictate. There are some types of investment available where your money is tied up for a fixed period of time, so do your homework before committing.

When investing, it's important to look at your longer-term financial goals. Investments, such as shares in particular companies, can be volatile over shorter timeframes and checking the status of your investment on a daily basis is therefore counterproductive. Finally, before you invest your money, it's wise to check the fees that are applicable. There may be annual management fees, set-up fees or withdrawal charges to pay when you decide to access your money.



2.5%

The UK's inflation rate in July 2018  
– higher than the base interest rate.<sup>5</sup>

For more information or to discuss any of the issues surrounding investments, contact your adviser.