



Article

How Wealth Management Can Help You Achieve Your Life Goals

Financial planning is the process we use to help you achieve your goals. A financial plan combines several different aspects, such as tax efficiency and risk management, to arrive at the best solution for you.

When many people think of financial advice, the focus is on investments, or wealth management. In reality, this is one of the tools we use to create a strong financial plan.

When used in combination with financial planning, wealth management does not simply seek investment growth for the sake of beating the benchmark or making as much money as possible in a short time.

The aim is consistent and steady progress to give you the best possible chance of achieving your goals.

What is Wealth Management?

Wealth management, put simply, is how we look after your money. This involves:

- Establishing what you would like to achieve
- Checking that your existing investments are suitable and cost-effective
- Working out the returns you need to achieve your goals, as well as how much risk you are willing to take
- Creating an investment strategy and making recommendations
- Monitoring and reviewing the plan to make sure you stay on track.

Your Life Stage

While there are variations, most people want the same things – a fulfilling life, a secure retirement, and perhaps a few indulgences along the way.

The right investment strategy for you will depend on your circumstances, particularly the stage you are currently at in your life. For example:

- A young professional may be looking to invest regularly to secure their future. They probably don't have large lump sums to invest, but they might be able to take more risks than someone closer to retirement.
- A more established investor will often have more wealth behind them but a shorter timescale until retirement. They will be looking to maximise their assets without taking unnecessary risks.
- A successful entrepreneur or executive may have all the money they need to assure their financial security. The focus might be on seeking speculative opportunities or reducing tax.
- A retired person will be more concerned with preserving their money to ensure it lasts for the rest of their life.
- Someone in their later years may be considering the best way to pass money on to their loved ones.

We take all of these factors into account when creating your investment plan.

The Role of Risk and Reward

Generally, the higher the risk taken, the higher the potential reward. Of course, this also means accepting potential losses, particularly in the short term.

Investment values tend to fluctuate, sometimes excessively, but mostly move in an upward direction over time.

This is not the case for every share, or indeed every fund, but is simply an observation of the wider market. It has remained the case throughout wars, recessions and pandemics. It's a reasonable assumption that this will continue although this cannot be guaranteed.

Timing is vital. The longer you can invest for, the more likely it is that you will see a positive return. This means that someone with a long investment horizon can usually afford to take more risks than someone who will need the funds in just a few years.

There is no single optimal level of risk. The level of risk you should take with your investments is dependent on a number of factors:

- How comfortable you are with the concept of risk
- Your knowledge and experience of investments
- How much money you can afford to lose
- How long do you plan to invest for
- The returns you need to achieve your goals
- Your financial circumstances, for example, your income, expenditure, assets, and liabilities.

Where Does Your Investment Plan Fit In?

Your investment plan is an essential part of your financial plan. It will include the following:

- The agreed-upon level of risk is most suitable for the investment.
- Your investment preferences, for example, include a desire to invest ethically or sustainably.
- The types of assets you should invest in.
- How the investment has performed. While this should not be taken as an indication of how it will perform in the future, it can be useful when comparing other funds in the same sector.
- The charges on the investment. While performance is not guaranteed, charges are inevitable, so it makes sense to minimise them where possible.
- Why we believe this particular investment may be suitable depending on your goals and risk profile, following professional advice.

Constructing the Portfolio

A portfolio can comprise a selection of low-cost index tracking funds, a fully bespoke managed service, or anything in between. Regardless of the amount invested or the level of complexity, portfolio construction follows some key principles:

- The portfolio should be diversified across different asset classes, such as equities, property, fixed-interest securities and cash. As these assets tend to behave in different ways, including a combination ensures that the portfolio can weather all market conditions.
- It is also preferable to include investments from different world regions and industry sectors.
- Portfolios holding higher amounts in equities tend to produce higher performance over the long term. However, they tend to be more volatile and at greater risk of losing money. The level of equity investment will depend on your goals, circumstances and attitude to risk.

- The volatility of the portfolio is also important. If two funds had produced identical performance, but one had proven to be more volatile (and therefore at greater risk of losing money), it would, in most cases, make sense to choose the less volatile fund.

As well as selecting the most appropriate investment strategy, we would also recommend the most efficient way of holding the assets, whether this is in pension funds, ISAs or another type of wrapper.

Regular Reviews

The only certainty is that nothing is certain. Your circumstances could change, and we cannot control the market or the economy. It is important to review your financial plan and your investment plan regularly to ensure that you remain on track towards your goals.

Please don't hesitate to contact a member of the team if you would like to find out more about financial planning.

Please note:

The value of investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results. Tax treatment depends on your individual circumstances and may be subject to change. This content is for information purposes only and does not constitute personal financial advice or a recommendation. Wealth management advice should be tailored to your unique goals and circumstances. We recommend seeking independent financial advice before making any investment or financial decisions.

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