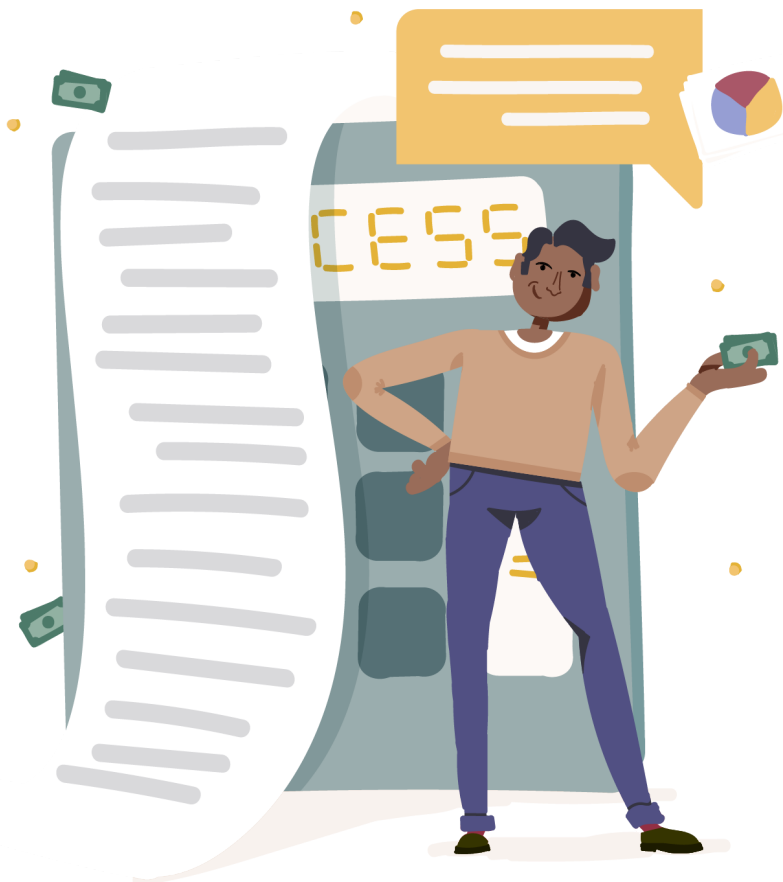


The Beginners Guide To Investments



Investment

We understand that investments can be tricky and hard to get your head around. To help you out, we've put together a simple, no-nonsense guide.

We Believe that:

- ✓ Costs matter
- ✓ Success comes from a robust process
- ✓ You should understand your reasons for investing
- ✓ Don't put all of your eggs in one basket

Before we start, just a quick note. Our guide is primarily intended for those who do not have investment experience.

Capital at Risk: The value of your investment can go down as well as up. You may get back less than you originally invested. Not sure which investment is right for you? Ask us for advice

The Key Steps In Any Investment And Retirement Planning Process

An investment is something that you buy or put money into (an asset) with the goal of generating income, capital growth or both.

There are 4 main types of investment:

Cash	Having savings in a bank or building society account.
Fixed Interest Securities (bond & gilts)	Loaning money to the government or a company in return for a regular fixed rate of interest.
Property	Putting money into both a commercial and/or residential property.
Shares	Buying ownership of a business either by buying shares direct or through a collective investment.

Of course there are other types of investment like (but not limited to) the following:

Foreign currency (examples)	<ul style="list-style-type: none">- \$ Dollar- € Euro- ¥ Yen
Collectables (examples)	<ul style="list-style-type: none">- Art- Antiques- Wine- Cars- Watches
Commodities (examples)	<ul style="list-style-type: none">- Oil- Coffee- Corn- Gold

These types of investment are often viewed as niche and potentially carry more risk*

*Please refer to risk disclosure on page 1

Saving Short-Term VS Investing Long-Term

Let's revisit the basics...

Savings:

Saving is to cover short term goals (maybe 2 or 3 years ahead at most).

Why you would save:	<ul style="list-style-type: none">– For a holiday– A new car– A family event– To cover emergencies
Advantages	<ul style="list-style-type: none">– Easy to access when needed– Low risk
Disadvantages	<ul style="list-style-type: none">– Low returns– Inflation can erode the real value of your money

Investing:

Investing is for the medium to long term (typically 3–5+ years).

Why you would invest:	<ul style="list-style-type: none">– To provide income in retirement– Staying ahead of inflation– To create a legacy– To potentially grow your cash
Advantages	<ul style="list-style-type: none">– Potential for higher returns– Staying ahead of inflation– Potential for tax efficient growth
Disadvantages	<ul style="list-style-type: none">– Longer term commitment– Investments can fall in value as well as rise– You may get back less than you invested

Fathoms Top Tips for Investing

Time

Investments don't grow overnight. If you're saving over the short term; it's best to take less risk with your money. But, taking a medium to longer term view (3–5 years+) it can be more beneficial to take some risk as often the returns are higher. Sometimes it's best to drip feed money into investments.

Accept risk

The greater return you want, the more risk you will have to accept. Your ability to tolerate risk is very different to your attitude to risk. Understanding this is a key part of the investment process.

Don't put all your eggs in one basket

You don't want to depend heavily on one particular investment. All markets go through good and bad periods. Diversifying can lower the overall risk of your investments.

Be specific; Set goals

Knowing your financial goals and the timeline in which you want to achieve them in, will help. You should stick to a plan.



Risk And Returns

Past performance is not a guide to future returns. The value of investments can go down as well as up and you may not get back the full amount you invested.

Understanding the risks and potential returns is an important factor when considering any investment. There are 4 key risks:

- Investment and Volatility
- Inflation
- Longevity
- Liquidity

Investment and Volatility Risk

Any investment carries risk, it could be inflation risk (see below) or liquidity risk (see next page). Generally it is volatility that people fear, the fact that investments can fall and rise, sometimes significantly.

Returns can be unpredictable and this causes uncertainty. Although not guaranteed, a well diversified portfolio and time usually win the day.

Inflation Risk

Inflation is the rate at which the prices of goods increase. If investment returns do not keep up with inflation the value of your money in real terms reduces i.e. you can buy less with the money you have.

Longevity Risk

For individuals this is the risk of living longer than average and running out of money leaving people reliant on Government handouts and State Pension.

We don't know how long we are all going to live – there is always the temptation to 'spend today' instead of saving for tomorrow. This approach can have major long-term consequences and it is important to identify what those consequences may be. No one wants to run out of money and not be able to afford the little luxuries in retirement.

Liquidity Risk

Liquidity risk is how quickly (or not) an asset or investment can be converted to cash.

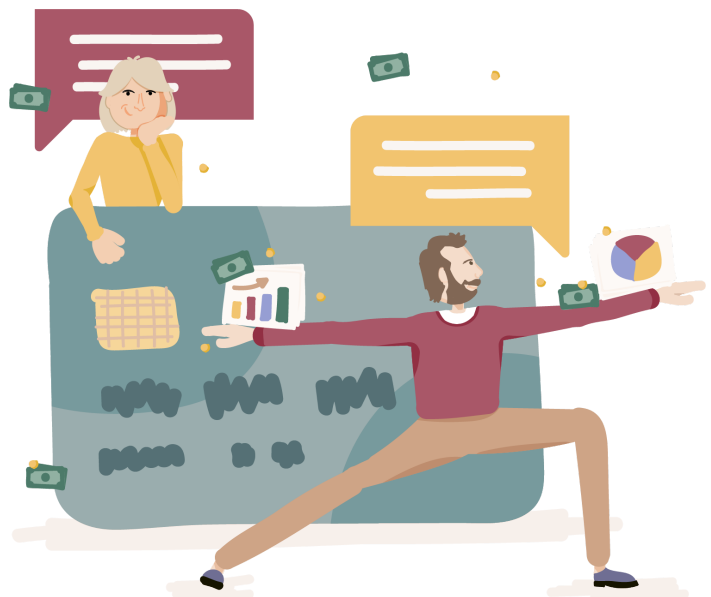
A good example would be investments in property. The risk that a buyer can't be found in a difficult market and the property can't be sold to meet cash flow obligations. Or that a buyer can be found, but is not prepared to pay the 'anticipated value' to the seller.

Our take on combating risk:

What is the Risk?	How can we help/what can you do?
Investment and Volatility Risk	Time – an investment is for the longer term 3–5+ years, over time the peaks and troughs will equal out.
Inflation Risk	Diversify – don't hold only cash in your portfolio. Don't put all of your eggs in one basket!
Longevity Risk	Plan ahead – have a long term investment plan from the beginning in order to stop the 'spend today' temptation
Liquidity Risk	Diversify (again!) – make sure you hold some assets that are easily accessible and some that aren't!

There are other risks associated with investments, to find out more about risk and returns go to:

<https://fathomfinancial.co.uk/blog/managing-risk-in-retirement>



Capacity For Loss

This is your ability to withstand falls in the value of your investments without it materially affecting your day to day standard of living.

You may be prepared to take on a higher level of risk for the potential of higher returns, but can you afford to do that? (Especially if you solely rely on your investments for income).

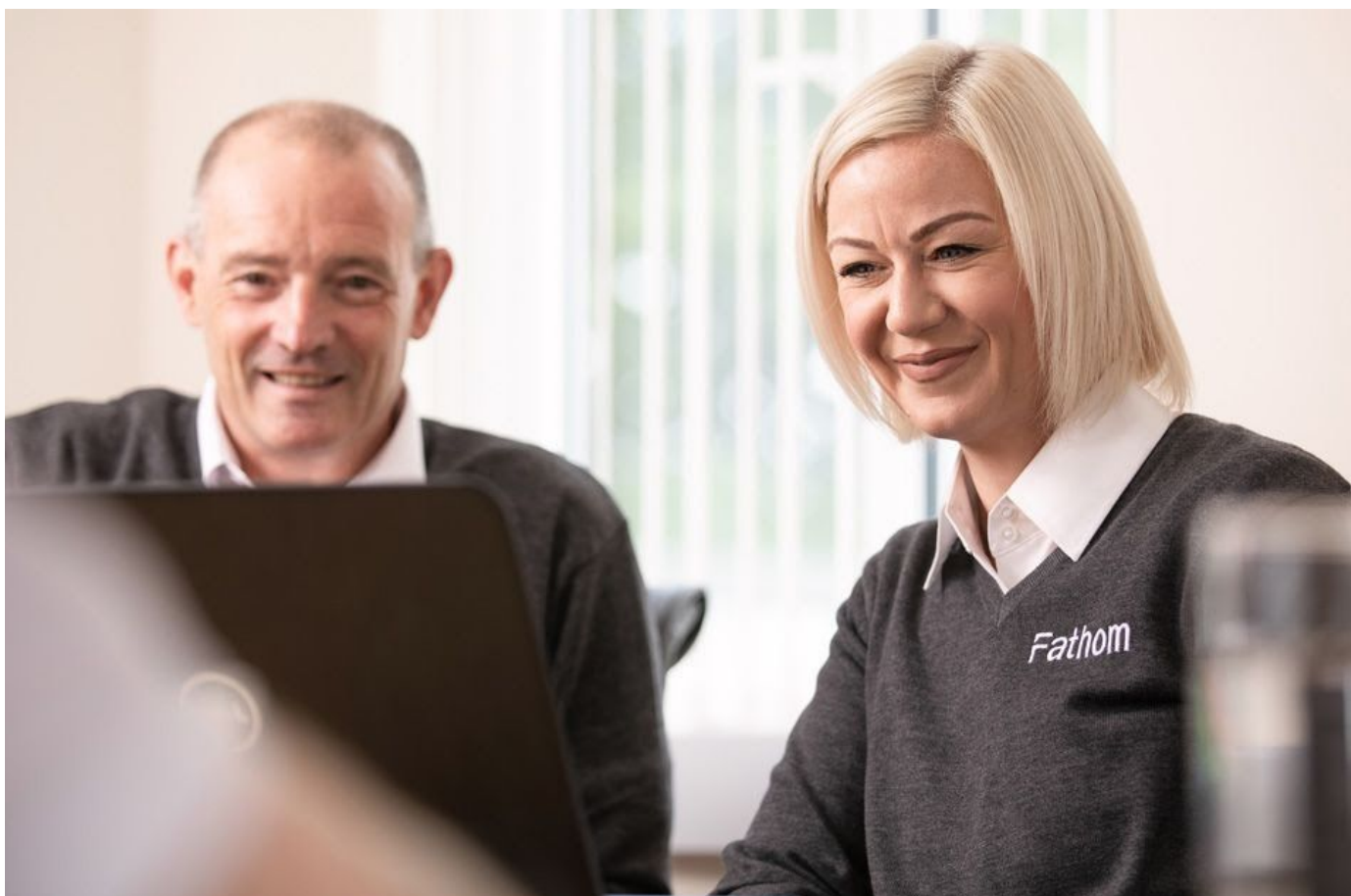
Ask yourself what you would do if:

- Your investments fell significantly and it was no longer realistic to continue withdrawing income, where would you take your income from?
- You had to reduce or stop your income, how long could you afford to do this? What impact might that have on your finances?
- You required the money at a specific date and the investment fell in value, are there alternative ways to raise the funds you need?

We can help you to understand the volatility of the markets and the impact this could have on you and your investments.

To help us understand the level of risk with your investments, we will explore what impact different scenarios would have on your overall finances (now and in the future) with the aim of ensuring your portfolio matches your capacity to absorb losses.





We don't charge for our initial investment & retirement planning review. We only charge if you wish to act on our recommendation. And if you don't, that's fine too. Ready to take the first step towards financial peace of mind? Call us on **0800 043 8341** or email **letstalk@fathomfinancial.co.uk**

Thank you!

Thanks for taking the time to read our guide. We hope it helped and we've covered the basics. If you have any queries based on our guide, contact us!



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