

A little today, a lot tomorrow

Managing investing risk during turbulent markets

A common mistake that some investors make is not diversifying their portfolio enough. To make sure investments are spread across different asset classes, it could contain a blend of equities, bonds, cash, property and others (such as commodities and gold) to benefit from their changing investment cycles.

But while diversification is indeed the key to managing risk, it's not just about having a balanced portfolio. Much of the success of investing is down to timing. Volatility isn't necessarily a bad thing, and there are sometimes opportunities in turbulent times. However, protecting your portfolio should absolutely be your first priority, and becoming a regular saver can be a simpler and less emotional way of investing through volatile markets.

MARKET TIMING

One of the biggest dilemmas some investors face is market timing. Jumping in and out of markets on a regular basis not only requires constant monitoring of daily events but also requires expertise to act on such events.

Many investors invest in lump sums, whether it's a few thousand hurriedly put into an Individual Savings Account (ISA) before the end of the tax year or an annual bonus or similar payment. Another approach, however, is to invest smaller amounts regularly – say, once a month when you get paid.

VOLATILE TIMES

One way to achieve this is to spread or drip-feed one's lump sum into the market as opposed to investing it all in one go. In fact, during volatile

times, this strategy allows one to benefit from what is known as 'pound-cost averaging'. So how does it work?

The concept involves investing on a regular basis, and most funds – whether they are Open-ended Investments Companies (OEICs) or investment trusts – are available through regular savings plans (such as ISA schemes), allowing you to invest on a monthly basis.

'POUND-COST AVERAGING'

- It's a good habit to get into that helps you develop discipline as a saver
- It can help you stay focused on your long-term goals, as instead of seeing the value of your portfolio change dramatically, it ideally grows steadily over time
- You reduce your chances of making a mistake trying to time the markets (i.e. investing all your money when prices are higher and then seeing prices fall in the ensuing volatility). Instead, you invest the same amount of money monthly – when prices are lower, you will acquire more units for your money, and when prices are higher you will receive fewer. Over time, this can reduce risk and provide more stable returns

MEETING YOUR AIMS

This can also be a good way to invest when you're just starting out, and you may be less likely to have a large lump sum at your disposal. But whatever your circumstances, goals or financial aspirations, you can be confident that we have the know-how to help you meet your aims. That applies today, tomorrow and for the years ahead, which is ideal when you're thinking about building up wealth through regular, continued investments. ■

LONG AND SUCCESSFUL INVESTING STRATEGY

We all know that markets can go up and down. These movements can, at times, be quite extreme. Understandably, this can deter some people from investing. By understanding the importance of investing regularly over time, you will have opened the way to a long and successful investing strategy. To review your individual situation, please contact us – we look forward to hearing from you.

