Symphony
FINANCIAL ADVISERS

Savings and Investments

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Saving and investing is about putting the right plans in place for your long-term goals whilst making sure you have enough money set aside to cover your day-to-day expenses and one-off payments, like holidays, and planning for any emergencies however unforeseen.

Investment planning - the basics

There are many ways that you can save or invest, and whilst you want your money to grow, it's important that you think about the level of risk you might be willing to take with your hard-earned cash. You may not wish to take any risk whatsoever.

Basic savings

You may decide to save a regular, manageable amount each month from your wages to cover your day to day living costs, larger expenses and the unexpected. We would recommend you try and build up at least 3 months outgoings in a cash savings account.

A bank or building society account may be a good home for your money, or you could open up an easy access Cash ISA (Individual Savings Account).

Cash ISAs

You may be familiar with Cash ISA's. These are savings accounts that allow you to make regular contributions usually of any amount. You won't pay any tax on the interest earned within your Cash ISA.

The main difference between a Cash ISA you may have and a standard savings account is that there is a maximum amount you can pay each tax year into a Cash ISA. This is £20,000 for the 2018/19 tax year. A husband & wife could each pay in this amount and therefore have a total of £40,000 invested!

Stocks and Shares ISAs

Investing in other assets, such as stocks and shares, government and corporate bonds or property gives you the potential to achieve better returns than money in the bank.

A Stocks and Shares ISA differs by allowing you to invest in:

- Shares in companies.
- Unit trusts and Open-ended Investment Company.
- Corporate bonds.
- Government bonds.

A fund is when investors pool their money together to buy a various range of assets such as bonds, shares and property. If you have a Stocks and Shares ISA, you can usually select different funds to invest in, plus move your money between these without taking it out of your ISA and losing the tax advantages.

ISA contributions

With both types of ISA, a wrapper surrounds your money to help shield you from income or capital gains tax. Each tax year you will receive a new ISA allowance which can be held in cash or stocks & shares, or a combination of both, in any way you wish. For example:

- £5,000 in a Cash ISA, £15,000 in a Stocks & Shares.
- £8,000 in a Cash ISA, £12,000 in a Stocks & Shares ISA.

We would help you to decide to choose the right amounts for the right type of ISA, depending on how much risk you are comfortable in taking.

Please note, you can start an ISA with a single lump sum and not contribute anything else at all. Alternatively, you can begin with the single lump sum and at the same time start a regular monthly investment. The choice is yours and we would be happy to discuss this with you.

However, please remember that there is no guarantee as the value of any investment can go down as well as up, so you may not get back the amount you put in.

In addition to arranging ISAs, you may also invest in:

Investment bonds - these are plans which invest your money with the aim of providing you with medium-to long-term returns over and above that normally expected from ordinary bank or building society accounts.

Corporate and government bonds - these are loans to the government or private companies that pay you interest.

Open-ended investment companies (OEICs) – here your money is held in a pooled fund along with other investors money which is then invested in other funds and assets to try and secure you inflation beating growth.

Property - you could invest in rental properties, commercial properties or holiday homes either directly or through investment manager funds.

Shares – these are a direct investment in individual companies, where you have a small stake in the company i.e. you own a part of it and if it does well you may get a share of the profits. This is called a dividend.

Balancing the risk

It's often a good idea to put your money into different types of assets to help balance the risk. So if one doesn't perform well, another may do better. Or you could choose a fund which does this kind of balancing for you, sometimes known as a Managed Fund. Different types of assets can have different risks that need to be taken into consideration when choosing an investment.

Reviews

It is imperative your plans are regularly reviewed to ensure they are performing well, are being adjusted to maintain the selected risk profile and to assess the ongoing suitability.

All too often people arrange investment plans and leave them for long periods without review. This could mean the risk associated with any plan goes 'out of kilter' and you could be holding an investment which is carrying more or less risk than you are prepared to tolerate.

Equally, the performance of your plan may not be satisfactory for a whole host of reasons and sometimes it is important to make changes to your plans so as to improve the outcome for you.

At Symphony we can provide a regular review service for you and the vast majority of our clients take this up. We would be pleased to discuss this with you and detail how much this might cost and how the service will be delivered.

Past performance is no guarantee of future returns.

Inflation will reduce the real value of the capital invested if returns do not match or exceed the rate of inflation.

An investment should be considered over a medium to long-term time frame and should not be entered into if the capital is required for other needs.

The value of the investment is determined by units or shares, the price of which can fall as well as rise. The value could be less than what was originally invested, especially in the early years.

Please bear in mind that the outlook for asset classes and market sectors can change and as a result the asset allocation could become unbalanced.

Investing in a single or limited range of asset classes or sectors may lead to greater volatility and therefore carry a greater investment risk.

A certain fund or funds may have a higher risk rating than the agreed attitude to risk, but the overall risk applied of the combined funds or portfolio is designed to meet the agreed risk profile.

Equities can significantly fall in value and in difficult times dividends may reduce or stop.

Property fund investments may take significantly longer to sell. If market conditions are volatile prices may fall, exit fees could be applied or even a fund dealing suspension be imposed. This would delay any withdrawals and affect the rebalancing of a portfolio.

Corporate bonds are not risk free as the bond issuer could default, interest rate rises could reduce the capital values and in adverse market conditions the fund could become illiquid making it difficult to sell.

Where a fund invests in overseas markets, domestic upheaval and changes in currency exchange rates mean that the value of the investment can go up or down.

It is important to periodically review the value of an investment against expectations and the underlying investment strategy, particularly when close to retirement.

The higher the charges applied to an investment the greater the effect of those charges on the performance.

Changing funds or transferring excessively, may erode the value due to transactional based fees.

Any sale of investments held, including switching may give rise to a capital gains tax liability and any income generated will normally be subject to income tax.