



Are Your Investments Suitable For You?

by Bradley Warden, Blevins Franks



When it comes to protecting your wealth, whether we are talking about tax planning, estate planning, investments or pensions, one key element is that the arrangements and strategies you use are designed around your specific personal circumstances and aims. Otherwise there may be unexpected consequences in future.

A tailor-made strategic approach is key for the success of your investment portfolio. Everyone has different objectives, time horizon and attitude to risk, so it is essential your portfolio is created and managed to meet your particular requirements.

Too many people have portfolios which are unsuitable for them. They carry a higher risk than they are comfortable with, though they may not realise this. They may not have adequate diversification, or own 'unregulated collective investment schemes' or illiquid assets. Or the investment choices may not be appropriate to meet their needs.

People can also be too cautious, which can have consequences in your later years. Interest rates today are close to zero, and when you take the effects of inflation and withdrawals into account, the capital in a deposit account is likely to erode.

Some risk is unavoidable to achieve a return to outpace inflation. To avoid undue risk, obtain a clear and objective assessment of your appetite for risk, for example through psychometric analysis. You can then move on to look at allocation of assets between money market, fixed income (bonds), equities and 'real assets' to create the most appropriate investment portfolio to match your risk profile and objectives.

The higher your concentration in a particular asset, the higher the risk. The tried and tested strategy to mitigate risk is diversification — a well spread portfolio of investments, in terms of asset classes, geographic region and market sectors, to limit your exposure to any single sector of the market. Asset allocation is acknowledged to be of far greater importance than the selection of individual stocks and shares. Take professional, regulated advice.

You can also use multi-manager funds, which are managed by several different fund managers, each selected for their expertise in specific market sectors.

Always remember that if it sounds too good to be true, it probably is. Investors can be seduced by investment schemes which claim to offer high returns with little or no risk, but the bubble invariably bursts and they lose their money.

To achieve the best real returns and protect wealth for future generations, use arrangements which shelter capital from tax, and facilitate the transfer of capital to beneficiaries with minimum of bureaucracy and inheritance taxes. These should be arrangements which are compliant in France.

“I’m concerned that some of my investments are too complex, and riskier than I’d like. What should I do?”

Talk to the people who know.

Do you understand how your investments work? Are they riskier than you realise? Is your portfolio designed around your needs? Contact the specialists at Blevins Franks for an objective review and strategic investment planning advice based on your situation and risk profile.

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