S Johnson Wealth Management LLP

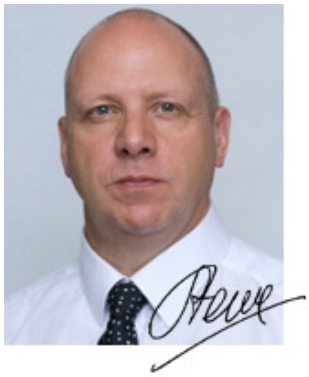
Investment Specialists

Risk & Return - Balanced Investing

Investment News

November, 2017

Introduction



Dealing with investments

In this issue I look at whether to do-it-yourself or pay for advice when investing and touch on interest rates, inflation and Bitcoin.

Market Commentary

Bank of England doubles base rate to 0.5%. Instant access saving accounts pay on average 0.39% (Moneyfacts). RPI inflation up to 3.9%.

Managing Investments

Managing your money can be boring (unless you lose half of it, when it becomes exciting); some people put off dealing with this to another day / week / month / year/ decade, whilst others (the minority) get on with it.

Bit like servicing the car then - Do It Yourself (DIY) or pay someone else to do it for you:

Do It Yourself

Advantages

- The main advantage of this route is low cost – if you choose tracker type funds (those which track an index) for example they are typically very cheaply charged. Of course you still need to choose the right index to track.

- Interesting – the start of a new hobby? – You will be quite focused if you choose your own investments and this can be interesting and rewarding.

- Knowledge – this will improve as you go along – so you might want to start small and weather at least one market crisis before committing too much.

Disadvantages / Challenges

- Risk assessment – it is very important to assess this on an ongoing basis. Be very clear about how much you can afford to lose. Asset allocation is the starting point in managing risk and our website looks at the basics.

- Tax wrapper allocation – you will need to consider your tax position and choose between ISA's, pensions, targeting gains rather than income etc. Accessibility / liquidity come into this – how

easy it is to get your hands on your money.

• Not having someone to speak to – this can be useful particularly in times of stress.

• Having the wrong person to speak to – watch out when Fred in the pub says things like "now is definitely the right time to invest in Bitcoin….."

Paying for Advice

At one end of the spectrum you can choose 'Managed' style funds where you simply select a fund manager and they invest at a profile chosen by you.

The other alternative is a wealth management relationship (typically with a financial advisor, bank or a stockbroker). Here you will receive varying levels of assistance from simply choosing a risk profile to a full wealth management service where the advisor considers your background, income, expenditure, tax position and future plans and constructs a portfolio which meets your needs and agrees a review service for it.

Advantages

• The main advantage here is that you pass on the responsibility to someone else – in varying degrees.

• An adviser should help you to choose and maintain the correct risk profile through regular reviews.

• An adviser should look at taxation aspects and maximize tax efficiency where consistent with other objectives.

• It's what pays my mortgage.

Disadvantages

• Cost - this is the main issue – will the advisor provide value that outweighs the cost of using them?

• You need a reasonable amount of 'spare' money to make this approach worthwhile – typically £100,000 plus – and in addition you will need deposits for emergency fund purposes.

• Performance – there is no guarantee that using an advisor means that you will out-perform funds which you could choose yourself.

SUMMARY

This will come down to personal choice – and how much you value guidance. We provide advice and we charge for it but our view is that everybody must gain from our involvement – our clients must ultimately benefit otherwise we will go out of business.

Which is best? If you have the discipline to research and choose funds and also to carry out regular reviews, then DIY can work well and you might enjoy it. If you are not motivated or find the subject frightening or boring it is probably best to have some advisory input.

Review & 'Financial Medical' service

Our offer of a free review of your existing investments or a strategy report for new investment clients is still open; call us if you would like a chat.

And finally…

Please continue the feedback – telephone us or send an email. In the next edition I look at managing risk.

P.S.

I have been a financial adviser for a few years now and it is instructive to note client's reactions to gains or losses.

My experience is that most clients feel the pain of losing money much more than the enjoyment of making money and this is why we start off with new clients by explaining one thing in particular:

- There will be times when we turn up for your regular reviews and your portfolio will have fallen in value.

Timescale is one factor here – when will you need the money? If the answer is next week or next year, then don't invest – if you are looking at five plus years then you have a good chance of doing better than both inflation and deposit returns.

P.P.S.

Son number one (not the one who works with me, the 'jam today' one) has recently 'invested' £100 in a Bitcoin type offering. Somebody apparently digs these things up and sells them. He says that he is motivated by consideration for us (because we are trying to get rid of him - he moved back in a couple of months ago). He confidently informs me that his investment will have grown sufficiently by early next year to allow him to be able to put down a deposit on a property and move out.....

S Johnson Wealth Management LLP, 348 Bromford Lane, Ward End, Birmingham. B8 2RZ

Send me your feedback on this newsletter

www.RiskAndReturn.co.uk

Visit our Facebook page

Tel: 0121-327-1977 / Fax: 0121-327-5139