



THORNTONS WEALTH

FUTURE WEALTH

Ready to start investing for your grandchild's future?

COST AVERAGING YOUR INVESTMENTS

*Reducing the risk of investing in
volatile markets*

INSURANCE THAT WORKS WHILE YOU CAN'T

*2.5 million Britons lose at least £23,126
a year due to long-term illness*

RETIREMENT PLANNING FOR EVERY LIFE STAGE

*Alleviate any fear and uncertainty you might
have about your financial future*

Thorntons Wealth

Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU

T: +44 (0)1382 797600 **E:** enquiries@thorntons-wealth.co.uk **W:** www.thorntons-wealth.co.uk

Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



04 INSURANCE THAT WORKS WHILE YOU CAN'T

2.5 million Britons lose at least £23,126 a year due to long-term illness

06 RETIREMENT PLANNING FOR EVERY LIFE STAGE

Alleviate any fear and uncertainty you might have about your financial future

08 DRAWDOWN, ANNUITIES OR BOTH?

Make sure your retirement strategy meets your needs and goals

10 FUTURE WEALTH

Ready to start investing for your grandchild's future?

12 COST AVERAGING YOUR INVESTMENTS

Reducing the risk of investing in volatile markets



Thorntons Wealth

Whitehall House, 35 Yeaman Shore,

Dundee DD1 4BU

T: +44 (0)1382 797600

E: enquiries@thorntons-wealth.co.uk

W: www.thorntons-wealth.co.uk

Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

Welcome to the April 2023 issue of Thorntons Wealth's monthly e-zine newsletter. Inside this issue, investing in the future of your grandchildren is a great way to help them prepare for their financial needs in life. By setting aside money now, you can provide them with added security and increased opportunities in the years to come. On page 10, we consider how investing for grandchildren can be used to help fund college tuition, make a down payment on their first car or home, or even start a retirement fund.

Cost averaging, or pound cost averaging, is an investment approach that involves dividing up the total amount to be invested into equal amounts and investing these at regular intervals over a period of time. On page 12, we look at how this strategy has become increasingly popular due to its ability to reduce the risk of investing in volatile markets, as well as its simplicity.

New data has revealed the true cost of living with long-term illness for those affected in the UK. 2.5 million Britons lose at least £23,126 a year due to long-term illness. Losing your job due to an illness or injury could have serious financial consequences for you and your family. Rent, mortgage payments and other living costs may no longer be covered, leading to a lifestyle that's difficult to maintain. Read the article on page 04.

No matter what stage of life you're in, on page 06 we explain why it's never too early or late to start planning for your retirement. By taking a personalised approach, you can develop a retirement plan that will work for you throughout your life. At every stage of our life it can be difficult to take time to think about our future when there are so many

other things competing for our attention, but it's important to be prepared and make sure that you're planning ahead for the retirement you deserve.

Thorntons Wealth: Building a Confident Future

At Thorntons Wealth, we understand that building the future you want takes more than just money. It takes confidence, trust and expert guidance. Whether you're planning for retirement, investing for your children's education or buying a new home, we are with you every step of the way, helping you make informed decisions and supporting you through life's important moments. ■

Best Wishes,
Thorntons Wealth

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results.

INSURANCE THAT WORKS WHILE YOU CAN'T

2.5 million Britons lose at least £23,126 a year
due to long-term illness

LOSING YOUR JOB DUE TO AN ILLNESS OR INJURY COULD HAVE SERIOUS FINANCIAL CONSEQUENCES FOR YOU AND YOUR FAMILY. RENT, MORTGAGE PAYMENTS AND OTHER LIVING COSTS MAY NO LONGER BE COVERED, LEADING TO A LIFESTYLE THAT'S DIFFICULT TO MAINTAIN.



New data has revealed the true cost of living with long-term illness for those affected in the UK^[1]. According to the figures, an estimated 2.5 million people have been unable to work due to a long-term sickness and will lose at least £23,126 a year on average as a result.

STAND TO LOSE EVEN MORE

This takes into account 28 weeks Statutory Sick Pay (SSP), amounting to £2,781.80, and 24 weeks Employment and Support Allowance (ESA) totalling £1,848 if eligible and able to return back to work in future. Those not eligible for ESA stand to lose even more – up to £24,974 per year. These figures are for those not eligible for income protection insurance.

Worryingly, the research has also revealed that a quarter of those who are out of work due to illness have been diagnosed with a mental illness or phobia, with the majority being female.

DEPRESSION AND ANXIETY

Worryingly, women make up 53% of those on long-term sick leave in the UK and mental illnesses such as phobias, panic disorders, depression and anxiety are the most common causes for these workers being unable to return back into the workforce.

These numbers highlight just how essential it is for individuals affected by long-term illness or injury to have critical illness insurance, which provides additional financial protection during difficult times.

TOO SICK TO WORK

Income protection insurance covers a substantial portion of your income during any periods that you're off work due to sickness or injury. It protects your savings, financial plans and loved ones when you're too sick to work.

The default sickness cover in the UK is Statutory Sick Pay (SSP), which isn't much. You might already receive an arrangement through your employer, but there'll most likely be an expiry date on their support. ■

LOOKING FOR PEACE OF MIND IF YOU'RE UNABLE TO WORK BECAUSE OF AN ACCIDENT OR ILL HEALTH?

Income protection insurance can be such an important source of security. It provides peace of mind and offers protection in times of need. Don't let a sudden change in circumstances affect your lifestyle, make sure you're protected. To find out more, speak to us today.

Source data:

[1] Data split by sex and main health condition – total number of those out of work due to long-term sickness taken from June-August 2022 – LifeSearch 15/12/22.



RETIREMENT PLANNING FOR EVERY LIFE STAGE

Alleviate any fear and uncertainty you might have about your financial future

NO MATTER WHAT STAGE OF LIFE YOU'RE IN, IT'S NEVER TOO EARLY OR LATE TO START PLANNING FOR YOUR RETIREMENT. BY TAKING A PERSONALISED APPROACH, YOU CAN DEVELOP A RETIREMENT PLAN THAT WILL WORK FOR YOU THROUGHOUT YOUR LIFE.

At every stage of our life it can be difficult to take time to think about our future when there are so many other things competing for our attention, but it's important to be prepared and make sure that you're planning ahead for the retirement you deserve.

PLANNING FOR RETIREMENT IN YOUR 20s

It's never too early to start planning for retirement. Though retirement may seem a long way off, the earlier you start saving and investing, the more time the compounding effect on your money has to work. Putting money away now can make a huge difference to your retirement funds when the time comes.

HERE'S WHY YOU SHOULD START PLANNING FOR RETIREMENT IN YOUR 20s:

- **It enables you to benefit from the power of compounding:** Regularly investing

amounts of money can grow into a large sum over time thanks to compounding.

- **You can afford higher-risk investments:** As retirement may be years away, making higher-risk investments such as stocks and shares in your 20s can help boost returns without putting too much at risk.
- **It encourages good financial habits:** Taking steps to plan for retirement now will highlight how to manage your finances better and make smart decisions about investments and pensions.
- **You could get help from employers:** Many workplace pension schemes offer employer contributions, which is free money that goes straight into your pension pot.

PLANNING FOR RETIREMENT IN YOUR 30s

It can be more difficult to save for retirement in your 30s, when you may have greater financial commitments such as a

family or a mortgage. But it's important to stay focused on your retirement goals, because the decisions you make now could have an impact on your later years.

HERE ARE SOME TIPS FOR SAVING FOR RETIREMENT IN YOUR 30s:

- **Minimise debt:** Pay down any outstanding debts as soon as possible. This will free up more money for retirement savings.
- **Optimise asset allocation:** As you still have plenty of time until retirement, consider investing in growth assets such as equities.
- **Save regularly and often:** Try to make regular contributions into a pension account or tax-efficient investment vehicle such as a Stocks & Shares ISA.
- **Take advantage of employer contribution schemes:** Many employers offer generous contribution schemes which can boost your savings pot significantly over time.

PLANNING FOR RETIREMENT IN YOUR 40s

Your 40s are an ideal time to reassess your retirement plans and make sure that you're on track.

HERE ARE SOME TIPS TO HELP GET YOUR RETIREMENT PLAN ON TRACK:

- **Calculate how much you need to retire comfortably:** Seek professional financial advice to determine how much money you need for retirement.
- **Consolidate pension accounts:** If you have multiple pension accounts across different employers, if appropriate, consolidating them could make it easier to manage them and provide more clarity about your pension savings.
- **Increase contributions:** Consider increasing your contributions where possible as the higher salary typically seen in the 40s may afford this opportunity.
- **Explore other options:** Consider other tax-efficient methods of saving, such as transferring part of your salary into an ISA or investing in property, depending on what is available to you.

PLANNING FOR RETIREMENT IN YOUR 50s

Your 50s are a time to increase your pension contributions, review your retirement plans and make sure that you're on track.

Here are some tips on how to do this:

- **Make additional contributions:** Consider making additional lump sum pension contributions, remembering

to stay within the pension Annual Allowance with any excess liable for further tax charges. The pension Lifetime Allowance (LTA) as of 6 April 2023, for registered pension schemes has been completely removed, with total abolition set for April 2024.

- **Review asset allocation:** The closer you get to retirement, the more risk-averse your investment approach should be, so consider reducing exposure to higher-risk assets such as equities and seek professional financial advice for tailored advice.
- **Take advantage of tax allowances:** Familiarise yourself with current pension allowances and explore any carry forward rules available if applicable.
- **Speak to a financial professional:** Consult a financial professional who can provide you with personalised advice tailored to your individual needs and requirements.

PLANNING FOR RETIREMENT IN YOUR 60s

In your 60s it's time to prepare for the decumulation phase, an important time when it comes to your retirement planning.

Here are some tips to help get your retirement plan on track:

- **Prepare a budget:** Calculate your expenditure levels to help plan for the long term.
- **Consider pension decumulation options:** Explore the various ways you can convert your pension savings into retirement income and seek professional financial advice.
- **Review asset allocation:** As retirement

is approaching, reduce exposure to higher-risk assets such as equities.

- **Review your plan regularly:** Regularly reviewing your progress will help you prepare for retirement and make the necessary adjustments if needed.

HOW MUCH INCOME WILL YOU NEED IN RETIREMENT?

There's a good chance you pay into a personal or workplace pension plan each month, but do you know how much money you'll need to fund your life after work? Let us help us you picture what kind of lifestyle you could have in retirement. To find out more, speak to us today.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.



DRAWDOWN, ANNUITIES OR BOTH?

Make sure your retirement strategy meets your needs and goals

IT'S IMPORTANT TO MAKE A WELL-INFORMED DECISION WHEN IT COMES TO DECIDING WHAT TO DO WITH YOUR PENSION POT: DRAWDOWN, ANNUITY OR A COMBINATION OF BOTH. MAKING THE RIGHT CHOICE WILL AFFECT YOUR RETIREMENT FOR MANY YEARS.

Drawdown gives you freedom and flexibility, allowing you to choose your annual income, whereas annuities provide steady income and security. For those who want both, they can purchase an annuity with part of their pension whilst keeping the rest in a drawdown agreement – giving them the best of both worlds.

The decision of whether to use drawdown or annuities can be a complex one, and professional advice is essential. Depending on your circumstances, either option may be suitable, with some preferring the security of knowing their income will remain

stable for life, while others find the greater flexibility of drawdown more conducive to their retirement plans.

ANNUITIES

Annuities provide guaranteed lifetime income, but they also carry risk; if you die shortly after taking out an annuity it means that you won't benefit from the full value that you paid for upfront. This can make them unsuitable for those with shorter life expectancies compared to those who are expected to live longer. The current rates available on annuities may be attractive when compared to those in the recent

past, and this can be an incentive for those previously deterred by low returns.

The benefits of an annuity include long-term security, since the income is guaranteed for life and cannot be affected by fluctuations in investment returns or other market factors. Plus, some policies guarantee indexation which means that the pension will rise with inflation over time. This helps to ensure that retirees have sufficient funds to maintain their lifestyle going forward

However, there are also downsides to consider when deciding whether an annuity is right for you. Annuity rates tend to be

lower when interest rates fall, so you may get less than you had hoped for when taking your pension. Plus, the income is fixed and cannot be adjusted, so if your circumstances change in retirement and you require more funds it may not be possible to increase the amount you are receiving.

Ultimately, professional advice should always be sought with an annuity purchase as there can be a number of factors that need to be taken into consideration before making a decision. It is important to fully understand the terms of the policy and make sure that it is suitable for your individual situation before committing to anything long-term.

DRAWDOWN

In contrast to annuities, drawdown can provide more flexibility and control over how your money is managed in retirement. Drawdown is an increasingly popular option for retirees to receive an income during their retirement. This method of taking an income allows individuals to access their pension fund in a tax-efficient way, as withdrawals are only taxable when they exceed the Personal Allowance

The main advantage of drawdown for retirees is that it offers more flexibility than other options such as annuities or lump sum payments. Retirees can take out whatever amount they require, when they need it and don't have to commit to fixed payments over time, allowing them the freedom to make their own decisions on how they wish to use their pension savings

Another benefit is that any money left in the drawdown pot will not be liable for Inheritance Tax. This is beneficial for those who wish to leave a legacy for their beneficiaries, as the remaining investment can pass directly to them without being taxed.

On the other hand, choosing drawdown does come with some risks. Retirees

should consider that markets can potentially be volatile and there may be no guaranteed income from investments. Withdrawing too much capital can also leave you exposed should you live longer than anticipated.

It's important that individuals have an understanding of how they plan to invest their pension savings and how any losses or gains might affect them in future years. Additionally, if retirees take too much out of their drawdown pot then they could face hefty tax bills.

Overall, it's important that professional advice is taken before deciding upon a retirement strategy. While drawdown can offer more flexibility than other options, it's important to weigh up all the pros and cons before making a decision. Ultimately, the right strategy should be tailored to the individual's needs and circumstances.

COMBINATION OF DRAWDOWN AND ANNUITIES

For some people, a combination of drawdown and annuities may provide the best balance between security of income and control over withdrawals – we can help to determine which option is most suitable for you. Ultimately, it's important to understand all aspects of both drawdown and annuities, including the pros and cons of each, before making a decision.

Making sound financial decisions requires due diligence and taking into account all relevant factors so that your retirement goals are met in the most efficient way possible. Therefore it is important to consider both drawdown and annuities when planning for retirement, and professional advice is key to making an informed decision. With the right knowledge and professional advice, you will be able to make a decision as to which option is most suitable for your particular circumstances.

By taking into account all relevant factors, you can make sure your retirement strategy meets your needs and goals. ■

ARE YOU CONFIDENT OF MAINTAINING A GOOD STANDARD OF LIVING IN RETIREMENT?

As we all live longer and enjoy unprecedented freedom to decide our own retirement options, it has never been more important to have clarity over what you want to do and how much money you'll need to achieve that.

Through our retirement financial planning services, we can help you position your finances so that you are confident of maintaining a good standard of living and have the income to realise your life goals, whatever they may be. For more information, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.



FUTURE WEALTH

Ready to start investing for your grandchild's future?

INVESTING IN THE FUTURE OF YOUR GRANDCHILDREN IS A GREAT WAY TO HELP THEM PREPARE FOR THEIR FINANCIAL NEEDS IN LIFE. BY SETTING ASIDE MONEY NOW, YOU CAN PROVIDE THEM WITH ADDED SECURITY AND INCREASED OPPORTUNITIES IN THE YEARS TO COME. INVESTING FOR GRANDCHILDREN CAN BE USED TO HELP FUND COLLEGE TUITION, MAKE A DOWN PAYMENT ON THEIR FIRST CAR OR HOME, OR EVEN START A RETIREMENT FUND.

The earlier you invest, the more time your funds have to grow and compound over time. This means that a relatively small contribution today could lead to much larger returns over the long run. Furthermore, it's important that you consider professional advice when making decisions about investing for your grandkids. This will enable you to take advantage of all available tax deductions and legal rules that could make your investment even more beneficial to your grandchildren.

HELPING A GRANDCHILD PREPARE FOR THEIR FINANCIAL NEEDS IN LIFE

By investing for your grandchild's future, you can provide peace of mind knowing that you are helping them prepare for their financial needs in life. Not only will this give them the chance to pursue their dreams and goals, but it also allows you to create a lasting legacy that will be remembered for years to come.

Investing now may help ensure a bright future for your grandchildren. In addition, investing is an effective way to pass down

wealth from one generation to the next. This can help reduce Inheritance Taxes due on large estates and enable families to retain more of their assets into the future.

NO TAX IS DUE ON ANY GIFTS YOU GIVE IF YOU LIVE FOR SEVEN YEARS AFTER GIVING THEM

As well as providing your grandchildren with financial support, investing can also be an effective way of reducing an Inheritance Tax liability. Gifting out of surplus income is a strategy for reducing an Inheritance Tax liability when investing for grandchildren. This involves gifting money from any excess income generated over and above what you need to cover your day-to-day living expenses.

No tax is due on any gifts you give if you live for seven years after giving them – unless the gift is part of a trust. This is known as the seven year rule. If you die within seven years of giving a gift and there's Inheritance Tax to pay on it, the amount of tax due after your death depends on when you gave it. When making gifts out of surplus income, it's important to

ensure that the money is treated as a gift and not used as an investment.

JUST ONE WAY TO REDUCE YOUR INHERITANCE TAX LIABILITY WHEN INVESTING

HM Revenue & Customs (HMRC) has very specific guidelines on what constitutes a 'gift', so professional advice should be sought before gifting any money to your grandchildren. We can help you create an effective Inheritance Tax mitigation strategy for investing for grandchildren that meets all relevant legal requirements.

Gifting out of surplus income is just one way to reduce your Inheritance Tax liability when investing for your grandchildren; there are other options available too. It's essential that professional advice is sought in order to find the best approach for your individual circumstances.

PUTTING MONEY INTO A PENSION COULD BE AN IDEAL SOLUTION

If you're looking to build long-term wealth for your grandchildren, putting money into a

pension is an ideal solution. However, there are some limits that you should know before taking this route. The earliest your grandchild can access the money in their pension is age 58. Therefore, it's important to think about how much time you have to allow the investments to grow and compound interest over the years until they reach adulthood.

You can open a Junior Self-Invested Personal Pension as soon as your grandchild is born. It's protected from Income Tax and is usually exempt from Inheritance Tax, too. You can pay in a maximum of £3,600 a year (tax year 2022/23) and the government will top it up by 20%, up to £720 a year – so that maximum contribution will actually only cost you £2,880.

If you start investing in a Junior Self-Invested Personal Pension at birth, then by age 58 a child or grandchild will have had 58 years of growth potential if contributions are made regularly. This should help build significant capital which can then be used as desired once mature enough to do so.

A HIGHLY TAX-EFFICIENT WAY TO SAVE OR INVEST FOR THE FUTURE

Junior ISAs (JISAs) are another option. A Junior ISA is an Individual Savings Account that can be opened by anyone on behalf of a child under the age of 18, when they can gain full access to it. A Junior ISA is tax-efficient way to save or invest as it is free from any Income Tax, tax on dividends and Capital Gains Tax on the proceeds.

The Junior ISA subscription limit is currently £9,000 for the tax year 2022/23. This means that if you start investing in a Junior ISA when your grandchild is young, by the time they turn 18 they could have had considerable growth in the funds you have contributed towards them. It also allows you to make sure that any money that you have saved for them is in a secure environment, with professional money management.

A children's savings account also provides an easy and convenient way to

start investing in your grandchild's future. These accounts come with various features that make them ideal for long-term investments, such as tax-free growth on earnings and no contribution limits.

MATURITY NEEDED TO RESPONSIBLY HANDLE ANY MONEY

Additionally, you have the flexibility to choose how much money you want to invest and when you want to add or withdraw funds from the account. With these advantages, children's savings accounts provide a secure and practical option for diversifying a child's portfolio.

When investing for your grandchildren, professional advice should be sought to ensure that all legal requirements are met. It is important to consider the legal ownership of the money and when your grandchild will become eligible to access it. Consideration should also be given as to whether your grandchild will have the necessary skills, knowledge and maturity needed to responsibly handle any money they may receive.

SAFEGUARD YOUR GRANDCHILDREN'S FINANCIAL SECURITY

Parents or guardians should take advice in order to make informed decisions about what is best for their child's long-term financial future. By taking our professional guidance you can ensure that you are making the best decisions possible when investing on behalf of your grandchildren. Taking the time to make it part of your annual review will give you peace of mind knowing that you are taking steps towards building a solid financial foundation for your grandchildren.

With professional guidance, you can tailor an investment strategy specifically for them. Investing in their future today can have long-term benefits as they grow into adulthood. Start planning now and make sure your grandchildren's future is secure. ■

CREATE LASTING FINANCIAL SECURITY FOR THE NEXT GENERATION IN YOUR FAMILY

Investing for your grandchildren will prepare them for their future financial needs. With our guidance you can create lasting financial security for the next generation in your family. Doing so can be both rewarding and beneficial for everyone involved. Start investing today and watch the investments grow for generations to come. For more information, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

FOR ISA'S INVESTORS DO NOT PAY ANY PERSONAL TAX ON INCOME OR GAINS BUT ISAS DO PAY UNRECOVERABLE TAX ON INCOME FROM STOCKS AND SHARES RECEIVED BY THE ISA MANAGER. TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

COST AVERAGING YOUR INVESTMENTS

Reducing the risk of investing in volatile markets

COST AVERAGING, OR POUND COST AVERAGING, IS AN INVESTMENT APPROACH THAT INVOLVES DIVIDING UP THE TOTAL AMOUNT TO BE INVESTED INTO EQUAL AMOUNTS AND INVESTING THESE AT REGULAR INTERVALS OVER A PERIOD OF TIME.

This strategy has become increasingly popular due to its ability to reduce the risk of investing in volatile markets, as well as its simplicity. So let's consider some of the reasons why investors may choose to take this approach.

MAXIMISE RETURNS

By investing equal amounts, it enables you to build up your investment portfolio over time. Making regular monthly payments of £1,000 into an investment fund is a less daunting and more manageable approach than investing a single lump sum of £500,000 or more.

Pound cost averaging investing also means you take advantage of price fluctuations in the market. By regularly making investments, you can potentially buy assets at lower prices when they decline or sell them at higher prices when they rise. This helps to maximise returns while still mitigating some of the risk associated with large lump sums being invested all at once.

MARKET FLUCTUATIONS

Pound cost averaging also makes it easier to keep to a consistent investment plan, as the amount to be invested and the intervals between investments are predetermined.

This ensures you don't become swayed by market fluctuations or fall prey to impulsivity, which can lead to poor decisions. Additionally, pound cost averaging eliminates the need for frequent monitoring of your portfolio since investments are made automatically at regular intervals.

DISCIPLINED APPROACH

This strategy allows investors to maintain a disciplined approach and build up their holdings over the years without needing large amounts of capital upfront.

Pound cost averaging can also reduce transaction costs since fewer assets need to be bought in order to reach the desired total investment amount when compared with investing all at once.

EFFECTIVE STRATEGY

Ultimately, pound cost averaging is an effective strategy for appropriate investors who want to reduce the risk of investing in volatile markets, but at the same time still take advantage of price fluctuations.

By dividing up the total investment into equal amounts and investing at regular intervals over time, this approach can help to maximise returns while minimising volatility. Being able to simplify the investment process and reduce transaction costs makes pound cost averaging an

effective way for investors to manage their portfolios efficiently. ■

LOOKING FOR A TAILORED SOLUTION TO HELP YOU ACHIEVE YOUR FINANCIAL GOALS?

Investing in appropriate assets for your investment goals is an effective way to build your wealth over the long term. It also provides several key benefits, such as compounding returns, diversification of risk and tax-efficiency. To talk about your investment goals, please contact us.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED

