

Investments



“We are able to apply many years of investment expertise to help you decipher the vast choice of products available.”

Choosing the right investment for you

Choosing the right investment may seem like an impossible task with seemingly countless products available, offering a multitude of options.

First of all, you must carefully consider the terms and conditions stipulated by providers. One may be tempted by the lure of ‘special offers’ available in such a competitive market.

Past performance of the investments will also be an important factor, but as one may know, past performance is no guide to the future. Examining past performance statistics may help you identify the risk you are being exposed to within this specific product or fund. High risk investments tend to be very volatile and can be top of the performance tables one minute and bottom the next. Lower risk investments, on the other hand, can offer less exciting, but steady returns. Before making your investment choice one needs to identify your objectives and what the investments are to achieve.

The main factors in making investment decisions are:

1. **Time Scale** – when the money is needed.
2. **Liquidity** – Ease of access
3. **Income Needs** – Regular cash payments now and in the future
4. **Future Capital** - and other specific needs
5. **Attitude to Risk** – How much you are prepared to see fluctuation in value

These factors are closely related and vary according to one’s situation and priorities.

An investor, when prioritising needs should be aware of the effects of taxation and inflation. Some investments are taxed privileged, these help in the future performance. The levels of Long Term Income may also suffer, as the capital base is not maintained in the face of erosion by inflation.



MARDON
WEALTH MANAGEMENT

Investments



“We are able to apply many years of investment expertise to help you decipher the vast choice of products available.”

Choosing the right investment for you

Clearly, many factors need to be taken into account when choosing the correct combination of investments to meet one's objectives. By offering independent advice, we are able to apply many years of investment expertise to help you decipher the vast choice of products available to meet your future aims – whether these are to generate income or capital growth for medium/long-term expenses.

The first step in constructing an investment portfolio is to divide up the investments into short-term and longer-term, with a suitable balance produced. Most investments need instant access to some capital at all times, perhaps because they need it for a specific purpose, such as this term's school fee or next year's holiday. Risks with fluctuating capital values cannot be taken with these funds. Virtually everyone has short-term needs for at least some of their money.

As well as these short-term cash deposits, there will be different priorities with other capital available for investment. Preservation of the real long-term capital value of investments or the long-term value of income may be much more important.

Over the longer-term it may not matter that the capital value of the investment goes up and down, providing the long-term trend is upward.

MAIN INVESTMENT CHOICES

When considering the wide range of investment options, funds will be divided between three main types of investment:

1. **Variable interest Cash Deposits**
2. **Fixed Interest Securities**
3. **Shares and Property**

These can be distinguished by the liquidity, ease of access and volatility.



MARDON
WEALTH MANAGEMENT

Investments



“We are able to apply many years of investment expertise to help you decipher the vast choice of products available.”

Choosing the right investment for you

Cash Deposit Investors should have some capital available at all times for short-term needs. The ideal secure home for such monies would be in Cash Deposit Accounts. Investors know they can get their money back with interest. These rates will normally vary according to the type of account, so income is not always very predictable.

The advantage of investing in cash is that it cannot lose its capital value and is readily realisable. Holding such accounts is normally attractive when equities are falling. However, the real returns are relatively low over the long-term and cash is vulnerable to the effects of inflation.

The main types of short-term cash investments are Bank and Building Society Instant and Notice Accounts along with certain National Savings investments.

Fixed Interest Securities Are normally less volatile than shares and provide a more secure income than cash. These are attractive for investors who are looking for a fixed income and /or capital return.

Fixed Interest Securities represent a form of borrowing by Government, Local Authorities, Corporate bodies and a range of other organisations. They are attractive in periods of declining interest rates and low inflation, but capital values may fluctuate until maturity, so there is some risk of making an overall loss on early encashment.

Gilts are the most secure UK Fixed Interest Security. High yields can be obtained by buying commercial bonds - the extra reward is balanced by the additional risk.

The drawback of Fixed Interest Securities is that they generally provide no protection against inflation. In the long-term, UK Gilts have under performed Equities by a considerable margin. (Source: Barclays Capital Gilt Study)



MARDON
WEALTH MANAGEMENT

Investments



“We are able to apply many years of investment expertise to help you decipher the vast choice of products available.”

Choosing the right investment for you

Asset Based Investments The most common asset based investments are Shares/Equities, which are available directly or through collective investments. Property is an asset based investment, although it has normally performed less well than Shares.

Equities form the basis of almost all long-term investment portfolios. They are attractive for those clients who are prepared to see fluctuations in the value of their investments in exchange of the prospect of longer-term capital growth. There may be substantial fluctuations in their values, but the longer trend has been upward. Investors should not normally invest in shares unless they are expecting to stay invested for at least five years, and generally, the longer the better.

Investment in Equities can be in the form of direct investment, or the purchase of collective funds such as Unit Trusts, OEICS, Investment Trusts and Life Policies. Of course, many investors will have both types in their investment portfolio, but the proportion of each will be dependent on various factors.

These include:-

- **Portfolio Size** – Unit Trusts and other collective investments provide a very wide investment spread even for small sums.
- **Cost** – cost of investing in some collective investments are greater than direct investment in Equities or Fixed Interest Securities.
- **Taxation** – collective investments are generally subject to different tax rules from direct investments.
- **Diversification** – collective investments allow investors to diversify the management of their investments.
- **Specialist Areas** – collective investments can be used to diversify into unfamiliar markets e.g. Japan or Emerging Market.



MARDON
WEALTH MANAGEMENT

Investments



“We are able to apply many years of investment expertise to help you decipher the vast choice of products available.”

Choosing the
right investment
for you

Although the three broad areas of investments are those of Cash, Fixed Interest Securities and Equities, as described above, these contain a vast array of options ranging from Instant Access Bank Accounts, through to Collective Investments, and Company Shares. Choosing the right combination of these to meet one's own circumstances, and future objectives will be a complex and time consuming procedure.

With our comprehensive support and administration systems, investment and taxation expertise and knowledge of the market place, will construct the correct investment portfolio to meet your needs, providing full details of those products available and how they will best suit your taxation and risk profile.

Call now on **01743 285777**
and speak to one of our specialist advisers or
email us investments@mardons.co.uk



MARDON
WEALTH MANAGEMENT