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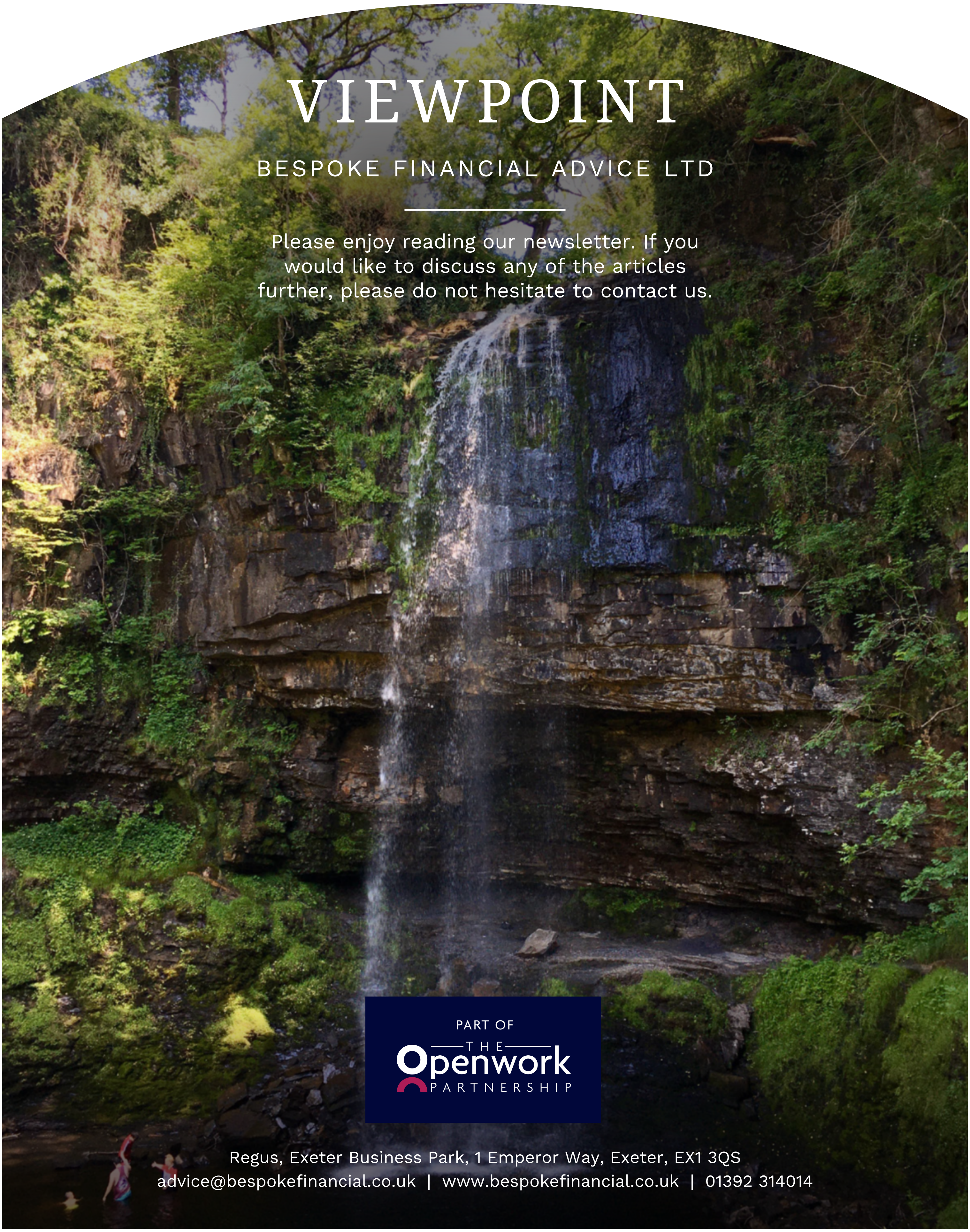

VIEWPOINT

BESPOKE FINANCIAL ADVICE LTD

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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Investment myths

Understanding investments can be daunting, and there are several myths that are likely to put you off if you are new to investing. In this blog, we'll debunk five misconceptions about investing. By unravelling these myths, you'll gain a clearer perspective on how to navigate the world of finance and make informed investment decisions.

1 You need to be wealthy

You can invest with less than you may think. Making small regular investments can provide more benefits than investing a lump sum. You can invest a small amount into the markets every month. One big benefit of investing a small regular sum is that, instead of saving your cash until you have a lump sum, you're putting your money to work straight away. Even with rising interest rates, leaving money sitting in a bank account can be less profitable than investing it in the market.

2 It's too much of a risk

With any type of investment, there is a risk of losing your money. It's all a balance between risk and reward, meaning the greater the risk, the greater the potential reward. If you understand the risks involved and the level of risk you're comfortable with, you'll be able to make an educated decision as to whether it's worthwhile.

3 You need to know the best time to buy

Most people think you need to invest when stocks are low and sell when they're high, but there are so many factors that can change the stock market, it's pretty much impossible to predict the outcome. The best thing to do is start investing as soon as you can for as long as you can. There may be fluctuation, some good and some bad, but the longer you're able to hold on to your investment, the more time you'll have to recover from any lows.

4 Your money will be inaccessible

It is true that the longer you keep your money invested, the more chance you have of making a return, however this doesn't have to mean your money is inaccessible. There are lots of investment options where you can access your money at any time. You should leave your investments untouched for them to have the most potential, but should a situation arise where you may need your funds, you will be able to access them.

5 You have to monitor your investments every day

Checking your investments every day can lead to risky decisions such as changing investments or withdrawing funds altogether. Investments usually span over a long period of time, so it's best not to make potentially harmful decisions based on short-term market performance. If you're opting for a low-risk investment, you won't need to check it often. It's recommended to monitor your investments every three months just to see how they're doing.

Get in touch

If you're interested in finding out more about how you could invest your money wisely, we're here to help.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.
Past performance is not a guide to future performance and should not be relied upon.
Approved by The Openwork Partnership on 30/06/23.

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3 important reasons for staying invested through market downturns

It's been a difficult year for investors so far. Inflation and political uncertainty have led to market volatility.

Market volatility can be scary, especially if the value of your investments drops, but it's important not to let fear guide your decision about whether to stay invested in your portfolio. Here are three reassuring reasons for staying invested in the stock market during uncertain times.

1. The best financial decisions are not based on emotion

Emotions can play a big role in your financial decision-making if you aren't vigilant. The thrill of seeing your investments increase in value can quickly be replaced with panic and fear when the value decreases during market slumps.

When you understand the cycle of emotions related to investing, you can reframe downturns as opportunities to maximise your returns in the long term. This is because when the value of investments falls, it becomes cheaper to buy more shares or fund units – providing greater opportunities to grow your wealth when conditions improve.

As Warren Buffett, one of the world's most successful investors, famously said: you should aim to be "fearful when others are greedy, and greedy only when others are fearful".

By looking at the situation objectively, without the influence of emotions, you will be able to make sensible financial decisions based on your understanding of how the markets tend to ebb and flow.

Get in touch

If you're concerned about whether the current market volatility will affect your long-term financial plans, seeking expert advice can help to reassure you and keep you on the right track.

We can help you to decide on the most appropriate next steps based on your circumstances and future goals. Please get in touch to arrange a time to chat.

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2. Bull markets tend to outlast bear markets

When markets are trending upwards and investments are generally growing in value, this is called a "bull market". This is when you will often see your investments increasing in value.

By contrast, a "bear market" describes periods when the market has dropped 20% or more from its peak. Despite rallying in October, the S&P 500 is currently down 22% since the start of the year, with many of the top-performing US stocks noting significant drops since the start of the year.

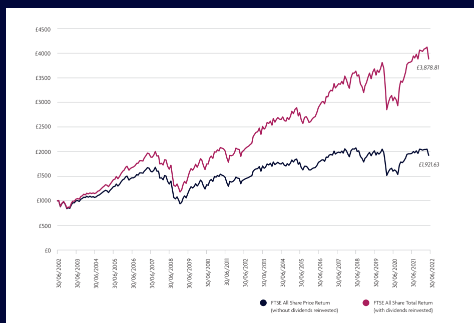
As seen in the chart below, bull markets have not only been more frequent over the past 60 years, but they have also tended to last far longer than the average bear market.

So, despite the rocky start to 2022 for investors, it makes financial sense to be optimistic about the prospect of markets recovering sooner rather than later. As the markets recover, you could see significant increases in the value of your investments.

3. Staying invested could produce better long-term gains than moving to cash

Attempting to time the market by moving your investments into cash during market downturns could lead to significantly lower long-term returns than if you had stayed invested throughout.

The chart below shows how returns on £1,000 invested can be affected by attempting to use this strategy.



The end results show that the initial investment would have created a final value of £1,993.32 if it had remained invested throughout downturns; if the same amount had been invested initially, but removed from investments during downturns, the final value would have only been £1,042.43.

The difference in returns is partly because the best days in the markets tend to occur immediately after a downturn. By attempting to time the market, you will often miss out on the significant returns generated on these important days. Compounding is the process of generating returns on the total value of your portfolio, including both your initial investment and any returns generated since then, so the impact of missing the best days in the market will be reflected in your portfolio's value for many years.

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The benefits of starting a pension early

It's never too early to start saving for retirement. In fact, the sooner you start saving, the more time for your money to grow.

Starting a pension early is one of the best things you can do for your financial future. By taking advantage of the benefits of early retirement savings, you can ensure that you have a secure financial future and enjoy your retirement years to the fullest.

More time to save

One of the most significant benefits of starting a pension early is the additional time you have to save money. The longer your money is invested, the more time for it to grow, which can help you accumulate a larger retirement fund. Starting early also means that you can take advantage of compound interest, which is interest earned on both the principal and the accumulated interest. Over time, compound interest can significantly increase the value of your pension fund.

Lower monthly contributions

Starting a pension early can also help you keep your monthly contributions lower. Because you have more time to save, you can spread your contributions over a longer period. This can make it easier to budget for your retirement savings and ensure that you are putting away enough money to reach your retirement goals.

Employer contributions

If you are enrolled in a workplace pension scheme many employers offer to match employee pension contributions, (up to a certain percentage). This 'free money' can help you save even more for retirement.

Tax benefits

The government offers tax relief on pension contributions, which means you can put more money into your pension each month. For example, if you're a taxpayer, you can get up to 60% tax relief on your contributions.

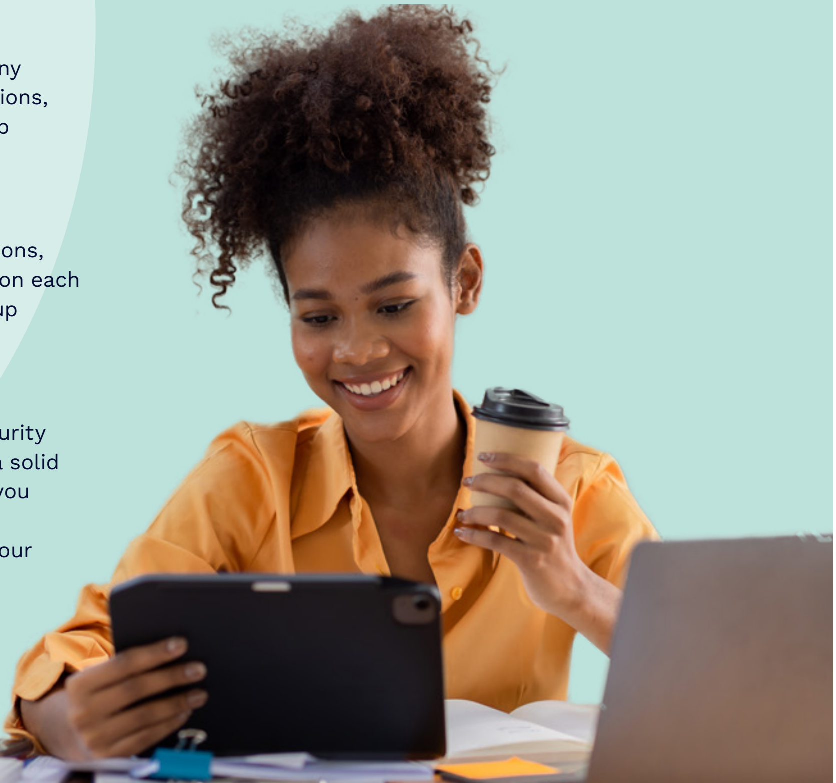
Financial security

Starting a pension early can help provide financial security in retirement. By starting to save early, you can build a solid foundation for your retirement years and ensure that you have enough money to cover your expenses. This can help alleviate financial stress and allow you to enjoy your retirement years without worrying about running out of money. Knowing that you have a secure financial future can give you peace of mind and allow you to enjoy your retirement more.

Tips for starting a pension early:

- **Set up a regular contribution**
  The best way to make sure you're saving for retirement is to set up a regular contribution. This could be a fixed amount each month or a percentage of your salary.
- **Increase your contributions as you earn more**
  As your income increases, you can increase your pension contributions to make sure you're on track for a comfortable retirement.
- **Take advantage of tax relief**
  The government offers tax relief on pension contributions, which means you can put more money into your pension each month.
- **Consider employer contributions**
  Many employers offer to match employee pension contributions, which is free money that can help you save even more for retirement.

By giving yourself more time to save, keeping your contributions manageable, taking advantage of tax benefits, and providing financial security in retirement, you can set yourself up for a comfortable and fulfilling retirement. So, if you haven't started saving for retirement yet, now is the time to start!



The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Cost of living crisis: Why you should review your budget and plans

The cost of living is rising. Reviewing your finances now is crucial for understanding what effect inflation could have on your lifestyle and long-term plans.

Inflation was at an almost 40-year high. In the 12 months to August 2022, it was 9.9%. There are several factors contributing to rising inflation, including the conflict in Ukraine, which has disrupted energy and food supplies.

Rising inflation means now is the ideal time to review your budget

Keeping track of your finances during the cost of living crisis is crucial. In the short term, you should review your budget. Can your budget absorb the higher costs, or do you need to make lifestyle changes?

The Bank of England expects inflation to peak at around 13%. It's also said it doesn't expect the rate to fall to its target of 2% for several years.

So, you should look at what that means for you in the coming years. Will rising energy prices mean you need to be more mindful of energy use or cut back expenses in other areas?

While the headline inflation figure can give you an idea of how prices are changing, your personal inflation rate may be very different. If you commute long distances, for instance, the steep rise in fuel costs may mean your outgoings rise more than you expect.

Going through your budget and calculating how your regular costs have changed in the last year can help you better manage your finances.

In some cases, you may decide to draw on savings or other assets to bridge a gap if your expenses rise. You should ensure this is sustainable.

The steps you take could affect your long-term plans

While it's important to focus on how the cost of living crisis is affecting your finances now, don't forget to consider the long-term effects too. Decisions you make now could affect your income and financial security for years to come.

If you're using assets to create an income, such as your pension, you need to be aware of how increased withdrawals may affect you. Could taking a higher income from your pension now to cover costs mean that you deplete your savings faster than you expect? If so, it could mean you face an income shortfall later in life.

Research also suggests that some people are cutting back outgoings that could improve long-term financial security. According to Canada Life, 5% of adults have already stopped contributing to their workplace pension due to budget pressures. A further 6% are actively thinking about pausing their pension contributions.

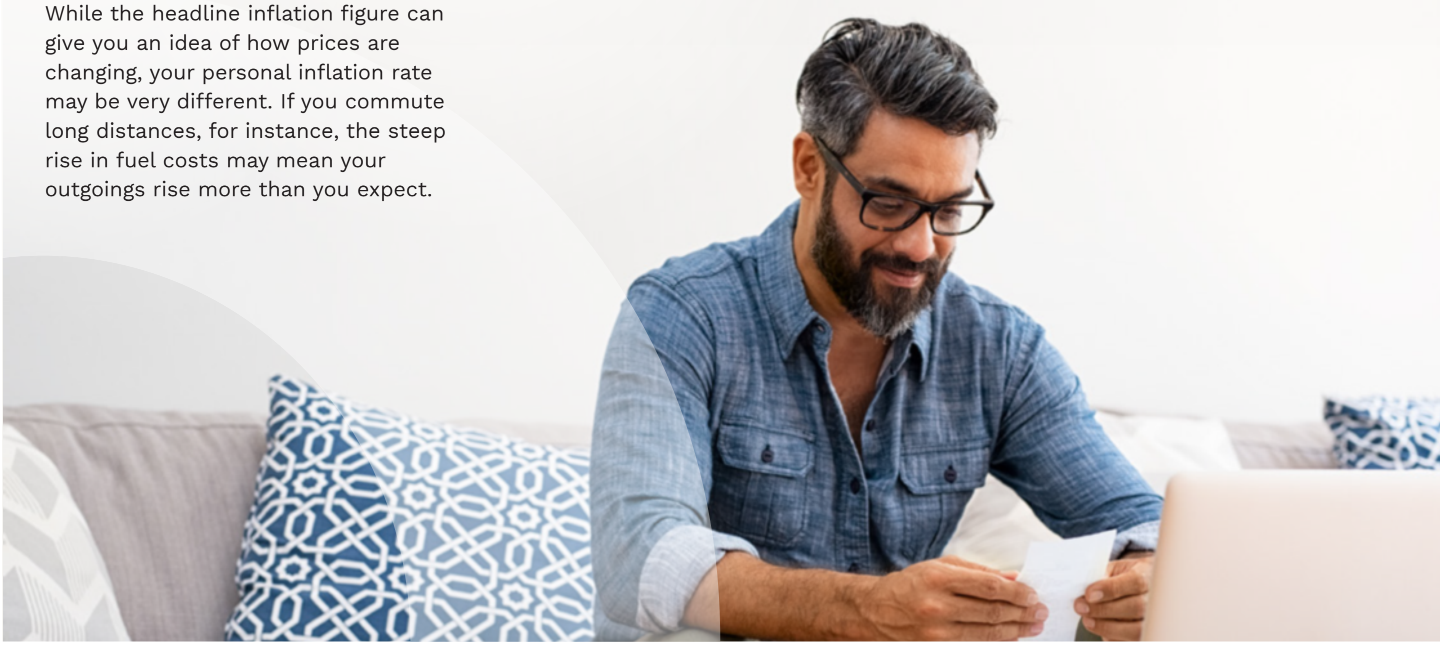
While pausing contributions for a few months may seem like it will have little effect on your retirement, it can be larger than you think. The power of compounding means that pausing pension contributions for just a year could reduce the value of your pension at retirement by 4%.

It's not just stopping pension contributions that could affect your long-term plans. Things like reducing how much you add to your savings account or investment portfolio could affect whether you can reach your goals in the future, whether that's to support children through university or retire early.

Contact us to review your finances

Amid the current economic uncertainty, reviewing your financial plan can give you peace of mind and confidence. We'll help you understand how your current budget has been affected and the steps you can take now to create long-term financial security.

Please contact us to arrange a meeting to discuss your goals and the effect the cost of living crisis could have.



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