A WEALTH CHECK FOR SMART INVESTORS

COMPLIMENTARY GUIDE

find a wealth manager.com

CAN YOU ANSWER THE WEALTH CHECK?

1. Do you have a complete picture of your wealth?
2. Are you investing enough?
3. Do you have the right mixture of investments?
4. Are you balancing risk and return?
5. As an investor, are you getting the best possible value?
6. Are you minimising your tax exposures?
7. Are you planning far enough ahead?
8. Could you be enjoying your wealth more?

1 DO YOU HAVE A COMPLETE PICTURE OF YOUR WEALTH?

Most people don't actually know exactly how all their assets (and liabilities) stand today.

> In simple terms,
> your net worth is the sum total of the assets you own minus those you owe.

However, it is the process of thoroughly examining your financial affairs that is really valuable, not just arriving at a bare number.

For wealthier individuals with more complex affairs, getting the fullest possible picture can be challenging because it is easy to leave long-forgotten ISA accounts or pensions out of the equation, or factoring in business interests.

HOW GOOD OF A HANDLE DO YOU HAVE ON THE BELOW?

It takes some humility, but smart investors seek a qualified and objective opinion from professional wealth managers because they act as your fail-safe in managing your financial future.

KEY TAKEAWAYS:

- Go through the process of finding out what you have and where
- Consolidate multiple unnecessary investments accounts
- Get professional help to carry out the admin and analysis

2 ARE YOU INVESTING ENOUGH?

Most affluent individuals will have investments of some kind from quite an early stage, even if this is just an ISA or pension. But as time goes on, it may be necessary for you to invest slightly more aggressively with a portion of your assets.

There is no one size fits all amount but in an age where cash is losing value and returns practically zero, investing as much as possible for the long term is wise to protecting and growing wealth.

It is paramount that your investments keep ahead of inflation or your wealth will actually be eroded over time. It may be low now, but the long-term inflation average is 3% a year.

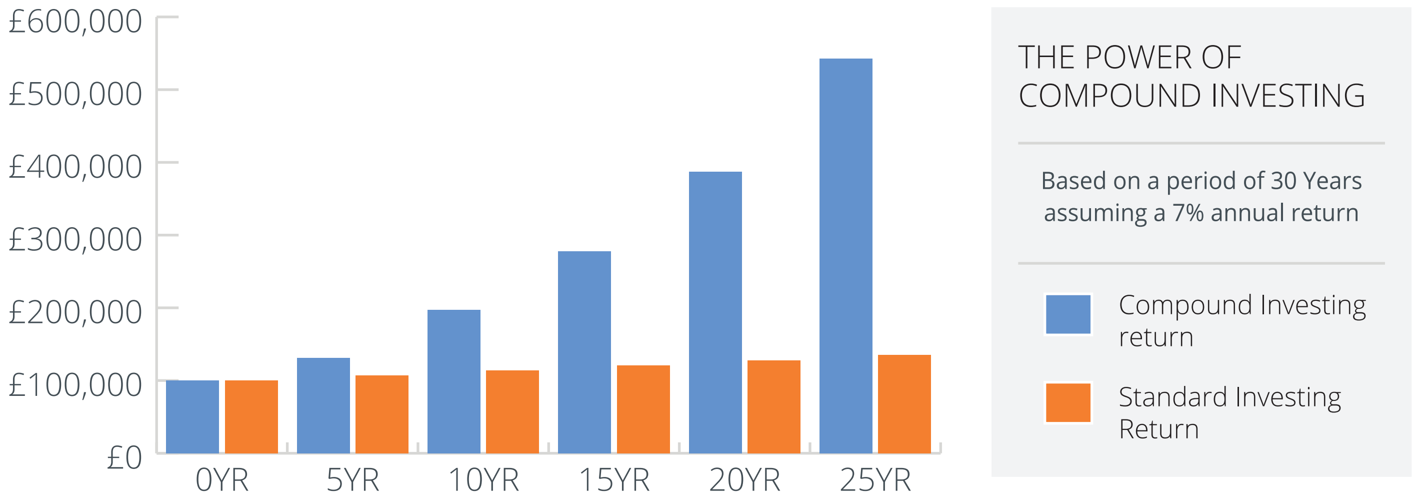
Research suggests that UK investors are currently holding a massive £12bn in easy-access cash ISAs which pay derisory rates of less than 0.5%, for example.

"COMPOUND INVESTING IS THE 8TH WONDER OF THE WORLD"

~ ALBERT EINSTEIN

In light of this, and amid rock-bottom interest rates globally, it might be the case that you are not taking on sufficient risk to achieve your goals within the timeframes you have in mind.

Time is the most important force that smart investors need to harness to achieve their goals. The effect of compound growth can give those who start investing earlier a big advantage, but it is never too late to start catching up.



THE POWER OF COMPOUND INVESTING

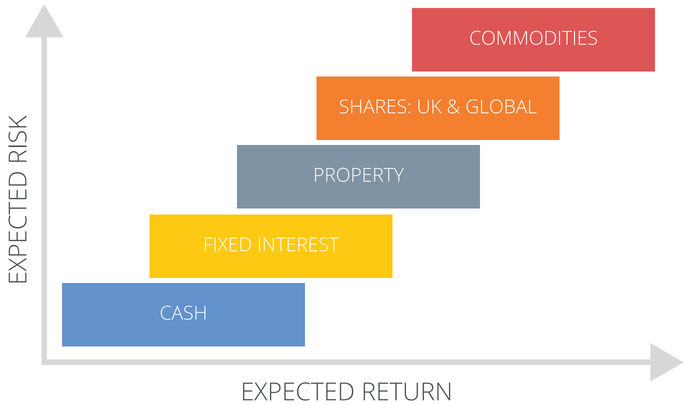
Based on a period of 30 Years assuming a 7% annual return

KEY TAKEAWAYS:

- Cash in not king, in fact you may be losing value
- Time is your investment ally – take a long term view
- Regular and compound investing are essential strategies

3 DO YOU HAVE THE RIGHT MIXTURE OF INVESTMENTS?

Diversification - spreading your investments among a variety of asset classes, markets and sectors that have low correlation - is key to optimising returns and effectively managing risk.

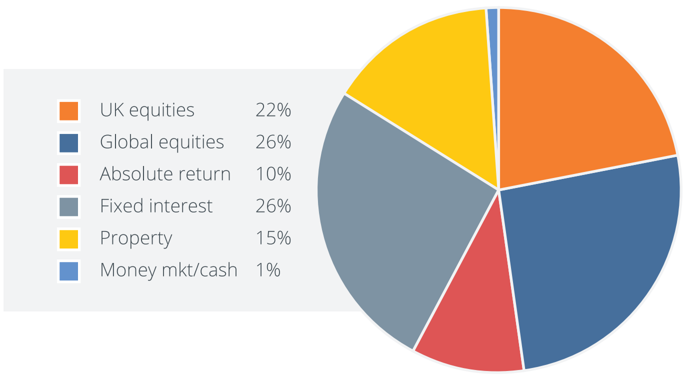


In fact, arriving at the right mix, or asset allocation, for your financial goals, time horizon and risk appetite is arguably the most important part of devising your investment strategy.

Simply splitting your investments 60/40 between bonds and equities in a haphazard fashion is unlikely to deliver the results you seek. Do take advantage of the whole investment universe, but do it in a highly strategic way. Investors tend to favour their home markets or sectors they know well, but smart investors take a global view because they know there are more attractive gains to be had elsewhere.

Asset allocation is not "once and done" task. Smart investors realise it is a vital part of ongoing portfolio success. As time goes by and investments change in value it is very easy for portfolios to drift away from their optimum asset allocation. What that ideal looks like can also change dramatically over time as your needs and objectives evolve. 'Rebalancing' is essential.

Conversely, concentration risk can build easily without you realising otherwise. You may be investing in a variety of funds, but have you considered whether several are holding the same underlying investments? Does it make sense to invest in property funds when you have significant direct property investments too? Probably not.



Wealth managers are so useful in this regard because they do all the hard work for you like ascertaining exposure in funds and regular rebalancing of portfolios.

KEY TAKEAWAYS:

- Build a diversified portfolio
- Watch out for duplication risk and concentration risk
- Think about asset allocation – how your whole 'life' portfolio looks, not just on individual investments

4 ARE YOU BALANCING RISK AND RETURN?

It can be tempting to focus solely on a narrow range of investments that have performed well in the past, but the market is cyclical. Past performance is no guarantee of future returns after all (particularly of funds), so it is vital to look at the future return expectations of each investment very carefully.

The question of what constitutes good investment performance is a thorny one. Smart investors are realistic when thinking about the magnitude of returns they wish to achieve, the time period they have to do this in and the degree of investment risk they are willing (and able) to take on.

The entrenched low-yield investment environment has forced many affluent investors to look outside their comfort zone for better returns, with the result that alternatives like private equity and hedge funds are increasingly popular globally.

New types of investment like crowdfunding or Bitcoin are also capturing imaginations, but traditional, less risky ones should still probably make up the bulk of your portfolio.

A major pitfall for smart and typical investors alike is that they tend to massively overinflate their level of risk tolerance, and only discover they are more risk-averse when stung by painful losses. Volatility in the market can be good (caveat: when navigated with a professional).

Wealth managers smoothen investment returns, limit downside risk, and capitalise on opportunities in the market.

Risk, like performance, needs to be seen in the round. There are always finely balanced trade-offs to be made and this is why investment management is often described as both an art and a science.

For more information on risk, please read our "IHT Planning And Property: Tips To Minimise Tax Before And After Inheritance" guide.

KEY TAKEAWAYS:

- Return and Risk are linked. Your risk profile depends on your age and life circumstance
- Chasing performance is a major pitfall for private investors
- Assess your risk with a professional – chances are you are taking too much

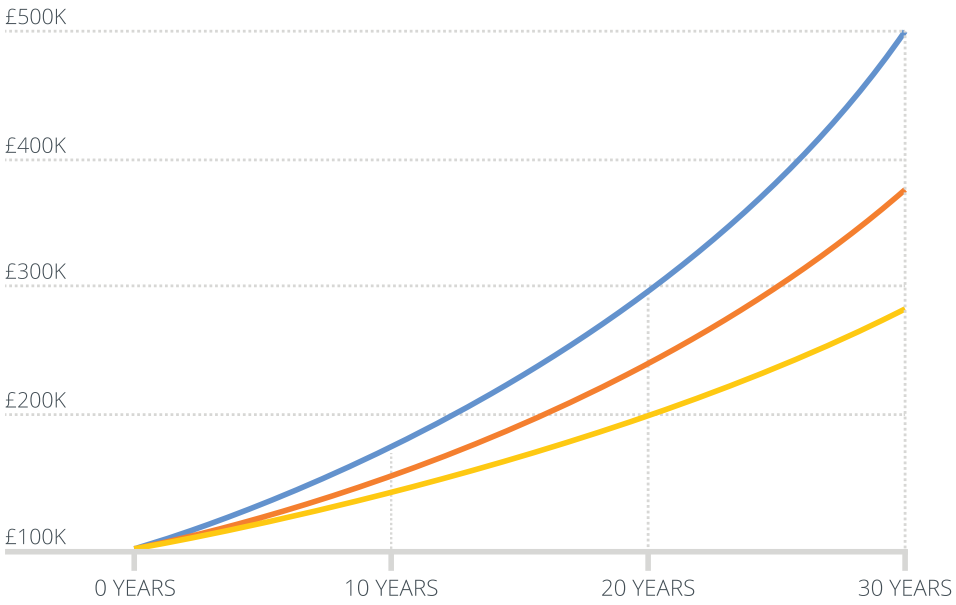
5 AS AN INVESTOR, ARE YOU GETTING THE BEST POSSIBLE VALUE?

Reforms to the financial advice market mean providers now have to be far more transparent about the fees and charges clients pay. But what is good value for money?

Online trading platforms, robo-advisers, and the easier choice of doing nothing may seem like you are receiving the best value because of their very low headline costs. However, those options are a false economy for many. Not only does heightened investment risk wipe out modest fee savings by much larger investment losses, but you may also be surprised to learn that cutting out the middleman can actually increase the costs of investing.

In 2014 research emerged suggesting that direct fund investors in the UK were collectively paying a £100m premium each year for going it alone – simply because they lack the purchasing power of financial institutions and are often hit with a 5% upfront fee (plus 1.5% annually for management), while those using wealth management services pay as little as 1% a year for their investment – even factoring in the broker's fee – due to institutional rates.

Institutions can help you access the most cost-effective share classes for your investments – which can make a real difference to the rate at which you grow your wealth. Many investors still do not realise they are eligible for institutional rates on their portfolios, but smart investors capitalise on them.



EXAMPLE OF FEE EROSION ON PERFORMANCE

Based on £100,000 with a 6.5% annual return

- 1% Fee
- 2% Fee
- 3% Fee

KEY TAKEAWAYS:

- Place fees under scrutiny as it is a serious long term performance drag
- Beware the false economy of wanting to pay no fees
- Access institutional fee levels via wealth managers and save costs

6 ARE YOU MINIMISING YOUR TAX EXPOSURES?

Death and taxes are known as life's great unavoidable woes, but affluent individuals and smart investors know that there are many perfectly legal and well-used strategies they can deploy to help minimise their tax liabilities, and those of their family as a whole.

Many wealth managers offer tax planning services to their clients. Achieving impressive investment returns is great, until they lead to unnecessarily high Capital Gains Tax. Likewise, losing a massive chunk of your estate to Inheritance Tax can undo the work of a lifetime building wealth for your family.

Smart investors achieve often very significant savings across Income, Capital Gains and Inheritance tax with the help of wealth managers. They will start by ensuring your investments are in the right tax-wrapper and that all reliefs are being used in full each year. They then might recommend tax-efficient investments like the Enterprise Investment Scheme or wealth structures like trusts that will ensure that over the long term as much money as possible stays within your family – and out of the taxman's clutches.

But while we all want to reduce our tax bill, this is one area where people should never be tempted to dabble without the requisite expertise. A smart investor only takes tax or wealth advice from a reputable firm.

More than just gifting assets, many smart investors employ every single tax relief available and the clever use of investment instruments and structures. At a very basic level, grandparents might be able to make very tax-efficient monthly contributions, at modest sums, to a Child SIPP that will eventually give their grandchildren a very well-funded retirement. Meanwhile, families who are willing to get slightly more involved might deploy techniques like setting up an offshore Private Investment Company to make sure that taxes are kept to an absolute minimum for all.

KEY TAKEAWAYS:

- Unnecessary tax can undo performance so maximise legitimate tax incentives to the fullest
- Navigate tax optimisation with credible professionals, don't take tax risks
- Utilise family tax breaks, these can be key to minimising the tax burden

7 ARE YOU PLANNING FAR ENOUGH AHEAD?

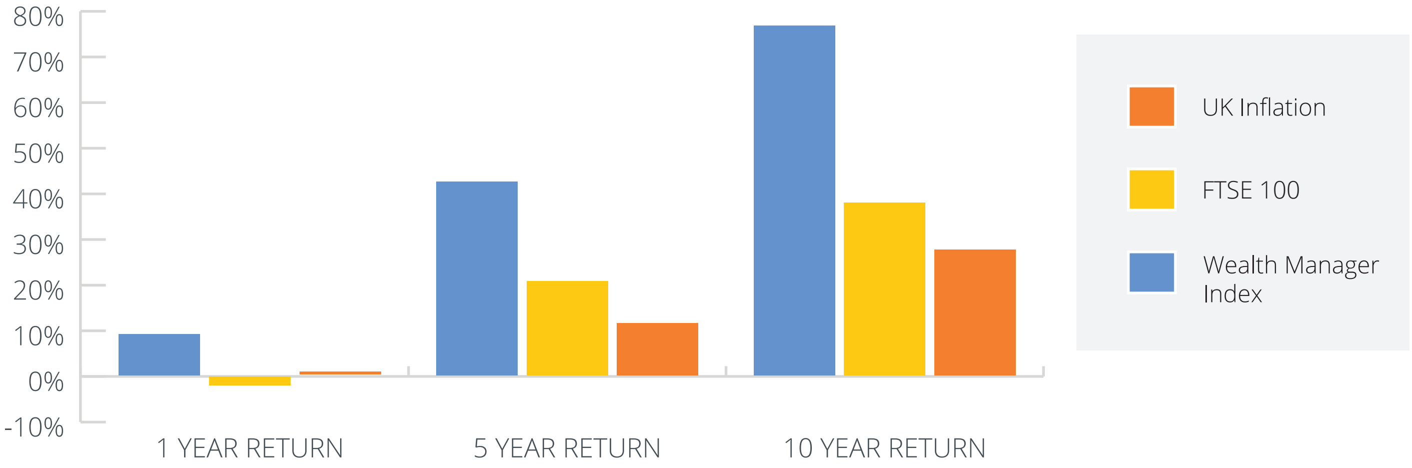
According to the old adage, “If you fail to prepare then you must prepare to fail”. These are words to live by when it comes to effectively growing and protecting your wealth.

Compound interest turns a relatively modest amount into a very significant sum with time and reinvestment gains. For example, someone investing their full ISA allowance of £15,000 even fairly conservatively each year can build up a savings pot of £1m in around 25 years.

Smart investors have a clear eye on the future. At findaWEALTHMANAGER.com, a third of our clients need help with pension planning, while a quarter have received a significant sum and are looking for advice on how to best put this to use. They are right to be starting early and planning ahead as far as possible.

On average, a private client in the UK with a “steady growth” portfolio will have enjoyed annualised returns of approaching 5% over the past decade – even taking the financial crisis into account. In more recent times, wealth managers have been achieving average annual returns in excess of 8% for medium-risk investors .

Structuring, growing and protecting your wealth robustly is bound up with minimising your tax obligations, and the strategies for achieving this should be set up well in advance with your wealth manager. Taking a long view will give you more options at your disposal.



KEY TAKEAWAYS:

- Time is indeed money – manage your wealth professionally as early on as possible
- Take a long term view rather than ‘gambling’ short term with your savings
- Wealth management investment returns are strong and they offer wider services too

8 COULD YOU BE *ENJOYING* YOUR WEALTH MORE?

A key difference that separates smart investors from the rest is that although they realise formulating and following an effective financial plan is important, it is, however, merely a *tool* for sustaining a desirable lifestyle for you and your family and making it possible to achieve your life goals.

The first step in enjoying your hard-earned wealth more is ensuring that you have real peace of mind over all your financial affairs – knowing that everything is being done to maximise investment growth, minimise risk and mitigate tax liabilities.

The second step is to seek professional help because you do not have the time, inclination or expertise to structure, maintain, rebalance, protect, manage, and grow your investments.

Entrepreneurially-minded investors might like to get involved with private equity type investments, for example, or it might be that you could indulge your personal interests and make money though passion investments like classic cars, art or jewellery. And that's ok.

But maximising your wealth and protecting it from the ravages of market turmoil, inflation and excessively high taxation is the key to financing your dreams. These may be "endgames" like retiring early to a second property in sunnier climes or being able to set up your grandchildren financially; or they may be nearer-term goals like starting a second business or putting your brood through private education and university.

With professional advice you can balance all your wealth objectives to get everything you want out of life.

KEY TAKEAWAYS:

- To achieve the lifestyle you dream takes wealth planning
- Outsource the navigation of investment and tax areas to an expert professional
- Use your spare time doing things you love, not worrying about your finances

Find A Wealth Manager is an independent service designed to help clients navigate the opaque world of finance and wealth planning. We partner with the leading UK firms who commit to best practice and better value fees. Use our configurator to get matched to the right firm and then our experienced team will help meet your best placed manager.

READY TO GO

Use our configurator to get matched to wealth and investment management firms and have our team provide tailored introductions

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Use our information centre packed full of guides, articles and eBooks to increase your knowledge and specific areas of interest

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Our team of experts have a combined 70 years industry knowledge. We are straight talking, impartial and there is no obligation

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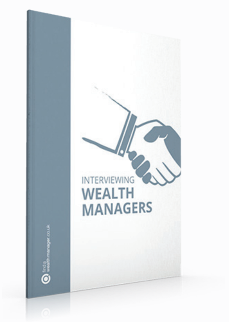
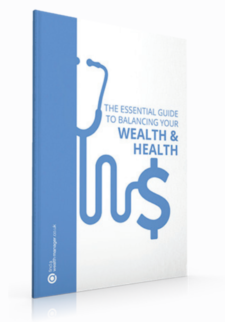


Interviewing Wealth Managers

Key Ways To Preserve Family Wealth Across The Generations



The Essential Guide to Balancing Your Health & Wealth

Finding Your Best Wealth Manager

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