Downton and Ali Associates

# Managing your money

## A guide to investment planning

*This guide seeks to provide some information about how we could help you with your investment planning.*

*If you want to learn more and receive advice tailored to your personal circumstances, please get in touch.*

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# What does investment mean to you?

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The idea of 'investment' can mean different things to different people.

For you, it may mean something like "making my money grow" or "getting a decent income from my capital". Those may seem like simple ideas but, in a world of low interest rates, achieving an investment return that meets your expectations may prove challenging.

Even in an economy with higher interest rates, such as those seen during the 1980s, the impact of tax and high inflation can work against savers too, combining to diminish the buying power of cash.

Regardless of the wider economic backdrop, generating good investment returns has never been a simple matter.


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## What does investment mean to you?

### Helping you achieve your goals

With so many complex, uncertain variables out there that could potentially knock your investments off-track and jeopardise your objectives, it's wise to seek guidance from a qualified professional. That way you'll understand the 'bigger picture' and have a better chance of achieving your investment objectives.

Before you select an investment strategy or product to help you meet those goals, there are typically a number of steps you will need to go through. The aim of this considered approach is to help ensure the investments you select are those best suited to your situation.



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# The investment route map

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## The investment route map

To help you create the right portfolio of investments, we will work systematically through a series of questions. These are likely to be:

**1.** What are your investment objectives?

**2.** What level of risk are you prepared to accept and what potential level of loss can your finances tolerate?

**3.** What types of investments should you consider in light of your objectives and risk profile?

**4.** What is the most tax-efficient way of holding these investments?

**5.** How should your portfolio be managed on an ongoing basis?

Apart from the first two questions in the list, which can be tackled in the opposite order, the questions should be addressed sequentially. This is because each set of answers relates to the next set of questions (eg. your attitude to risk will influence your investment choices).

Your answers will prompt further, often more detailed, questions that will help us start shaping your plan.



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# 1. Setting your investment objectives

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Knowing what you want to do with your money is the key starting point for your investment plan. As with any journey, you can only plan your route map after you have decided upon your destination.

Your goal might be to build up a capital sum that you can access at a pre-determined point in the future, or to produce a certain level of income after a set period of time. Thinking about your goals – there may be more than one – will influence your investment strategy.

If you think the objectives you've set are likely to change, be clear about this up front. We can then build the appropriate level of flexibility into our recommendation.

Once you have agreed your objectives with us, you should keep to them unless circumstances force a change. While altering your destination mid-journey may not cause problems, you could find that you have been heading in completely the wrong direction, wasting time and money.

# 2. Establishing your attitude to risk

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*The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested.*

Risk is a short word, but it is a major factor in deciding how – or even whether – your investment goals can be achieved. When investing you face a potentially wide variety of risks, including:

- **Market risk:** This is the general risk resulting from the political and economic environment, which ultimately drives the valuation of investments.

- **Inflationary risk:** The risk that inflation will erode the buying power of your investment. This is a major risk with all deposit-based investments in a low interest environment, or any investment that may have fixed interest, such as bond related funds.

- **Regulatory risk:** The risk that regulations could change, reducing returns available on your investment. A good example is the utility sector, where companies' earnings are largely dictated by regulatory decisions.

- **Event risk:** External events – be they political, social or natural – have the power to alter investment values almost instantly and they can be completely unpredictable.

- **Currency risk:** If you invest in foreign markets or currencies – or UK companies exposed to foreign markets – your returns are likely to be influenced by the relative performance of the pound.


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## 2. Establishing your attitude to risk

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### Risk vs Reward

Risk is an unavoidable part of investment, and it goes hand-in-hand with the potential for reward. Investments that are low in risk are low in potential reward. As you go up the risk spectrum, the potential for reward becomes greater, but so too does the potential for losses.

It is essential that, with our help, you are entirely clear how much risk you need to take to reach your goals, and that you feel comfortable with this.

It may be that your current position is very strong and your future goals very modest. If so, you may be able to steer clear of risky investments altogether.

But, if your current position is weak and your future goals ambitious, then the reverse may be true. The question then is whether you can live with the risks required to get you where you want to be, or need to downscale those goals.

We will help you ensure your investment portfolio accurately reflects your attitude to risk.

# 3. Choosing your investment strategy

*Taking your goals and attitude to risk into account, we will begin designing a recommendation for you.*

## 3. Choosing your investment strategy

*The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested.*

As mentioned before it's important to consider the level of risk you are prepared to accept, and one option although it could mean not benefiting or losing in the event falls and rises are sustained in the longer term.

We believe that the single most effective way to reduce investment risk is to diversify your investments.

One way to achieve this is to invest in funds, rather than individual stocks. And, because your money is pooled with many other investors', the cost you pay for this diversification is low.

The first thing to consider is the different types of funds and which ones may be suitable for you. The investment funds available to us fall into two main groups:

i. Omnis Investment funds
ii. around 140 recommendable funds, all individually approved by the Openwork Investment Committee and managed by a wide range of external fund managers



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*The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance and may not be repeated.*

i. Omnis Investment funds
As part of Openwork, we have access to the Omnis Investments fund range.

Each fund in the Omnis range is managed by a specially-selected expert fund management group, each able to demonstrate long periods of skill and fund management performance in their particular specialism.

Omnis offers a range of funds, which appear in four different kinds of investment solution:

- Sector Funds
- Multi-Manager
- Managed
- Income

For more information about Omnis Investments, please visit www.omnisinvestments.com


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## 3. Choosing your investment strategy

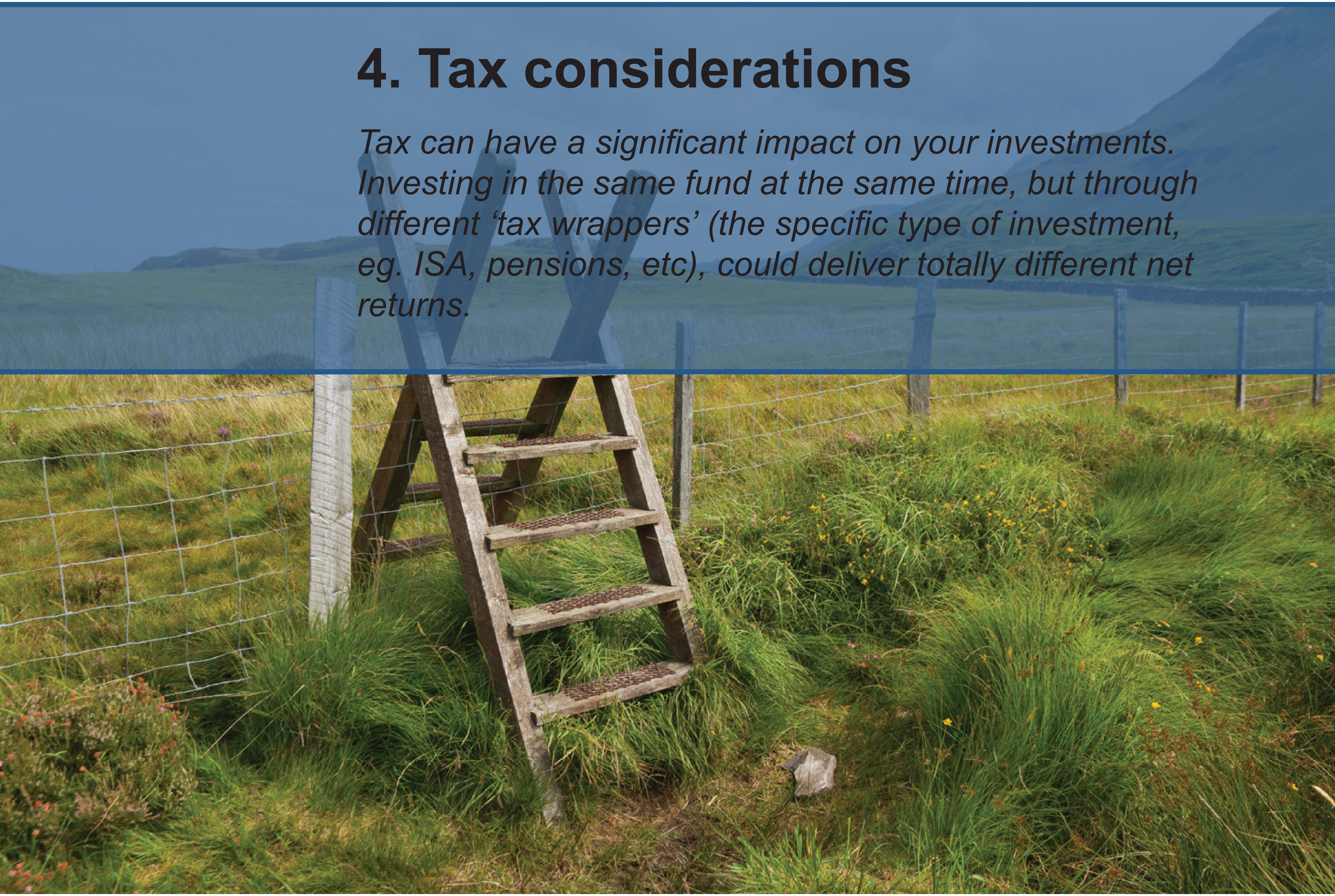
ii. Recommendable funds
This range includes around 140 funds, each one individually approved by the Openwork Investment Committee, categorised within its risk-profiling system and managed by a wide range of highly-rated external fund managers.

**Oversight of your investment**
You can take comfort knowing that your investment will be overseen by a group that contains a great deal of investment firepower, with members representing not only Openwork's senior management but external investment professionals, whose skill and expertise provide wider perspectives.

This group oversees all aspects of Openwork's investment offering – both our list of available funds and the Omnis range. In essence, the group's principal job is to take full advantage of our key belief, and find some of the very best fund managers in the market to manage your money.

# 4. Tax considerations

*Tax can have a significant impact on your investments. Investing in the same fund at the same time, but through different 'tax wrappers' (the specific type of investment, eg. ISA, pensions, etc), could deliver totally different net returns.*



## 4. Tax considerations

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Tax can have a significant impact on your investments. Investing in the same fund at the same time, but through different 'tax wrappers' (the specific type of investment, eg. ISA, pensions, etc), could deliver totally different net returns.

- **Direct ownership** would expose you to full Income Tax on the interest paid and Capital Gains Tax on any profits, but only once you have exhausted your annual capital gains exemption for the year (£11,300 of gains in 2017/18[1]).

- **Ownership via a New ISA (NISA)** would be free of UK Income Tax and Capital Gains Tax. However, the maximum NISA investment in 2017/18 is £20,000[1].

- **Ownership via a registered pension plan** would also mean no UK tax while you held the investment. You would also normally benefit from Income Tax relief on your initial investment, but you would usually pay full Income Tax on 75% of any amount you withdraw, with the balance tax-free[1].

1 www.gov.uk/capital-gains-tax/allowances correct as at 6 April 2017

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- **Ownership via a UK investment bond** would see your investment subject to special life company tax rules – broadly taxing the total return at 20%. You would also face an extra tax charge if you are a higher or additional rate taxpayer when you realise your investment[1].

- **Ownership via an offshore investment bond** would usually mean no UK tax until you realise your investment, at which point you would pay full Income Tax on all of your gains[2].

2 HMRC. Tax information correct as at 15 April 2016.

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## Selecting a tax wrapper

As part of the investment strategy design process, we will consider and recommend appropriate tax wrappers for your investment.

This will again involve careful consideration of your investment goals, the income and capital returns from the fund, your current and future tax position and things like NISA and pension contribution limits.

The wrapper selection will frequently be an ongoing exercise as HM Revenue & Customs tax rates, and your own tax circumstances, are likely to change over time.



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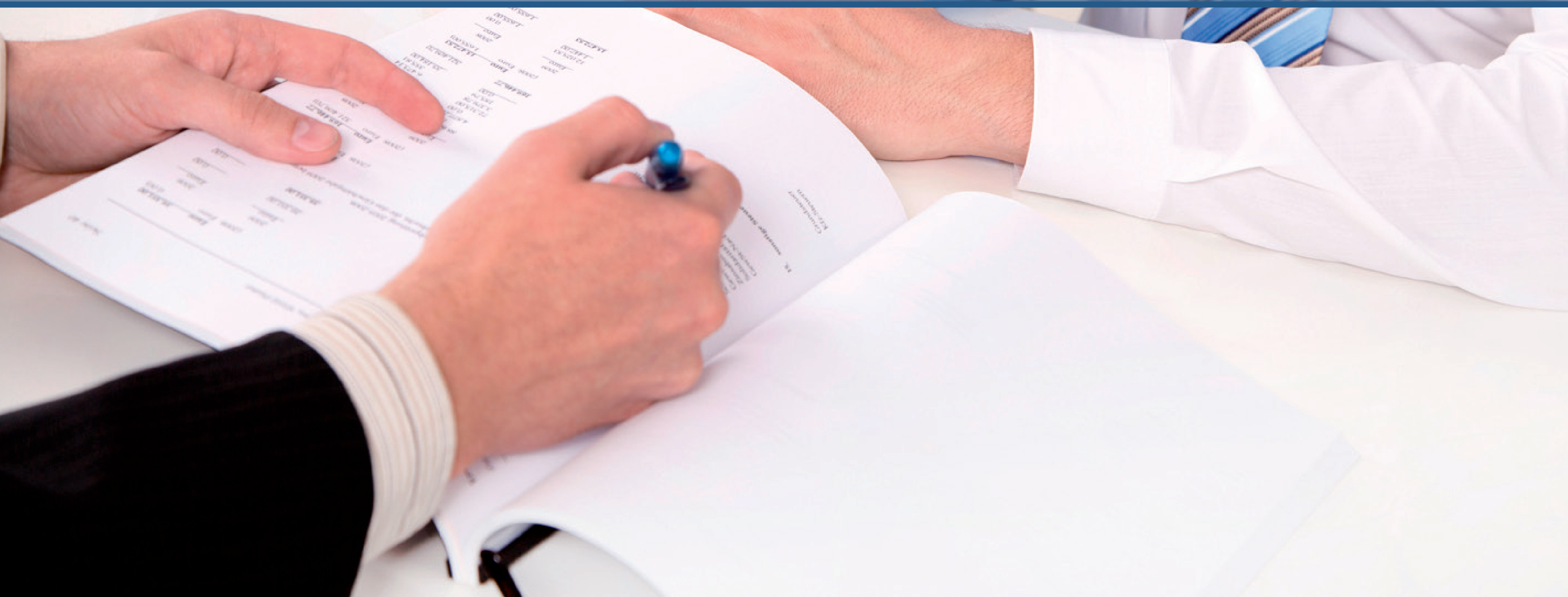
# 5. Ongoing management of your investments

*Despite our best intentions, personal circumstances can change over time – especially over the course of a long-term investment strategy.*



## 5. Ongoing management of your investments

Despite our best intentions, personal circumstances can change over time – especially over the course of a long-term investment strategy.

And, even if your circumstances and investment goals remain unchanged, other changes beyond your control may impact your investment strategy. For example:

- The economic environment can change
- A portfolio can become unbalanced if one part performs better – or worse – than expected
- Tax rules will inevitably change, meaning your personal tax position could also alter

All of these possibilities – and others – could prompt a tactical or strategic change in your portfolio.

Regular reviews have a vital role in keeping your investment on track – a point which can be easily overlooked by 'do-it-yourself' investors. If you want us to, we can provide you with an ongoing service to help you meet your goals in the years ahead.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# Next steps

We hope this guide has given you a broad insight into investment planning. To explore the specific options for your circumstances, please get in touch.

We offer a professional and personal approach to your investments, not only in the initial design of your strategy, but also over the long-term.

*This guide is provided strictly for your general consideration only. It is not intended to (and does not) represent advice. It is essential that no action is taken or refrained from being taken based on this guide alone. Specialist advice (as referred to throughout the guide) is essential. We cannot accept any responsibility for any loss occasioned as a result of any such action or inaction.*

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