Quilter Financial Advisers

How we can help you invest

Your guide to investing

What we'll cover

Need additional help reading documents?

More and more of our clients are using screen-reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

If you'd like to switch to any of these methods, please let your adviser know and we will be happy to help.

Welcome to your guide to investing

This guide will cover the importance of investing, the risks involved, how you can invest, and, most importantly, the role of your financial adviser, all in a few simple steps.

Many people invest to grow their wealth over the long term. Whether you have existing investments or are completely new to the world of investing, we are here to help.

The value of your investments can go down as well as up and you may not get back as much as you put in.

Five simple steps to investing

The five simple steps below will help you get started on your investing journey.

1

Where do I start?

What is investing and how do I know if it is right for me?

2

Why should I invest?

One of the most important decisions you will make on your investing journey is the decision to start. It's important to be focused on what you want to achieve. Your financial adviser will help you with this.

3

What is investment risk?

Risk is an integral part of investing. To get higher potential returns, you need to take risk. How much you take depends on a lot of things. We have created six investor risk profiles to help you understand how much risk you are comfortable taking.

4

How can I invest?

There are thousands of funds available across the whole market which can be used to build your investment portfolio. Your financial adviser will typically allocate one diversified managed portfolio for each distinct financial objective you have.

5

What is the role of my financial adviser?

Your financial adviser will do a great deal more for you than simply recommend what you should invest in. Investing is just one part of the overall picture and should never be considered in isolation.

It's important to understand that investing is a long-term commitment. When you invest, your money is used to buy different types of assets with the aim of them growing in value over time.

Your financial adviser is here to make your investing journey smooth and stress-free. They're ready to guide you through every step, explaining everything clearly, and make any decisions with you.

What happens when I invest?

Investing involves putting your money away into places other than a traditional bank account, with the expectation of it growing over five years or more. It can be an effective way to help you achieve your financial goals, but you must also feel comfortable with the risks involved.

When you invest, your money is used to buy different types of assets, such as equities (company shares), bonds, and other assets. These assets are all packaged together into funds and portfolios offered to investors by investment managers.

The power of investing

What would happen if you invested £10,000 over 30 years instead of holding it as cash?

If you invested it

With an average investment return of 5% per year adjusted for an annual inflation rate of 3%...

...the value of your £10,000 could **increase to £17,806.**

Over 30 years this means **having an extra £7,806.**

That's an increase of 78%.

If you kept it as cash

With an annual inflation rate of 3% the spending power of your £10,000 reduces by 3% every year...

...your money will only be worth **£4,120.**

Over 30 years this means... **losing out on £5,880.**

That's a decrease in value of 59%.

Source: Quilter as at 31 December 2024. Based on an average investment return of 5%, inflation of 3%, and cash held in a typical current account. The information given is for information purposes only and doesn't represent the past performance of any particular investment.

Top tip: Think about why you want to invest. Do you have a particular purpose in mind that you want to invest for?

The value of your investments can go down as well as up and you may not get back as much as you put in.

Why do people invest?

People invest for many reasons and these can help to establish their financial goals. Some of the most common reasons you might invest are to:

Build your wealth
Investing intelligently over time can create wealth, financial freedom, and security through various strategies, fostering prosperity and growth.

Live happily in retirement
Early, strategic investing for retirement harnesses time and compounding – earning interest on your interest – potentially securing a worry-free, desirable lifestyle in your golden years.

Generate an income
Investment-generated income provides alternative earnings, potentially safeguarding you against economic downturns and unforeseen life events.

Work towards a better future
Investing goes beyond profit. Responsible investment in sustainability, social justice, and the environment can leave a positive legacy for future generations.

Build generational wealth
Long-term investing can build generational wealth and a legacy to leave, allowing you to empower a prosperous future for your loved ones.

Before you invest

Think about your current financial situation and where investing fits within your wider financial journey. Your financial adviser will help you with this.

- **Do you have enough money to invest?**
  Assess your current financial situation and consider whether you can allocate a portion of your savings without compromising your immediate financial obligations or future goals.
- **Do you have outstanding debts?**
  Prioritise paying off high-interest debts, such as credit card balances or high-interest loans. High-interest debts can erode your financial stability and potential investment gains.
- **Have you built up emergency cash savings?**
  Unforeseen events like home repairs or sudden unemployment may be costly. Before committing to investing, establish an emergency cash savings fund. Ideally, this fund covers three to six months' worth of living expenses and acts as a safety net.
- **Do you have adequate financial protection?**
  What would happen if you were off work due to sickness or an accident? Your financial adviser can help set up the financial protection you need.
- **How long can you leave your money invested?**
  Consider your objectives for this money and whether this means that there is a certain time frame when you would want to access it. For example, paying for a wedding, anniversary, or children's school fees.

What are the main risks?

Investing comes with risks. Balancing risk and return is the main challenge of investing and it is a key part of the value you receive from working with a financial adviser.

The amount of risk you take is closely linked to the return potential of any investment. The more risk you take, the more potential you have for a higher return.

Here are some of the main risks you will need to consider:

- **Investment risk:** The risk of your investments losing value in the shorter term.

  Example: If you buy company shares or bonds, the value of your investments are impacted by how the economy is doing, political events, or company performance, so your investments can go up or down.

- **Goal risk:** The risk of your investments not growing enough for you to meet your goals.

  Example: You may not be able to retire when you want to or help your children to get on the property ladder.

- **Longevity risk:** The risk of outliving your income.

  Example: You might live longer than expected and your money runs out when you are in retirement.

- **Event risk:** The risk of unexpected events that affect your plan.

  Example: You face a medical situation, and you're forced to retire earlier than planned.

- **Savings risk:** The risk of not saving enough to invest.

  Example: You may have unexpected expenses like car repairs or medical bills and you might end up spending the money you planned to save.

- **Inflation risk:** The risk of inflation eroding your savings.

  Example: Your investments don't grow at a rate higher than inflation so your money is worth less than what it is today and doesn't have the same purchasing power.

- **Interest rate risk:** The risk of changes in interest rates affecting your expenses.

  Example: Interest rates go down, so any savings in a bank account don't earn as much, or interest rates go up and your mortgage payments increase.

It's important to understand that not even the world's foremost investment experts know exactly what markets are going to do and when.

How much risk do I need to take?

We use six risk profiles when recommending investments. Your financial adviser will help you to decide what kind of risk you are comfortable with and why.

Our six risk profiles and descriptions are outlined below.

Decreasing investment risk

Risk-averse

Risk-averse investors are not happy taking any risk that can be avoided.

Conservative

Conservative investors are careful about investing in the stock market. However, they understand that this may be necessary to reach their goals. They will feel disappointment if any actions they take do not have a good outcome.

Balanced

Balanced investors do not take much risk with their money. However, they know that higher-risk investments can give better returns over time, so are willing to take some risk. They would regret any decision that failed to lead to a return.

Example asset allocation

	Risk-averse	Conservative	Balanced
Equities	0%	25%	45%
Fixed income	0%	55%	35%
Alternatives	0%	8%	10%
Cash	100%	12%	10%

For illustration purposes only.

Increasing investment risk

Moderate

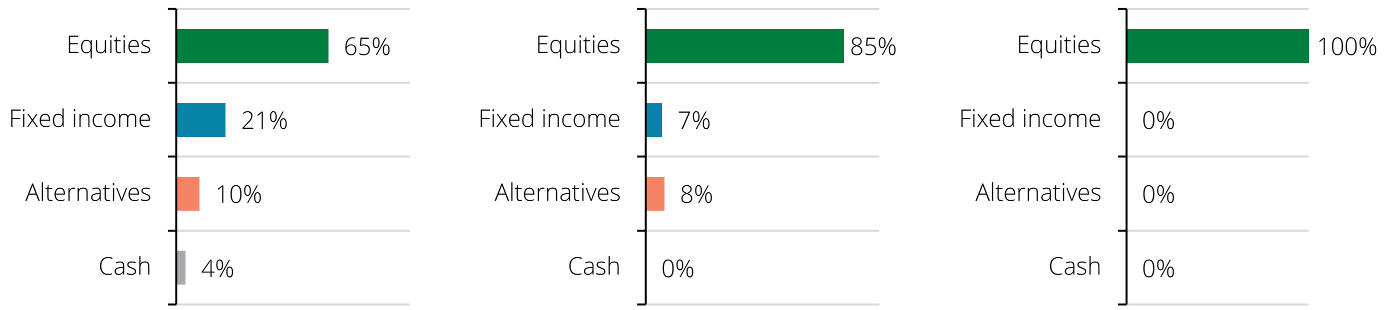
Moderate investors understand that they will probably have to take a degree of investment risk to reach their long-term goals. They are likely to be willing to take risk with a significant proportion of their available assets.

Dynamic

Dynamic investors know that higher-risk investments can bring significant returns in the long run. They are usually willing to take risks with most of their money to achieve their goals. They accept that occasional poor returns are a necessary part of a long-term investment.

Adventurous

Adventurous investors look for a high return on their capital and are willing to take considerable risk to achieve this, usually with all their available assets.



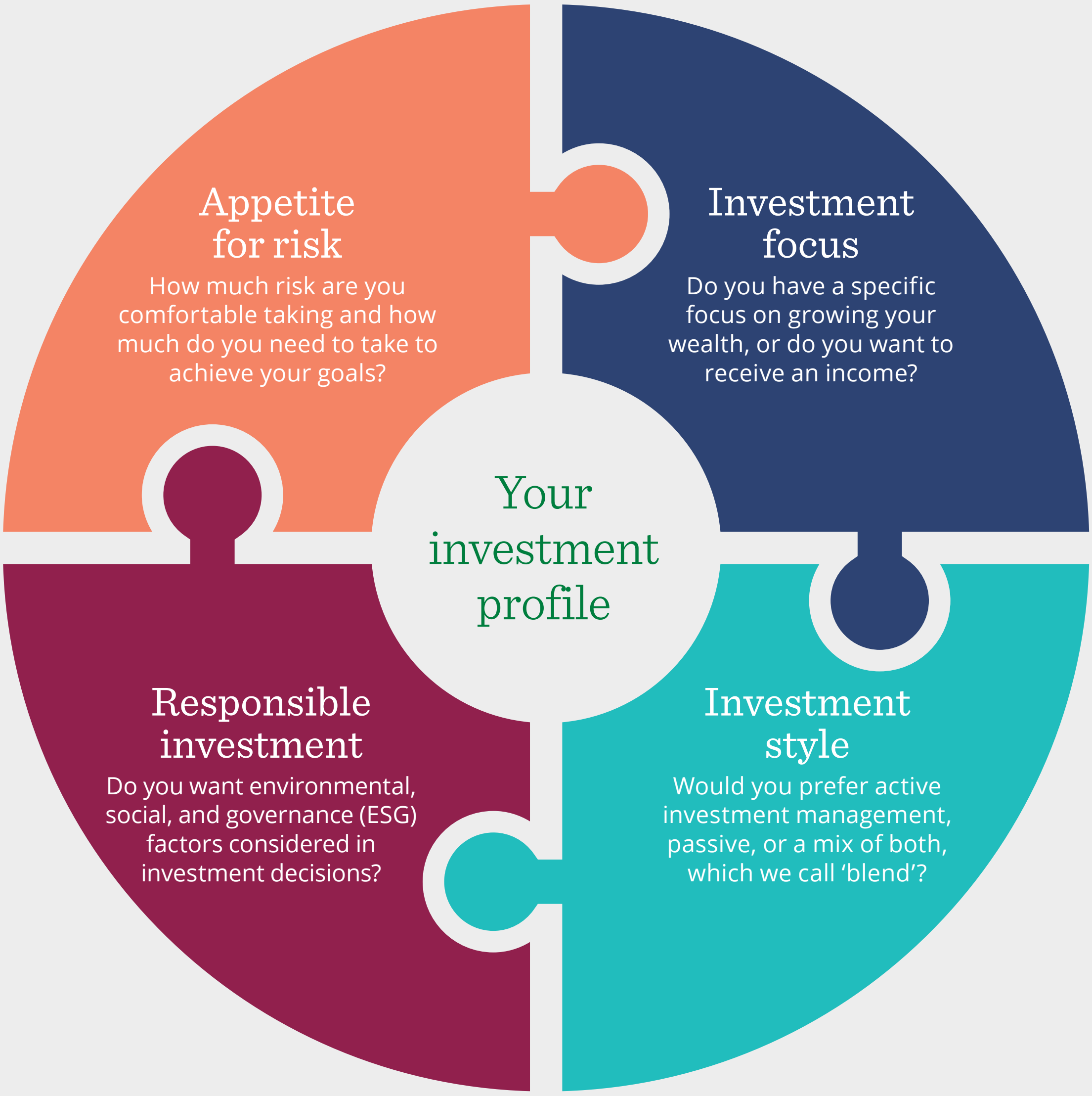
The key driver of the risk level of your investments will be their asset allocation. In other words, how much is invested in riskier assets like equities (company shares), and how much is in lower risk assets like government bonds.

As you can see, in the dynamic and adventurous profiles the investment in equities is far higher than for the risk-averse and conservative portfolios.

Please note that the asset splits above are examples only. No actual portfolios will exactly replicate these splits.

How do I know what I should invest in?

When creating your investment plan, your financial adviser will consider your unique needs and preferences, and find the right options for you. They will consider four main areas when building your investment profile:



How do you choose what I invest in?

We have access to the latest industry expertise that covers the performance of every fund and portfolio in detail.

The funds and portfolios your financial adviser will recommend go through a thorough vetting process and are continuously monitored on an ongoing basis.

Investment research

Quilter conducts in-depth research on the funds and portfolios to ensure every fund and portfolio can meet customer needs.

Ongoing monitoring

Quilter monitors the funds and portfolios on an ongoing basis, with the help of independent experts, to answer the questions below.

Oversight and governance

We have robust governance processes and structures in place to ensure good outcomes and fair treatment for you.

Our technical experts review every fund and portfolio against the below nine questions, so you don't have to:

1. Is it a diversified multi-asset portfolio?
2. Is it risk-targeted, or does it have very stable risk levels?
3. Is it professionally managed?
4. Does it have a clear investment objective?
5. Are we happy the management style does not excessively favour growth or value?
6. Is it priced daily?
7. Are we happy with the liquidity of the underlying holdings?
8. Is it transparent?
9. Can we confirm there are no governance risks?

Only portfolios which can answer 'yes' to all the questions above make the grade.

How will my financial adviser help me?

Your financial adviser will work closely with you to understand your personal situation and identify your purpose. They will also help you by:

Assessing what level of risk you are comfortable in taking

They will evaluate your comfort level with investment risk and your capacity for loss:

- What is your investment experience and knowledge?
- How comfortable are you with the risks of investing?
- What level of risk do you need to take?

Determining your financial objectives

They will establish your hopes, aspirations, and concerns to tailor a plan that meets your needs:

- What would you like to achieve?
- When would you like to achieve it by?
- What would you like to avoid along the way?

Evaluating your financial situation

They will consider how to invest to achieve your goals:

- Are your assets held in the most appropriate name?
- Do each of your assets have the right ownership, such as named beneficiaries?
- Are each of your assets held in the right tax wrapper, such as ISAs and pensions?

Choosing the right investment solution

They will select the most suitable financial product for your needs:

- Do your investments have the right level of return expectations?
- Is the level of investment risk appropriate and in line with what you have agreed?
- Can your investments be released if you need them to be?

Providing ongoing support

They will ensure that your investments continue to align with your goals in the future:

- Consider any changes to your purpose, goals, or personal circumstances.
- Check if any personal changes in income or capital values impact your current savings or tax situation.
- Explain how any changes impact you in terms of welfare or income, capital, or inheritance tax changes.

The real value of financial advice

> “Most unadvised customers would experience better financial outcomes if they followed professional financial advice.”

Source: Adviser Delta, a Quilter research paper on the importance of advice, June 2019.

Consider this example:

Average retirement income **without** financial advice **£17,168**.

Average retirement income **with** financial advice **£24,175**.

This is **40% higher (£7,007)** than without financial advice.

Over a 21-year retirement, this means having an **extra £147,147**.

Please note, this research was originally conducted in 2016. The figures quoted are likely to have changed over time and should not be used as advice. It is intended for illustrative purposes only.

Your financial adviser will support you and give tailored advice to suit your personal circumstances.

How do I get started?

Managing your finances effectively and making the right decisions for your future can seem like a daunting prospect. Your financial adviser will help make the process easy and stress-free.

Your next step:

Reflect on what you want to achieve and get in touch with us to talk through your options.

The Quilter Foundation is Quilter's charity. The Quilter Foundation gives vital funding to carefully selected charitable organisations, focusing on education, employment, and health and wellbeing.

To find out more, visit:
www.quilter.com/the-quilter-foundation

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