



STARTING OUT INVESTING PART 2 - UNDERSTANDING RISK

LIVE | SAVE | INVEST | PROTECT | RETIRE



CONTINUUM
YOUR FINANCIAL FUTURE MADE REAL

About Continuum

We believe in the personal approach. We prefer to create a solution tailored to your real goals and objectives.

We believe in creating a three-way Partnership between Continuum, the Adviser, and the client, in an environment where each party can only succeed and grow if the other parties also succeed and grow.

When you become a client you embark on a journey with us, a journey where you are the focal point of everything we do.

We know that our clients are all individuals, and all have their own particular circumstances, priorities, goals and needs. So our service begins with getting to know you and understanding your objectives.

We are independent

The recommendations we make and the products we select are based solely on your needs and objectives.

Personal approach

We can create a tailored financial solution that aims to help you reach your personal goals and save money while you do so.

Award-winning financial services

At Continuum we are proud to have been recognised by our clients and industry experts through a wide range of awards.



Proud to be recognised for our business approach to Environmental, Social Responsibility and Governance matters.

Welcome

As we saw in part 1 of this series, investment - rather than savings - could be the only way to potentially build wealth in the current economic climate. But what about the risk? With savings there are no real risks.

You should be able to see exactly what you will receive in returns, and government's Financial Services Compensation Scheme (FSCS) will ensure your savings are protected up to a maximum of £85,000 per person per institution, if a bank or other savings provider fails.

With investment there are very real risks.

We may not want to take risks with our money, but when we are looking at investment, risk is something we have to factor into our plans.

This second article in our 4 part series on starting out in investment looks at risk, why it can actually be positive and how you can feel comfortable with it.

Important information

The information contained in this article is based on the opinion of Continuum and does not constitute financial advice or a recommendation to suitable investment strategy, you should seek independent financial advice before embarking on any course of action.

The value of investments can fall as well as rise and you may get back less than you invested.

All investments are a risk

Investments never come with guarantees. The company you buy shares in could fail. Even governments, which can issue solid looking bonds, can be overthrown.

These are extremes. The usual risk is that the value of investments can fall, leaving you with something worth less than you paid for it.

Different investments carry different levels of risk, and you can - and should - assess the risk of an investment, before considering making an investment into it. For example, it may be viewed that a High Tech start up is a high risk business where the chance of failure is very high. In comparison investing in British Government bonds, also known as gilts may be considered low risk, because the likelihood of the Government defaulting on payments is low.

But investment risk has an important benefit. As a rule of thumb, the higher the risk, the higher the potential returns.

Higher risk may mean the chance of higher returns that arrive much faster. You need to understand the potential risk of any investment before you make it. Investments which have a higher chance of greater returns are likely to give you a bumpier ride along the way. Lower-risk investments tend to be steadier, though in general you can't expect as much of a return.

Investment experts can assess the risk of any particular investment before they take the plunge.

Paradoxically, not taking enough risk with your investments actually creates a new risk. You may not lose money, but you risk not making enough to achieve your financial goals. You need some level of risk. The challenge is getting the level of risk that is right for you.

“ *The higher the risk,
the higher the
potential returns.* ”

Managing risk

Part of the solution is to have a spread of investments. Some can be low risk, some moderate, and some speculative. How much should fall into each category will depend on you and your financial circumstances.

The other solution to risk is to look at timing. You need to recognise that you are investing for the long term, five years as an absolute minimum. During that time, the value of individual investments can go down as well as up.

When you do see a fall in one of your holdings, you need to reassure yourself by remembering that the overall trend for investments is that they offer the potential to return more than cash investments over the long term, although you should never use past performance as a guide to future performance.

In fact, the more time you have to invest, the more risk you may be able to take. So, in your 20's you would not normally be using gilts or a cash ISA or gilts to build longer term wealth. The returns may simply not be high enough.

When you are approaching retirement, it may not be suitable to invest your wealth you have made into high-risk ventures.

Help with your investment strategy

If you want to know more about investment strategies, one of our experts would be happy to speak to you.

We can provide the expertise you need to succeed at investing.

Call us on **0345 643 0770** or book a free consultation without any obligations at **mycontinuum.co.uk**

What risk is right for you?

Your attitude to risk can depend on a number of factors. The first is temperament.

If you have trouble sleeping when the FTSE falls a few points, you may be a cautious investor, and your exposure to high risk investments should be small. If you are prepared to take more risk in the hope of getting to your financial objectives faster, you may be happy with some more speculative holdings in your portfolio.

The second factor is time. If you are young and have plenty of time to recoup any investment losses, you may be able to consider the possibility of taking a higher level of risk with which you are comfortable. If things go well, you can potentially get your portfolio off to a good start. As the years roll by, you may feel more comfortable putting more of your holdings in less volatile stocks, where the money you have built up is relatively safe.

At Continuum, we talk with our clients to understand their Attitude To Risk - ATR. Once we establish your ATR, we can use it to develop an investment plan built around it.

This will mean a portfolio designed to deliver the optimum risk-return that you will feel comfortable with, while still meeting your wealth creation objective.

Look out for part 3 of this 4 part series, which looks at diversification. To discuss your investment plan, and to get some help with understanding your own ATR, contact us at Continuum.

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How we can help

At Continuum our financial experts can help you with your financial goals, whatever stage of life you have reached.

Financial planning needs to match your circumstances and your age - because as the years go by our priorities and financial goals change dramatically.

Bespoke financial planning

We have vast experience of building long-term wealth so you can be confident that your investment strategy is designed just for you and your needs.

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