

IFA Fact Files "Risk Profile"



PO Box 87, Crockenhill
Swanley, Kent BR8 9AP

Tel: 01322 669059

Fax: 01322 666825

Email: martin@maalttd.co.uk

Web: www.maalttd.co.uk

When you talk to a Financial Adviser about investments, one of the key questions they will ask you is how much risk are you prepared to take with your investment? We are no different, and it is vitally important for us to make a careful assessment of your Risk Profile before we provide you with any recommendations. In order to help you answer the questions about your Risk Profile, we provide below a brief note of each main Risk Profile so that you can make a more accurate assessment. The four main categories that we provide are listed below, however your profile can be a mixture of different attitudes:-

No Risk Profile

If you are in this category you are not prepared to see any loss at all to the value of your investments. You will probably be investing over the shorter term and you will have to be satisfied with usually fairly low rates of return, primarily linked to interest rates available in Bank and Building Society accounts.

Low Risk Profile

In this category you will be quite heavily reliant on the investments that you are making, and so you do not want to lose a significant amount. However, you are prepared to take minimal risk to try to achieve slightly better returns than can be achieved via Bank and Building Society investments. In this bracket you might be quite reliant on capital providing you with an income, particularly in or approaching your retirement years, if your investment base is reasonably limited.

Medium Risk Profile

In this category you are prepared to see the value of your investment rise and fall with market conditions but you would hope that your investment would not lose more than the average in the market sector. In this sector you would have quite a high value of your investment held in shares, the value of which can go down as well as up. With shares, there is no limit to the losses that can be incurred, although in the medium risk sector, we would expect a diverse range of investments rather than be reliant on one particular investment sector. Therefore the performance of your investment should be linked to general market trends. You would probably be investing for at least 5 years, although more realistically, over 10 years.

High Risk Profile

You will almost certainly only be in this sector if you have a longer term investment, probably 15 years plus. You will accept that you can lose a large portion of your investment, but you will balance that risk with the possibility of being able to obtain far greater returns on your investment. You will be looking to invest in specific sector areas to try to maximise return. In this sector you will probably have a view on your desired investment profile rather than just being reliant on advice provided by your Financial Adviser.

Lump Sum or Regular Premium Investment

Another key factor in deciding which investment profile is right for you, is whether you have a one off lump sum to invest or whether you are investing on a monthly basis. Those people investing on a monthly basis will be investing over a number of years, and this in itself would probably mean that they would seek a higher risk investment. Another factor is known as 'pound cost averaging'. As you buy units with a fixed monthly sum, the lower the unit price, the more units you purchase. As the unit price increases, you purchase less units for your money. This provides a smoothing of investment terms, as the unit price goes up and down. You need to take account of this feature if you are investing on a monthly basis.

If you have any questions or need an independent review of your investment arrangements, please contact Martin Andrews to discuss your situation further. Martin Andrews & Associates Ltd is an Independent Financial Adviser authorised and regulated by the Financial Services Authority.

Information given in this document should not be taken as advice as it is intended for guidance only. If you wish to have an assessment of your own situation, you should contact the office for advice.