

## What you need to know about...

# OUR INVESTMENT PROCESS

It is important to understand how your financial adviser constructs a portfolio of investments or pensions for you, as this will be the bedrock on which your future growth or income will be based. For this reason, we have produced this factsheet, which explains the process that we go through in order to recommend investment funds to you. Because we have a process, we can ensure that your funds meet our standards every time.

### **Step 1 - Factfinding and establishing objectives**

This is one of the most important aspects of creating a portfolio. We would usually hold an initial meeting, where we would ask detailed questions about your financial situation. This would involve the discussion of your objectives, expectations and attitude to risk.

We would need to examine in detail questions of affordability and liquidity of assets, so that we can be sure of giving you appropriate advice.

Finally, we would look at your tax situation to ensure that what we recommend does not have an adverse effect on your other affairs.

This meeting is without obligation, and we only charge for our time if you take up our services.

### **Step 2 - Paperwork**

Obviously, there is paperwork to be completed with any financial transaction, to ensure that both sides understand their duties and responsibilities.

At this point, we would estimate the work involved to research your investments, and ask you to sign your agreement to this. We have the advantage of being fee-based, so we get paid for giving you advice, not for selling you products. This means that you can be secure in the knowledge that we will recommend what is right for you, not what pays the most commission.

We also ask you to sign a Letter of Authority to enable us to gather any technical data we need on your existing products. This is to satisfy the provisions of the Data Protection Act.

### **Step 3 - Establishing risk**

We ask you to complete a short questionnaire on investment risks. This is a vital area as there are many types of investment funds available to you. Our philosophy is to educate you on the risks (and rewards) posed by these investments, and to ensure that your money is invested in a portfolio which is suited to your attitude towards risk. This diversification helps to smooth out any volatility.

For example, it is often common for older clients to want to take less risk with their money. This is understandable given that they have worked hard to earn this money, and do not want to lose it, especially when they have less time to make up any losses.

Once we have the results of your questionnaire, we can then rank your risk tolerance on a scale. This then gives us the opportunity to create an ideal portfolio based on the amount invested, and the time you have to invest. Effectively, this is the portfolio which gives you the best chance for returns with the lowest volatility appropriate to you. Of course, nothing in investing is guaranteed.

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What tends to happen is for lower risk investors to have more of lower risk funds, such as cash, corporate bonds, and gilts. More riskier investors would have more exposure to shares, both in the UK, and abroad and to other investments such as property. Those in the middle would get some of everything to balance the risk.

We would then discuss this with you and explain what each sector entails, to establish whether this fits in with your expectations.

#### **Step 4 - Selecting the generic product(s)**

Products, such as ISAs, unit trusts, OEICs and pensions are simply wrappers, each of which have consequences to your tax situation as well as other effects on your goals. Within these wrappers, we can usually select investments which are as 'risky' or 'safe' as you require.

We use sophisticated research tools to establish which product is right for you, taking into account factors such as charges, the flexibility of the product, the strength of the company, the administration, and of course our generic knowledge.

#### **Step 5 - Creating a portfolio**

This is one of the most important steps. We would then examine all the funds available to you, in each of the sectors recommended in Step 3. We can examine every fund on the market (choosing from thousands in each type of investment).

We use another sophisticated tool to examine the relative past performance of the funds, as well as external factors such as the ratings of the funds provided to us by Lipper, a leading company dedicated to fund research. This allows us to give a view on how well your portfolio has done in the

past, plus the likelihood of it doing well in the future.

#### **Step 6 - Producing a client report**

We summarise all this data into a report, so that you can take the time to examine our research. We give you an overview of the process so that you can easily see how we have come to a decision. We also give full details of the raw data, so you can go over the research yourself. We would also supply important data such as quotations, giving charges, and brochures and key facts documents.

Once we have discussed this with you (usually in a further meeting), we can arrange for you to sign all the relevant documents to put the plan into force.

#### **Step 7 - Portfolio management**

it is important to regularly review your portfolio, to ensure that it does not come out of step with your expectations.

To this end, we can produce a regular report going through many of the steps outlined above). This report gives data such as a valuation, analysis of performance, an examination of funds against their peers, and recommendations for any changes. We strongly recommend this service, as it is the best way to ensure continued long-term growth.

#### **Why use us?**

1. **Free** initial consultation
2. **Guaranteed** satisfaction with our advice
3. **Fee-based** - no commission hungry salesmen
4. **Fully independent** from insurance companies
5. **State of the art research tools**
6. **Regular contact & services to suit you**

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Call today for independent financial advice on this or any other issue on

**01206 266882** or email **advice@woodruff-fp.co.uk**

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The Colchester Centre  
Hawkins Road  
Colchester  
CO2 8JX

**www.woodruff-fp.co.uk**

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