

## What you need to know about...

# Investing for the long-term

The general principle of investing is that over time, especially the medium to long-term, the stock market should outperform other assets such as bank or building society accounts. However, many people also realise that investing in shares can be risky, and this is often demonstrated by attention grabbing journalists shouting about drops in share values. This leaflet aims to explain how investing in the stock market for the long-term should generate superior returns.

### The general trend

The reason why we recommend that you invest into shares is that the general trend is upwards, and usually at a far greater rate than safer assets such as bank accounts. Over time this has a significant effect on the growth of your money.

### But aren't shares risky?

They can be if you look at things on a day to day basis, but some of the risk can be managed if you are investing for the long-term. Usually by this we mean from 5-10 years and beyond.

Shares can be volatile, which means they go up one day and down the next. However, as a general asset, they tend to go up over the medium to long term. Of course, some are more risky than others, which is why you should always seek advice.

Investment professionals recommend shares as an asset for long-term investments because the longer you have your shares invested, the more chance of beating any short-term volatility.

### Figures to back this up

Research by Fidelity shows that, historically, the longer you invest in shares, the smaller the likelihood that you will lose money, and the greater the chance you will make money.

In this research (*Stockmarket Investment Take a long-term view, 04/08*), Fidelity examined the past

25 years, and compared investors who invested at any point and who remained invested for a period of 1 year, 5 years, or 10 years.

This research showed that the investor who chose to invest for 10 years would never have lost money, no matter when they chose to invest.

### The chances of gaining or losing money:

<b>1 year</b>	Made money 81.7% Lost money 18.3% Average return 13.56% pa
<b>5 years</b>	Made money 85.5% Lost money 14.5% Average return 11.77% pa
<b>10 years</b>	Made money 100% Lost money 0% Average return 11.96% pa

These figures are based on UK shares, and of course are not a reliable indicator of future results. You should be aware that the value of investments can fall as well as rise.

### Comparing different assets

Many people are aware that some types of assets have performed better or worse in the last few years. This of course changes over time, but here are some example figures to show you how this works.

Continued overleaf...

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Index	1 year	5 years	10 years
Inflation	3.29%	3.19%	2.72%
Cash	3.39%	2.87%	3.20%
Property	-14.26%	7.46%	6.97%
UK shares	-4.18%	13.63%	3.48%

Figures are based on the annual return of the average fund in each sector and were obtained from Lipper 02/04/08, and are only correct at that date. They do not include charges. Again, as this data will change over time, this is just to give you an indication of how the assets change.

What this shows is that it is very difficult to predict which asset is going to be the best going forward.

### How to manage the risk and provide stable returns

We help you to manage risks with investments, based on your own personal goals and general attitudes. This is done by the following:

#### Assess your attitude to risk

We examine your understanding of investments, and the reason for your investments. This helps us to categorise your ideal approach.

#### Build a portfolio

We then build a standard portfolio which spreads your money into safer and riskier assets according to the level of risk you are prepared to take. If you are a safer investor, you would have more secure investments; if you are a riskier investor, you would have more assets like shares, which should generate a greater return over time.

The idea of a portfolio of different assets is to spread the risk so that if one asset is going up others might not be doing so well; as this is difficult to predict it is

better to spread your money around.

You can of course make personal changes if you have a particular view on the subject.

Of course, we do not choose average funds, but aim to get you in the best performing funds in their sector.

### Rebalancing and reviewing the portfolio

We then rebalance your portfolio periodically to ensure that your funds are not becoming more or less risky over time, and review the investments as your circumstances change.

### Why use us?

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

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