attitude to risk.

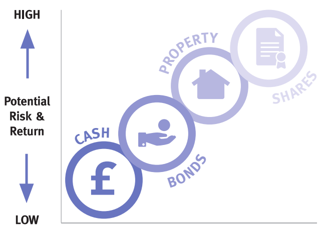
for M&S colleagues

Before making any decisions about where you put your money, be it regular savings, a lump sum or your pension investments, you need to understand your attitude to risk. This means deciding how comfortable you are with taking risks with your money. Are you prepared to accept that your savings could go down in value for a potentially higher return? The higher the returns that you want to achieve, typically means that you have to accept a higher level of risk and therefore a higher potential for loss.

If you won't need access to your savings for at least 5 years you might consider taking risk with your money by investing. If you expect to need to access your savings earlier than this, holding your money in a savings account is likely to be the most suitable option.

The following graph shows the typical relationship between risk and reward for the main types of investment.

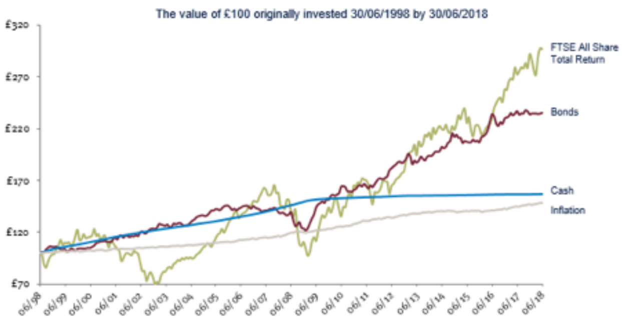
To find out more about the different types of investments please watch the Investments video.



Volatility

Different investments will have different levels of volatility, this means that their value can go up or down rapidly and can be affected by different things. The graph below shows the performance of shares, bonds and cash over a 20 year period. During this time you will see that shares have been more volatile than bonds, whilst bonds have been more volatile than cash.

You also have to consider the impact of inflation, which will reduce the buying power of your money over time. Your investment has to outperform inflation to increase in value in real terms.



This chart shows past performance which is not a reliable guide to the future

Source: Financial Express & Bloomberg
*UK Average earnings is calculated using: UK Avg Earnings Whole Economy SA. 31/12/1997 - 31/07/2010 and UK AWE Regular Pay Whole Economy Value SA. 31/07/2010 - 30/06/2018. ** Cash is calculated using FE FER Cash Proxy

How much can you afford to lose?

To help you understand your attitude to risk, you also need to think about your 'capacity for loss'. This describes what you can afford to lose in real money, looking at the impact of the potential loss from an investment in cash value. You may wish to do this in isolation but it is important to consider the risk of all of your savings, investments and pensions. If you invest your money, the value of your investments could change every day. You will need to consider how this will impact your ability to meet your savings goals.

Let's take a look at an example; Bob would like to save £5,000 to contribute towards his daughter's university fees in ten years' time. Bob can afford to save £35 per month. Over the course of ten years, Bob will pay in £4,200 and he hopes that his investment will grow by £800 to help achieve his goal. But what happens if the investments falls by £800 instead? The value would be £3,400 – £1,600 short of the target. Would this still be a sufficient contribution towards his daughter's university fees? **If you cannot afford to lose much or any of your money then you should consider low risk investments.**

£5,000 objective £35 per month £4,200 after 10 years	£8,000 growth to achieve target	£800 loss would leave £3,400 value

Time in the market

As mentioned earlier, exposing your money to investment risk is normally more suitable for a medium to long term investment, and not for the shorter term. If your money loses value, is there time in your investment plan for this value to be regained?

Types of risk

There are many different types of risk that can impact the performance of your savings and investments. Politics, world events, interest rates, currency exchange rates and taxation are just some of a long list of risks that can have an effect.

Advice

Should you need regulated financial advice on your savings or investments you can visit **https://register.fca.org.uk/** to find a financial adviser in your area.

To book a free, no obligation consultation with a **my wealth** Adviser, please contact:

0800 028 3200

mywealth@wealthatwork.co.uk

@_mywealth

www.wealthatwork.co.uk/mywealth

WEALTH at work

KNOWLEDGE | EXPERIENCE | OPPORTUNITY