4 FINANCIAL PLANNING

4 Principals for successful investing

The steps for successful investing are simple, however, despite being simple they are rarely easy to master. It takes courage, discipline, and dedication to achieve results. Which is the reason so many people fail. Remember, fear and greed are the biggest causes of poor returns and that is where a good Financial Planner can help.

Before you continue reading, I ask that you accept one single truth

No one can consistently predict the stock markets or economy with any precisions.

> "Economists exist purely to give astronomy an air of respectability"

If you believe otherwise, if you think that one human being can identify undervalued stocks, not just once, but over and over again, for years and years, stop here and delete this guide.

Step 1.

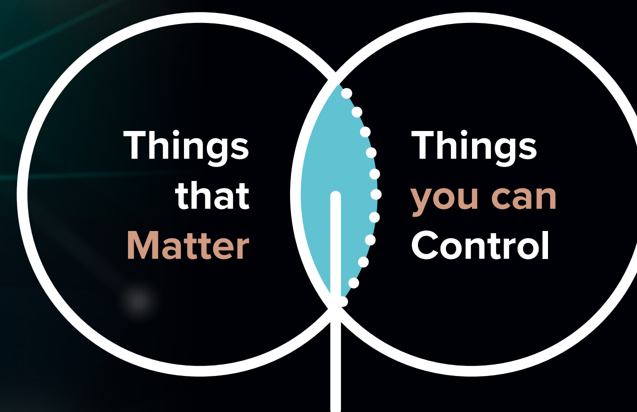
Worry about what you can control & ignore everything else.

Things you can't control:

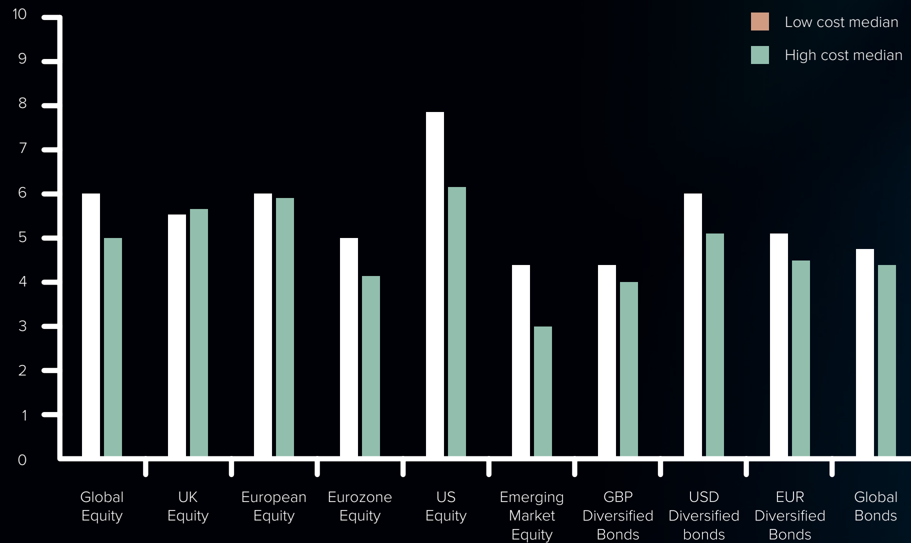
1. Politics
2. The Economy
3. Inflation
4. Interest Rates
5. The Weather

However, you can control the two most fundamental things which impact your overall returns.

1. Costs – You don't need to be Stephen Hawkins to work out that if all else is equal the investment with the lower cost will outperform the one with higher costs. This is backed up with research from Vanguard Investors. Unless there is irrefutable evidence that a more expensive investment will outperform an equivalent lower-cost one, pick the one with the lowest cost!



2) Asset Allocation – Studies have shown 90% of the returns generated can be attributed to asset allocation[1]



[1] The Determinants of Portfolio Performance by Brinson, Hood and Beebower published in the financial analysts journal 1986

Step 2.

Don't try and beat the market.

There are two theories on how to "beat the market". The first is market timing, this involves either entering or leaving the market when you believe it is beneficially to buy investments because there's going to be an upward trend or selling out when you believe a downward trend is on the horizon.

The second, is stock picking, the theory that it's possible to identify several individual stocks which are undervalued and thus have a better chance of increasing in value when the market catches up.

This is what's know as active fund management.

A recent study by Professor David Blake at the Cass Business School found that only 1% of active fund managers, when adjusted for risk and fees outperformed the market.

Step 3. Look at the bigger picture

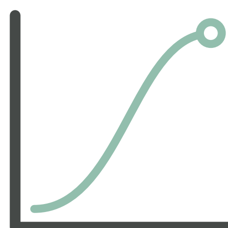
Successful investing is based on goals and long-term plans. Almost all failed investing is market-focused and driven by the present market outlook. Put a robust plan in place, that means long-term tangible goals and one that is not derailed by short-term volatility and don't get distracted by market movements.

This is where a good financial planner will help, at market turning points their value is priceless.

You decide which to focus on

Days

Decades



Step 4. Be like Dr. Spock

The human brain is the biggest enemy of successful investing. Firstly, humans suffer from twice as much pain from losses, than the pleasure they get from gains.

Secondly, we are unable to differentiate between temporary declines and permanent losses. Which means we make poor financial decisions which cost us dearly.

Greed/buy

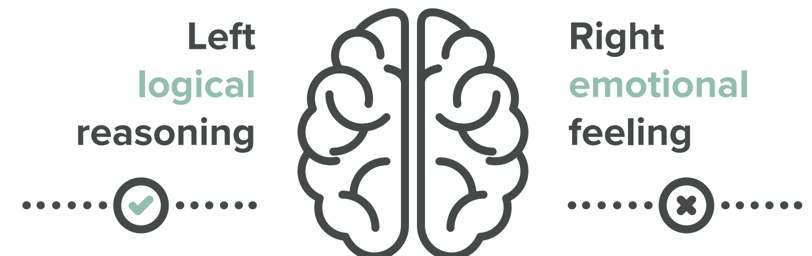
Repeat til broke

Fear/sell

In all other circumstances human nature says we are happier to make a purchase when the price has been discounted, Black Friday provides irrefutable proof of that fact.

So why is it we do the exact opposite where investments are concerned, and take comfort from buying the stock which has only increased in price?

The human brain



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We believe financial advice shouldn't cost the earth. We focus on the essentials, no fancy lunches, flash cars or meetings on the Golf course.

We don't charge a percentage of your assets for ongoing advice, just a simple flat fee. On a portfolio of £250,000, you could save enough money in fees over 20 years to retire a couple of years earlier.

To find our if we're the right fit for each other (and whether you even need a financial planner) book a discovery consultation now!

The first meeting is always on the house.

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The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount invested. Past performance is not a reliable indicator of future performance.

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