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Long-term Investing

The optimal time to invest is shaped by your personal goals and circumstances

Investing your money can feel like navigating uncharted waters, especially when you're unsure about market trends. A common sentiment among new investors is, 'I think I'll wait until the market drops.' While this approach seems sensible – capitalising on low stock prices and selling high – it is far from foolproof. Even the most skilled fund managers in history have struggled to predict market movements consistently.

Ultimately, successful investing involves more than simply waiting for the 'perfect' moment. Instead, the optimal time to invest is shaped by your personal goals and circumstances. In this article, we explain why attempting to time the market isn't always the answer and emphasise the advantages of maintaining a well-balanced, long-term investment strategy.

THE MYTH OF MARKET TIMING

Attempting to time the market might sound like a surefire strategy, but markets are unpredictable, and no one can consistently forecast their highs or lows. Relying solely on timing often means missing out on potential growth. If you're holding back, waiting for the 'right' moment, you're likely missing opportunities for compounding returns – the engine driving long-term wealth creation.

There's also merit in holding some cash – for emergencies or short-term needs. However,

storing too much of your portfolio in cash can diminish your purchasing power and limit growth. Let's explore why relying on cash as a long-term strategy can hinder your financial aspirations.

CASH DOES NOT MEAN ZERO-RISK

You might believe your money is safest in cash, particularly when worried about market volatility. However, if interest rates increase this year, cash savings may not be the best strategy if you are considering the long term. Keep in mind that cash isn't completely risk-free. Over time, inflation diminishes its value, meaning your 'safe' savings could soon start purchasing less than they do today.

From a wealth planning perspective, holding cash is essential for readily accessible funds – your emergency or 'rainy day' pot. However, the disadvantages outweigh the benefits when cash is kept for extended periods. Short-term interest

rates fluctuate according to the Bank of England's base rate announcements, often requiring you to chase market-leading rates annually – time-consuming and admin-heavy.

MISSING OUT ON MARKET OPPORTUNITIES

Dependence on cash also means missing opportunities for market growth. While your cash remains idle, invested funds can generate significant returns, enhanced by the compounding effect of reinvested dividends. With long-term investments, you are also more likely to benefit from tax-efficient strategies such as Individual Savings Accounts (ISAs) or reduced liabilities on capital gains.

Conversely, withdrawing from the market or delaying an investment can also prove costly. Interest rate cuts or rising market prices could





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force you to invest later at higher costs. By staying invested, you smooth out short-term market fluctuations, enabling your wealth to grow steadily over time.

INFLATION AND TAXATION CHALLENGES

Even with higher interest rates, cash savers face another challenge — taxes. Unless your savings are kept in a tax-efficient account, such as a Cash ISA or Premium Bonds, the interest earned on savings accounts is liable to taxation if above your tax-free allowances. Coupled with inflation historically outpacing interest rates, cash rarely retains its value over the long term.

Investments, conversely, frequently outperform inflation over the long term. Funds allocated to equities present growth potential significantly exceeding that of cash savings, while also providing various tax advantages. With instruments like Dividend Allowance or investing in tax-efficient wrappers, your money works harder for you without succumbing to inflation's gradual erosion.

WHY A TAILORED INVESTMENT PLAN IS ESSENTIAL

There is no one-size-fits-all investment strategy. The key is to create a personalised financial plan, taking into account your current financial situation, future aspirations and risk tolerance. Investing is not just about putting money into markets — it's about planning. Done right, it complements your long-term goals, whether that's planning for retirement, buying a home or funding educational expenses.

Choosing the right mix of assets is also vital. A diversified portfolio spanning sectors and regions helps absorb market highs and lows. This ensures investments remain resilient even during turbulent market cycles, reducing dependence on any single source of return.

THE ADVANTAGES OF STAYING INVESTED

When you invest for the long term, market volatility becomes significantly less daunting. Daily fluctuations recede into the background, and attention shifts to steady, incremental growth. Regular investments optimise 'pound-cost averaging', ensuring that market dips work to your advantage as you acquire more shares for a lower cost.

Most importantly, staying invested rewards patience. Historical data emphasises how markets generally trend upwards over long periods. Although occasional downturns are inevitable, the benefits of compounding and diversifying often outweigh the risks associated with attempting to time the market.

MAKE YOUR MONEY WORK FOR YOU

Long-term investing focuses on building a financial future, achieving personal goals and confidently navigating market uncertainties. Cash solutions provide ready access, but investment strategies deliver the growth potential needed to outpace inflation and attain significant milestones.

We understand that everyone's financial situation is unique. That's why we provide personalised

guidance tailored to your goals. Whether you're considering taking your first step into investing or refining your portfolio, we're here to help craft a strategy designed specifically for you. ■

TIME TO START ON YOUR WEALTH-BUILDING JOURNEY WITH EXPERT ADVICE BY YOUR SIDE?

If you'd like to explore the benefits of long-term investing and how it could fit your financial circumstances, contact us today. Make a start on your wealth-building journey with expert advice by your side.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

