FIRST FINANCIAL

Investments

Creating Wealth

Protecting Assets ...

Do you know how much risk you are prepared to tolerate when you invest? This is the question that lies at the heart of investment planning – and very often the discussions about risk take the longest. The basic investment choice is between the following asset classes:

- Cash deposits in banks and building societies
- Fixed interest securities – effectively loans to the government or businesses
- Property – commercial or residential (very different from each other)
- Equities – shares in companies listed on stock exchanges

These are the building blocks of investment portfolios. Your risk profile – how much risk can and should be prepared to take on – will help determine the appropriate mix of these basic components in your portfolio, usually called the asset allocation.

In theory at least, the market rewards those who are prepared to take on the highest risks by generally providing the highest returns. Equities, for example have usually out performed the other asset classes. But investing in equities can provide a bumpy ride and you need to spread your investments over different companies, industries and markets to reduce the risk. If you can afford to take a long view, you can probably afford to accept higher risks.

There are several other factors to consider such as how investments are taxed, and the choice of fund managers and institutions, which can make a substantial difference to your returns, but asset allocation is almost certainly the key decision.

Tax is not generally the most important aspect of investment planning – but your investment returns can be greatly affected by your tax strategy, so it is well worth taking tax into account.

The value of your investments, and the income from them, can fluctuate and it is possible that you might not get back a significant amount of your investment. Past performance is not a guide to future performance and may not be repeated.