10 RULES OF SUCCESSFUL INVESTMENT

"Somebody's sitting in the shade today because someone planted a tree a long time ago"
Warren Buffett

Successful long term investing is not about buying low and selling high, because it is impossible for anyone to time markets with any consistency or precision.

Share prices are susceptible to unpredictable external factors which will often cause us to want to react and change our portfolio in some way to take account of the latest market noise. At times like this our own behaviour as investor can have a dominant effect on our return.

Successful long term, investing is simple, but not easy, here we discuss our top ten rules for investing.

1. BUY WHAT IS RIGHT FOR YOU

Just because an investment has worked for somebody else does not mean it is necessarily right for you. The right investment for you is one that fits your unique goals and timeframes. 'No portfolio without a plan' is a good mantra to bear in mind; a great adviser will build a portfolio based around your unique goals not a short term view of the economy or the markets.

2. DIVERSIFY

It is intuitive to spread your risk by diversifying your portfolio across different asset classes but there is no point having a bit of everything in the mix either. An asset class should only be included if it has the potential for extra return for the extra risk. Diversification reduces risk because different asset classes will behave and react differently through the economic cycle.

3. INVEST FOR THE LONG TERM

Nobody can forecast, with any consistency or precision, the economy or investment markets and nobody can time investments to buy at the bottom or sell at the top. Similarly trying to make short term profits by constantly buying or selling investments is a high risk strategy and high trading costs will erode returns. Accept that you are not Warren Buffett and simply invest in the great companies of the world sit back and allow them the time and space they need to grow.

Expert Wealth Management West Wing, The Old Dairy, High Cogges Farm, Witney, OX29 6UN
T: 01993 772467 W: www.expertwealthmanagement.co.uk E: advice@expertwealth.co.uk

EXPERT
WEALTH MANAGEMENT

4. BELIEVE CAPITALISM & MARKETS WORK

Believe that capitalism and markets work reasonably well and will ensure the long term investor is rightly rewarded for the risks that they are willing to take. Therefore, capturing the market returns should be the key goal for anyone wanting to invest for their long term future.

5. NEVER BUY WHAT YOU DO NOT UNDERSTAND

History is littered with investments that promised a great deal but, when faced with pressure from the market, collapsed with all those promises broken. Some shares or funds might sound very exciting – and perhaps straightforward – but if you do not really understand exactly what the company does or how the fund works, steer clear.

6. MANAGE COSTS EFFECTIVELY

Small differences in costs will compound into large differences over an extended period of time. Minimising investment and transactional costs should be a key focus for the investor whilst putting together an investment portfolio.

7. DO NOT BECOME EMOTIONALLY ATTACHED

It is wonderful if a holding has worked for you, but you do not have to feel, as it were, grateful – the share or fund does not know you own it. You should look at every existing investment with the same clear-headed objectivity as you did before you bought it – and, when it is time to sell, do so with a clear conscience.

8. BE YOUR OWN PERSON – DO NOT FOLLOW THE HERD

Many investors became caught up by the euphoria that surrounded the 'dotcom' boom of the late 1990s, simply because everyone else was excited and they did not want to miss out. Consequently, they bought shares in companies that promised much and delivered little or nothing. It is hard to swim against the current but always take a step back and consider not only what you are buying but why.

9. REVIEW YOUR PORTFOLIO REGULARLY

An adviser will be able to select a better portfolio to meet your goals than you would be able to do left to your own devices because he or she is not subject to the same emotional attachment as you are to your portfolio. The portfolio will have been created to give you the best chance of achieving your unique goals. Over time things will change, your needs, and circumstances for example, and your portfolio will drift from the optimum asset allocation strategy. So it is important to review things regularly, at least once a year.

10. DO NOT BELIEVE EVERYTHING YOU READ OR HEAR

Headlines on television, the press and social media can be as misleading in the investment world as they are in other areas of life. This 'noise' can distract investors into thinking they need to do something, to teak the portfolio in some way, this is often the wrong thing to do at the wrong time. If your portfolio was built to fund your most cherished long-term goals then there is probably no compelling reason to change the portfolio.

If you would like to discuss your own situation in more detail, please do get in touch.

The information contained in this publication is aimed at UK consumers.

This publication is for general information purposes only and does not constitute financial advice. Expert Financial Solutions Ltd t/a Expert Wealth Management is not responsible for the consequences of any action taken as a result of the content of this publication. Professional, independent financial advice should be sought from a suitably qualified adviser in all cases.

Expert Wealth Management West Wing, The Old Dairy, High Cogges Farm, Witney, OX29 6UN

T: 01993 772467   **W:** www.expertwealthmanagement.co.uk   **E:** advice@expertwealth.co.uk

EXPERT
WEALTH MANAGEMENT