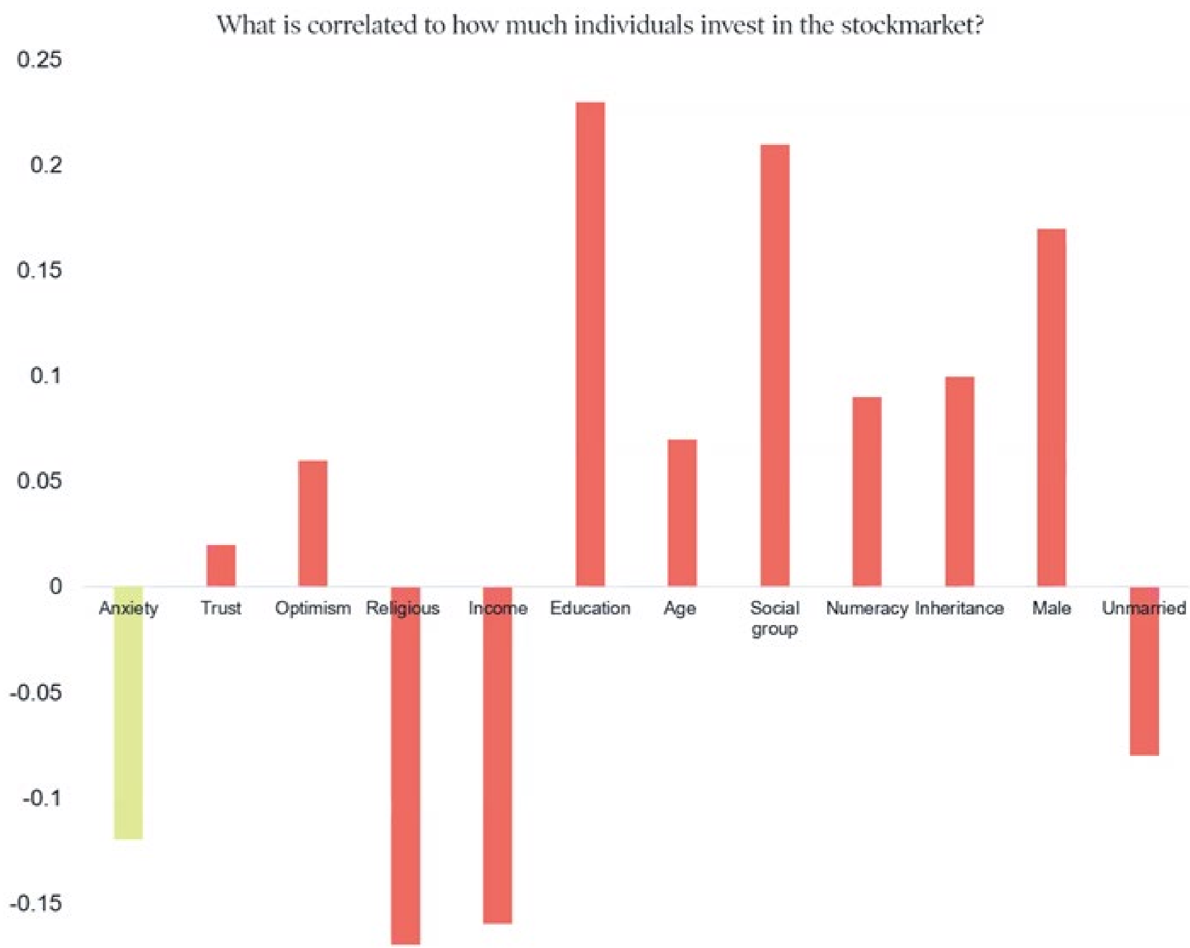
Anxiety

"a feeling of worry, nervousness, or unease, typically about an imminent event or something with an uncertain outcome."

This can take many forms and in terms of money, can be overpowering. Financial planners and investment managers are there to ensure clients are fully informed so that anxiety does not cloud their investment decisions. Below shows what affects people's likelihood in investing in stocks. Most are related to social, economic and education, and advisers cannot do more than inform. Improving most of those is the role of Governments to boost economies and education. As planners, we can do something about reducing anxiety.



We ensure we know as much as possible about your personal circumstances and needs to make sure we can give advice on investments which match your needs and personality.

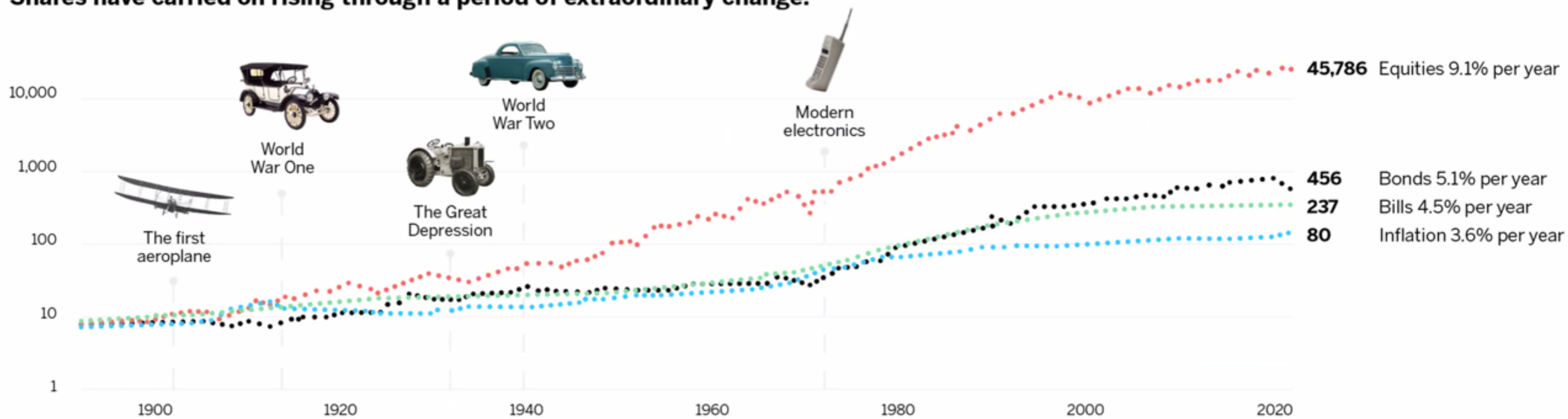
- Anxiety should not be confused with natural risk aversion as it can lead to not taking enough risk
- This can lead to wrong responses at critical times e.g. market timing or selling after falls
- Further leading to over allocation of specific assets which people believe create less anxiety such as housing, which destroys diversification benefits.

Historically, stock markets are well used to world events, whether good or bad. Since 1900, we've seen flight, space, 2 world wars, the emergence of the digital age, and stocks have significantly outperformed bonds and inflation.

How bonds and shares behave over the long-term

Shares have historically risen faster than other investments. But they come with periods of sharp losses. Diversification enables investors to beat inflation without suffering from the full market falls.

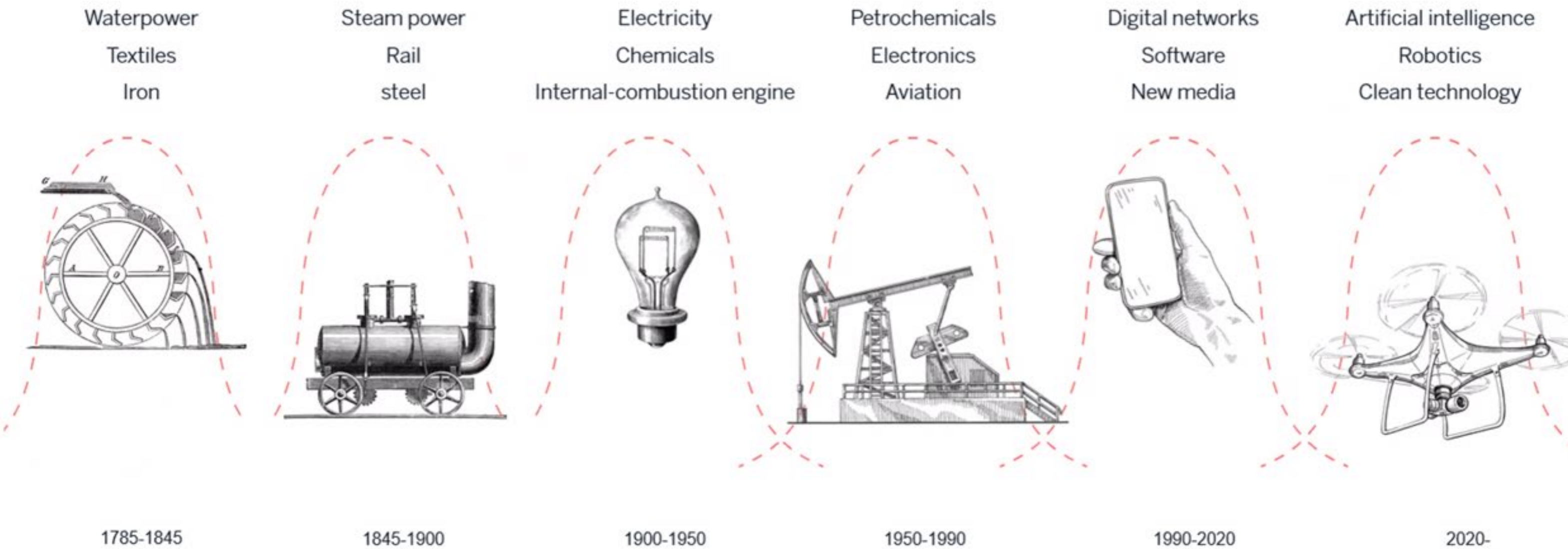
Shares have carried on rising through a period of extraordinary change.



Source: Credit Suisse Investment Returns Yearbook 2021

Shares rise over the long term as humans innovate and companies prosper.
We are now in the age of AI, robotics and clean technology which is seeing incredible innovation and surging values of companies in those markets.

Over the long-term shares rise not because of the actions of politicians but because humans find ways to make their economy more productive through technological innovation.



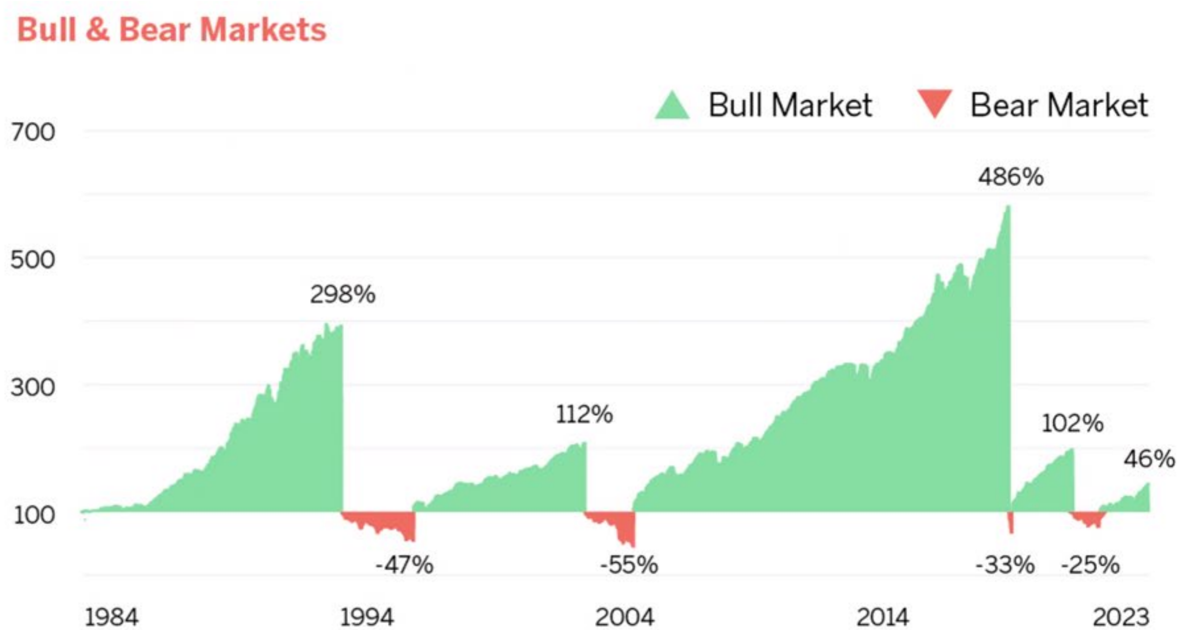
Anxiety makes us seek patterns to justify thoughts and feelings which are not actually based on fact. Looking at the last 25 years, something has happened in every year where anxiety could have meant we pulled out all our investments and put them into cash or property, but in reality, stock markets soared, cash lost to inflation and UK property underformed markets.

There is always a reason not to invest

Shares rise despite problems occurring in almost every year

There will always be periods of uncertainty and any investment has risk, but markets downturns are historically very short term compared to periods of rising markets.
It’s important not to let anxiety take over during these shorter periods of market falls.

Bear markets have historically been a far shorted phenomenon than bull markets



Bubbles are good to learn from. UK property, for example, reached a bubble in 1989. If you bought at that time, your investment didn't recover to the same value for 9 years, or 13 years considering inflation.

In the 1980's the Japanese stock market was at an incredible high and crashed. Those who invested then have still not recovered their investment to full value.

Technology stocks look very strong now, but those who bought at the top of the dot.com bubble and crash in 2000 would not have recovered until 2015 (2018 with inflation).

Summary

This leads us to ensure that your assets are diversified both in terms of overall spread and in terms of what you invest. Your overall assets should typically include investments, home, cash, retirement, car, etc.

For your investment portfolio, a mix of underlying assets managed by a professional, qualified and regulated investment manager ensures you achieve long-term savings goals in a way that reduces anxiety.

As your financial planner we give you regular updates and reviews to ensure investments continue to match your needs and goals and reflect any changes to your personal circumstances and life changes. It is important that you let us know of any changes which may affect our advice and any questions you have so we can keep you financially informed.

Referrals

We work on referrals, so if you would like more details or feel this information would be interesting to someone else, please do introduce us.

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