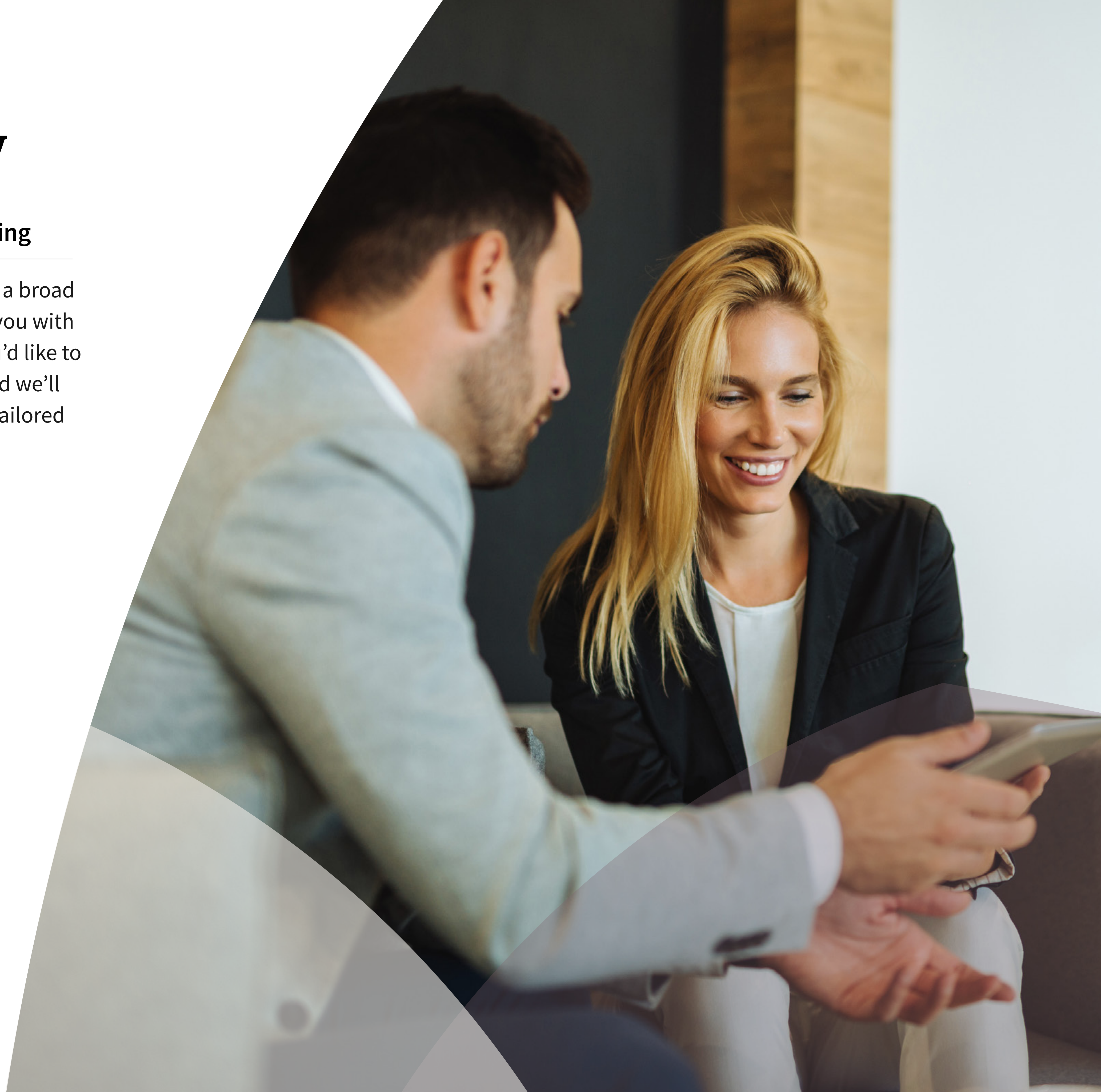
Managing your money

A guide to investment planning

In this guide, we aim to give you a broad overview of how we could help you with your investment planning. If you'd like to learn more, then get in touch and we'll provide you with expert advice tailored to your personal circumstances.



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What does investment mean to you?

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The term ‘investment’ can mean different things to different people.

For you, it might mean “making my money grow” or “getting a decent income from my capital”. While these may seem like simple concepts, the current low interest rate environment could render the achievement of an investment return that meets your expectations more challenging.

Even in an economy with higher interest rates, such as those seen during the 1980s, the impact of tax and high inflation can also work against savers, combining to diminish the buying power of cash.

Regardless of the wider economic backdrop, generating good investment returns has never been simple.

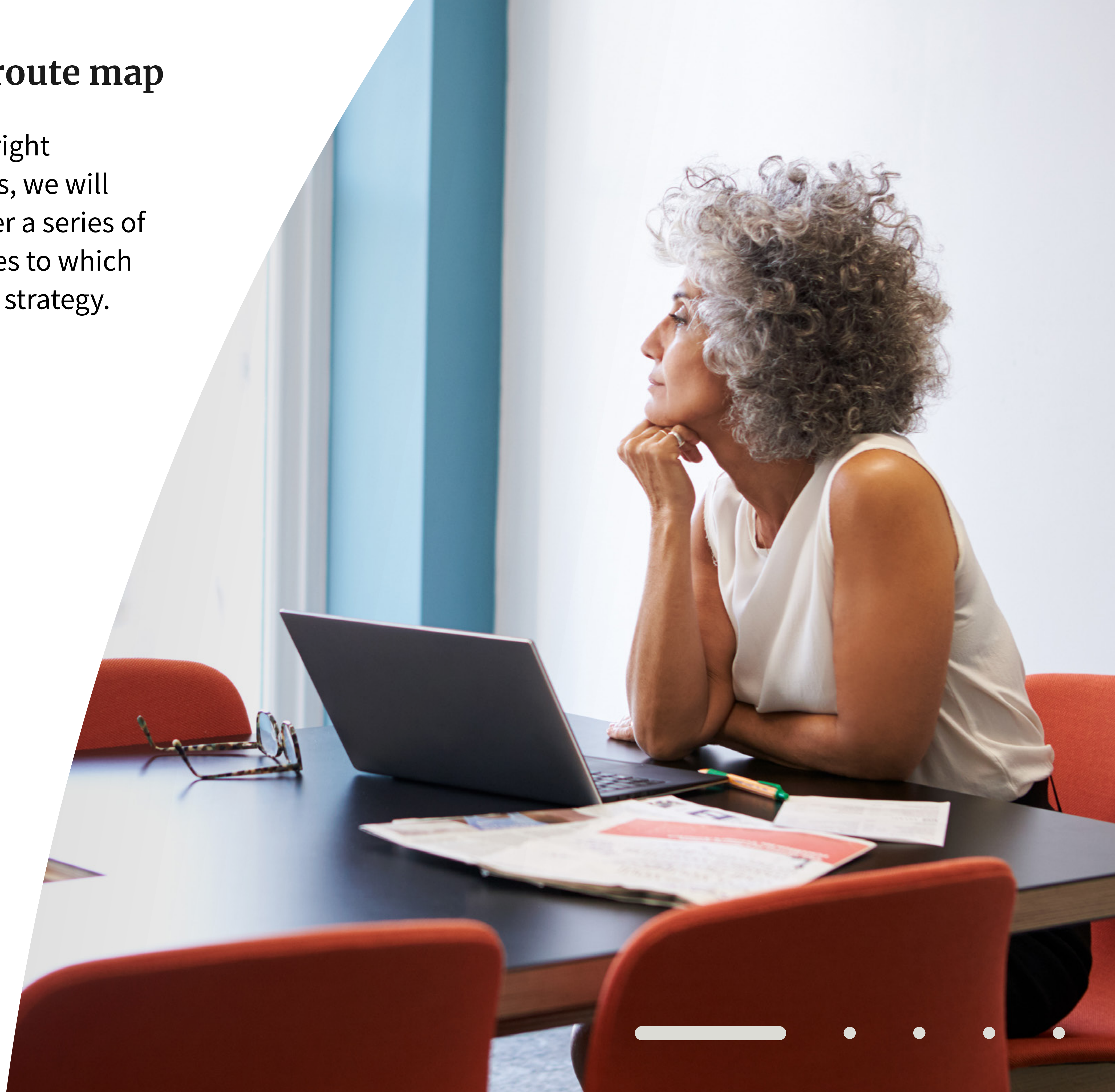
Helping you achieve your goals

With so many complex and uncertain variables out there with the potential to knock your investments off track and jeopardise your objectives, it’s wise to seek guidance from a qualified professional. That way, you’ll understand the “bigger picture” and have the best chance of achieving your investment objectives.

Before selecting an investment strategy or product to help you meet your goals, you’ll typically need to work through a number of preliminary steps. The idea of taking a slower and more considered approach is that it will help ensure the investments you select are the best suited to your personal situation.

The investment route map

To help you create the right portfolio of investments, we will work with you to answer a series of questions, the responses to which will form your eventual strategy.



The investment route map

To help you create the right portfolio of investments, we will work with you to answer a series of questions, the responses to which will form your eventual strategy.

These are likely to include:

1. What are your investment objectives?
2. What level of risk are you prepared to accept and what potential level of loss can your finances tolerate?
3. What types of investments should you consider in light of your objectives and risk profile?
4. What is the most tax-efficient way of holding these investments?
5. How should your portfolio be managed on an ongoing basis?

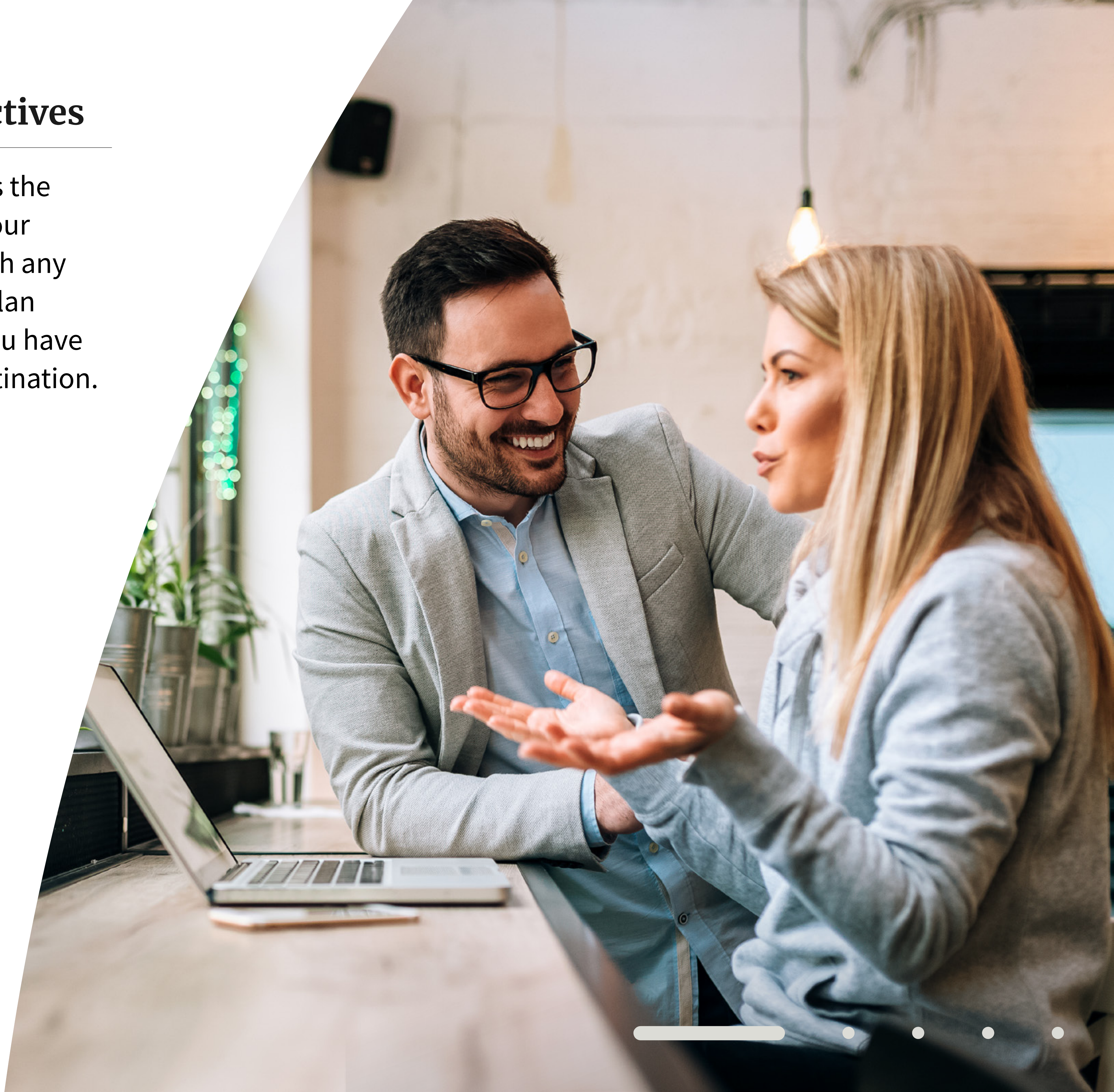
Apart from the first two questions on the left which can be tackled in any order, these questions should be addressed sequentially. This is because each answer will have an effect on the answer to the next question (e.g. your attitude to risk will influence your investment choices).

The answers you provide will then prompt further (often more detailed) questions that will enable your investment plan to take shape.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes, which cannot be foreseen.

1. Setting your investment objectives

Identifying your goals is the key starting point for your investment plan. As with any journey, you can only plan your route map after you have decided upon your destination.



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1. Setting your investment objectives

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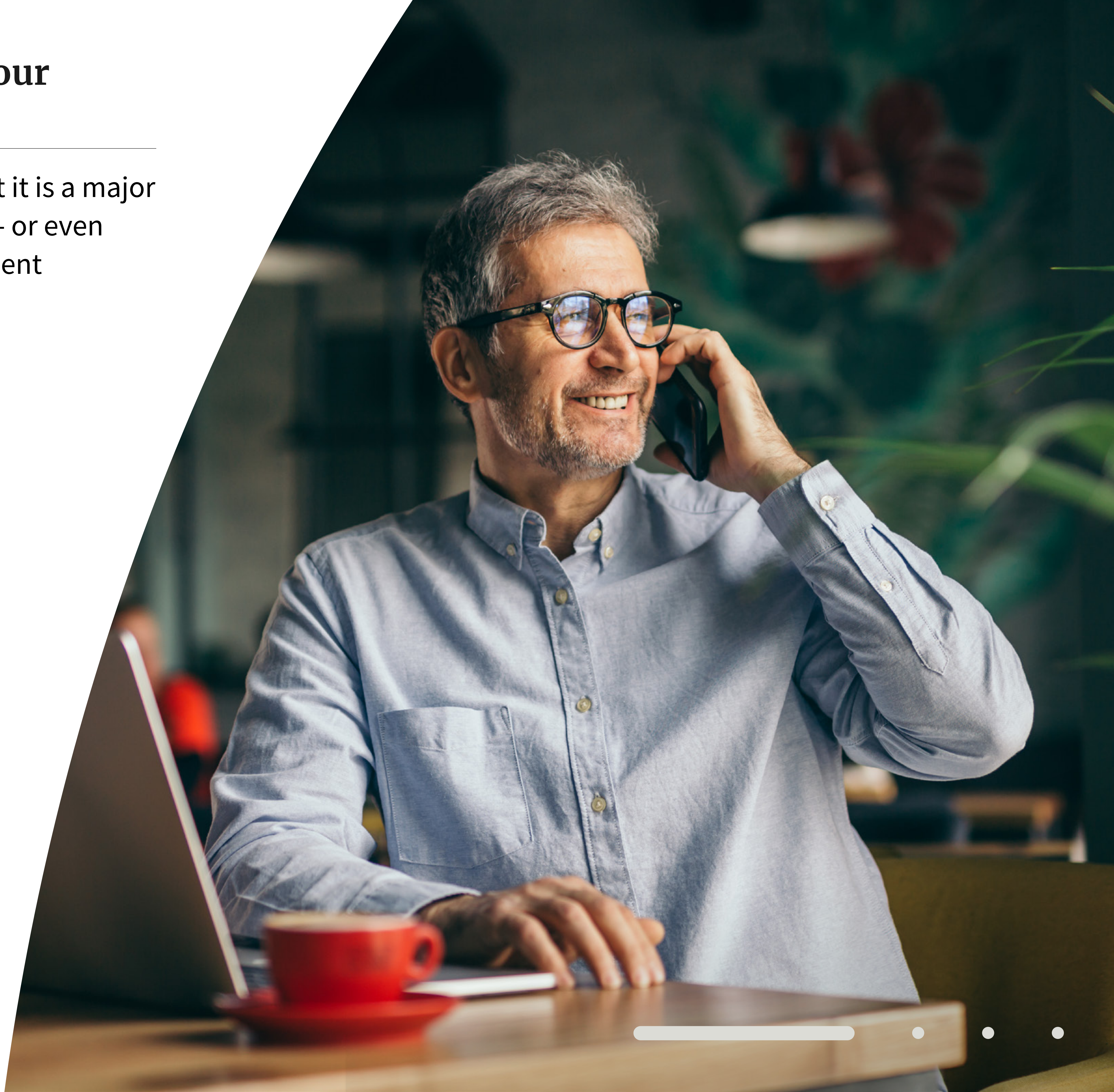
For example, you might be aiming to build up a capital sum that you can access at a predetermined point in the future, or to produce a certain level of income after a set period of time. Thinking about your goals (there may be more than one) will influence your investment strategy.

If you think the objectives you've set are likely to change, it's important to be clear about this up front. It then makes it much easier for us to build an appropriate level of flexibility into our recommendation. Once we have agreed on your objectives, it is advisable to stick to them unless circumstances force you to rethink. While altering your destination mid-journey may not cause problems, you could find that you have been heading in completely the wrong direction, wasting time and money.

2. Establishing your attitude to risk

Risk is a short word, but it is a major factor in deciding how – or even whether – your investment goals can be achieved.



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— **Market risk**: This is the general risk that comes from the political and economic environment, which ultimately drives the valuation of investments.

— **Inflationary risk**: This can be defined as the risk that inflation will erode the buying power of your investment. This is a major risk affecting all deposit-based investments in low interest environments, as well as any fixed interest investments, such as bond related funds.

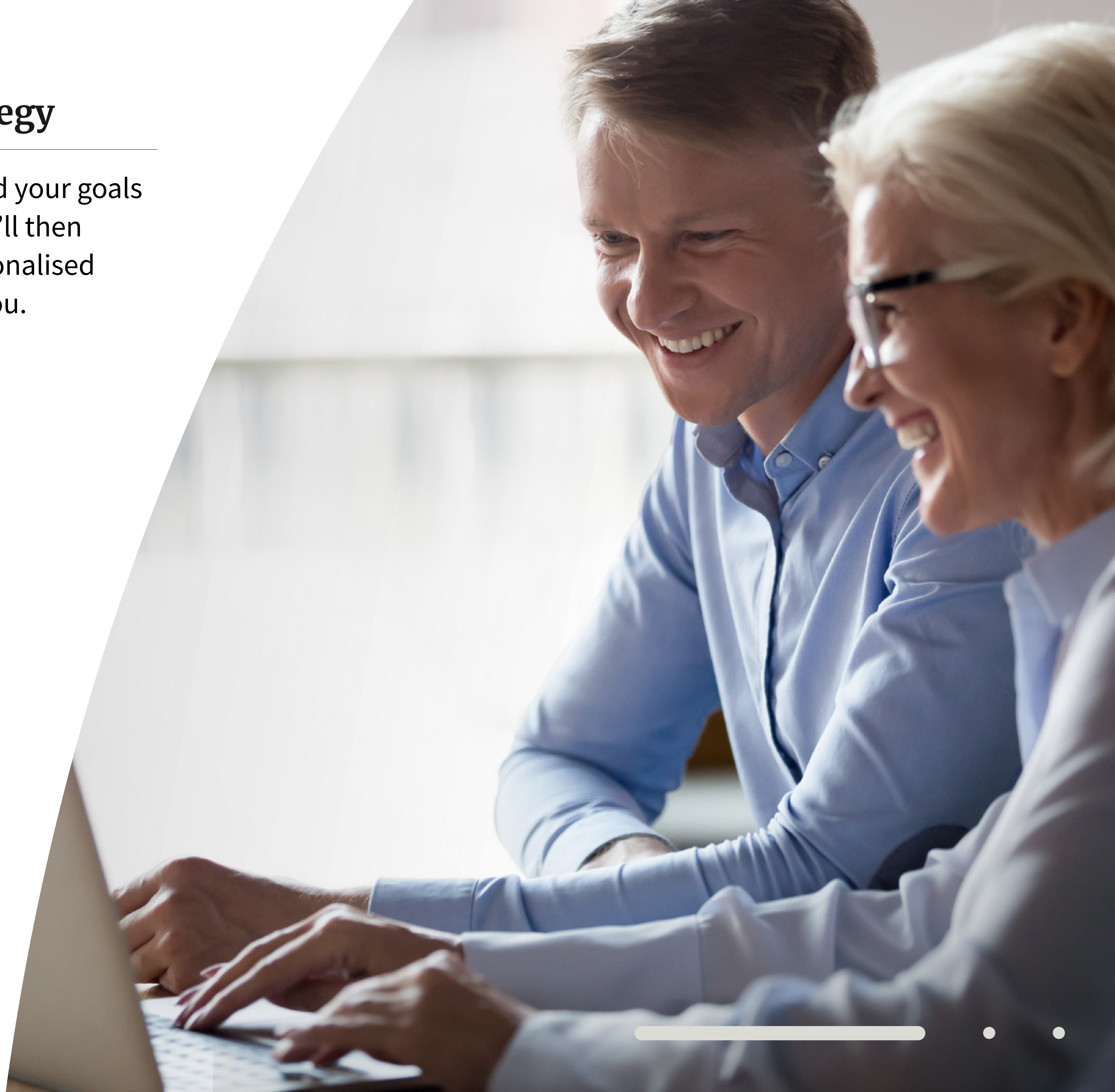
— **Regulatory risk**: This is the risk that financial regulations could change in future, thereby reducing the returns available on your investment. A good example of an industry impacted by regulatory risk is the utility sector, where companies' earnings are largely dictated by regulatory decisions.

— **Event risk**: External events – be they political, social or natural – have the power to alter investment values almost instantly and they can be completely unpredictable.

— **Currency risk**: If you invest in foreign markets or currencies – or UK companies exposed to foreign markets – your returns are likely to be influenced by the relative performance of the pound.

3. Choosing your investment strategy

Once we have identified your goals and attitude to risk, we'll then begin designing a personalised recommendation for you.



3. Choosing your investment strategy

As previously mentioned, it's important to consider the level of risk you are prepared to accept. We firmly believe that the single most effective way to reduce investment risk is to diversify your portfolio.

One way of achieving this is investing in funds, rather than individual stocks. What's more, because your money is pooled with many other investors', the cost you pay for this diversification is low.

The first thing to consider is the different types of funds available and identify those which will suit you best. We offer over 140 recommended funds, including the Omnis investment funds range.

3. Choosing your investment strategy

i. Omnis Investments

As part of Openwork, we have access to the Omnis Investments fund range.

Each fund in the Omnis range is managed by a specially selected expert fund management group, each of which has demonstrated years of experience and excellent fund management performance in their particular specialism.

Omnis offers a range of funds, which appear in four different kinds of investment solution:

— Sector Funds

— Multi-manager

— Managed

— Income

For more information about Omnis Investments, please visit omnisinvestments.com

ii. Recommendable funds

This range includes around 106 funds, each one individually approved by the Openwork Investment Committee, categorised within its risk-profiling system and managed by a wide range of highly rated external fund managers.

Oversight of your investment

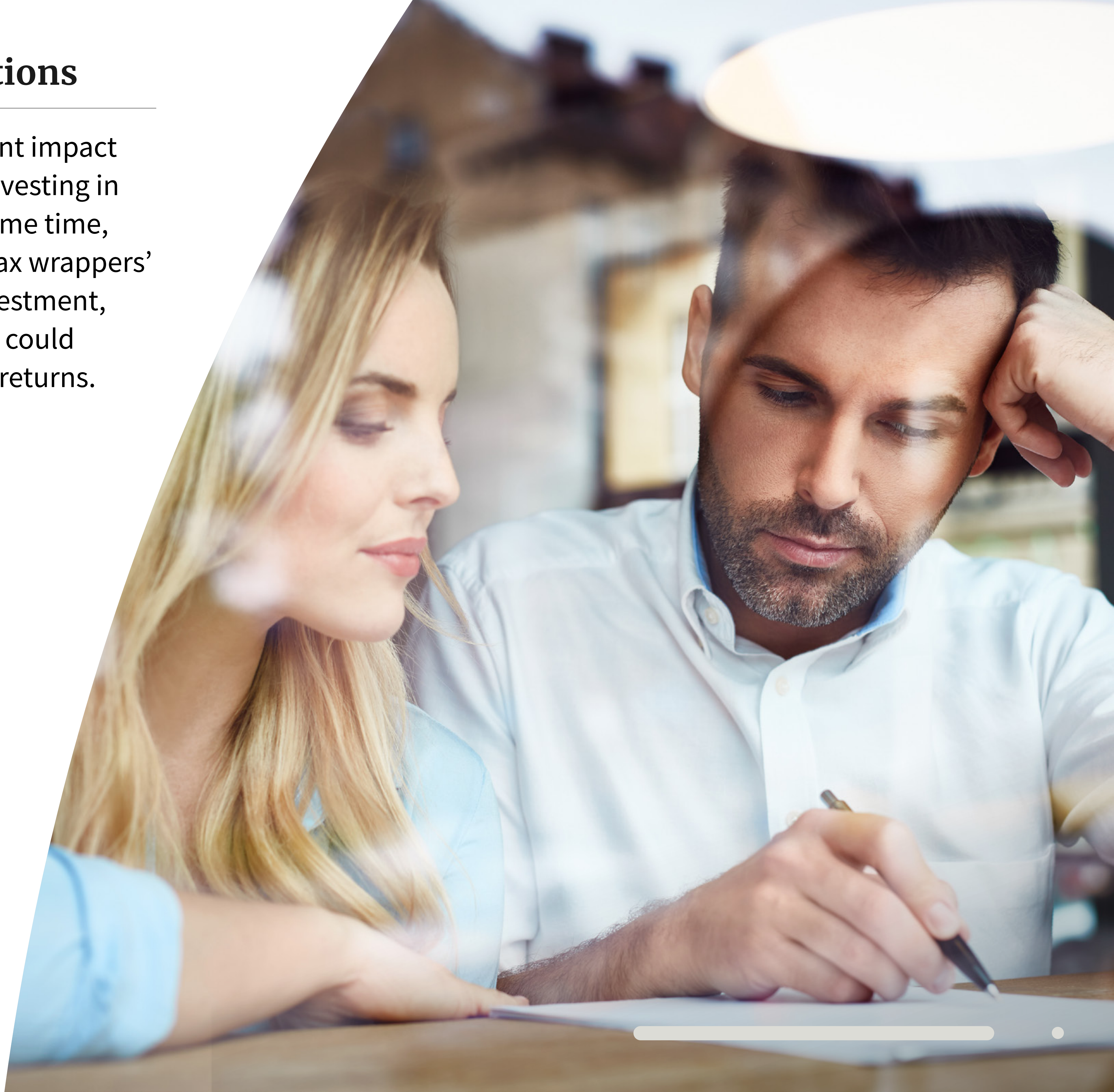
You can rest assured knowing that your investment will be overseen by a group with a huge amount of investment firepower and members who not only represent Openwork's senior management, but also external investment professionals, with the skill and expertise to offer wider perspectives. This group oversees all aspects of Openwork's investment offering – both our list of available funds and the Omnis range.

In essence, the group's top priority is to take full advantage of our key belief and provide some of the market's very best fund managers to take care of your money.

The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance and may not be repeated.

4. Tax considerations

Tax can have a significant impact on your investments. Investing in the same fund at the same time, but through different ‘tax wrappers’ (the specific type of investment, eg. ISAs, pensions, etc), could deliver totally different returns.



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— **Direct ownership** exposes you to full Income Tax on the interest paid, as well as Capital Gains Tax on any profits, but only once you have exhausted your annual capital gains exemption for the year (£12,300 of gains in 2020/21).

— **Ownership via an ISA** is free of UK Income Tax and Capital Gains Tax. The ISA allowance for 2020/21 is £20,000[2].

— **Ownership via a registered pension plan** also means you don't have to pay any UK tax while you hold the investment. You also normally benefit from Income Tax relief on your initial investment; however, you usually have to pay full Income Tax on 75% of any amount you withdraw, with the balance being tax-free[3].

— **Ownership via a UK investment bond** subjects your investment to special life company tax rules – which broadly taxes the total return at 20%. You also have to pay an extra tax charge if you are a higher or additional rate taxpayer when you realise your investment[4].

— Ownership via an offshore investment bond usually means you don't have to pay any UK tax until you realise your investment, at which point you'll pay full Income Tax on all of your gains[5].

1. gov.uk/capital-gains-tax/allowances
2. gov.uk/individual-savings-accounts/how-isas-work
3. gov.uk/tax-on-pension
4. moneyadviceservice.org.uk/en/articles/investment-bonds
5. pru.co.uk/investments/investment-articles/guide-to-investment-bonds

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4. Tax considerations

Selecting a tax wrapper

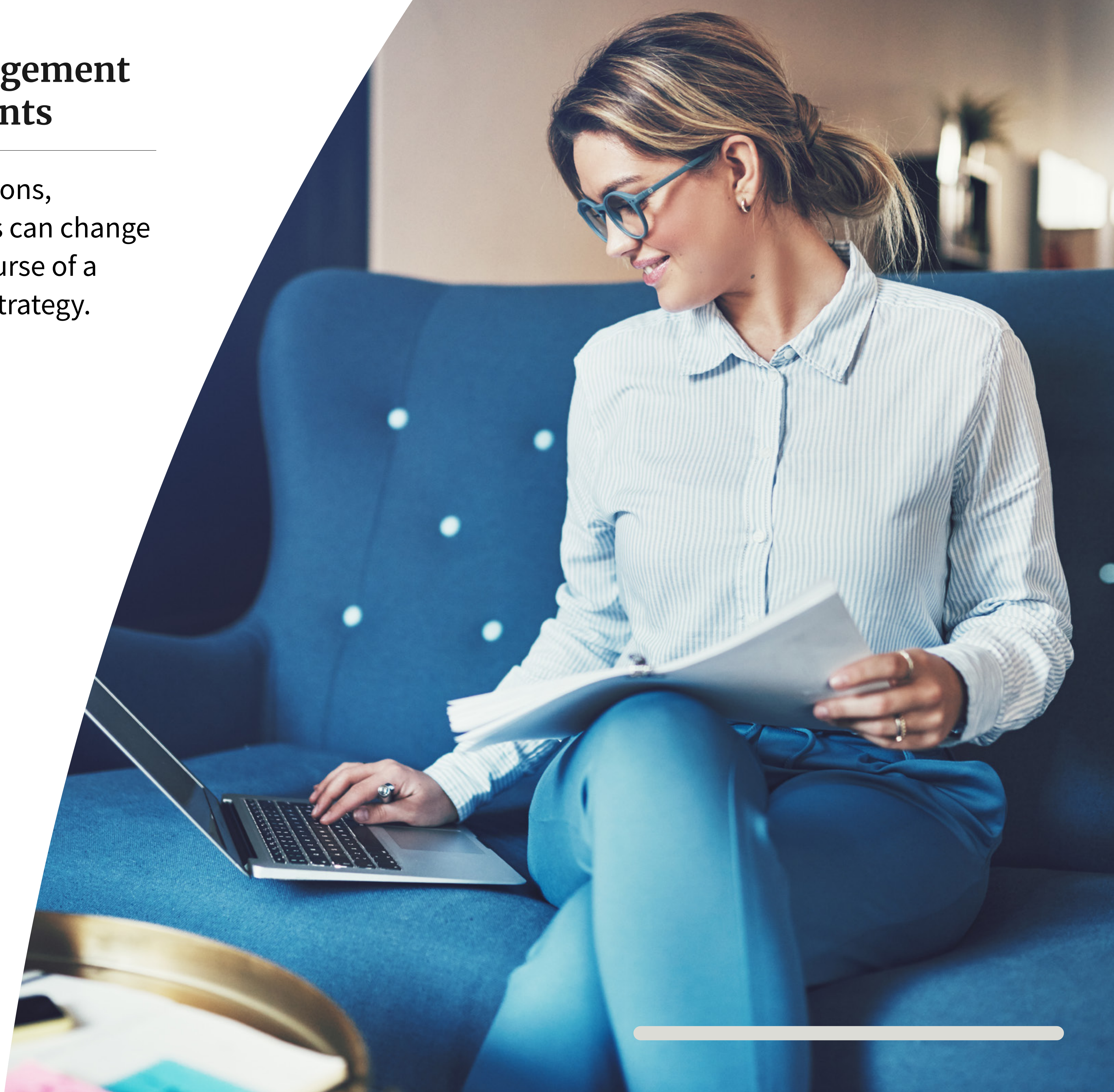
As part of our investment strategy design process, we will consider and recommend appropriate tax wrappers for your investment.

Again, this will involve a careful consideration of your investment goals, the income and capital returns from the fund, your current and future tax position, as well as factors like ISA and pension contribution limits.

The selection of wrappers will most likely be an ongoing exercise, as HM Revenue & Customs tax rates, as well as your own tax circumstances, will most probably change over time.

5. Ongoing management of your investments

Despite our best intentions, personal circumstances can change - especially over the course of a long-term investment strategy.



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5. Ongoing management of your investments

Despite our best intentions, personal circumstances can change - especially over the course of a long-term investment strategy.

And, even if your circumstances and investment goals remain unchanged, other factors beyond your control may have an impact on your investment strategy. For example:

— The economic environment can change

— A portfolio can become unbalanced if one part performs better – or worse – than expected

— Tax rules will inevitably change, meaning your personal tax position could also alter

All of these possibilities – and others – could prompt a tactical or strategic change in your portfolio.

As such, regular reviews will play a vital role in keeping your investments on track – a point which is frequently overlooked by 'do-it-yourself' investors. If you want us to, we can provide an ongoing review service to help you meet your goals in the years ahead.

Next steps

We hope this guide has given you a broad insight into what's involved in the investment planning process.

Please get in touch to discuss more specific options tailored to your personal circumstances.

We offer a professional and personal approach to your investments, not only in the initial strategy design phase, but also longer term.

This guide is provided strictly for your general consideration only. It is not intended to (and does not) represent advice. It is essential that no action is taken or refrained from being taken based on this guide alone. Specialist advice (as referred to throughout the guide) is essential. We cannot accept any responsibility for any loss occasioned as a result of any such action or inaction.

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