



# VIEWPOINT

MAPLE FINANCIAL SOLUTIONS LTD

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Thanks for reading our newsletter. If you want to discuss any of the articles in more detail, please get in touch.



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# 3 important reasons for staying invested through market downturns



It's been a difficult year for investors so far. Inflation and political uncertainty have led to market volatility.

Market volatility can be scary, especially if the value of your investments drops, but it's important not to let fear guide your decision about whether to stay invested in your portfolio. Here are three reassuring reasons for staying invested in the stock market during uncertain times.

## 1. The best financial decisions are not based on emotion

Emotions can play a big role in your financial decision-making if you aren't vigilant. The thrill of seeing your investments increase in value can quickly be replaced with panic and fear when the value decreases during market slumps.

When you understand the cycle of emotions related to investing, you can reframe downturns as opportunities to maximise your returns in the long term. This is because when the value of investments falls, it becomes cheaper to buy more shares or fund units – providing greater opportunities to grow your wealth when conditions improve.

As Warren Buffett, one of the world's most successful investors, famously said: you should aim to be "fearful when others are greedy, and greedy only when others are fearful".

By looking at the situation objectively, without the influence of emotions, you will be able to make sensible financial decisions based on your understanding of how the markets tend to ebb and flow.

## Get in touch

If you're concerned about whether the current market volatility will affect your long-term financial plans, seeking expert advice can help to reassure you and keep you on the right track.

We can help you to decide on the most appropriate next steps based on your circumstances and future goals. Please get in touch to arrange a time to chat.

*Please note: The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. Past Performance is not a guide to future performance and should not be relied upon.*

## 2. Bull markets tend to outlast bear markets

When markets are trending upwards and investments are generally growing in value, this is called a "bull market". This is when you will often see your investments increasing in value.

By contrast, a "bear market" describes periods when the market has dropped 20% or more from its peak. Despite rallying in October, the S&P 500 is currently down 22% since the start of the year, with many of the top-performing US stocks noting significant drops since the start of the year.

As seen in the chart below, bull markets have not only been more frequent over the past 60 years, but they have also tended to last far longer than the average bear market.

So, despite the rocky start to 2022 for investors, it makes financial sense to be optimistic about the prospect of markets recovering sooner rather than later. As the markets recover, you could see significant increases in the value of your investments.

## 3. Staying invested could produce better long-term gains than moving to cash

Attempting to time the market by moving your investments into cash during market downturns could lead to significantly lower long-term returns than if you had stayed invested throughout.

The chart below shows how returns on £1,000 invested can be affected by attempting to use this strategy.



The end results show that the initial investment would have created a final value of £1,993.32 if it had remained invested throughout downturns; if the same amount had been invested initially, but removed from investments during downturns, the final value would have only been £1,042.43.

The difference in returns is partly because the best days in the markets tend to occur immediately after a downturn. By attempting to time the market, you will often miss out on the significant returns generated on these important days. Compounding is the process of generating returns on the total value of your portfolio, including both your initial investment and any returns generated since then, so the impact of missing the best days in the market will be reflected in your portfolio's value for many years.

# How financial advice adds more value to your life than you may realise

Traditionally, the value of financial advice has been measured by monetary results of investment performance and returns. Today, the cost of living crisis is causing many to re-evaluate the benefits of financial advice.

These days, financial planning is about more than simply looking after your money and protecting your wealth. As well as helping you see results in pounds and pence growth, we can also help ensure you are prepared to meet the challenges you may face in life.

Used as a trusted and impartial sounding board, we can help by:

- Encouraging you to recognise your goals and establish a clear financial road map to help you attain them
- Providing you with someone to listen to you and to help you to arrive at the right financial outcomes – taking an objective view and a way forward
- Managing your investments to maximise returns, while controlling risk, and reducing potential tax charges
- Preparing you to deal with unpredictable outcomes you may not have considered, such as premature death, being diagnosed with critical illness or other unexpected life events that change income, savings, or retirement dates that could have a detrimental impact on your desired lifestyle
- Offering emotional support and guidance to provide peace of mind

And the value of financial planning doesn't stop there.

## Get in touch

If you're worried about the rising cost of living and want to reap the financial and emotional benefits that speaking to a financial planner can bring, we can help.

## Financial advice isn't just about your money, it's about your life

A great financial adviser can serve as an objective ear and help you to prioritise your future spending, helping you to deploy the money that you have in a more meaningful way.

Longevity and the ability to live your best life are inherent to great financial advice. So, helping you to understand how a healthier lifestyle can help you to achieve your goals is another important aspect of our role.

With a wealth of knowledge about healthy choices now available, small changes can improve your quality of life and help you live longer and in better health. The ripple effect of living a good life means adjusting your plan to ensure you have enough money to last for a comfortable future.

## The unseen value of free support services you can access

If something unexpected were to happen, insurance products and policies can provide valuable peace of mind to you and your family. This could include being too sick to work, suffering a life-threatening illness, or death.

In addition, insurance products often also include a wide range of practical and emotional support services. Many of these additional benefits are available at no extra cost and can be used by your family members too. These extra benefits are usually available as soon as your policy starts and remain open to you and your family until the policy ends. This kind of added value is automatically built into your insurance policies but can often be forgotten about or overlooked.

Although the type of complementary services will depend on both the policy and the insurance provider, they tend to be fairly similar and could include:



### Medical related services

- 24/7 access to a doctor through a virtual consultation
- An expert second medical opinion on your diagnosis
- Private prescription services
- Medical care while abroad



### Counselling services

- Mental health and other support services – usually remote and without a long wait
- Physical rehabilitation
- Support to help you get back to work



### Preventative services

- Nutritional support
- Health checks

## Structuring a sustainable income

Trust is one of the primary drivers of a successful client/adviser relationship. We proactively monitor your needs and investment portfolios. This means we're well-positioned and able to recognise when changes are needed. Knowing that life can get in the way of even the best-laid plans, we have annual review meetings to help you stay on track. These regular reviews will help make sure your actions and investments remain aligned with your goals.

At your review, we'll often use cashflow planning tools to explore the financial impact of various scenarios. This helps ensure that you've thought about all aspects of your financial future, including inflation, so that whatever the future holds, you can be better prepared for whatever life might have in store for you.



# Investing or saving?



## Investing can beat inflation

Investing is a better option if you've got longer-term goals because inflation can erode the value of cash savings over the medium to short term, and your money may not have the same spending power as when you first put it away.

### For example

If you have £2,000 in savings and the bank offers a 1% interest rate, each year you will get back £20. However, if the inflation rate is 6% the cash in your savings account will fall in value. After one year your cash would be worth £1,887. After five years it would be worth only £1,495!

Saving money is a great way to prepare for unexpected expenses and investing your money can have the potential for higher growth than saving.

A lot of people put their money in a savings account and leave it there to accumulate interest. While this is a good strategy in the short term, you potentially risk losing out on higher returns in the long run, while also struggling to keep up with inflation. However, investing is a good approach if you have long-term financial goals and want to earn more money than you could by saving it.

## What's the difference between saving and investing?

With saving you are setting aside cash for future use, while investing means using cash to buy assets that you expect to produce a profit or income. The biggest difference between saving and investing is the level of risk. With saving you will always get back at the very least what you have put in, as well as any interest on your deposits. You won't lose any money, making it a less risky option.

Investing your money means it will rise and fall over time and there is a chance you could lose some of your initial investment. Your financial adviser will be able to help you make sure you're aware of the risks and the minimum time you should consider investing for. A longer timeframe (at least five years) will give your investment more time to recover if there are any sudden market swings.

*Speak to your financial adviser to find out about a range of investment opportunities to help you meet your financial goals.*

*The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.*

## Types of investments

The main types of asset classes that investors could choose from – which your adviser can go into detail with you – are equities, bonds, and property. Different asset classes have different levels of risk and return. Usually, the safer an asset is the lower the returns will be, while the riskier an asset is, the higher the returns.



**Property** this could be investing in commercial property through investment funds, including retail, office, and industrial property. It makes a good long-term investment and is effective at beating inflation. Property can add diversification to your portfolio as it tends to perform differently to other assets in response to different market conditions. However, property does come with its risks, including a risk of a fall in value as well as the maintenance costs.



**Bonds** sometimes called fixed-term investments, bonds are issued by governments and companies looking to raise money. A bond is essentially a loan made to a company or a government by an investor for a set period – usually several years. In return they pay you a regular income in the form of interest over the life of the bond, after which they must repay your loan. Bonds typically offer stable returns and are a lower risk than equities, although they tend to offer lower returns in the long term.



**Equities** also known as stocks and shares, equities are issued by a public limited company and can be bought and sold on stock exchanges. When you buy an equity, you are basically buying a piece of that company and become a shareholder. Equities can make you money through increases in share price or you can receive income in the form of dividend payments. The disadvantage is that returns are not guaranteed, and the share price could fall below the level that you invested.