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FACTSHEET

Cultivate the art of patience

Avoid knee-jerk reactions by focusing on long-term investment objectives

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. But we live in the era of the 24-hour news cycle. Human tendency is to prioritise negative over positive news content, and no one is immune from bad news. So as an investor, when you do get it, how do you process the information, deal with it and move on unscathed?

The goal of any investor should be to focus on long-term investment objectives and avoid any knee-jerk reactions. Volatility can understandably give any investor the jitters. The investment world can be unpredictable, and investors currently have plenty of bad news to process with a plethora of events making the daily and even hourly news headlines – from the US-China trade conflict and oil price volatility, to Britain's exit from the European Union.

Market downturns can also unnerve even the most seasoned of investors. But if you want to give your investments the best chance of earning a return, then it's important to cultivate the art of patience. Whatever happens in the markets, in all probability your reasons for investing won't have changed.

STAY POSITIVE AND FOCUS ON YOUR INVESTMENT GOALS

TUNE OUT THE NOISE

The deluge of information we receive every day on our mobiles, TVs and computers might have something to do with increasing levels of uncertainty, but remember 'bad news sells'. We are inundated with new information all the time. There is no break from it. And that can be exhausting.

This information overload, news alerts, tweets and posts can lead to poor, knee-jerk reactions. We're hardwired to want this amount of information but not hardwired to deal with it. But if you do find yourself in a situation where you require insightful information that you can trust, then speak to us and we'll give you an unbiased assessment of the situation.

LOOK TO THE LONGER TERM

The length of time you stay invested in the market is generally more important than market timing. One of the advantages associated with long-term investing is the potential for compounding. When your investments produce earnings, those earnings are reinvested and can earn even more. The more time your money stays invested, the greater the opportunity for compounding and growth.

Keep in mind that compounding, overall, can have a significant long-term impact, even if there are periods where your money won't grow. While there are no guarantees, the value of compounded investment earnings can turn out to be far greater over many years than your contributions alone. As Warren Buffett, the American business magnate, investor and philanthropist, put it so eloquently; 'The stock market is designed to transfer money from the active to the patient.'

DIVERSIFY YOUR PORTFOLIO STRATEGY

Diversification is a strategy that involves investing across or within different asset classes to minimise the ups and downs of financial markets. In other words, diversification is about not having all your eggs in one basket. Although having a diversified portfolio won't eliminate all volatility, a well-thought-out diversification strategy can help to reduce risk during this period and help with gaining more consistent returns over the long term.

Generally speaking, there are four broad asset classes: cash, fixed interest, property and shares. Because asset classes have their own unique economic cycles, when one class is making stronger returns, another may not be performing as well. By spreading your investments across and within different asset classes, you'll be in a better position to offset the volatility of individual investments.

DEFINE YOUR GOALS FOR INVESTING

Knowing what you want your money to achieve will help you to remain focused through times of market volatility and bad news. One of the first steps to investing is to clearly define your investment goals. Taking time to consider what you want to achieve as a result of your investment process will guide you in determining specific investment goals.

Whatever your personal investment goals may be, it is important to consider the following questions: What is your time horizon? What is your investment risk tolerance? What are your liquidity needs? And are you investing for growth, income or both? ■

HELPING YOU ACHIEVE YOUR FINANCIAL GOALS

Financial news can be dangerous to the health of your investment portfolio. Whether you are looking to invest for income, growth or a combination of the two, we can provide the quality advice and a comprehensive range of investment solutions to help you achieve your financial goals. For more information, please contact us.