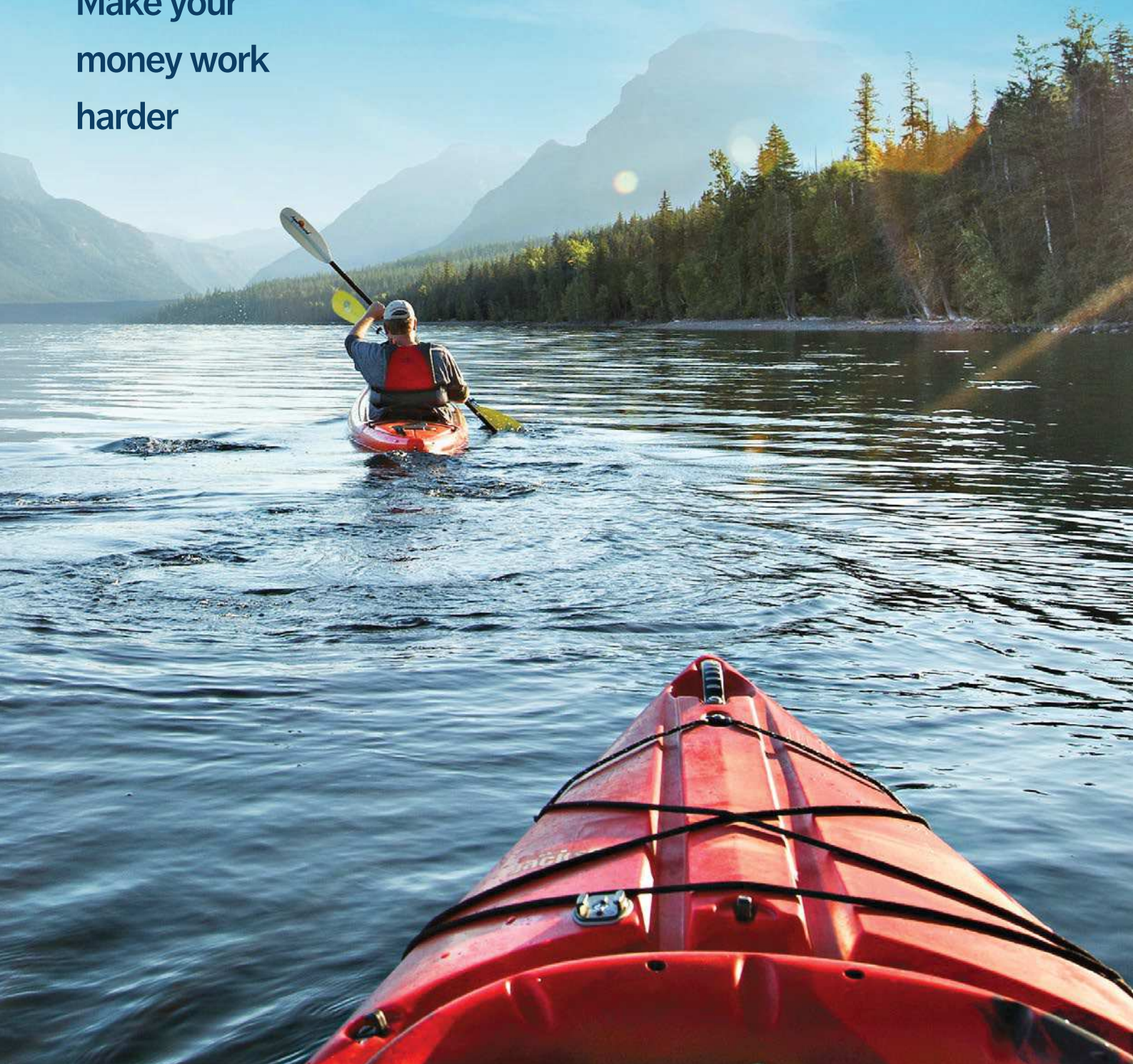


A beginner's guide to investing

**Make your
money work
harder**



A beginner's guide to investing

Make your money work harder

Long term saving has many benefits, ensuring that you and your family are able to enjoy the things you have planned for the future such as paying for your child to go to university, funding a family wedding or simply topping up your retirement fund.

Whatever you are saving for, it is important to ensure that your hard earned savings are working for you. Investing wisely can be a way of achieving your long term financial goals sooner.

Our beginner's guide to investing aims to equip you with the knowledge to get you started, including:

- 1 Why invest?
- 2 Types of investment
- 3 How to invest in funds
- 4 Plan your investments
- 5 Your investment portfolio
- 6 Investing with Friends Provident International

“An investment in knowledge pays the best interest.”

Benjamin Franklin

1 Why invest?

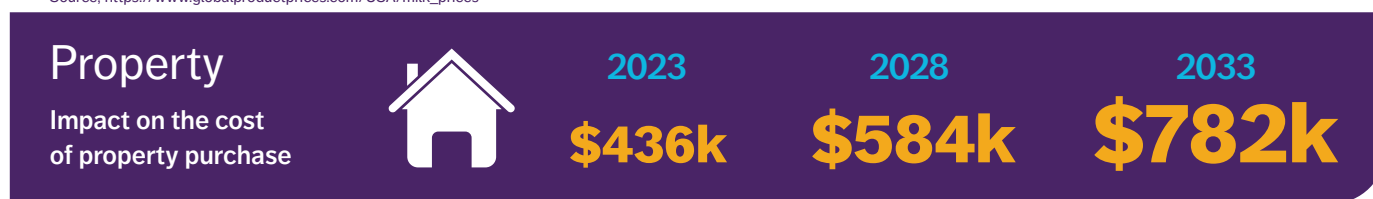
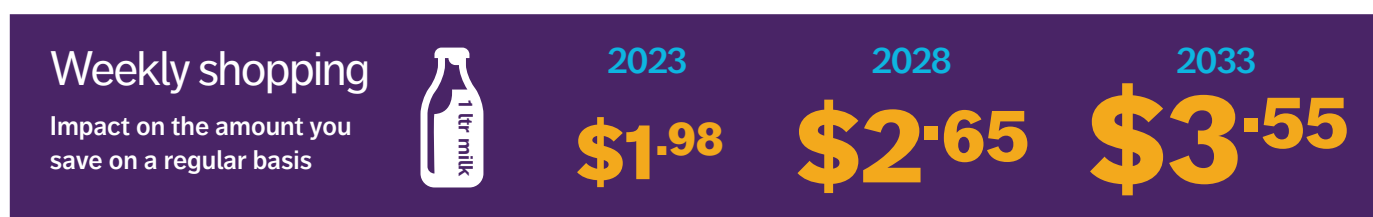
Will your savings be enough to achieve your long-term financial goals?

When you save money you generally pay it in to a bank account and in return receive interest. While bank accounts provide a safer home for cash, the interest is typically low and therefore when saving for long-term goals the end return on your savings could be minimal.

Furthermore if you factor in the rising cost of living; housing, food, taxes and services, known as inflation, this will not only impact the amount you are able to put away into regular savings in the short-term but also the cost of your long-term goals.

The impact of inflation on costs

Assuming an inflation rate of 6% per year



Savings

A proportion of income not spent on everyday living expenses. Used for large purchases in the near future such as a car, a property or a holiday and for emergencies and contingencies.

- Short-term
- Lower risk
- Lower return
- Easy access to funds



Investments

Putting money into financial products with a view to earning profits. Used for large purchases in the long-term future such as retirement or children's education.

- Long-term
- Potentially higher risk
- Potentially higher return
- Access to certain funds may be restricted (for example property)

When to start investing

You may be fortunate enough to have a lump sum of money ready to invest. However, if not, you could use your bank account to build a pot of cash. Another option is to drip feed into an investment with regular payments.

Before investing you should:





- ✓ Ensure you have enough savings to cover emergencies and contingencies
- ✓ Make sure you have at least six months expenses covered should your circumstances change (for example you lose your job)
- ✓ Insure yourself should you become unable to work (for example you suffer a serious illness)
- ✓ Remember that the value of an investment can go down as well as up and you could get back less than you invest.

Talk to your financial adviser to discuss your investment options.

2 Types of investment

Once you have your expenses and contingencies covered and have decided to invest, it is good to have an understanding of the different types of investment, known as asset classes, of which there are four main types.

Asset classes explained

 <h4>Cash</h4> <p>Cash in a bank account or other money market securities that earn interest over time. This is normally considered to be a safer option during periods of investment market volatility, or for short term needs. However, the real value of the investment may be eroded over time by the effects of inflation.</p> <p>Short-term investors (up to three years)</p>	 <h4>Bonds (Fixed interest)</h4> <p>A loan or bond issued by a company or government over a set period of time in return for a fixed interest rate as well as the return of the original capital. Different types of bond have different levels of risk and return but they usually have a better return than cash in the long run. Generally they are considered lower risk than shares.</p> <p>Short-term to medium-term investors (three to five years)</p>
 <h4>Property</h4> <p>Property generally appreciates in value over time. As well as buying a home, you could also purchase a property for rental. The rental income goes directly into your pocket and you have control over your investment. However, you also have the responsibility of ensuring that the rent is paid. Also, when the property market is slow it may be difficult to sell your investment and realise your gains.</p> <p>Medium to long-term investors (five years plus)</p>	 <h4>Equities (Shares)</h4> <p>Equities (Shares) are issued by a company to raise money to develop the business. Investors buy shares, which can be traded on stock markets. They are considered to be one of the best investments to achieve long-term returns, however shares can be volatile in the short-term, meaning their value is likely to fluctuate.</p> <p>Medium to long-term investors (five years plus)</p>

The risk reward trade off

Each asset class comes with a different level of reward and risk. As the table above explains, generally speaking, the higher the return opportunity the greater the risk. This is shown in the image below.



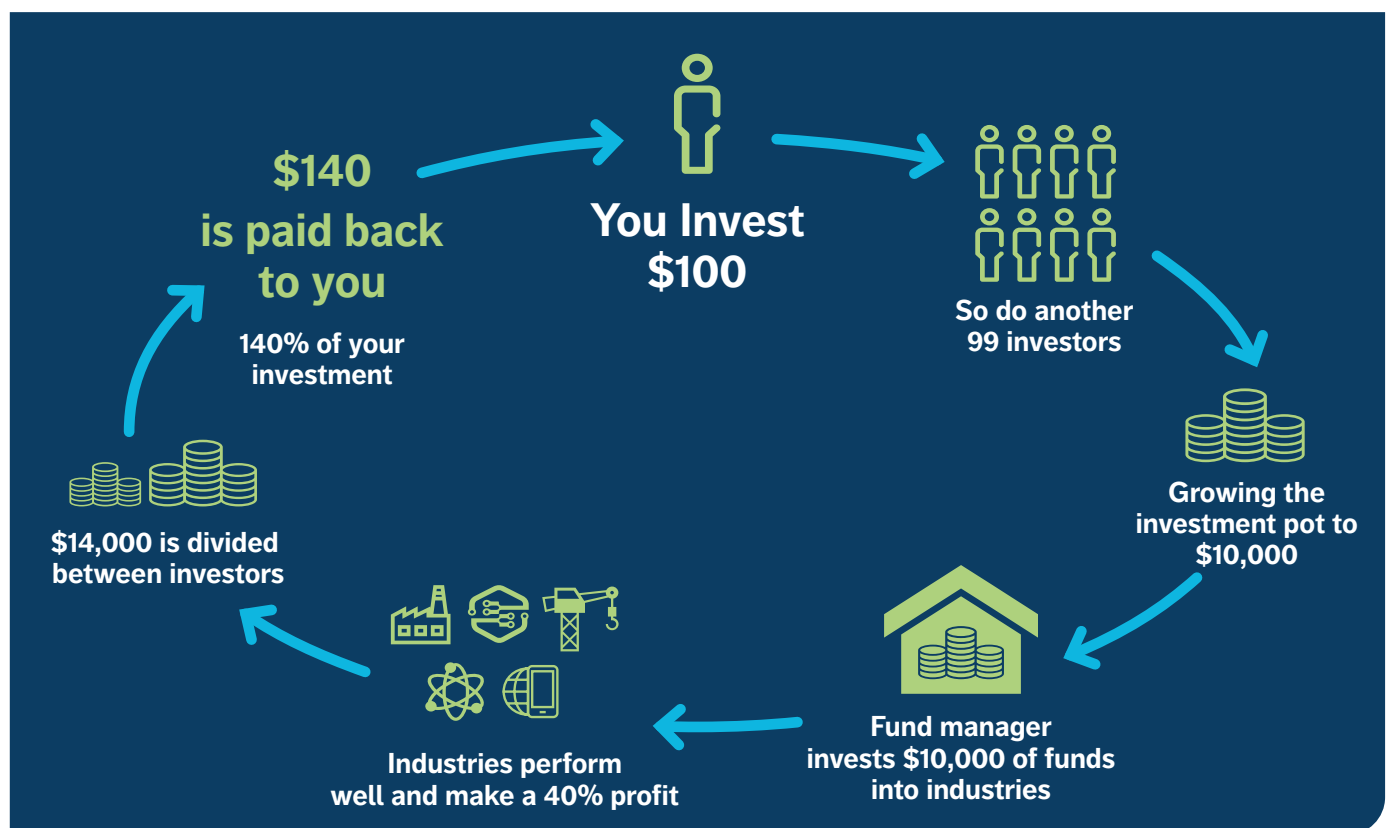
3 How to invest in funds

A good way to start investing is through an expert fund manager.

There is a wide range of funds available from various fund management companies. Often known as "mutual funds", these investment funds 'pool' together the money of individual investors and in return investors receive units, each representing an equal share of the fund. Professional fund managers use their knowledge and experience to choose how to invest the fund's money with the aim of increasing the fund's value over time.

A major benefit of investment funds is that you reduce the risk of holding just a few individual shares or bonds. Instead your returns are determined by a much wider range of investment opportunities.

How your money is invested in a fund



The benefits of funds

- ✓ Knowledge of a professional investment fund manager
- ✓ Option to take advantage of a wide range of investment opportunities
- ✓ Funds are tightly controlled and monitored by legislation
- ✓ Sharing the cost of the fund with other investors to make investing more affordable

- ✓ Higher potential returns than other options such as a bank account

Possible risks

- The value of investments can go down as well as up, meaning you could get back less than you put in
- Stock markets can be unpredictable so there is no guarantee that a fund will do well

4 Plan your investments

Once you are ready to invest it is recommended that you speak with your financial adviser who can offer you guidance based on your individual circumstances. At this stage it's a good idea to ask yourself the following questions, so you can gauge which types of investment will be suitable for you.

1

What are your financial goals?

For example, do your future financial goals include retirement and/or your children's university education? Make a list to help you visualise them.



2

How much money do you need to achieve your financial goals?

Do your research around the cost of your financial goals.



Calculate what you need

3

How much can you afford to invest?

Ensure your plan is achievable. How much you need for your financial goal and how much you can afford to invest might be different.



Calculate what you can afford

4

When will you need to pay for your goals?

How far away are your financial goals? Is it 10 years away or 20? Knowing your time frame will give you an idea of:

- The amount of inflation you need to factor in
- The cost of your goals in the future



Calculate the effect of inflation

5

How much risk are you prepared to take?

Before investing it is important to understand your attitude to risk and the potential for a good return should be balanced against the fact that you may not get all or even any of your money back.



Your financial adviser will make recommendations for your investment portfolio based on your answers to the above.

5 Your investment portfolio

Building your portfolio at the outset is not the end solution as the investment mix which is right for you today might not be right for you in the future. This will depend on market conditions and your lifestyle changes.

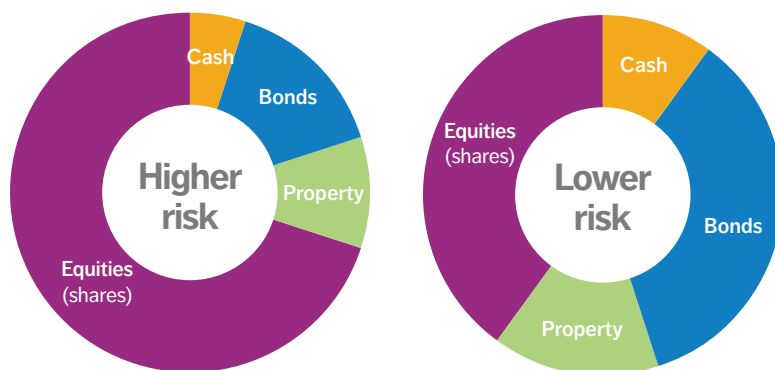
Build your portfolio

Industries and their respective asset classes respond differently to market conditions and changes. By including exposure to multiple asset classes and industries your investment manager can reduce the risk to your investment should an industry suffer a shortfall. This is known as **diversification**.

You should also consider:

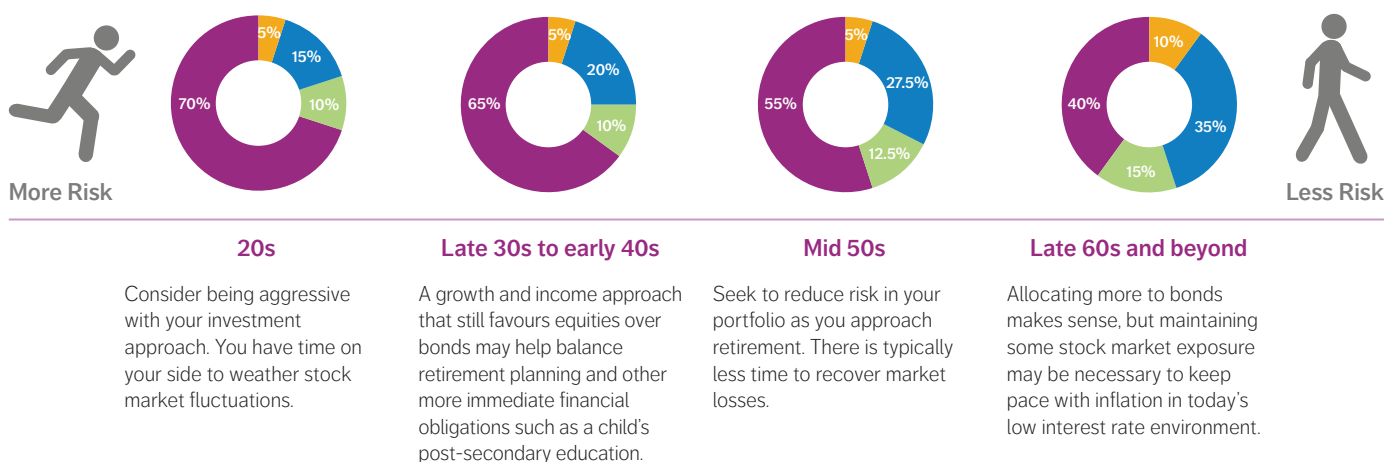
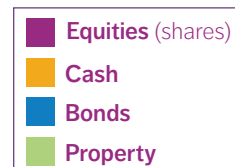
Market timing – It can be very difficult to predict market direction and movements to determine the exact timing of when to invest. This is because markets rise and fall in unanticipated spurts, making it easy to mistime and potentially lose out when market sentiment recovers.

Benefits of regular saving – Market rises and falls are part of life, but by saving a fixed amount on a regular basis you have a method to 'smooth out' market volatility and benefit over the long-term.



Review your portfolio

It is likely that the balance of investments in your portfolio will need to evolve slowly not only in line with market conditions but also with factors such as your personal circumstances and most notably your age. The level of risk you are prepared to take, along with your investment and income needs, are likely to change throughout the different stages of your life, each requiring a different balance within your portfolio.



Manage your portfolio

Investors must make their own investment decisions based on their own financial objectives and financial resources. We recommend that you discuss the suitability of your investments with your financial adviser and regularly review them.

Switching online

Your investment decisions do not need to be permanent and you can switch your funds online at any time without charge.

6 Investing with Friends Provident International

Friends Provident International provides access to funds from some of the world's leading fund management companies with the following benefits:

- ✓ **Funds available in a number of currencies**
- ✓ **A broad range of funds covering all major asset classes**
- ✓ **An investment solution for every type of investor**
- ✓ **Manage your portfolio online by switching current funds and redirecting future premiums – whenever it suits you, at no extra cost**
- ✓ **Monthly fund price and performance updates**

How to get started

- 01** Go online to see which funds you are currently invested in. If you are not already using the FPI Portal to manage your policy online, simply go to **<https://portal.fpinternational.com/>** to register.
- 02** Visit the Fund Centre on our website to find out more about the range of funds available to you.
- 03** Speak with your financial adviser to learn more about which investments are best suited to your circumstances.

This document is for information only. It does not constitute advice or an offer to provide any product or service by Friends Provident International.

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