

CANARY ISLANDS

Investment planning for your life



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When you have worked hard to build up your savings, it is not always easy to decide how best to look after them, especially if you are retired.

You most likely have some or all of the following objectives:

- Protect your capital and maintain financial security
- Generate an income
- Grow the capital, but with an acceptable level of risk
- Leave a healthy inheritance to children and grandchildren

Asset allocation and diversification are key to helping you achieve these goals – in very simple terms, don't put all your eggs in one basket.

Cash

Most people feel safe with cash. The money you hold on deposit in the bank does not

drop suddenly based on geopolitical events, investor sentiment or a company's misfortunes. And yes, it is important to keep some savings in cash. It is a convenient liquid asset and it helps to balance out risk in your overall portfolio.

However, most people should not keep too much savings in cash long-term. Inflation reduces the value of capital slowly but surely each year, and can eventually affect your standard of living. Even although inflation has been low recently, over the longer term it will cut your spending power.

While savers used to rely on interest to earn income from their bank deposits, this has been next to impossible since interest rates were cut to historic lows in 2009.

Property

Investing in bricks and mortar can seem a solid investment, and indeed it is an important part of your overall portfolio,



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but remember that your home forms part of your portfolio, quite possibly a large percentage. If you buy a second or

third property as an investment, this could make you very overweight in this asset class, which increases risk.

One significant downside with owning property as an investment is that it is very illiquid. If you need money suddenly it may take time to find a buyer.

Equities and bonds

These asset classes generally form a key part of a portfolio. Unlike cash, they have the opportunity to grow, and unlike property they are liquid and generally you only need to sell the amount you need rather than the whole investment.

Holding a range of different investments within each asset class is vital to reduce risk. With shares and bonds it is easy to own funds which include a range of different companies and sectors across the world.

Which assets?

All this said, diversification is important to reduce risk so you should not have all your wealth invested in shares or bonds either. You need to own

a mix of assets, including cash, property, etc. It is impossible to predict which will be the best performing assets each year – an asset can go from being the best performing one year to the worst the next, so it is essential to have a good mix.

What mix is right for you should be carefully determined by your risk profile, time horizon, circumstances and objectives. Seek personalised, professional advice.

These views are put forward for consideration purposes only as the suitability of any investment is dependent on individual circumstances.

Blevins Franks provides tailor-made advice on investment strategies, tax mitigation and estate planning. It has decades of experience advising British expatriates in Spain. Contact Paul Montague on 922 716 079 or paul.montague@blevinsfranks.com.
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“I have a final salary pension. Should I take advantage of the current transfer values and cash it in?”

Talk to the people who know.

Many companies are currently offering larger than usual transfer values on defined benefit pension schemes. Properly managed, pay-outs could provide a retirement income that well exceeds the original scheme annual payment.

You should however take regulated advice to see if this would be the right move for you. At Blevins Franks we get to know your unique situation before reviewing how every pension option would work for you, from a tax and financial security point of view.

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