



CHILTERN  
CONSULTANCY

INDEPENDENT FINANCIAL ADVISERS

# MONEY MATTERS

GUIDE TO

## THE PRINCIPLES OF GROWING YOUR MONEY

*Investing to beat inflation and build  
a nest egg for the future*

MAY 2023



**Chiltern Consultancy Ltd**, Chiltern House, Unit 5,  
Stokenchurch Business Park, Ibstone Road, Buckinghamshire, HP14 3FE  
T: 01494 451441 E: [enquiries@chilternconsultancy ltd.com](mailto:enquiries@chilternconsultancy ltd.com)

Chiltern Consultancy Ltd is authorised and regulated by the Financial Conduct Authority  
The Financial Conduct Authority does not regulate Tax advice, Trust or Will writing

[www.chilternconsultancy ltd.com](http://www.chilternconsultancy ltd.com)

GUIDE TO

# THE PRINCIPLES OF GROWING YOUR MONEY

Investing to beat inflation and build a nest egg for the future

Welcome to our *Guide to the Principles of Growing your Money*.

Investing can be an intimidating and complex topic, but it doesn't have to be with professional financial advice. Understanding the basic truths of investing will help you make better decisions, regardless of how much money you may or may not have.

**B**y understanding these principles, you'll be one step closer to achieving your long-term goals.

## Start investing early

Investing early is one essential way to build wealth. Instead of waiting till you have a large amount of savings or cash flow to invest, the earlier you start investing, the better. This is because of the power of compounding.

Compounding is the magical snowball effect that occurs when the pounds you earn through investing generate even more earnings. Essentially, not only does the original amount you invest grow, but also any interest, dividends and capital gains that you accumulate.

And the best part? The longer you are invested, the more time there is for your investment returns to compound. So don't wait until you have a large sum of money –

start investing early and take advantage of the powerful force of compounding. It can help you reach your financial goals more quickly and achieve the financial freedom you've been dreaming of.

## Investing often is just as important as starting early

Investing regularly is a key strategy that can help you build more wealth over time and achieve this goal. By making investing a priority throughout the year – not just around certain deadlines – you can give yourself the best chance to succeed.

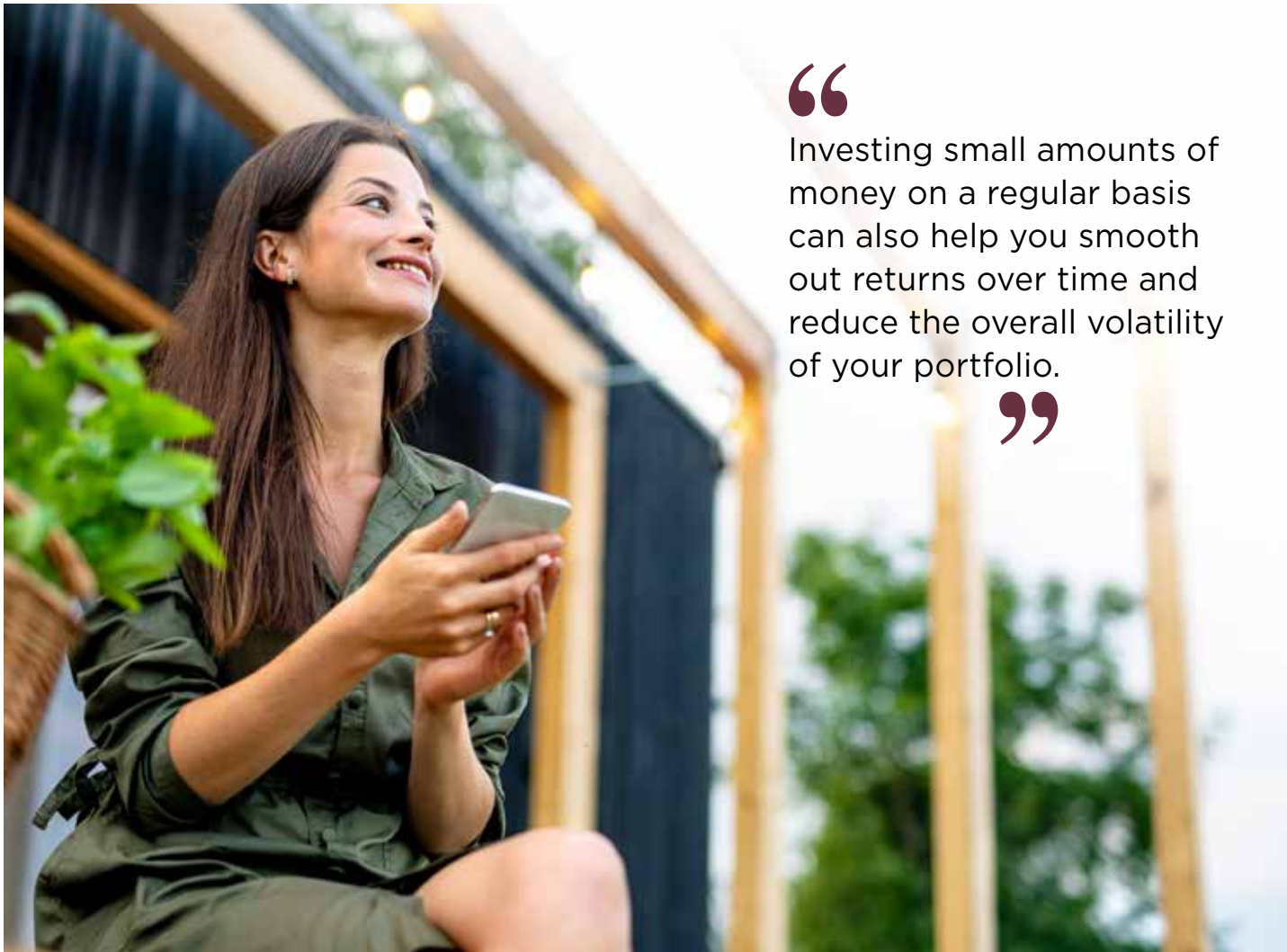
A disciplined approach to investing can help you weather all types of market conditions. Whether the market is rising, falling or staying flat, investing regularly can help you stay on track. With a fixed pound amount invested on a regular basis, you can buy more investment units when prices are low and fewer units

when prices are high. This approach can potentially reduce the average cost of your investment over the long term.

Investing small amounts of money on a regular basis can also help you smooth out returns over time and reduce the overall volatility of your portfolio. By avoiding big market swings and focusing on the long term, you can build a sustainable investing plan that supports your financial goals. So, are you ready to make investing a priority? Start investing regularly today and enjoy the benefits of a more disciplined and fulfilling approach to growing your wealth.

## Diversification is a key element of your investment strategy

When it comes to investing, diversification is key to managing risk and generating consistent returns. By spreading your investments across different asset classes, sectors and markets, you reduce the impact of



“ Investing small amounts of money on a regular basis can also help you smooth out returns over time and reduce the overall volatility of your portfolio. ”

any one investment on your overall portfolio.

Historically, diversification has proven to be one of the most effective strategies for reducing volatility and achieving long-term investment success. By constructing a well-diversified portfolio that includes stocks, bonds, property and other assets, you can help ensure that your returns are more stable and less subject to market ups and downs.

Even in times of market turmoil, a diversified portfolio can help you weather the storm and stay committed to your long-term investment plan. Rather than reacting emotionally to short-term market fluctuations, a diversified portfolio allows you to stay focused on your goals and the bigger picture.

So if you're looking for a solid investment strategy that can help you achieve your financial goals, diversification should be at the top of your list. With the help of professional financial advice, you can construct a well-diversified portfolio that's tailored to your unique needs and risk tolerance.

### **It's time in the market that matters, not timing the market**

When it comes to investing, being patient and consistent is key. The idea of 'timing the market' – or trying to predict when prices will go up or down, so you can buy at a low price and sell at a high one – is enticing. But in reality, this strategy rarely works out successfully for investors and even if you manage to get out of the market at the right time, you are likely to miss out on significant gains when it rebounds.

Missing just a few of the market's strongest days can have a significant impact on your overall investment returns, so it's essential to stay invested and ride out the market's ups and downs. By consistently investing over long periods of time, you are able to benefit from compounding returns and give your investments more chance to grow.

It also makes sense psychologically; since stock markets tend to fluctuate wildly in short periods but trend upwards over longer ones, staying invested

for the long run can be less stressful. The longer you stay in the market, the more able you will be to ride out economic downturns without having to make desperate decisions that may not pan out. So, as an investor, it's essential to remember – time in the market is more important than timing the market.

### **Markets go through up and down cycles, but they have trended higher over the long term**

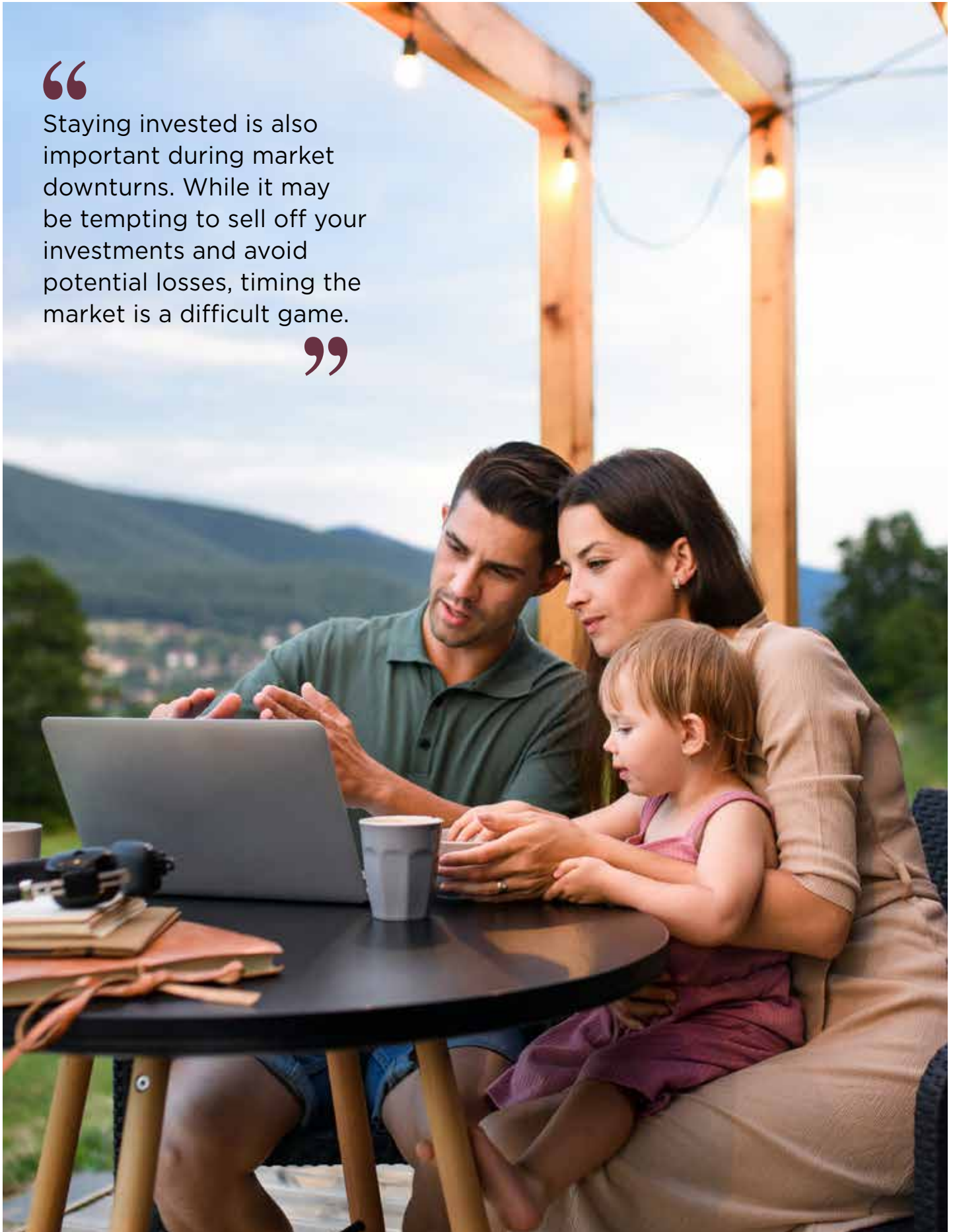
It's no secret that markets are subject to cycles of ups and downs. While it can be stressful to see your investments drop in value, it's essential to keep a long-term perspective. Even when markets experience significant dips, such as during times of economic uncertainty or global crises, history has shown that markets have always recovered and continued to trend higher over time.

Rather than panicking over short-term fluctuations, it's wise to focus on your long-term investment goals and have confidence that the markets will eventually rebound.

“

Staying invested is also important during market downturns. While it may be tempting to sell off your investments and avoid potential losses, timing the market is a difficult game.

”



## Markets are unpredictable, so focus on what you can control

It's easy to get caught up in the daily fluctuations of the market and allow fear or greed to influence your investment decisions. However, keeping emotions in check is crucial if you want to achieve long-term investing success. One way to do this is by creating a well-diversified portfolio that aligns with your risk tolerance and financial goals. This can help to mitigate risk and reduce the impact of market volatility on your portfolio.

Staying invested is also important during market downturns. While it may be tempting to sell off your investments and avoid potential losses, timing the market is a difficult game. You may end up missing out on market gains if you try to time the market, and you'll need to be right twice – when to sell and when to buy back in. By staying invested, you give yourself the opportunity to benefit from the market's eventual recovery.

Keep your focus on your financial goals, rather than on short-term market movements. This can help you avoid making knee-jerk reactions to market volatility and stay on track with your investing plan. By having a clear understanding of your financial goals and your time horizon, you can make investment decisions that are aligned with your long-term objectives. Remember, investing is a journey, not a destination. Stay focused, stay disciplined, and the results will come over time.

## Volatility decreases the longer you're invested

Investing is a dynamic process, and it's essential to understand the relationship between risk and return. While all investments carry some degree of risk, if you're looking to earn a higher return, you must be willing to take on more risk or volatility. On the other hand, if you have a low tolerance for risk, you may have to forego some returns to ensure your investments are more secure.

It's important to note that the volatility in your portfolio tends to decrease over time, particularly if you've invested in a well-diversified portfolio. As you remain invested for longer periods, your portfolio becomes less susceptible to market fluctuations, and this reduces the risk of potential losses. Therefore, it's necessary to be patient and stay invested for the long term, even when things get rough.

Ultimately, understanding the relationship between risk and return is critical to successful investing. While there are no guarantees, the key to success is to embrace the right amount of risk while building a well-diversified portfolio.

## The more frequently you check your portfolio, the more volatile it will feel

It's natural to want to keep an eye on your investments, but checking it too often could lead you to unnecessary stress. As tempting as it may be to obsessively track the dips and spikes, it's important to remember that investing is a long-term game.

The more often you check, the more you're exposing yourself to the daily volatility of the market. Even if your investments have the potential to grow, they may experience temporary losses in the short term, causing you to panic and make rash decisions.

Instead, focus on your long-term investing goals and review your portfolio less frequently. This approach can help you stay on track and avoid reactions that could jeopardise your chances of achieving your financial objectives.

Remember, investing is a marathon, not a sprint. So set it, and forget it – at least until it's time for your next portfolio review. Be patient and have faith in your investments. Over time, they have the potential to grow and provide you with the returns you desire.

Headlines often focus on the sensational, short-term and negative – none of which should matter to investors

It's important to not get caught up in the sensationalism of the news covering economic, financial or political events that

can give you a reason to not invest. Instead, focus on your long-term investment goals. This means ignoring the short-term noise and maintaining a diversified investment strategy that can weather various market conditions.

When unforeseen events do occur, it's important to remember that investing is for the long term. Don't make any sudden changes to your portfolio or investment strategy based on a single event or headline – this can lead to ultimately harming your investments.

By staying focused on your long-term financial goals and maintaining a disciplined approach to investing, you can navigate markets in good times and bad, and ultimately achieve greater success in your overall financial strategy. ■

### LOOKING FOR GUIDANCE TO NAVIGATE THE WORLD OF INVESTMENTS?

Investing your money could be an effective way to reach your long-term goals and aspirations. By investing your money, you could potentially earn a higher return than if you were to simply save it in a low-interest savings account. This means that over time, your money could grow substantially, giving you a better chance of achieving your financial goals. For more information please contact us.

THIS GUIDE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

# ARE YOU READY TO GROW YOUR WEALTH AND SECURE YOUR FINANCIAL FUTURE THROUGH INVESTING?

Don't wait any longer to start building your wealth – take the first step towards a brighter financial future!

**To discuss your options, please contact us.**

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2023/24 tax year, unless otherwise stated.