

## THE BASICS OF INVESTMENT PLANNING

At Swallow Financial Planning we follow what is called ‘evidence based’ investing. Whilst the name is self-explanatory, as so few advisers take the same stance as us, we have explanatory notes to help you understand what we are doing and why it works.

This note summarises our notes so you can decide which you wish to look at.

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### 1. INTRODUCTION

After 30 years of advising clients on all manner of investments, we have seen a change to the marketplace. Once upon a time a client would ask you to manage some cash for them and then leave you to ‘get on with it’. Over the years, along with politicians, newspapers and most other institutions, people no longer adopt the default position of trusting investment advisers. The buying public now want proof that the product or service they are buying is both ‘fit for purpose’ and does not cost too much money.

The problem with this approach in the investment sphere, is that it is complicated. If we use the analogy of a doctor (the study process to become a Chartered Financial Adviser is longer than to be a doctor!) then we see the problem.

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If you go to see a doctor you have probably googled your symptoms and have arrived at a conclusion as to what the problem might be. The doctor, using their years of study and experience, may suggest your issue is something quite different. Unlike the investment adviser, the doctor gains no benefit from one diagnosis over another so the patient will more than likely follow the advice proffered.

In the case of an investment adviser, they may benefit more from one recommendation over another, so you are left to either take a leap of faith, or you need to spend time understanding the options, products and services being recommended to you.

To help you along this path we have written a series of articles designed to help you gain sufficient knowledge to make an informed decision, or even for the more enthusiastic to 'do it yourself'.

This is not a reference book. We have favoured our own views on which investment options are best, but we have tried to explain our reasoning as fully as possible.

All the notes are on our website, and you can locate them using the search bar.

## **2. SETTING YOUR FINANCIAL GOALS**

If you do not know where you are going, you are not going to get there! This note explains how to set financial goals and offers a crib list if required.

### **[Setting Financial Goals](#)**

## **3. WHY YOU NEED TO TAKE RISK TO ACHIEVE YOUR OBJECTIVES**

These notes go through the different types of risk, and explain further the need to take risk if you are going to get returns which exceed inflation.

### **[What Is Risk and How Much Do You Need?](#)**

We also have an explanation of how risk profiles work and why you need to understand they are not 'set in stone'.

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## [An Introduction To Risk Profiling](#)

Plus a more general commentary of Risk and Return

## [Risk & Return](#)

### **4. ASSET ALLOCATION**

Where you invest your money, and which asset class you choose, provides **80%** of your investment returns! Regardless of how brilliant a fund manager may be, if he is managing in the wrong asset class and geographical area, your returns will be terrible.

Asset allocation is at the heart of our investment philosophy, and hence we provide a lot of explanations to help you understand that this element of your portfolio construction is by far the most important.

## [An Introduction to Asset Allocation](#)

### **5. PASSIVE INVESTMENTS**

You may be wondering why the choice of investments is so far down the thought making process. This is because it is the least important of the considerations, not (as most active fund managers will suggest) the primary driver.

This choice is also linked to the costs involved, which is an area we have covered later in these notes.

This approach is called 'evidence based' investing, and we provide a wide range of reports and facts to prove our case.

## [Why Do We Prefer Passive Investments?](#)

## 6. INVESTMENT CYCLES

Whilst we choose passive investments, we also try and enhance returns by being positive on asset allocation. This note explains several of the popular investment cycle theories, and why factor-based investing can enhance your returns.

### [Investment Cycles and Factor Based Investing](#)

## 7. COSTS AND CHARGES

New legislation introduced under MiFID II requirements for disclosure of charges, have done little to help investors understand what the total cost of their chosen service actually is. To try and help you compare costs, we have created a summary of what costs are involved in various investments, and what to look for when trying to assess what you are paying for.

### [Investment Costs](#)

## 8. A GENERAL OVER-VIEW OF OUR APPROACH TO INVESTMENTS

This is a summary of our approach to investments, and gives a shortened version of much of the detailed notes referred to here.

### [Our Approach to Investment Management](#)

## 9. INVESTMENT POLICY STATEMENT

This document sets out the areas we are investing in at this time. We would expect all clients to be invested in the sectors mentioned within this document. The extent of each sector will depend upon your risk profile, and what investments you have elsewhere.

### [Investment Policy Statement](#)

## 10. USING A SOPHISTICATED INVESTMENT ADMINISTRATION SYSTEM

You cannot run client investments without a modern administration system. The one we favour is Transact. Transact produce a client centric explanation.

### [Transact Investor Brochure](#)

We produce a fuller explanation of why we use Transact in our notes:

### [Our Preferred Investment Platform](#)

## 11. INVESTMENT WRAPPERS

Allied to the use of a sophisticated administration system, comes the correct choice of wrapper for each investment fund. Some investments (for instance, commercial property) are ideal for ISAs and bonds, whilst other investments may be more appropriate for your taxable wrappers. We expound on these issues in our notes:

### [Investment Wrappers Explained](#)

## 12. OTHER INVESTMENT RELATED NOTES

We have many other investment related notes which may be of interest, some of which are listed below:

[An Introduction to Hedge Funds](#)

[An Introduction to Structured Products](#)

[Transact Dealing Terms](#)

[Tax Efficient Investments](#)

[Consumer Protection](#)

[How Safe Is Transact?](#)

[Exchange Traded Funds](#)

[A Background To Our Fund Choices](#)

[Report Assumptions](#)

[The Asset Allocation Report](#)

[Back testing Explained](#)

Just go to the website and search within the Documents/ Document Library section.

Please note that whilst every effort is made to ensure that the information contained within this explanation is correct, these notes are by necessity brief and of a generalised nature. Clients should seek specific personalised advice prior to undertaking any arrangement. These notes are named [02.2021 An Introduction To Investments](#) and was last updated in January 2020. Whilst we have done our best to ensure facts are current to this date laws and options are changing constantly so always check before action.

Investments are subject to market risk, including the possible loss of the money you invest. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. Diversification does not ensure a profit or protect against a loss in a declining market. Performance data shown represent past performance, which is not a guarantee of future results. Note that hypothetical illustrations are not exact representations of any particular investment, as you cannot invest directly in an index or fund-group average.

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