

GUIDE

How To Approach Investment Risk With Retirement Savings



CONTACT US



0203 949 1800



contact@lyncwealth.co.uk

IMPORTANT INFORMATION

The contents featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. 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 any articles.

Investments carry risk. A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The value of your investments (and income from them) can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

Introduction

If you have ever read an article or guide on investing it will come with the disclaimer 'investments carry risk', or words to the same effect, including this one. It is a fact that investments come with risk. This means that you could receive less money than you have invested.

However, this shouldn't put you off investing altogether. By rule of thumb, the younger you are, the more risk you can take as you will have longer for your money to recover but as you near retirement and the years are not on your side, it is more common to shift towards a more conservative approach.

Preparing for retirement involves careful consideration of various factors, with managing investment risk being a critical component of the process. As individuals accumulate savings to fund their retirement lifestyle, understanding how to approach investment risk as you near retirement becomes paramount in ensuring long-term financial security.

By assessing risk tolerance, diversifying portfolios and staying informed about market dynamics, soon to be retirees can develop robust investment strategies that align with their financial goals and provide resilience against market volatility.

Whether you're just beginning your retirement planning journey or you're seeking to optimise your existing investment approach, the following sections will equip you with the basic knowledge and tools needed to discuss with your financial adviser to be able to effectively manage investment risk and achieve a secure retirement future.

Assessing your risk tolerance

Before diving into investment decisions, it's imperative to gauge your risk tolerance accurately. This involves considering your financial goals, the length of time until retirement and your comfort level with market fluctuations. A financial adviser will undertake a comprehensive risk tolerance assessment questionnaire with you which can help you gain insights into your risk appetite and guide your investment strategy accordingly.

Understanding different types of risk

Investment risk manifests in various forms, including market risk, inflation risk, interest rate risk and geopolitical risk, amongst others. It's essential to understand each type of risk and its potential impact on your retirement savings. By working with a financial adviser, you will gain a better understanding of these risk factors and thus you can then tailor your investment strategy to mitigate specific risks and enhance the resilience of your portfolio.

Consider your investment time horizon

Your investment time horizon plays a pivotal role in shaping your approach to investment risk. Those with a longer time horizon can afford to weather short-term market fluctuations and may opt for a more aggressive investment strategy to capitalise on higher potential returns over time. Conversely, individuals nearing retirement may prioritise capital preservation and gradually transition towards more conservative investments to safeguard their savings.

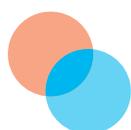
Diversifying your portfolio

Diversification is a cornerstone of effective investment management. By spreading your retirement savings across various asset classes such as stocks, bonds, cash, and real estate, you can mitigate the impact of market volatility on your overall portfolio. Diversification helps to cushion against significant losses in any single asset class and can enhance the potential for long-term returns.

Regularly review and rebalance your portfolio

Market conditions are dynamic and your investment portfolio may deviate from its target allocation over time. This is not uncommon and it is important not to make emotional decisions if you are in a market downturn. On average, it can take 2-3 years to recover from a market downturn so if you are still a good few years off retirement, it is not all doom and gloom. If you don't have 2-3 years to wait, this is where the knowledge of a financial adviser comes into play as they will be able to explain the situation to you and help you to make the most of your money.

Regular portfolio reviews also allow you to realign your investments with your risk tolerance and long-term goals. Rebalancing involves buying or selling assets to maintain your desired asset allocation, ensuring that your portfolio remains well-diversified and aligned with your investment objectives.



By adhering to these principles and adopting a proactive approach to managing investment risk, you can build a resilient retirement portfolio that reduces the impact of market volatility and enhances your long-term financial security. With careful consideration and strategic decision-making, you can navigate investment risk effectively and achieve your retirement goals. Our team are experts in the field and are there to support you with every aspect of your retirement planning.

02/26
LCFP0698

Lync Wealth Management Limited is an appointed representative of Lyncombe Consultants Limited, which is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales under company number: 15980456. Registered Office: 1 Angel Court, London, EC2R 7HJ