

Protect your assets

If you're approaching retirement, it's best to make sure all your financial assets are in order and you're prepared for any changes in the market, says independent financial planner Ray Prince

Client in their 50s often come to us with a collection of policies that are usually worth considerable amounts of money. In some cases, they have a vast number of policy documents that they've collected over many years. What is extremely worrying is that in virtually every case, although the client is approaching retirement, they are risking

folio. If markets dive, will you panic as you see your portfolio value plummet just when you need it?

Secondly, since we build cash flow forecasts for clients, comparing clients' goals to their assets, the idea is you can have a portfolio designed to achieve your goals with the minimum amount of risk.

to around £165,000, and at the end of 1975 it would stand at £271,000.

That is a staggering £116,000 more. More importantly, it means peace of mind for Mrs Jones, who is secure in the knowledge that she has minimised her risk, and can simply get on with arranging her holiday of a lifetime to Australia.



If markets dive, will you panic?

their investments! What's more, they've no idea they're doing this. They may say: 'I was told by the adviser who sold it to me that it was safe because it is in a managed/diversified/with-profits fund'. Having then put the document in a drawer, it doesn't see the light of day again until the client feels that he/she should see how it's doing.

Now, we are all human, so we accept the fact that dentists don't understand the industry, just as we need them to tell us about problems with our teeth. However, since this is a continuing issue, and a big one with the potential to ruin a dentist's or doctor's retirement plans, it needs to be addressed.

A prime example

Mrs Jones has not seen her adviser for many years and decided to approach us having been to one of our talks and having received the newsletter for sometime. She has various PEPs, ISAs and pensions worth £200,000. Aged 54, she plans to semi-retire at 55 and fully retire at 60. Working only two days a week from age 55 to 60, she has lots of places to visit in mind, and this pot of money will help her achieve this.

You may have heard of the term 'asset allocation'. This is the percentage you have invested in equities/property/bonds/cash, and is absolutely vital to get the balance right. This is because you need to be comfortable with the amount of volatility inherent in every port-

Mrs Jones filled in her risk questionnaire and expenditure template, and we built her cash-flow forecast. To achieve her goals, the amount of exposure she requires to growth assets (more risky) is 40 per cent of her portfolio. She is shocked to find that currently her exposure to growth assets is 98 per cent!



Learn how to invest with the right amount of risk.

So what would this mean in the real world for Mrs Jones? One of the most volatile investment periods in modern history occurred in 1973 to 1974. If this happened again, her £200,000 on New Years Day in 1973 would be worth approximately £62,000 by New Years Eve 1974. Even after the market bounced back in 1975, showing huge gains, £200,000 would still have dropped to £155,000 by New Years Eve 1975.

However, if Mrs Jones were in a proper risk-assessed portfolio with a disciplined approach to rebalancing and a 40 per cent exposure to growth assets, the drop over two years would be

The bottom line

If you are within 10 years of retirement, get a check up before it's too late! Even though you may have experienced good returns from the recent rise in world markets, don't make the mistake of thinking that shares may not fall in value as well.

Please note the figures used presume Mrs Jones would rebalance her portfolio at reviews held on December 31 1973 and 1974. Rebalancing is an extremely important investment discipline normally done annually, whereby if Mrs Jones is happy to have an exposure to growth stocks of 40 per cent, and these stocks fall heavily in value meaning they represent say 22 per cent of her portfolio, she then sells other assets in her portfolio to take this back to 40 per cent. In this case of course it meant buying equities at a low price, and seeing these stocks then rise in value in 1975.

Taking action

Check exactly what investments you have. What percentage is in equities and property? If it is more than 80 per cent, you could have too much exposure than either you need, or for your comfort levels.

To learn more about how to invest with the right amount of risk with your pension planning, you can request a free copy of Rutherford Wilkinson's latest CD: *How To Avoid The Three Most Common Retirement Planning Mistakes*. Just call Catherine Lowes on 0191 217 3340 and a copy will be posted to you. [■](#)

About the author

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Think of a number

double it

add 12

subtract 4

divide by 2

subtract your original number

and turn the page