WEALTH OF ADVICE

GETTING STARTED WITH

INVESTING

A Wealth of Advice guide to getting your affairs in order, from setting up a Will to managing your Inheritance Tax liability.

Ian & Penny on a holiday to Norway

IMPORTANT INFORMATION

We have written this guide to help you understand more about Income Drawdown and it is not personal advice.

This information is not an invitation to buy or sell any product and should not be construed as a personal recommendation.

The information in this guide is correct as of April 2026. UK tax rules can change at any time and its impact depends on your circumstances.

We are Wealth of Advice, authorised and regulated by the Financial Conduct Authority, reference number 563909.

ENQUIRIES@WEALTHOFADVICE.CO.UK

WWW.WEALTHOFADVICE.CO.UK

0191 384 1008

CONTENTS

- WEALTH OF -
ADVICE GUARANTEE
No NONSENSE
RECOMMENDABLE FINANCIAL ADVICE
SINCE 2011
-

The Wealth of Advice Team at our Step by Step Fundraiser for St Cuthbert's Hospice

THE BENEFITS OF INVESTING

Traditional cash accounts such as bank/building society savings accounts are popular ways of saving and are ideal for your day to day and short-term expenditure needs.

They are convenient and easy to access whilst securing the capital within.

An emergency cash fund is always recommended. This should be a minimum of 3 month's total outgoings. It can be more, depending on your individual circumstances.

For savings that you are likely to retain over the medium (at least 5 years) to long (10 years or more) term, traditional bank savings may not be the best option.

The buying power of your cash will reduce when interest rates are lower than the rate of inflation.

Inflation is the general increase in prices. For example, if inflation is 1.50% for a year, the cost of a £500 product will increase to £507.50.

While cash savings will not physically fall in value, its monetary worth will be lower than when you initially saved it. This is known as inflation risk, whereby the real value of your capital erodes over the longer term.

For example, you hold £10,000 in traditional bank savings with an interest rate of 0.50%. If inflation is 1.50%, your £10,000 needs to grow by £150 to retain its buying power. The interest generated in monetary terms is £50. The outcome is the real buying power of your capital has reduced by 1% (or £100).

For cash to retain its real buying power, the interest rate on your cash savings needs to equal the rate of inflation.

Higher rates of interest are available if you keep your cash in for a specified term - such as Fixed Rate Cash Accounts. Even if an inflation-equalling interest rate can be found, penalties usually apply if you withdraw before the fixed period ends.

While you get security with cash savings, they are not ideal for longer-term returns and you can hope to achieve a better return through investing.

WHAT IS
INVESTING?

Investing in markets does not achieve the same security as traditional cash savings accounts. However, the potential for long-term growth is much greater.

We would all like our money to grow substantially without risking the value of our investment. Unfortunately, this is not possible.

RISK

Investing in the markets involves some degree of risk and it is important that you are comfortable and understand the risks you are taking. Having specified objectives will help determine the level of risk you need or are prepared to take.

Therefore, it is important to understand your investment objectives:

- Are you looking for capital growth?
- Are you looking for regular income?
- Is there a target you want to achieve?
- What is your investment time frame?

In general, you should be prepared to invest in the markets for at least five years. This provides a better chance of investments riding out shortterm market movements. Savings for the short term (less than 5 years) should remain in cash.

RISK AND REWARD

Higher risk tends to correlate to greater returns but there is a greater chance of the investment value decreasing.

Lower risk tends to correlate to lower returns but there is a lower chance of the investment value decreasing.

RISK MANAGEMENT

Risk cannot be completely removed from an investment. However, it is possible to manage risk to some extent.

Diversify your investments

The four main asset classes are equities, property, bonds and cash.

Holding a mix of different asset classes improves diversification – it's the investment equivalent of not putting all your eggs in one basket.

Generally values of different assets move independently from one another, meaning downturns from one asset may be offset with the upturns from another.

Diversification can be improved by holding an asset across different sectors and geographies. For example, owning shares in technology, industry, finance, healthcare from a range of companies listed on various countries' stock markets, such as the UK, the US, Europe, Asia.

Pooling your investments

It can be difficult to directly access a diversified range of assets if your investment value is not particularly large, or you are making smaller regular payments.

Investing in a fund with other investors (pooling) can provide an affordable pre-made diversified investment solution.

The risk is spread with other investors.

Investing via a pooled investment encourages liquidity in comparison to direct ownership whereby liquidity will largely depend upon the underlying asset.

- WEALTH OF -
ADVICE GUARANTEE
NO NONSENSE
RECOMMENDABLE FINANCIAL ADVICE
SINCE 2011

RISK TERMINOLOGY

Capital Risk: The risk that you will not get back all the money you have invested.

Inflation Risk: The threat of rising prices eroding the buying power of your money.

Diversification Risk: Also known as Specific Risk. An investment that lacks diversification can be detrimentally impacted by unforeseen events, impacting the entire portfolio value.

Market Risk: When an entire market falls. Unfavourable market conditions can impact all assets held within an investment fund.

Liquidity Risk: Refers to how quickly an investment can be converted to cash at a predictable and fair value.

Currency Risk: Overseas investments, such as foreign stock markets, will require a conversion to sterling. Exchange rate movements will affect investment values.

EXPLAINING ASSET CLASSES

When considering investing, asset classes are always mentioned. There are various types of asset classes making up investments. The four broad categories are shown below.

Splitting money across asset classes improves investment diversification. Exposure to higher risk assets is driven by your appetite to investment risk.

LOWER RISK

CASH

Cash is the lowest risk asset class. For the certainty of capital value, lower rates of interest are generated.

The value will not fall but it is exposed to inflation risk. Popular direct holdings include bank/building society savings, fixed rate accounts and NS&I accounts. When investing via an investment fund, this portion of investment will often be referred to as 'Money Market'.

BONDS

Often referred to as Gilts (loans to Governments) or Corporate Bonds (loans to Companies).

Bonds pay a regular income to investors (known as a coupon). Bond capital values tend not to increase or decrease as much as equities, however bond values can still fluctuate.

When inflation and interest rates rise this can have a negative effect on bond values. When inflation and interest rates fall this can have a positive effect on bond values. Bonds are traditionally less risky than Equities but likely to provide a lower return over the longer-term.

Bonds are classified by the credit rating of the 'body' who provides the loan. Bonds with a stronger credit rating are called 'Investment Grade'. Investment Grade bonds tend to be lower risk and can deliver lower returns. Bonds with a weaker credit rating are called 'High Yield'. High Yield bonds tend to be higher risk and can deliver higher returns.

HIGHER RISK

EQUITIES / SHARES

Also referred to as stocks and shares. Owning equity in a company means as the shareholder, you may benefit from profit distributions, known as dividends.

The value of shares will change depending on company success and the wider economic outlook. Equities are considered the riskier asset class as their value is impacted by a range of factors including market conditions, business success, supply and demand.

Generally, equities outperform lower risk investments over the longer term and can generate real growth (returns above the rate of inflation) in an investment portfolio. Capital growth is generated from an increase in the share price, relating to the success of the business. Income can also be generated and is paid in the form of Dividends.

ALTERNATIVES

Alternatives include a wide range of investments such as property, commodities (like precious metals such as gold) and oil, or currencies. Alternative investments can help provide resilience against inflation but may also be volatile.

Directly purchasing a property means you own a tangible asset. Usual purchases include second homes, buy to lets or holiday lets. Direct property ownership generally does not correlate to other asset classes, meaning the property value and rental income will move independently to other assets and is not always affected by stock market performance.

Note, property investments are not completely safe. For example, the 2008 financial crisis saw the value of property plummet. Investing via an investment fund on the stock market generally exposes the investor to larger commercial properties that would often be unavailable for direct investment. Such properties can be located worldwide and generally include offices, retail and leisure developments, warehouses or industrial units. Property investments introduce liquidity risk as properties can be difficult to sell at short notice. Capital growth can be attained from increases in property value. Income is generated through the rent received.

Commodities do not produce a regular income however they can help hedge against inflation.

INVESTMENT
RISK PROFILES

Below are some typical portfolio examples which represent different levels of attitude to risk.

Portfolio returns will fluctuate, so too will the investment value, neither of which is guaranteed.

Potential Downside Risk: These are indicative estimates for illustrative purposes only and represent a potential peak to trough drop (maximum drawdown). The riskiness of a portfolio is typically linked to the level of equity risk content within the portfolio. The higher the equity risk the greater the level of investment risk (volatility) and the greater the potential downside risk (value at risk).

Target Equity Risk: The neutral equity allocation for a risk profile. Actual equity allocation may vary depending on market conditions and investment committee views.

0% Equity Allocation

Description: Capital protection is a priority. You are not prepared to invest or accept risk associated to investing. You are attracted to the security of traditional deposit-based accounts which pay interest on the capital value.

What this means: Capital is readily available and its value does not fluctuate. The capital is held in cash and cash equivalents only. There is no mix of other asset classes (such as bonds, alternatives and equities), to enable growth above inflation.

Potential Downside Risk: 0%

Target Equity Risk: 0%

Effect on Capital: Likely to result in low rates of return being earned and subject to inflation risk. This means its real value or buying power reduces over time.

30% Equity Allocation

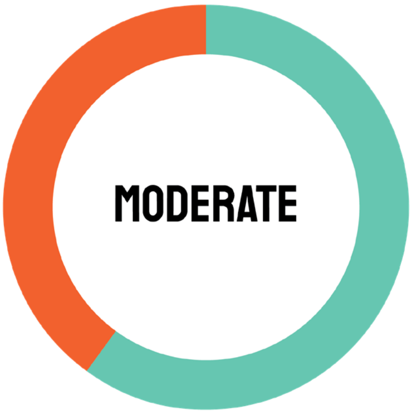
Description: You are prepared to invest and accept a small risk of loss to achieve net returns above those available from cash deposits and cash equivalents. You are comfortable achieving lower investment returns in exchange for reduced fluctuations in the value of your investments.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Low to Moderate portfolios consist of approximately 30% in equities, with the remainder held alternatives, bonds and, cash and cash equivalents.

Potential Downside Risk: 10%–15%

Target Equity Risk: 30%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The small exposure to higher risk assets aims to reduce inflation risk over the longer term.



40% Equity Allocation

Description: You are prepared to invest and accept a moderate risk of loss to achieve modest net investment returns. You are prepared to accept marginal investment portfolio fluctuations to achieve such returns.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Moderate portfolios consist of approximately 40% in equities, with the remainder held alternatives, bonds and, cash and cash equivalents.

Potential Downside Risk: 16%–20%

Target Equity Risk: 40%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The higher risk asset exposure aims to retain the invested capital value over the longer term, but it may increase investment volatility.

50% Equity Allocation

Description: You are prepared to invest and accept a risk of loss to achieve reasonable investment returns. You are prepared to accept some investment portfolio fluctuations to achieve such returns.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Balanced portfolios consist of approximately 50% in equities, with the remainder held alternatives, bonds and, cash and cash equivalents.

Potential Downside Risk: 21%-25%

Target Equity Risk: 50%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The higher risk asset exposure aims to build on the invested capital value over the longer term, but you may experience investment volatility.

60% Equity Allocation

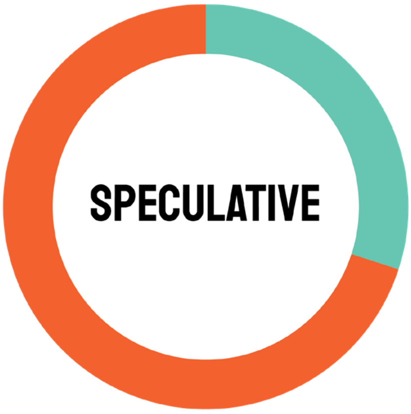
Description: You are prepared to invest and accept a risk of loss to achieve high investment returns. You are prepared to accept high investment portfolio fluctuations to achieve such returns.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Moderately Speculative portfolios consist of approximately 60% in equities, with the remainder held alternatives, bonds and, cash and cash equivalents.

Potential Downside Risk: 26%-30%

Target Equity Risk: 60%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The higher risk asset exposure encourages growth on the invested capital value over the longer term, but you may experience higher investment volatility.



70% Equity Allocation

Description: You are prepared to invest and accept a high risk of loss to achieve greater investment returns. You are prepared to accept large investment portfolio fluctuations to achieve such returns.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Speculative portfolios consist of approximately 70% in equities, with the remainder held alternatives, bonds and, cash and cash equivalents.

Potential Downside Risk: 31%-35%

Target Equity Risk: 70%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The higher risk asset exposure seeks higher growth on the invested capital value over the longer term, but you may experience greater investment volatility.

80% Equity Allocation

Description: You are prepared to invest and accept a heightened risk of loss to achieve larger investment returns. You understand fluctuations can be significant.

What this means: Capital is readily available dependent upon the investment and the account the investment is held in. There is a mix of asset classes to enable longer term capital growth to keep pace with inflation. Highly Speculative portfolios consist of approximately 80% in equities, with the remainder held alternatives, bonds and cash and cash equivalents.

Potential Downside Risk: Over 35%

Target Equity Risk: 80%

Effect on Capital: Portfolio returns will fluctuate, so too will the investment value, neither of which are guaranteed. The equity exposure aims for the highest growth on the invested capital value over the longer term, but you may experience extreme investment volatility.

INVESTMENT FUNDS

Now that you understand the possible assets an investment fund may invest in, let's look at the investment fund types that are commonly available.

SINGLE AND MULTI-ASSET

Single asset investment funds are exposed to one asset class. For example, a UK Property fund is exposed to property only in the UK or an Asian Equity fund is only exposed to shares/equities within the geographical remit of the Asian continent.

An investment portfolio can be comprised of a range of single asset investments to encourage diversification across asset classes and geographies. This can give you control over the types of assets within your investment portfolio.

However, it can be difficult to know what assets and geographies are most suitable to maximise diversification whilst managing the exposure to a level of risk you are comfortable with.

Multi-asset investment funds are exposed to a range of asset classes and geographies. For example, an investment called Multi-Asset 65% Fund - the percentage tends to indicate the exposure to higher risk assets, such as equities. The remainder of the investment will be spread across lower risk assets.

Arguably, you can invest in one multi-asset fund to gain relatively diverse exposure to asset classes and geographies - encouraging simplicity.

However, you can invest in a range of multi-asset investment funds to maximise diversification. Each multi-asset fund will be 'built' differently, made up of assets spanning differing sectors and geographies. It is important to understand the exposure to higher risk asset classes in each investment fund to ensure your overall portfolio remains suitable to your investment risk.

ACTIVE AND PASSIVE

Active investment funds are managed by professional fund managers, aiming to deliver returns that beat the markets. They use knowledge, expertise and market research to make investment decisions to maximise investment returns whilst hoping to minimise downturns. A higher cost is generally associated with this level of investment management.

Passive investment funds track the performance of an index – hence the terminology 'tracker fund'. They are simple and cost effective but receive no active management.

COST

All investment funds are subject to investment charges. Ordinarily this is in the form of an ongoing fund charge/annual management charge, which is deducted from the returns generated within the investment. Some investments levy an initial investment charge and some an exit charge. Each investment fund will have a Key Investor Information Document explaining its objective, asset and geographical exposure and any associated costs.

WHERE TO HOLD YOUR INVESTMENTS

Making sure you hold your investments tax efficiently is an important part of financial planning. Your individual circumstances will dictate the most appropriate account or tax wrapper to help you achieve your investment objectives.

The main types include:

PENSIONS

To accumulate wealth for use in retirement, where 25% of the value can be accessed as tax-free cash and the remaining 75% paid as taxable income.

Pensions are accessible from age 55, rising to 57 from 2028.

In any tax year, maximum contributions from all sources are subject to the lower of the Annual Allowance (currently £60,000) or 100% of earnings.

Personal contributions receive basic rate tax relief, automatically added to your pension. Higher and additional rate taxpayers can reclaim further tax relief via self-assessment. For example, if you pay £80 to your pension, HMRC pay tax relief of £20, providing a total gross contribution of £100.

Investments grow free from income and capital gains tax.

Death pre age 75 - values can be passed to beneficiaries tax-free.

Death post age 75 – values passed to beneficiaries at their marginal rate of income tax.

From April 2027, pension funds will be included in an individual's estate for Inheritance Tax (IHT) purposes.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

There are usually no restrictions on access – income and withdrawals are paid tax-free.

The maximum ISA allowance for the tax year is currently £20,000 (£9,000 for Junior ISAs).

From 6 April 2027, the Cash ISA allowance for those under age 65 will be reduced to £12,000 per tax year. There is no limit on the total value during an individual's lifetime.

Investments held in an ISA grow free from income and capital gains tax.

ISA values on death form part of the estate for inheritance tax considerations.

Surviving spouses can inherit ISA balances through 'Additional Permitted Subscription'.

To find out more about Pensions, ISAs, and other Investment Accounts, please contact us or read our more detailed guides.

enquiries@wealthofadvice.co.uk

INVESTMENT BONDS

There is no maximum investment value and no limit on the total value during an individual's lifetime.

Tax deferred withdrawals enable 5% of initial investment value to be withdrawn every bond year with no immediate tax liability. This continues to a cumulative 100%.

Surrenders/withdrawals above tax deferred allowances will trigger a chargeable gain.

Chargeable gains are added to income for tax considerations.

Onshore Investment Bonds – investments are subject to corporation tax, satisfying any basic rate income tax liability (unreclaimable for non-taxpayers) on any chargeable gain.

Offshore Investment Bonds – investments benefit from gross roll up, except for withholding tax, and any chargeable gain is subject to income tax.

Investment Bond values form part of the estate for inheritance tax implications but can be held in Trust.

GENERAL INVESTMENT ACCOUNTS (GIAs)

Growth in GIAs is not tax-free. When selling investments in a GIA, Capital Gains Tax applies on any gains in excess of the Capital Gains Annual Exempt Amount (£3,000 since April 2024).

Gains within the basic rate band are taxable at 18% and gains over the basic rate band are taxable at 24%.

Funds that invest in fixed-interest securities (for example, Corporate or Government Bonds) distribute interest payments as Savings Income. Savings Income in excess of the Personal Savings Allowance (which is £1,000 for a basic rate taxpayer, or £500 for a higher rate taxpayer) would be taxed at your marginal rate.

Funds that invest in equities distribute interest payments as Dividends. Dividends in excess of the Dividend Allowance (£500 since April 2024) would be taxable at 10.75% for a basic rate taxpayer, 35.75% for a higher rate taxpayer or 39.35% for an additional rate taxpayer.

There is no maximum investment value and no limit on the total value during an individual's lifetime. GIA investments form part of your estate for inheritance tax but can be held in trust.

BEWARE OF INVESTMENT SCAMS

An investment scam occurs when someone offers you a fake yet convincing opportunity to make a profit if you hand over your money.

If the offer seems too good to be true, it likely is!

Some investments are extremely high risk and are not regulated by the Financial Conduct Authority (FCA). Unregulated investments are not protected in the same way as regulated investments with no recourse of action through the Financial Services Compensation Scheme (FSCS).

For any company making such an offer, there are several checks you can carry out:

Check the FCA warning list

Find if the scam is already known to authorities by checking at https://www.fca.org.uk/scamsmart/warning-list

Check FCA Register

Find if the firm is registered and regulated by the FCA for the business they are proposing. Ensure their permissions are up to date and the firm is not subject to any disciplinary action.

Check Companies House

Find if the firm is UK registered and review the information online of the named directors.

If you have lost money or suspect an investment scam you should report this to Action Fraud by calling 0300 123 2040 or visiting www.actionfraud.police.uk

CLOSING THOUGHTS

A degree of risk is required to potentially achieve better returns than those offered by cash, but there is no guarantee.

Value of investments can go down as well as up.

It is important to understand the balance of risk and reward and that the level of risk you are exposed to is the level of risk you are prepared to accept to achieve your objectives.

This is where an attitude to risk assessment becomes an important feature.

Seek Financial Advice - Wealth of Advice are here to help.

Identifying and selecting appropriate investments can be challenging. Seeking Financial Advice will ensure your investments are tailored to your objectives and preferences.

It is important to monitor your investments on an ongoing basis to ensure they remain appropriate to your circumstances and market conditions, neither of which are stagnant. Financial Advisers offer ongoing servicing packages to do this on your behalf.

Wealth of Advice are here for you if you would like to discuss potential investments. If you have any questions or concerns regarding any financial matters, please contact us. We are always happy to provide help and advice wherever we can.

GET IN TOUCH WITH US

enquiries@wealthofadvice.co.uk

www.wealthofadvice.co.uk

0191 384 1008

TALK TO US AT
WEALTH OF ADVICE

ENQUIRIES@WEALTHOFADVICE.CO.UK
WWW.WEALTHOFADVICE.CO.UK
0191 384 1008

July 2026