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Greed and caution are rarely compatible when determining where to invest your money. Jonathan Fry calls for greater understanding of the risks that come with growing your investments

Whenever I talk to clients about their investments, I try to ascertain how brave they are prepared to be in taking a financial gamble with their money. For unless you put all your spare cash into a safe bank or building society deposit account, there is an element of risk that you might not get the return you are hoping for.

Many of us were encouraged to take such a gamble a few years ago with our endowment mortgages, although it was rarely spelt out in such terms when we were sold them. Nevertheless, we gambled that by not actually paying off the capital we had borrowed, the investment of the monthly interest we were charged over the term of the mortgage would generate enough money to pay off the loan and leave us with a rather handsome surplus.

The success of the endowment mortgage depended upon the Stock Market showing the sure and steady growth it had enjoyed in the mid to latter part of the 20th Century. As we know to our cost, that didn't happen. A desperate recession swept around the globe in the past decade and practically everybody who took out an endowment mortgage in the 1970s, 80s or 90s has had to increase their monthly payments or take out another mortgage in order to pay off the amount borrowed for the original loan.

We mistakenly placed our trust in the

bank and building society managers who sold us our mortgages, mostly quite legitimately and without any suspicion that it wasn't the right thing to do.

I see the same trust in clients today who believe that their financial advisers possess some kind of crystal ball through which they can see, with absolute certainty, where they can place their money to receive the highest rate of return with almost no risk.

Robert Reid, managing director of Sundaxi Chartered Financial Planners, writing recently in Money Marketing, said: "Clients want the best of both worlds; they are greedy but cautious and this is impossible to deliver. We need to

ensure clients understand risk."

To this end, I believe that financial 'advisers' shoulder as much if not a larger responsibility to advise, or educate, their clients about the potential risks that investments carry as

they do in advising of the best products in which they should place their investment.

You never get a high return without risk – if it was that easy I would be out of



a job. However, you can balance the risk, if you have the knowledge to understand what the risks are.

And whether you've got £100 or £100,000 to invest, you shouldn't expect your financial adviser alone to decide what is best for you. Be prepared to listen, learn and understand about the risks so that you and your financial adviser, jointly, can make the best considered decisions about your investment. ■

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