

Diversify your investment portfolio

Developed by Liberty Life Group Advisory Services



Diversification is key to long-term investment returns

It is vital that an investment portfolio includes all asset classes and a spectrum of risk. That's the message from Johan Kleu, head of investment products at Liberty Life.

"Diversification is key to good long-term investment returns," says Johan Kleu, head of investment products at Liberty Life. "There are different asset classes in which to invest, for example, equities, bonds or property. Each offers a different return and risk experience. If you invest carefully in each class, you will achieve the best overall outcome."

Kleu believes that many investors miss out on good opportunities because they are afraid to invest in portfolios that offer potentially higher returns yet carry a greater risk than less aggressive portfolios.

"While everyone has their own risk-return profile, and that must be carefully considered, it is vital that an investment portfolio includes all asset classes and a spectrum of risk," he says.

Investing is a methodical process that starts by identifying desired investment goals. The earlier you start, the greater the end reward.

"Know and decide what you want to achieve," Kleu says. "There are many options along the investment continuum, each designed to meet different needs and with different degrees of flexibility and tax implications." Investment options include bank deposits, money-market accounts, unit trusts, endowments and retirement investment products.

"An endowment with a minimum five-year investment term is considered a medium-term investment yet is very flexible when it comes to accessing cash. It is a fine savings vehicle for an anticipated event like financing a university education.

"Retirement annuities fulfil a completely different role. They are less flexible, long-term investments which enjoy tax benefits not available with other investments. Annuities are the ultimate safety net: you can't get your hands on the cash until you retire and it nor can your creditors.

Many people believe they should invest all their spare cash in their mortgage bonds as they believe this will ultimately finance their retirement. Kleu says that in theory, this is not a bad idea, but in reality things don't always work out that way as people tend to upgrade their homes, move and spend the excess cash they accumulated in their bonds.

"It is definitely not a good idea to put money into only one investment channel," he says, "Diversifying and isolating retirement investments is the best way to build a nest egg. Even if you start out saving only small amounts you can still build a substantial, diversified investment portfolio."

It all starts with careful planning and a firm commitment to ongoing, regular saving along the investment continuum.

For more information on Liberty's wide range of investment opportunities and how you can diversify your portfolio, speak to your financial adviser or call Liberty Life on 0860 456 789.