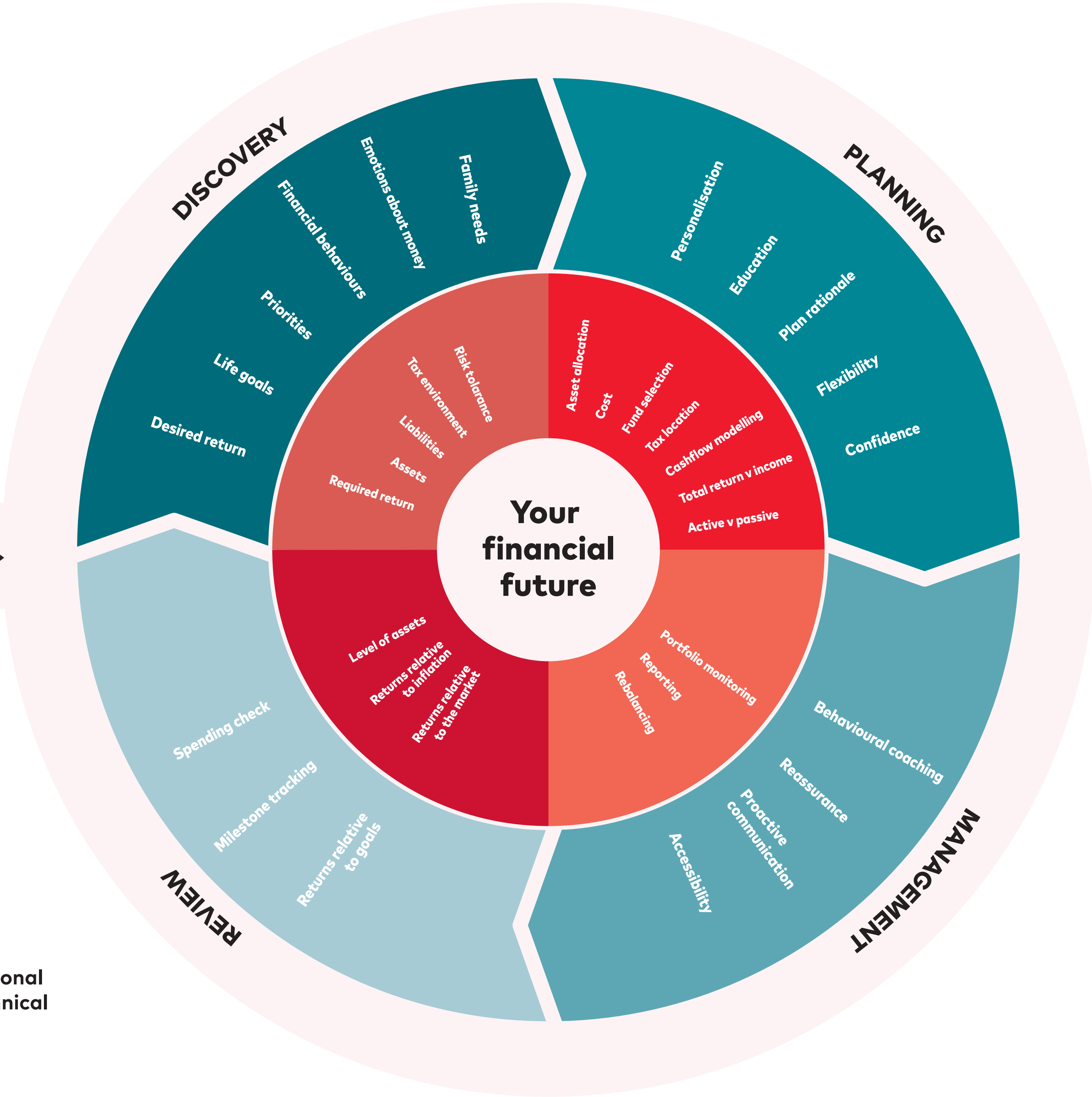
Vanguard

The advantage of advice

Wherever you are on your wealth journey, your adviser can help you to achieve your goals.

Start your journey here



KEY:
Personal
Technical

What to look for in a financial adviser

At Vanguard, we believe that most people will improve their chances of investing success by using a financial adviser. We've done a lot of research into what makes great financial advice and we believe there are seven key things to look for.

1 Selecting the right mix of investments

Should you invest in shares of companies or would you be better off with bonds, which pay interest? Should you invest in the UK or China? The US or Europe? Research shows that these big decisions will be the main drivers of your future returns as well as the ups and downs you see along the way. Making the right choice - the right asset allocation, to use a technical term - is critical.

Good asset allocation doesn't seek to maximise returns. The art of asset allocation is to create a portfolio likely to fulfil your life goals, drawing on the different characteristics of shares, bonds and other investments.

Your adviser will help you build a portfolio that reflects your goals and your willingness to take on risk to achieve them.

2 Keeping your portfolio on track

Different types of investments perform differently over time, which means that your initial asset allocation will tend to drift away from the target you agreed up front. Meanwhile, higher risk assets will tend to outperform in the medium to longer term, altering the risk profile of your portfolio.

You adviser can help you to put a regular, disciplined rebalancing programme in place to keep your portfolio aligned with your goals.

3 Helping you keep more of your returns

Fund costs can vary widely. What's more, the impact of costs compounds over time, eating into your returns. For example, on a static £100 investment, with an annual charge of 2%, only 82% will be left after 10 years. With an annual charge of 0.2%, over 98% of the fund will remain in 10 years. That's a big difference.

Unlike other areas of life, when you invest, more expensive is not necessarily better. Research shows that lower-cost funds are more likely to outperform in he longer term. That's why we say that in the world of investing, you get what you don't pay for.

Your adviser will help you by selecting high-quality, low-cost funds for your portfolio.

4 Acting as your behavioural coach

Our life experience tells us to be cautious in difficult times and to take advantage of good times: 'make hay while the sun shines'! In financial markets, this wisdom doesn't always apply. In fact, investment best practice is the opposite of making hay while the sun shines; it's to buy low and sell high. Research shows that, left to their own devices, investors often travel in the wrong direction, selling when they should be buying and buying when they should be selling. That's because they are subject to well-known behavioural biases such as over-confidence and loss aversion.

When the going gets tough - or markets get over-exuberant your adviser will help you to tune out the noise and stay focused on your long-term goals.

5 Making the most of your tax allowances

Just like other costs, tax is a charge that will compound over time, reducing your returns. Tax efficiency is a critical support of good investment outcomes.

The UK offers a number of tax-efficient investment vehicles, including Individual Savings accounts (ISAs) and Self-Invested Personal Pensions (SIPPs). You can also take advantage of the tax differences between income paid by shares and bonds.

A good adviser will help maximise your returns by structuring your portfolio to minimise tax.

6 Setting the most efficient spending strategy

Drawdown strategies - in other words, the way in which you spend the money you've saved - are becoming increasingly important. You'll need to consider the most tax-efficient way of drawing income from capital while preserving the growth potential of the remaining portfolio.

Your adviser can help maximise the long-term spending power of your portfolio by ensuring you withdraw funds in the most sensible order.

7 Helping you to look beyond income to total return

In a world of low interest rates, when it comes to spending from your portfolio you have three options. You can spend less; you can move into higher yielding investments, which increases risk; or you can spend from 'total return', which includes both capital and income.

Your adviser can help you construct a total return approach that helps you to control risk by avoiding the need for higher risk, higher yielding assets.

Connect with Vanguard®

global.vanguard.com

Vanguard®