



Benefiting from volatile markets

In these remarkable volatile times in the global economy it is very tempting to delay making new investments and you may even consider selling your existing investments. It is all about timing and lets face it, if we knew when the markets were at their lowest and we were able to pin point when the markets were at their highest then we would all be millionaires.

In reality however you have to try and make informed decisions about your own financial circumstances taking into account all the prevailing factors.

There are however a couple of options available to you which could enable you to benefit from the volatility we are experiencing at the moment. For example, pound-cost averaging applies where you are making regular payments into an investment. Basically, when markets are low you are buying more units for your premium and conversely you are purchasing fewer units when the prices are high. Over a period of time therefore, pound-cost averaging means that the average price paid for the units can be lower than the average price for that period because you have purchased more units when the prices were lower and fewer when the prices were high. This strategy would apply to any regular premium, life assurance or investment contract which you are contributing to at the moment. This would re-iterate the recommendation that it is advisable to sit tight at this moment in time and ride out the volatility we are experiencing.

If you have the facility to invest a lump sum into a new or existing plan then you could still utilise the pound-cost average strategy by phasing in the lump sum over for example, 6 or 12 months into the investment. This would have the same effect as aforementioned by purchasing more units when the markets are lower and less units when the markets are higher.

We are well into the ISA season but if you have still to decide whether or not to invest in an ISA then you may wish to consider even in this volatile market, drip feeding your investment over a period of time to help smooth out the volatility and hopefully achieve the potential benefits of pound-cost averaging.

This strategy can be applied to all types of investment vehicles available but it is always advisable especially in these volatile economic times to continually review your existing investments in order to confirm that they still match your circumstances, objectives and attitude to risk.

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