

Asset Allocation - A Money Trainers Tipsheet.

Why Use An Asset Allocation Model For Your Investments?

There is a lot we don't know.

We don't know what shares are going to go up in price.

We don't know what shares are going to down in price. Therefore, the same applies to funds.

We don't know what fund manager will be the best performing.

So, what do we invest in?

I don't know.

My crystal ball is not that good.

I do know that markets fall and rise, I know that some shares do better than others. I do know that being invested in a range of shares will always be lower risk than investing in one.

Simply because as one share goes up, another is likely to go down. Balancing things out.

The more shares I invest in, the less chance I have of losing money.

Also, some sectors of the market outperform others. Sometimes UK shares (on average) outperform shares in European countries, other times it's the China or Japan. Sometimes we see good performance from commodities like Gold and Silver and then there is currency movements. Investing in £ but in an American share can mean the currency swing could be 2% or 10% - up or down.

These things are moving all of the time.

Key is, if you are invested in quite a few of them, overall there is a good chance your investments will grow. Asset Allocation is the secret to long term growth in your money.

Our Great Grandparents used to say "don't put all of your eggs in one basket" that is asset allocation and it's easy to do now with modern tracker funds and ETF's.

Asset Allocation Description

Asset allocation is the process of dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The idea behind asset allocation is to diversify your investments across different types of assets, in order to spread out your risk and potentially earn a higher return over time.

There are many different ways to approach asset allocation, but one common method is to use what's known as a "strategic asset allocation" approach. This approach involves determining a target allocation for each asset category based on your investment goals, risk tolerance, and time horizon. The target allocation is then periodically rebalanced to bring it back in line with your original targets.

For example, let's say an investor has a £100,000 portfolio and wants to use a strategic asset allocation approach. They might decide to allocate 60% of their portfolio to stocks, 30% to bonds, and 10% to cash. This would be their target allocation.

Over time, the value of these assets may change, for example, stock could go up and bonds could go down, so the value of the asset class in the portfolio would be off from the target allocation. In this case, the investor would rebalance their portfolio by selling some of the stocks and buying bonds to bring the portfolio back to the target allocation of 60% stocks, 30% bonds, and 10% cash.

It's important to note that the target allocation will change as the investor's investment goals, risk tolerance, and time horizon change and also the allocation should be reviewed regularly to check if it is still appropriate for the individual.

A Sample Asset Allocation

Sample Potfolio				
iShares MSCI ACWI ETF (SSAC) TCO		Global Equity		25.00
iShares MSCI Small Cap				15.00
HSBC FTSE 250 Index Fund C (GB00B80QG052) TCO				10.00
SPDR S&P UK Dividend Aristocrats ETF				15.00
iShares MSCI ACWI ETF (SSA				15.00
Amundi Physical Gold ETC				10.00
Cash				5.00
Invesco UK Gilts ETF				5.00
				100.00

The Spreadsheet.

https://docs.google.com/spreadsheets/d/1SXKftxij665rFqh2lnmt8gc3EUYOWH2_z38CAuWkAqU/edit?usp=sharing

As always, if you need more help on any of this then please get in touch.

Richard
Explainer In Chief at Moneytrainers.co.uk

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scams

Under 65's - Preparing for retirement, retirement options, state benefits, pension
flexibility. Avoiding financial scams

Dying to Know - Preparing for end of life, documents, tax, practical steps, death.
Avoiding financial scams. These are co taught with Judy Sharp - IndigoUmbrella.co.uk

Specific Financial Product and Planning Advice/Trusts one to one - Laurence
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