

Expert investors

HSBC Premier Financial Advice terminology explained.

Today we're going to be looking at some words or phrases you may hear during your conversation with your adviser.

Stochastic modelling

When it comes to investing, the only certainty is there are no certainties. It is impossible to predict the stock market, particularly over the shorter term. Therefore, to help you make an informed decision, we use a technique called stochastic modelling.

We believe stochastic modelling will help us to better understand the level of risk you are willing to accept in order to meet your investment goals.

Stochastic modelling doesn't attempt to predict the future. Rather, it can help you to understand arrange of possible outcomes and the probability of them occurring.

Your reactions to these different possible outcomes helps us to decide what we believe to be the right investment strategy for you.

We try our best to make sure that this is as reliable as possible but you should always remember that investments can go down as well as up.

Managing investments

Most investments are managed by a professional fund manager who will use any number of techniques to make decisions on what to invest in. They will set out the strategy for investment and use their knowledge, expertise and their team to try to provide as much research and modelling to get their investments to meet the strategic goals.

Many investments will outline their strategy and techniques and your adviser can explain these in more detail, so you can try and match your goals with investment opportunities. These details are explained in the fund fact sheet for each individual fund and are available from your adviser.

Discretionary management

Discretionary management is the term used when a form of investment management is made on behalf of the customer by the investment manager. There's nothing secretive, the term just refers to decisions being made at their discretion, rather than you having to define what investments are to be made.

As market conditions change, this discretionary service enables us to quickly implement corresponding changes to your individual portfolio without having to contact you.

Of course, we will update you regularly on our activity and the performance of your portfolio. You'll be given a very clear objective for the investment strategy and regular updates on how your investment is performing.

Retirement planning

Although company pensions are a common investment, there are a range of other personal options available to you that should be considered when working out your investment goals. This should consider things like tax benefits, any limits or allowances stipulated by the government or your provider, and what access you may need to your investments in the future.

Retirement planning is making sure you have enough money for your later life. You should also consider what would happen to any pensions and investments when you die. Your adviser can go through these with you.

How can you ensure your wishes are met when you pass on? It's vital about not just who you want to benefit from your estate but how that is done to ensure it's the most tax-efficient it can be.

No-one wants to pay more tax than they need to and there are a range of allowances available which your adviser can explain to you. There are things like taxation, rights of children and partners as well as any benevolent beneficiaries you may want to leave a legacy to.

I hope this video has helped dispel some of the confusion around some of the words and phrases you may have come across. But if you do have any questions, you can ask your adviser who will be more than happy to explain further – or have a look at our online jargon-busting dictionary.

Tax benefits depend on individual circumstances and tax rules may change in the future. Most investments should be considered as medium-to-long-term commitments, meaning you should be prepared to hold them for at least five years. The value of investments can fall as well as rise and you may not get back what you invest.