

Investing terms for beginners

HSBC Premier Financial Advice terminology explained.

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

What is advice?

If you need to get your money working harder for you and you're not sure whether saving and investing is right for you, taking financial advice may help you decide.

Advice in this context is about where you are now, where you want to get to and recommending a plan to help you get there.

Goal planning

When you have something in mind for your future, that's what we call a goal. Our job is to understand all your goals and which are the highest priority for you. Common examples of goals are a fund for retirement, a school fees fund or simply a rainy-day pot.

Once we understand your goals, we'll make recommendations based around achieving them. Then it's up to you to choose what you want to do.

Your adviser can help you understand or define these clearly.

Holistic financial planning

When you meet your adviser, together you'll review the areas that are important to you. You can choose to discuss a range of topics, from protecting your family, helping you grow and manage your wealth, putting plans in place for your retirement and even helping you plan to leave a legacy for your loved ones.

You are free to discuss as many or as few of these areas as you choose.

Risk capacity for loss

Every investment carries some form of risk, whether it's the risk of inflation reducing the real value of your savings in the future or the risk of stock market fluctuations that can go up and down every day.

When deciding what level of risk is appropriate for you to take, you need to consider what level of growth or income you are hoping to achieve and more importantly, how you would cope financially if there were any losses or shortfalls.

Now, your capacity for loss will depend on a number of factors including what level of fluctuations you'd be comfortable with, the level of additional savings you have and/or any surplus income you could use if needed.

Your adviser will determine your attitude to risk, also encompassing your capacity for loss and will recommend a suitable solution to meet your needs.

Your personal investment strategy will set out your goals and your needs, how much you are prepared to invest and save and for how long.

You can tell us how much involvement you want in the management of your investment strategy and we'll provide a recommendation based on your preferences.

You may choose to create a balanced portfolio so as not to put all your eggs in one basket, and this is called diversification.

Emergency fund protection

When considering an investment, it is wise to consider what money you should choose to set aside in case you need it unexpectedly. Normally, this should be up to six months' worth of your monthly outgoings held in an easily accessible account.

You should also consider if you have any appropriate protection in place such as life and/or critical illness insurance, and income protection cover which will help provide you with some money when you need it most.

I hope this video has helped to dispel some of the confusion around some of the words and phrases you may have come across. But if you have any questions, you can ask your adviser who will be 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.