

# It's a risky business, but taking a chance might pay

Risk is an inherent part of everyday life.

But when it comes to planning our financial future, just how many of us fully understand just how much risk is involved and how much risk is right for us?

Understanding risk means identifying the different types of risk and identifying your own attitude to risk that will enable you to minimise the chances of your investment going wrong.

## What are the types of investment risk?

In reality, all investments carry an element of risk – even stuffing your cash under the bed is not totally safe! To many people, the biggest risk is whether or not they will get back the money that they have put away, which is known as the capital. Some investments, such as National Savings, carry little capital risk, but having little capital risk is not always the right thing to do.

Inflation is a huge enemy of investments – particularly over the longer term. With interest rates at an all-time low, many savings accounts have a net rate of interest (ie, after the deduction of tax) lower than inflation. So to use a politician's phrase, in "real terms" the value of your capital is going down.

## WHAT IS... INVESTMENT RISK?

Robert Clarke



If you have a specific target in mind for the future, are you saving enough to reach that goal? It is no use putting £20 away each month thinking that will give you £10,000 in 10 years' time.

Time is also a risk. If you are saving for the short term then it is rarely worth taking much, if any, capital risk. The longer time period you have in which to save, the more risk you can afford to take.

Stockmarket investment has always been viewed as risky. Whether you invest directly into a particular share or through an investment fund, the value will fluctuate and can perform badly. If you invest in international stockmarkets then you also have the added risk of the currency. Anyone travelling to Europe recently will be well aware of how the strength or weakness of the pound affects the price of goods – it's the same with international stockmarkets and funds.

The final risk is that of the manag-

er. We Norwich fans have seen how the team's performance has been affected by the manager in charge. If a particular investment fund manager does a good job then he may be poached by an opponent and this can lead to the fund's performance going down.

## What is attitude to risk?

Taking all these risks into account, how can you determine your own attitude to risk?

There are many factors to consider. How long will you be investing for? Are you saving monthly or putting a lump sum away? What would you do if the capital value fell? How much interest will you take?

If the thought of losing money brings you out in a cold sweat then don't invest in something that has capital risk.

Equally, if making your capital grow is important, then accept that this will involve taking risk and the possibility of not getting all your capital back.

Any independent financial adviser will take time to assess your attitude to risk and you should feel 100pc happy before committing any of your money.

■ Robert Clarke is an independent financial adviser at Almary Green.



**WEIGH UP THE ODDS:** When planning your financial future, stop and think how much of a risk you are prepared to take with your money.

## CURRENT ACCOUNTS

	Gross interest	Minimum funding	Details
<b>Credit interest rates</b>			
Halifax Reward Current Account 0845 720 3040	£6.25pm	£1K pm	–
Alliance & Leicester Premier Direct Current 0500 959595	4.89%	£500 pm	Introductory variable rate for limited period
Santander Preferred In-Credit Rate A/c 0800 731 7774	4.89%	£1K pm	Introductory variable rate for limited period
Lloyds TSB Classic Plus 0800 015 5000	2.47%	£1K pm	–

All products subject to change without notice.

	Overdraft rate	Minimum funding	Details
<b>Overdraft rates</b>			
Alliance & Leicester Premier Direct Current 0500 959595	0.0% EAR	£500 pm	No overdraft fees for 12 months, thereafter charged at 50p per day, maximum £5 per month.
Norwich & Peterborough BS Gold Current 0845 300 2511	11.74% EAR	£1.5K pm	Transferred accounts charged at 0% for 6 months
cahoot Current Account www.cahoot.com	11.8% APR	Nil	–
Santander Preferred Overdraft Rate A/c 0800 731 7774	12.9% EAR	£1K pm	Transferred accounts charged at 0% for 12 months

## CREDIT CARDS

	Card type	Introductory purchase rate	Details
<b>Introductory purchases</b>			
Tesco Bank Clubcard 0800 406050	MasterCard	0%	for 1st 12 months
Sainsbury's Finance 0800 032 1365	MasterCard	0%	for 1st 10 months
Marks & Spencer Money 0800 997996	MasterCard	0%	for 1st 10 months
SAGA Over 50's Platinum 0800 096 4082	Visa	0%	for 1st 9 months
<b>Introductory balance transfers</b>			
Barclaycard Plat with 15 Mth BT 0844 811 9151	Visa	0%	for 15 months. 2.9% BT fee payable
Santander Credit Card 0800 022 3307	MasterCard/Visa	0%	for 15 months. 3.0% BT fee payable
Virgin Money Credit Card 0800 096 9939	MasterCard	0%	for 14 months. 2.98% BT fee payable
Egg www.egg.com	Visa	0%	to 1.5.11. 3.0% BT fee payable
<b>Cashback cards</b>			
American Express Platinum Cashback Card 0800 085 7799	American Express	5%	Introductory rate for 3 months 0.5%-1.25% Dependent on amount spent
Bank of Ireland (UK) Moneyback 0800 085 0444	MasterCard	0.50%	Up to £15K spend per year
Capital One Bank World 0800 952 5358	MasterCard	1%	£18 per year fee. Additional £10 cash back paid annually
Egg Money World www.egg.com	MasterCard	1%	£1 per month fee. Up to £20K spend per year.

All products subject to change without notice. Alternative terms/cards may be offered according to credit status.

Some of us will be lucky enough to be escaping abroad this Easter weekend and, for many, credit cards can often be seen as a convenient way to pay.

However, using credit cards abroad can result in nasty surprises when your next bill arrives. Check your card's terms and conditions, as many providers apply foreign usage charges for both

purchases and cash withdrawals.

It is best to avoid making cash withdrawals on your credit card altogether as interest will be charged with effect from the day of the withdrawal and can be incredibly high.

■ Check out the best credit card deals at [Moneyfacts.co.uk](http://Moneyfacts.co.uk)

## MORTGAGES

	Rate	Period	Max LTV	Fee	Details
<b>Fixed rates</b>					
HSBC					
0800 494999	2.99%	to 31.7.12	70%	£999	Remtgs free legal fees
Nationwide BS					
08000 304058	5.98%	for 2 years	90%	£495	House purchase. Free legal fees.
Leek United BS					
01538 380047	3.90%	to 30.6.13	75%	£495	No HLC
Yorkshire BS					
0845 120 0874	4.69%	to 31.5.15	75%	£495	Flexible. Remtgs free valn & free legal fees
The Co-operative Bank					
0800 633 5286	5.49%	to 30.6.20	75%	-	Flexible. Remtgs free valn & free legal fees
<b>Tracker rates</b>					
Yorkshire BS					
0845 120 0874	2.64%	to 31.5.12	75%	£495	Flexible option. Remtgs free valn & free legal fees
NatWest Mtg Services					
0800 587 6599	2.99%	to 31.5.12	80%	£999	House purchase only
The Co-operative Bank					
0800 633 5286	2.49%	to 31.7.13	75%	£999	Flexible option. Remtgs free valn & free legal fees
first direct					
0845 610 0100	2.89%	for term	65%	-	Flexible & offset. Free valn. Remtgs free legal fees
HSBC					
0800 494999	4.49%	for term	90%	-	House purchase only

All products subject to change without notice. LTV=Loan to value.