

# MONEY

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## Savers must remember winter inevitably gives way to spring

Hibernation may be a wise move for savers, says Barry O'Neill, investment director at Carbon Financial Partners



Given the unrelenting barrage of political news over the past few weeks, it would be easy to conclude these are unprecedented times.

Investors face difficult decisions like "should I take action or just retreat into hibernation until it's all over?"

Although Brexit is clearly a big deal, we've lived through much worse.

Think of Black Monday, the bursting of the dot.com bubble and the global financial crisis.

The good news is that we not only survived them but learned some valuable lessons along the way.

Lessons that today's investors should learn to avoid making the same mistakes as their predecessors.

The first is that fortune favours the brave.

Provided you have a long enough time horizon,

investing when others are fearful generally leads to above-average returns.

Prices fall when there is increased uncertainty because buyers want to pay less to protect their downside and sellers become less greedy - think

**"Although Brexit is clearly a big deal, we've lived through worse"**

of the "bird in the hand" analogy.

The second lesson is that if all your money is in the stock market, prepare for a bumpy rollercoaster ride.

Shares are rightly regarded as the most likely way to accumulate real wealth over the long term, but the journey isn't smooth.

If you don't need to chase returns, or if you can't



**STRATEGY: Taking a leaf out of the humble hedgehog's book may be best for those with money already invested**

stomach the bumpiness of the ride, consider allocating some of your money to less risky asset classes like bonds.

Put simply, diversification at asset class level helps to smooth returns.

Geographic diversification is also vital.

If you are 100% invested

in UK bond or stock markets, you are missing out on more than 90% of the global opportunity set.

A Top of the Pops-style chart of the 20-plus developed world equity markets over the past 20 years shows the UK stock market's best year as a new entry at number four in 2011.

For much of the other 19

years, it has lagged most other countries.

Lastly, for anyone tempted to sell and run for the hills, history teaches us that trying to "time" markets usually ends up destroying wealth rather than creating or protecting it.

Trying to flee in the eye of a storm is more

dangerous than battenning down the hatches and sitting tight until the blue skies inevitably reappear.

So, if you have money to invest, be brave not fearful.

If you have money already invested, batten down the hatches and hibernate - it will soon be spring again.