



Do not put all your eggs in one basket

The Midas Touch?

Whatever happens to the greater economy, your portfolio is geared to producing consistent investment returns, if you just follow a few simple guidelines. Peter Dunn explains

Over the years, while principals have become increasingly adept at running their businesses and increasing their profits, their aptitude for spending their hard-earned money has decreased... Just kidding!

Spending money has never been an issue, but investing it wisely to provide for the future has presented much more of a challenge. Identifying when you want to retire and the sort of lifestyle you want to enjoy in your retirement, knowing your tolerance to risk, and pursuing a diverse range of investments should all form the basis of a sound wealth-management plan.

Rule one: determine your tolerance to risk

A basic rule of wealth management is to identify your accepted tolerance to investment risk. In other words, how much of a reduction in the value of your investments are you prepared to accept in the quest for greater returns? An investor's risk tolerance varies according to age, income requirements, financial goals, etc. For example, a 70-year old retired widow would generally have a lower risk tolerance than a single 30-year old dentist primarily because of the limited time frame the former has to play with to achieve a good return.

Rule two: diversify the risk

Another important principle is to diversify your risk, for example, do not put all your eggs in one basket. Diversification does not mean selling half your shares in Lloyds and using the proceeds to invest in RBS as the overall risk correlation remains the same. Astute investors will have a blend of different types of assets in their portfolio which may typically include a mixture of cash, bonds, shares and commercial property, and in the case of dentists, many will also have the value of their business.

The reason for holding a portfolio of different investments is because asset classes tend to work in a 'correlated' fashion. In other words, while shares may be going down another asset, such as bonds or commercial property, will be going up, so your whole portfolio should not fall.

The correct asset allocation is absolutely essential. Studies by Ibbotson Associates et al 2000 showed that 91 per cent of investment returns were derived from



It's a fact, saliva fights plaque.
And chewing ORBIT Complete® creates saliva.

Chewing ORBIT Complete sugarfree gum stimulates the production of saliva, essential in neutralising the plaque acids that cause decay.
Recommend ORBIT Complete with xylitol to your patients – clinically proven to help reduce plaque.



For samples visit www.BetterOralHealth.info/samples



ORBIT Complete®
helps reduce plaque

asset allocation and only five per cent came from stock selection. No one can forecast with any accuracy what will happen to shares, property, or any other asset. Very few people correctly called the top of the equity bull market in 2000 and even fewer accurately called the bottom of the bear market in 2003. Right now, no one is certain what is going to happen to UK residential property over the next couple of years, so given professional investors' inability to forecast the future, asset allocation looks like a very sensible bet.

Rule three: don't be fashion conscious

In this instance, it isn't wise to invest in whatever is the prevailing fashionable asset. By opting for a diversified investment portfolio you would not have been left with a basket of technology funds in 2000 or a stack of commercial property funds in 2008. A cautious investor is likely to have a portfolio with a heavier concentration of cash and bonds and property, while an aggressive risk taker would have more in assets such as emerging market stocks.

Rule four: maintain a broad portfolio

You should remember that even cautious investors can benefit from having some shares in their portfolio, while aggressive share investors should still hold some cash for liquidity and would generally benefit from widening their portfolio to include bonds and property.

Most dentists who are looking to create a sizeable nest egg for themselves and their families will want to have some of their money in stocks and shares, simply because over the years, investments in shares have produced a better return than investments in bonds or cash.

Rule five: go with your own approach

The question is how do you gain the best exposure to the various asset classes? Once again, it depends on your risk tolerance and how involved you would like to be in developing your portfolio. One dentist client of ours owns a number of properties, which he rents out and is happy to manage himself but at the same time he relies on us to manage his stocks and shares through his pensions and ISAs.

Another client has no interest in owning buy-to-let properties although he does own his practice property worth £500,000. However, he takes a very keen interest in the stock market and manages his own pension funds, using a Self-Invested Personal Pension (SIPP). For the active investor, this can be a great way of investing directly in the stock market and obtaining tax relief on investments at the highest rate with no potential liability to Capital Gains Tax (CGT). So our client who recently invested £100,000, received back £25,000 from the Revenue into his SIPP

leaving him £125,000 to invest in shares, and a tax bill reduced by a further £25,000 higher rate tax relief.

Initially these two approaches to wealth management appear poles apart, yet they both have widely diversified investments in equities and property and have co-ordinated wealth strategies. They just happen to be invested in ways that suit them personally and are in line with their individual requirements

and of course, their tolerance to investment risk.

Rule six: don't plan in isolation

A most important feature of wealth management, is that no one area of planning is considered in isolation. A SIPP may be excellent for retirement planning and a great means of self-investing in the stock market but it is of little help when paying the children's school fees. Likewise,

cash ISAs can be very useful for short-term projects, such as an exotic holiday or new car, but

they will not provide the means to give you a comfortable lifestyle. [DT](#)

About the author

Peter Dunn

is director and senior consultant for Heritage Financial Advisers; a team of independent, fee-based financial planning specialists dedicated to the dental sector. Peter has over 20 years experience of working within the dental industry in financial serv-

ices companies allied to Dental Business Solutions and Practice Plan. In 2001, he relocated to Newbury with what is now Heritage Financial Advisers and assumed joint control of the company in 2006. To contact him, call 01635 48727 or email info@hfadvisers.co.uk.



Innovative equipment solutions for performance beyond the expected

The stylish design and robust quality of A-dec equipment is clear to see, and as you would expect, it provides all the functionality and flexibility required for efficient and ergonomic working. But A-dec also believes in developing solutions which go beyond the expected and offer improvements to the usual ways of working. Like thinking about the critical role of the nurse in 4-handed dentistry, which led to our unique A-dec 545 Nurses Console, cabinet mounted at the 12 o'clock position that

improves ergonomics for the whole surgery team. And thinking about the management of today's modern dental materials led to our Treatment Console solutions which enable the usage of Procedure Tubs and Trays. Such innovations require 'out of the box' thinking unconstrained by convention – and we encourage you to think differently as well. So to explore the possibilities and seek a better way, give us a call and ask for a copy of our new A-dec solutions brochure.

Think differently ● ● ● ●

For details call: 0800 233 285 or contact your local authorised A-dec dealer

CHAIRS • STOOLS • DELIVERY SYSTEMS • DENTAL LIGHTS • CABINETS

A-dec Dental UK Ltd.

Austin House, 11 Liberty Way, Attleborough Fields Industrial Estate, Nuneaton, Warks CV11 6RZ.

Tel: 024 7635 0901 Fax: 024 7634 5106 E-mail: info@a-dec.co.uk Web: www.a-dec.co.uk

