

WHAT IS THE *RISK* OF THE STOCKMARKET?

Investing money involves taking risk. The most significant risk is permanent loss of capital, i.e. the value of your investment falls, and never recovers to its original level.

This is probably the reason why so many people keep all of their money in savings accounts, and don't invest in the stock markets, because the value in pounds and pence can't fall.

However, when have investment markets lost anybody any money?

I've been through historical data going back to 1900 and there is simply no precedent for long-term loss of money in investment markets. There have been plenty of temporary declines, but permanent loss of capital has never happened. In fact, if you'd placed £10,000 into a UK equity tracking investment fund in 1990, you'd have seen it grow to £71,602 by the end of 2014.

So, I come back to my original question...

When have investment markets lost anybody any money?

And the answer is of course through selling investments at the wrong time. A *temporary* decline is not the same as a *permanent* loss of capital.

One of the commitments I make to my clients is to ensure they never make this mistake.

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