Season 2. Building personal wealth

Episode 12.

Building your wealth: Key points from this series

Hi there, Jason here. And in this final episode on building your wealth we'll look back on some of the key lessons from this season and offer ideas on the next steps you could take.

Building wealth, unless you're lucky enough to inherit it or make a lot of money in business, is a long-term game. We're all at different stages on our journey towards building the funds we need for our financial life goals, or the goals we have for our loved ones. This round up should help you decide which areas you need to focus on to have more success in building the funds that you need. Here are the key lessons we covered in this season.

In episode one in this season we looked at the need to have your financial foundations in place as outlined in our first season, before you start making any long-term investments. We highlighted two big reasons for saving and investing: First to cut the cost of your financial life goals and second to gain more freedom in life, noting that the spending freedom we have whilst we're in work can be lost as we get older unless we save and invest. We also gave a powerful example of how you might cut the cost of your financial freedom by 50% or more with smarter investing and pension planning ideas.

In episode 2 we looked at why you might want to learn about financial planning rather than leaving it all to a financial adviser or other professional. How taking ownership of your plans improves your chances of achieving them. How smart financial decisions 'connect' your money to the plans you have for your life, and only you can decide on those. And how this knowledge gives you more control of any adviser you use. And could potentially save you hundreds or thousands of pounds in fees because you're sharing the work.

We also posed the question of what Financial Freedom might mean to you, showing how everyone's situation is different. Which means there are no easy rule of thumb answers, but there is a process you can follow to draw up your own financial plan. And we outlined that 5-step process which you can find summarised in the resources area of our website for you to download.

In episode 3 we showed just how much you might cut from the cost of your longer-term goals by using the magic of 'compound investment returns'. We explained the concepts of "TOTAL" and "REAL" returns, noting how bank deposits will likely only match inflation, whilst real assets, like stockmarket based funds, have produced returns of 5% p.a. above inflation over the very long-term. And we showed how these apparently small extra returns on your money can add enormous amounts to your funds and even double your money over the long term.

In episode 4 we started to focus on a key area of our 5-step planning process, to look at how you could adjust your plan on any of your goals to improve your chances of success. We talked about your three options for adjusting your plan: To downgrade your goal (and the issues with that approach). To save more towards your goal (and how spending control is key to that). And to make smarter choices on the investments you use to achieve your goals. Noting that a successful plan might require some adjustments in all three of these areas.

In episode 5 we introduced a powerful 6-point checklist to help you choose the right investments with the right features for each of your financial life goals. This checklist is designed to help you throughout your life when looking at the benefits and risks of any investment ever put to you. And you can download it from the resources area of our website.

Then, in episode 6 we focussed in on one area of our 6-point checklist to explain how you can choose the right level of risk to take on any investment, and on the need to balance three factors: Your need to take investment risk, your attitude to risk and, most importantly, your capacity to take investment risk. We also explored the four factors that inform your personal risk capacity, to show why it can make sense to take a different level of risk on your different financial goals. If you get to grips with this episode, you'll have a much better chance of making better investment decisions.

In episodes 7 and 8 we outlined the 4 main types of investments you might hold inside your Pension, ISA or other investment plans. So that's: cash deposits, government and corporate bonds, ordinary shares on the Stockmarket and Commercial Property. And we explored the different potential investment returns you could enjoy, and how your capital values might vary with each of those asset types.

Episodes 9 and 10 were about finding ways to reduce the stress that all investors feel when the value of investments take a tumble from time to time. First, we showed how big falls in investments can actually work in your favour when you invest regularly over long periods of time. And then we looked at the risk reducing benefits of funds which offer a mix of different asset types.

Finally, in episode 11, we explored a key question for homebuyers of whether to save or invest any spare income you have or use it to speed up the repayment of your mortgage. We looked at the considerable benefits of overpaying the mortgage and at some surprising examples of how investing your surplus income can deliver much bigger returns in certain situations. Concluding that, as with most questions of personal finance, the right answer will vary according to your personal circumstances. Including such things as: how much excess income you have and how much you're likely to have in the future. On the type of your mortgage and its size relative to the value of your home. On the pension scheme or other free money schemes you can access from work. On your capacity for risk in both the value of investments and changes to interest rates. And on your wider family circumstances.

I hope this season of Insights was helpful. But if the first time you watched it wasn't the ideal time for you just revisit it when the time is better. If you're a homebuyer and considering remortgaging or overpaying your mortgage, then talk to a good mortgage broker to understand your options in that area. But also be sure also to talk to your employer to find out what pension planning tools they can offer. Most schemes will have them. And if you want a second opinion or need wider financial planning help consider getting some from an independent financial planner. Having access to advice can benefit everyone, especially if you're wealthier or sa higher earner, where tax and pension limit considerations may be more to the fore. Just be sure to keep a lid on their fees especially if you're doing some of the work.

Finally, and most importantly, download our 5- point financial planning checklist, and our 6-point checklist for choosing the right investments, from the resources area of our website. These two documents give you the frameworks you need to plan your own financial freedom and make solid investment choices. And be sure to pick out just one or two of your financial life goals and work out if you're on track to achieve them. There are links to some calculators for doing this in the financial planning checklist.

Coming up in the next season, we'll focus on ideas for making sure you have enough money in your later years, when you've either given up work or you're doing less of it. I look forward to seeing you back here when you're ready for that. In the meantime I wish you all the best of luck in your wealth building journey.

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