PLANNING FOR LIFE



Words Matter

Financial Services is generally a "numbers" profession. We spend most of our time in Excel and Google Sheets, calculating projections, costs and yields. But from time to time, the words we (and more often the media) use have much more impact on our clients' wealth than many people would imagine.

As we enter 2022, there is still a lot of uncertainty ahead as the financial repercussions of the covid pandemic work through the global financial system.

We don't know what this will look like, and financial uncertainty also brings financial opportunity. But it seems likely we will see some further volatility over the coming years.

If and when we do, you can be sure that the word "***Crash***" will be wheeled out to describe it.



But "Crash" always seems such an inappropriate word to describe financial volatility, even when severe.

If a plane travelling from the UK to Australia were to crash, the journey would end. The destination would never be reached, the lives onboard would be lost along with the vehicle.

Similarly, if a car is involved in a severe crash, the destination is never reached. The vehicle is towed to a scrap yard, written off, and crushed.

So the word "crash" represents a total loss for all concerned.

When financial markets fall, it doesn't mean a total loss. It doesn't mean that the client will never reach their target destination. And it doesn't mean that the financial vehicle we are using is no longer fit for purpose.

So, it is much better to view financial volatility as a diversion.

When a plane encounters turbulence, it makes minor corrective adjustments to its route, and when a driver encounters roadworks, they take an alternative road.

When this happens, the journey isn't as enjoyable - sometimes we are delayed and arrive a little late at the destination. But we don't throw our hands in the air and say we crashed. Instead, we explain that we have been diverted or are running a little late.

Just as we don't abandon planes and cars because of occasional diversions, nor should we abandon an investment strategy if we encounter volatility.

Un-nerving and inconvenient as it is, we understand that we are in the middle of a diversion, not a crash. That vehicle we are using was designed with this in mind and that - we will get to the destination if we remain calm and patient.

So if 2022 does bring with it some volatility, and the media begin their talk of a financial crash. It would be wise to replace the word crash with "diversion" and understand that your investment portfolio was specifically designed with volatility in mind.

If you would like to discuss the subject of this information sheet please contact the office at admin@lakesidefs.co.uk

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