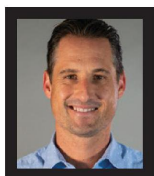


PRESERVING CAPITAL

# Could fixed investments fix your investment woes?

OPINION



PAUL COUNIHAN

ANYTHING promising to fix your financial woes is probably as authentic as the junk mail in your inbox that claims you've won the Irish Lottery (again). However, in every investment portfolio, there is most definitely a role for fixed-term investment products. Especially right now, when volatility in local and global markets seems to be working hard to separate investors from their hard-earned savings.

## What are fixed-term investments?

Unlike traditional investment products that are focused on wealth creation, fixed-term investments (FI) are designed to lock in certainty for investors whose main concern is to preserve their capital.

The idea is to commit to investing in a savings, deposit or endowment product for a fixed period at a fixed rate of interest.

By hard-wiring the investment term and interest rate up front, there's none of the usual nail-biting as markets fluctuate, and investors can be confident about the precise sum they'll receive when the term is up.

FIs are the laaitlammetjies of the investment family and, like most younger siblings, they have tended to be overlooked. Until recently, their appeal has largely been confined to more risk-averse investors – like retirees – who need to be cushioned from market volatility to avoid any losses. However, in a world ravaged by crisis after crisis, the security of fixed-term investments is attracting more widespread attention as economic instability threatens investment performance.

A staggering 73% of the investors surveyed in (Ernst & Young) EY's 2023 Global Wealth Research Report, for instance, say they are changing their investment behaviour because their strategies have left them feeling "unprepared to meet their financial goals".

Triggered by market fluctuations that have seen portfolio values decline, the younger investors, baby boomers, and even high-net-worth individuals are beginning to prioritise the protection of their assets by allocating a bigger portion of their investments to



EXACTLY where and how fixed investments fit in is a matter for each investor to decide but, what is undisputed, particularly in this economic climate, is that they warrant a place in every investment portfolio. | MUJAHID SAFODIEN Independent Newspapers

fixed savings or deposits.

## What protection do fixed investments offer investors?

Regardless of how turbulent markets may get, financial responsibilities have to be met. We need income for home loans, car repayments, school fees and all the other expenses associated with our life choices, and we need savings to cover the cost of big, planned expenses, like holidays and weddings. Relying on investments to meet these costs becomes risky when markets are unsettled.

With load shedding and upcoming national elections here at home, compounded by escalations in climate change and political instability across the world, it's tough out there. By offering secure, predictable returns, fixed-term investments help to shield investors and provide some necessary peace of mind.

## Where do fixed investments fit into an investment portfolio?

Every investment portfolio is structured around an investor's unique circumstances. That said, the underlying

objective is always to optimise financial performance, and to spread risk it's essential to have a range of diversified investments.

Every wealth journey starts with ensuring basic income and liability needs are covered, before focusing on aggressive growth, so I am a firm believer in prioritising fixed investments. The proportion of a portfolio that's allocated to an investor will be governed by their specific income requirements. Then, once those are taken care of, there's plenty of space for broader diversification in other, variable investments.

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## Which fixed investments to select?

With the mounting complexity of global markets, and the plethora of investment products to sift through, it's hard for most people to decide

where savings are best invested. It's no coincidence that the EY Report notes a growth in the number of investors seeking professional advice.

While clients with a risk appetite might once have opted for variable investments (where returns are potentially far greater than those of fixed investments), seasoned brokers are more likely to direct them toward savings, deposits and endowment products.

Though the lower risk traditionally means returns are more modest, there is significant upside for investors, who have more security and certainty. And there are fixed investment products in the market that consistently deliver competitive returns, which means investors don't necessarily have to trade lower risk for meagre returns either. Not to mention the benefit for brokers who are spared the tough conversations when clients' higher-risk investments suffer a loss in value.

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