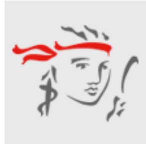

Prudential Investment Managers
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DECEMBER 2017

The gift of consolidating your investments

This holiday season, we're looking forward to a new year ahead, and there's nothing more reassuring than knowing we're well-equipped to face it with solid finances. So this is the perfect time to have a fresh look at your investment portfolio and make sure it's in good shape and under the correct management.

A messy wealth portfolio

Your portfolio of investments is probably more complicated than you realise. Like a veritable potjiekos, it may comprise your home, rental property, your business and some retirement investments. Not to mention preservation funds, unit trust portfolios and insurance policies.

And besides having many parts, they are also moving, since their values change over time as markets move and valuations rise and fall. If you're like the average person, you probably haven't looked at your overall portfolio in a while, or maybe only checked the component parts. Yet it's likely to be very different now than it was at the start of the year.

If your current portfolio isn't aligned with your investment objectives and risk cover needs, it could be called 'messy'. This often happens

when investors don’t have a financial adviser (bad idea) or when they rely on multiple financial advisers (too many cooks spoil the potjie, remember)…with the result that they seldom go through an updated financial needs analysis based on all the latest evidence: facts, figures and their true-life circumstances.

Why it’s easy to end up with a scruffy portfolio

Many people convince themselves that having a messy wealth portfolio is in fact a form of diversification and are happy to overlook possible contradictions in investment philosophy, reliance on expensive debt, duplicate holdings or lack of life cover. They bury their heads in the sand and justify being messy as ‘diversification of opinion’.

Your wealth portfolio could also get scruffy because you fear the outcome of a thorough financial needs analysis. It can be hard to look in the mirror, so even some of the brightest investors choose not to know whether they can afford to retire and refuse to acknowledge that they may be wasting hard-earned money in some ways.

Portfolios can also become misaligned through your own laziness. In the same way you put off washing the car, you may postpone your annual trip to an adviser…who may or may not know that there are several other advisers out there who are also attempting to participate in the management of your wealth. Or maybe you have invested money directly with different asset managers or brokers since you last saw your adviser, and haven't told them about it.

Risks of unconsolidated portfolios

The greatest risk of an unconsolidated portfolio is that your overall asset allocation will likely not align with your time-based investment goals. Asset allocation is underpinned by a strategy which balances risk (the volatility of the asset value) against the potential return of assets (local and offshore equity, bonds, property and cash). Your risk tolerance and investment goals change over time as your individual circumstances change - your asset allocation should change with you.

Unconsolidated portfolios also bring with them the infuriating risk of *waste* as you may be paying unnecessary fees. Financial advisers typically charge portfolio management fees based on a

sliding scale depending on the value of the portfolio – the larger your portfolio the lower the percentage. If you're employing more than one adviser, or have a lot of savings invested outside of your adviser's control, you could be paying unnecessary fees, which could have a significant impact on the growth of your portfolio in the long-term.

Additional benefits of consolidation

In addition to a more appropriate asset allocation and a reduction in fees, there are other benefits of consolidation, namely:

- **Simpler Reporting**: Having statements and reports come from one source assists you to have a full understanding of all the variables and their interrelatedness. Simple consolidated reports are also exceedingly helpful when it comes to preparing for the tax man!
- **Easier monitoring and adjusting:** As your circumstances – and the markets – change, your target asset allocation will need to be adjusted. This is a much easier process if you have all your funds under one umbrella.
- **Potential tax savings:** If you're a pre-retirement investor, having one adviser will assist to ensure that you're benefiting from all the tax incentives that encourage you to invest into retirement funds. And that you're not over or under contributing the allowed 27.5% of your income toward retirement funds. Advisers can also help post-retirement investors to minimise tax by advising on which funds to draw down from.
- Easier estate planning: A consolidated portfolio is one of the greatest gifts you can give your heirs as it will allow them to sidestep the nightmare of having to track down myriad funds in multiple locations — some of which may be forgotten. With one advisor, your heirs can deal with one trustworthy point of contact.
- **Time:** This is arguably the most significant saving as few people have enough time to manage multiple advisers.

An excellent holiday gift…

You can give yourself an excellent festive gift by settling on one financial adviser and consolidating and updating a messy portfolio. Because there really is nothing more liberating than knowing for a fact that you have adequate finances to face the new year, whatever happens.