The most important question for your client's investment journey

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"WHAT AM I SAVING FOR?"

This is probably the most important question for your client's investment journey but not always the easiest question to answer. However, by answering this question at the start will help you formulate a plan that navigates a journey towards investment success. Many of us have experienced or heard of examples of disappointing investments. And global studies show that not having set out appropriate expectations from the start is a big contributing factor to this disappointment.

Of course, poorly performing strategies and difficult markets will undoubtfully also contribute to this, but a big part of investment success boils down to having a plan, having the discipline to stick to the plan and having the right behaviour along the way. By following a disciplined process and staying the course, a step-by-step plan helps to safeguard against disappointment and set your client on the path towards that ultimate goal.

So how should you go about helping your clients invest for success? An outcome-based financial plan and investment approach can help you achieve what you set out to achieve. It simply starts with asking the right questions: What is your financial situation? What do you want to accomplish with your savings? What are your priorities, passions and concerns?

By having an honest and deliberate conversation with your client in formulating a plan, the biggest part of your challenge is usually taken care of. This helps setting the expectation in terms of required future returns, how much risk can be stomached over time, and when to reassess the investment strategy.

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An outcome-based investing approach is then an investment strategy that marries the investment management requirements with the goal you formulated in the financial plan. Outcome-based investment strategies moves away from traditional management of trying to outperform a peer group by always looking for the best winners, to really matching appropriate asset classes, strategies and even asset managers to your plan.

It is a plan that can keep your client on track through unexpected ups, downs, twists and turns by providing a more consistent investment experience over time.The starting principles is to look for diversified asset classes that through cycles are more likely to match the investment plan. The principle of not taking concentrated bets on one asset class, sector or company plays a big part in creating this plan.

Outcome-based investing plans look for risk premias or investment opportunities that will match your client's return, duration and risk appetite as closely as possible. It does not focus on trying to pick the best performing asset manager for the next year or period of review, because experience and research shows this to be a lower quality decision to consistently get right. In traditional investment plans, risk is often measured as volatility in returns, or standard deviation measures shown on fund fact sheets. Outcome-based plans measure risk as the risk of your client not attaining their goal over the period formulated in the plan.

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In traditional investment plans, returns are often showed as a number of standard 3-month, 1-year or 3-year periods versus the rest of the market, which often does not help your client in understanding whether they are on track to meet their specific required return target over the desired

period. Outcome-based investing plans really moves the focus to the investor and measures risk and return as it relates to the investor, and their needs and plans.

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Over time, the progress should still be carefully monitored and plans adjusted to help make sure that your client is on track to achieve their set goals.

There is no blanket strategy – the approach is tailored to each individual's personal roadmap. A client's life goals are unique to them and the investment strategy should take this into account. Because investing should be personal.