Press Release

The ten golden rules of investing

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The stock markets can seem like a daunting place – particularly to those who are new to it and who don't like to take any risk with their money. Yet, those who invest have a much better chance of making a good return on their money over time than those who leave their money in ordinary deposit accounts – as long as the right decisions and choices are made. Here are ten rules of thumb that may keep you on the right track when investing your money.

1.Recognise that investing is not the same as gambling

People can sometimes be fearful of investing because they feel investment is like gambling. However, they are two very different things.

Gambling is completely speculative and event-driven: like picking the winner of a football match, a horse race or a golf tournament, the outcome is binary – you either win or you lose. Gambling is pure speculation on the outcome of an event and can deliver instant gratification or disappointment – however, it will not generate sustainable returns over the long term. Luck and chance, two key things at play in gambling, are not plannable or controllable.

Investment however, if done correctly, involves careful planning and strategy to achieve a desired outcome - such as a regular income or returns on your original sum invested – or a combination of both. Investments can be planned and structured in a way which suits your appetite for risk – whether low, high or in-between. Investments can also be controlled, changed if necessary and with the right management, can ultimately deliver the outcomes you desire over the long-term.

2.Spend time in the market

People often try to time the market – thinking their best chance of making money is to get into a particular investment at the right time. However, it can be incredibly difficult to gauge when the "right time" is to invest in something and so trying to time the market can be very risky.

It is time spent in the market - rather than timing the market, which matters most when it comes to investment returns. When you can, and when you have some available resources, the best strategy is usually to invest as regularly and soon as possible. This is particularly the case if you have an investment horizon of at least ten to twenty years.

As we go through life, there are many times when our finances come under pressure – such as when putting a child through college, buying a house, and so on. There can be so many demands on our finances that we can completely overlook the possibility to start investing early and small. An easy way to do this is to open a savings plan and start saving a small amount into it. Then as your finances evolve (with bonuses, promotions, windfalls and so on), increase the amount you're saving into your plan. With this strategy, you can expect to see your investment grow and you may also benefit from compound interest and returns. Compounding is where any gains, interest earned or income received from the original amount invested is itself reinvested and over time grows.

3.Be wary of investment fads or 'get rich quick' shares

Most people accept that to get wealthy fast involves a lot of luck or a very specific and unique set of skills. Otherwise, we would all be wealthy! However, it is possible with careful planning and discipline to gradually build wealth over your career in a systematic way. The old adage, "if it sounds too good to be true, then it probably is", works as a simple test of a fad or a "get rich scheme". However, it is not enough on its own to protect you. Always seek independent expert professional financial advice.

4. Use Cost Averaging

Cost averaging is an investment strategy where a fixed amount of money gets invested at regular intervals. This strategy helps investors reduce the impact of volatility on their portfolio and also lowers their average cost per share. When you are saving or investing regularly, there are times when investment markets will be falling or rising. When markets are rising, some of your savings will buy less of what you are investing in – and, when markets are falling, some of your savings will buy more of what you're investing in. Committing a large sum of money when markets are at a high means you buy less of what you wish to invest in. Cost averaging helps you avoid such a situation. Trying to decide when the best time to invest in markets is very difficult, regular saving and investing mitigates this challenge.

5. Don't think that "risk" is always the enemy

Most potential investors wish to make strong returns by taking as little risk as possible. However, generally, the more investment risk someone is prepared to take, the higher the potential gain – as long as you are careful in your choice of investments and have time to spend in the market. However, if the risk and associated investment journey of an investment may have an impact on your joy in life or mental health and ability to sleep comfortably at night, then choose an investment that matches your appetite for risk. There are many investment choices available that suit all types of risk profiles. Risk can be your friend if you successfully match your risk profile to the associated risk of your investment. Remember too that in general, the longer the period of investment in major types of investment such as company shares, property, government bonds and cash, the less likelihood of a loss.

6. Understand your capacity for loss

Before investing any money, you need to understand how much money you can afford to lose – in case your investment does not work out. This involves a review of your overall financial position including income, expenditure, future financial demands, loan repayments and safety cash reserve etc. The outcome of this review will determine any excess funds that can be invested for the long term without fear of affecting the stability of your financial situation.

7. Don't lock all your money away

Always allow for the unexpected when investing. It's a good idea to keep some of your funds on deposit for an emergency, or at least ensure you can easily access part or all of your investments if you might need to.

8. Don't ignore the "thief" of buying power

A lot of people keep way more than they need in a deposit account and could generate higher returns by proactively investing a portion of that money that they don't need in the short-term.

Deposit accounts are extremely useful for an emergency cash fund - in the event of a job loss or where there is a short-term goal – such as saving for a holiday, a wedding, or deposit for a house purchase and so on.

Some consider cash deposits to be "risk free" because the capital is guaranteed and they usually earn interest on the amount deposited. However, cash deposits are not risk-free – and this is largely due to inflation. If the current inflation rate is higher than the rate of interest earned on a deposit account, the deposit amount is losing value over time. Deposit accounts aren't the only investment products vulnerable to inflation. When investing your money, know how inflation-proof, or not, the investments you are considering are. It's important to have investments that outperform inflation.

9. Don't keep "all your eggs in the one basket"

It's always important to diversify when investing your money. Diversification involves spreading your investment across different types of assets - such as shares in companies, government and corporate bonds, commercial property, cash and so on. Diversification should help reduce your investment risk – particularly over time. Geographical diversification – where you invest in a global context and avoid excessive exposure to one particular market or country – is also important.

10. Get advice

Take professional and impartial financial advice – from a Financial Broker - before investing your money. Just as you wouldn't neglect consulting an expert for all the other important things in your life – such as doctors, solicitors or dentists, the services of a Financial Broker or adviser are invaluable in demystifying the world of finance and investment.

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Notes to editors

About Royal London Ireland:

Royal London Ireland has a history of protecting its policyholders and their families for 200 years in Ireland, and it is committed to continue to do so for a long time to come. Our businesses heritage in Ireland is 200 years. The Caledonian Insurance Company's first office opened on Dame Street, Dublin 2 in 1824. Today, Royal London Ireland is owned by The Royal London Mutual Insurance Society Limited – the largest mutual life insurance, pensions, and investment company in the UK, and in the top 25 mutuals globally, with assets under management of €187 billion, 8.5 million policies in force, and 4,200 employees. Figures quoted are as at 31 December 2023.

Royal London Ireland's office is based at 47-49 St Stephen's Green, Dublin 2.