

KENNEDY BLACK

WEALTH MANAGEMENT

QUARTERLY PRIVATE CLIENT NEWSLETTER

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Welcome to the latest edition of Kennedy Black Wealth Management's Private Client Newsletter, which celebrates not only the success of Team GB but also our third birthday (which is next week).

It has obviously been an inspiring few weeks and the achievements of Team GB have got us thinking about setting stretching goals. Financial planning is an increasing part of the work we do for our clients, some of whom are highly successful professionals but don't have the time or the opportunity to step back and properly think about where they want to get to.

Among other articles, having concluded our 'top ten tips for investing' series, today we start a new series that identifies (and therefore hopefully helps you to avoid) irrational investor behaviour.

ACHIEVE YOUR OWN OLYMPIC-SIZED GOALS

Team GB have shown that a little financial planning goes a long way towards success.

In 1996, Great Britain & Northern Ireland achieved a solitary gold medal (out of 15 medals in total). They finished 36th in the medal table, below Belgium.

What followed will surely be studied in minute detail the world over for future Games.

A detailed plan was put in place with a simple target: significant Olympic success. Fortunately, this plan coincided with a sports-mad Prime Minister (John Major), a timely change of government and the introduction of the National Lottery. There was suddenly a will to achieve success combined with a new funding source for elite athletes. Concrete targets were set.

Specifically, a target of 35 medals was set for Beijing 2008 and, following that success (47 medals), a target of 48 for London 2012 (and another top four finish). At the time,

even the most ardent fan would have described them as ambitious goals.

Yet Team GB has managed to achieve all of those lofty goals in style. Their position in the medal table in 2012 (65 medals; 29 gold) means Russia has failed to reach the top three for the first time since 1912.

The success of Team GB should be inspiration for anyone looking to make a long-term financial plan – a process in our opinion that everyone should go through.

Kennedy Black advocates an approach to financial planning that gets to the heart of what you want to achieve in life, no matter how ambitious. In fact, we like to encourage our clients to think big.

Among others, one of the most important questions we try to answer is: "How can I achieve financial freedom?"

If you feel tied to your job; stressed by school fees or mortgage payments; unsure about your plans for retirement; desperate to pack it all in; unfulfilled about where your life or career might be going... then get in touch. We can help.

We can help you identify the things that are important to you, put concrete plans to help you get there and then work with you to ensure you keep on track. And by comparing multiple life scenarios side by side, it is possible to get to grips with important financial decisions.

How much better would your life be if work were optional?

KBWM PORTFOLIO PERFORMANCE

It has been just over eighteen months since Kennedy Black's risk-rated portfolio service launched. I am pleased to report on our performance relative to some key benchmarks since inception (using our Conservative, Moderate and Adventurous portfolios):

	Cons	Mod	Adv
KBWM portfolios	+5.1%	+0.1%	-4.8%
IMA sectors	+0.8%	-3.0%	-6.3%
FE AFI	+2.3%	-1.0%	-7.4%
ARC indices	+1.5%	-0.5%	-3.1%

Source: Morningstar, Financial Express, ARC (01/01/11-30/06/12)

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Notes:

IMA = IMA 'Mixed Investment' sectors (i.e. index of multi-manager fund performance)

FE AFI = Financial Express 'Adviser Fund Indices' (i.e. index of adviser fund picks)

ARC = Asset Risk Consultants Private Client Indices (i.e. index of discretionary fund manager performance)

Since we are strong advocates of transparency, this is something that we intend to publish on a regular basis.

"U-S-A!! U-S-A!!"

With Team USA posting their strongest overseas Olympic performance ever, we thought it provides a timely opportunity to point out that US citizens around the globe face a number of unique challenges when it comes to tax and investment planning.

The US is one of a handful of countries to tax on the basis of citizenship regardless of where in the world one resides (it shares this stance with North Korea, among others).

Kennedy Black Wealth Management has recently been working with a number of US clients to ensure that their UK and US circumstances are dealt with appropriately and they aren't losing out.

This applies to US citizens working in the UK, but equally covers UK residents with green cards or those that might happen to be married to US citizens.

If you or anyone you know has a connection with the US – whether a medal-winner or not – and wants to talk to an expert about investments, pensions or their tax situation, please get in touch.

JE NE REGRETTE RIEN

Following on from the first section about financial planning, wouldn't it be easier if could have a quick chat with your future self – to see what you might ultimately regret in life.

Unfortunately that's a step too far even for us. However, an Australian palliative nurse has recently helped shed some light on how that conversation might go. In her recent book *"The Top Five Regrets of the Dying,"* Bronnie Ware shares some of her experience of nursing patients in the final weeks of their lives.

A remarkable consistency emerges in their regrets, distilled down to the following five responses:

"I wish I had had the courage to live a life true to myself, not the life others expected of me": interestingly, this was the most common regret, based simply on unfulfilled dreams and aspirations. By the time Bronnie's patients had realised this, their health meant it was too late to do anything about;

"I wish I hadn't worked so hard": interestingly, every family breadwinner nursed by Bronnie seemed to regret spending so much of their lives on the work treadmill;

"I wish I had had the courage to express my feelings": rather than suppressing their real feelings to keep peace with others;

"I wish I had stayed in touch with friends": this took precedence over having one's financial affairs in order;

"I wish that I had let myself be happier": familiarity and resistance to change seem to

have held people back from achieving their goals.

Life, Bronnie concludes, is simply a succession of conscious choices: she recommends choosing happiness. We recommend undertaking a comprehensive financial review so that can live the life you want, and avoid making the same mistakes as Bronnie's patients.

IRRATIONAL BEHAVIOUR #1:

"Loss aversion"

Losses hurt. In fact, research has demonstrated that the pain of investment losses outweighs the corresponding joy of gains by a factor of 2.5 to 1.

This means we tend to get attached to losing trades, hanging onto them for too long for fear of crystallising the loss.

It also means we tend to be very short-sighted in times of market turbulence, over-reacting to market 'noise'.

The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any of the products mentioned. Before taking any decisions, we suggest you seek advice from a professional financial adviser. Past performance is not a reliable indicator of future results. Levels and bases of, and relief from taxation are subject to change. All figures and data contained within this document were correct at time of writing. Not all areas of tax planning are regulated by the Financial Services Authority.



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