If you plan your pension well you could reap all the benefits.

Focus on your finances
Richard Lishman explains why it is vital to review your pension and investment fund analysis

With a fluctuating global market and with the Coalition Government making constant changes to the financial system as a result of the economic downturn, it becomes essential to watch your finances. For example, the latest plan proposed by the Government is to tax those earning more than £155,000.

A regular review plan of your pension and other investments can ensure you are setting aside enough money and are saving this revenue in the best methods possible. There are some types of investment that can offer the potential for financial growth, whereas others can provide you with an income.

There are even types of investment that can offer a mixture of these. The investment you choose is very personal and dependant on what you want to achieve. However, many investors are not very clear about their objectives.

There are two main areas to consider before you make your final decisions:

• The length of time you want to invest for: The time frame you decide can seriously impact the rest of your financial circumstances, change, as this can affect your investments. For instance, if you have had a gap in your employment for any reason, the pension you have saved may not be enough to provide for you in your retirement. Changing lives, expectations and financial growth, whereas others can provide you with an income.

• The most tax-efficient methods of investing: This can potentially increase the money you retain from your savings and investments tax. For example, pension plans are long-term investments and one of the most tax-efficient investment options around because the contributions receive tax relief based on the amount you earn. There are less stable options that also offer tax reliefs to encourage investors to participate. For instance, the Enterprise Investment Scheme (EIS).

Some investors have a tendency to hold bad investments too long; therefore, when choosing the most suitable investment option for you, seeking independent financial advice is invaluable. This can ensure that you will invest in a reputable company and be confident that your choice of investment is the most suitable for you.

Reviewing your investment funds becomes even more important if your financial circumstances change, as this can affect your investments. For instance, if you have had a gap in your employment for any reason, the pension you have saved may not be enough to provide for you in your retirement. Changing lives, expectations and financial growth, whereas others can provide you with an income.

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To check up on how much your investment fund has grown, and for your own records, it is also vital you acquire an annual statement. This will help you to identify any shortfalls or performance issues in relation to your investment fund. It is also essential that professional fund managers prepare a Good Investment Policy Statement (IPS) tailored to the individual investor. An IPS will help guide any investment decisions and solidify the aims and objectives of the investor, as well as laying out a plan of how these aims are going to be met and how the investment will be managed. This policy should be written up and kept with your financial records and then annually reviewed, evaluated and updated where necessary. As the risk tolerance of your investment funds is likely to change over time (and perhaps your investment goals will alter as well), your policy statement needs to be kept updated and reflect this shift in viewpoint.

It is also essential you balance the risk with reward: the greater the potential reward, the greater the chance of a serious loss. It is necessary to make a decision on how much risk you are willing to take. For some people, it does not matter how unstable their portfolio is as long as it grows over time. Nevertheless, your IPS should include a plan of action that can be undertaken in the event that something does not work out. For example, if interest rates fall below one per cent, this way, you will be secure in the knowledge that, no matter the problem, you will be able to see it through.

It is important that professionals seek-out the best financial planning options to diversify their investments and to make certain that their investment options are the most appropriate for them. Money4dentists has 55 years of experience in providing the very best independent financial advice, specifically for the dental profession.

Their dedicated team of advisers have the most advanced software available to help you with your finances, and can help ensure that you are making your money work for you.