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Seven Principles of Investing

1 Have an investment plan and stick to it

It is one thing to have a target, but a sound financial plan can be the difference between simply hoping for the best and actually achieving your goals.

It helps you to stay focused on your long-term aims without being distracted by short-term market changes. The best way to formulate your plan and ensure it stays on track is with a professional, independent financial adviser. They will talk to you about what you want to achieve for you and your family, your current situation and your attitude to risk versus potential rewards. As well as tailoring a plan specifically to you, they can monitor its progress and recommend ways to keep it on course.

2 Start investing as soon as possible

The earlier you invest the better. There is a reason that compounding, the ability to grow an investment by reinvesting the earnings, was referred to by Albert Einstein as 'the eighth wonder of the world.'

The magic of compounding allows investors to generate wealth over time and requires only two things: the reinvestment of earnings and time. The difference of just a few years can make a massive difference to your end result.

3 Don't just invest in cash

When markets are volatile it's a big temptation to put all your investments in the relative safety of cash. It may seem like a safe bet. However, as they say, a ship is safe in harbour, but that is not what ships are for.

Every investor does need at least some part of their funds in liquid investments in case of an emergency, but low risk usually leads to lower returns. For longer term investment plans, investments in other asset classes will offer better capital growth potential and beat the perils of inflation.

4 Diversify and always consider your investments as a whole

When markets are fluctuating wildly, it's all too easy to worry about the performance of certain investments while forgetting about the bigger picture. One tree with stunted growth doesn't necessarily mean the rest of the wood isn't thriving.

Similarly, when one asset class is performing poorly others may be flourishing. A diversified portfolio including a range of different assets can help to iron out the ups and downs and avoid exposing your portfolio to undue risk.

5 Invest for the long-term

Many people believe that knowing when to buy and when to sell is the secret of successful investing. The truth is that no-one knows with certainty when markets will rise or fall. Trying to time the market is not only stressful, it is very seldom successful.

It's far better to use time to your advantage. The sooner you can start investing and the longer you can invest, the more likely you are to have the potential for healthy returns and achieve your financial goals, regardless of short-term blips.

6 Stay invested

It is often tempting to exit the market in unsettled times or switch to cash in an attempt to reduce further expected losses.

However, it is impossible to time these movements correctly as no-one has a crystal ball to predict future movements, so being out of the market for just a few days can have a devastating effect on returns. Make a plan, stick to it and don't try to time the market.

7 The best investment is advice

Every single investor's needs are different and while the points above are good general tips, there's no substitute for a plan tailored specifically for you.

The role of a financial adviser is to get to know you and then to navigate you through your investment journey. What's more, in turbulent times, advice helps you take the emotion out of investing and provides an objective view. It may just be the best investment you ever make.

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