ISLE OF MAN
FINANCIAL SERVICES AUTHORITY
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Explanatory Guide about Investing

Every Investment Carries Risk.

Whilst your Financial Adviser has a responsibility to deal with you properly, please don't forget that you are responsible for managing your own financial well-being.

Please ensure you understand what is going on in the process, the advice you are given and the fees and charges that are involved.

Ask questions and seek clarifications from your Financial Adviser to whatever extent you feel necessary to be entirely comfortable that you understand the proposed investment before signing.

ISLE OF MAN OFFICE OF FAIR TRADING

You have worked hard to grow your savings and you want your money to work hard for you. Here are some tips from the Isle of Man Financial Services Authority ('IoMFSA') and the Isle of Man Office of Fair Trading ('OFT') to help you make smart investment decisions and avoid the pitfalls which could mean you lose your hard-earned cash.

What should you do before meeting with a financial adviser?

Before making any investment you should make sure that your protection needs such as life assurance are addressed and that you have enough money put aside with easy access to cover emergency situations.

To make sure any investment products are right for you, you need to understand your financial objectives. Look at your financial situation and consider your short and long term needs such as education costs, travel plans and retirement. This will help you to decide how much to invest, which products match your needs and even whether you should be investing at all.

Can you afford to tie up your savings for a long period? Be clear about whether you can access the funds and whether any charges or penalties will apply to withdrawals.

Every time you invest, you run some risk. Each person has a different attitude to risk. Your age may impact on your tolerance of risk, as the older you are, the less opportunity there is to recover from poor investment choices. Make sure you understand the risks associated with your investment.

Be sure that any investment you are considering fits with your long term financial goals. Read the documentation thoroughly so you can be confident that you are making the right choices and not risking money you cannot afford to lose.

How do you minimise the risk of investing?

- Cash deposits can be safer and are often covered by a Deposit Compensation Scheme (up to a specific amount), but remember, low interest might not keep up with inflation.

- Be wary of promises of a high rate of return with apparently little or no risk. All investments carry some degree of risk, and greater returns often means greater risk.

- Investing in savings products, collective investment schemes or unit trusts can produce higher returns, but there may be penalties for early withdrawal and charges will be applied by the fund managers.

- Shares provide an opportunity for capital growth, but there is also a greater risk of capital loss.

- Property investment may offer a good return, but comes with ongoing costs of maintenance and the properties may be difficult to sell and can go down in value.

Don't invest in products targeted or aimed at "experienced investors" unless you **really** are experienced. These products are often more complex and can carry greater risk.

Spreading your investments can help to reduce potential losses. Never put all of your eggs in one basket!

Remember that if something looks too good to be true – it probably is!

If you need help, seek advice from a regulated adviser. To find one, check the IoMFSA's website at: www.iomfsa.im or the telephone directory. A regulated adviser will help you analyse your situation, options and risks etc.

What can you expect when you meet with a financial adviser?

You will be asked questions about your personal circumstances, such as –

- Your employment status
- Your income and savings
- Your outgoings
- Your borrowings and debt
- Your health
- Your investment aims
- How long you want to invest for
- What investments you already have
- What level of risk you are prepared to take
- When you plan to retire

The adviser will consider your circumstances and prepare a "Reasons Why" letter or report. This will make recommendations about investments to meet your needs and include details of products for your information.

Read the "Reasons Why" letter and its enclosures carefully to ensure that you understand what is being recommended. **Ask your adviser about anything you do not understand. Don't be pressurised or rushed into a decision. A professional adviser should never pressure you into making an immediate decision.**

What should you ask your financial adviser?

Your financial adviser is acting on your behalf, they are not the investment provider. It is important that you ask as many questions of your financial adviser as you feel you need to so that you are comfortable with proceeding with what is being recommended. It is the financial adviser's role to ensure the investment is suitable for your circumstances and instruct the investment provider accordingly. It is especially important that you understand the full terms and

- Any charges or fees which may be applied both by the adviser and on the product itself.
- The risk level of the investment overall – are you happy that it agrees with what you feel your investment risk appetite to be?
- How much could you potentially lose?
- The term of the investment and how returns are generated.
- Are early withdrawals available in this investment? If so, will they include a penalty and how frequent are the dealing dates i.e. how straightforward will it be for you to take money from the product?

What other steps should you take before investing?

Do not sign any investment / product agreements that you do not fully understand. Always read the small print, take the information home and read it in your own time.

Reflect, research and consider talking to family and friends, or even take someone along when you next meet your adviser.

What should you do after you have invested?

Once you have made your investment, monitor it or have your adviser do so to make sure that you are on track to achieve your goals. You should meet with your adviser at least once a year.

The IoMFSA has a number of "Frequently Asked Questions" on its website www.iomfsa.im which may provide further assistance.

This leaflet is produced by the Isle of Man Financial Services Authority in conjunction with the Isle of Man Office of Fair Trading.