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Subject Line: Investment and inflation risk – what does it mean?

Dear <Client Name>,

I hope you're keeping well.

The reality of investing today

We've seen some turbulent markets this year, with the repercussions of COVID having a significant impact. Generally speaking, markets have partially recovered but remain extremely volatile.

Investing can seem too confusing, too risky, or 'not for me'. Like everything, the more you know about it, the better informed your decisions are.

Why should I invest?

Investment risk is, for example, putting money into an investment linked to the stock market where there's the potential to lose some of your initial capital. The reason people do this is the potential for greater returns.

With investing, the value can go down as well as up so you may not get back the amount you put in. There's no need to think about any of this on your own - help is always at hand and I can talk to you about the risks in more detail.

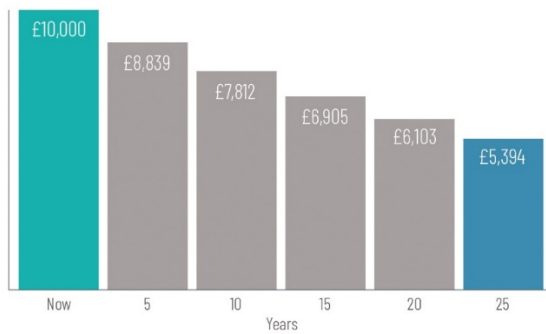
There are many articles which call themselves 'investing for beginners' but maybe a better place to start is to simply understand the 'point' of investing. Why could it be a good idea? Why should you consider it?

It's always best to have some money readily available in the bank in case of emergencies, but investing gives you the opportunity to make your other money potentially grow and work harder.

But I'm not comfortable losing money

If you're already thinking about the word 'lose' and thinking that you aren't comfortable losing 'any' money - it's worth considering that if you have excess money in savings, there's a chance you're already losing money because of inflation. Inflation, put simply, is the rising cost of goods you buy. If inflation is increasing it means you can buy less with your money.

The effect of inflation



Source: pru.co.uk [‘Investing for beginners’](#).

In the graph above, we've used a rate of inflation of 2.5% each year. That means the purchasing power of £10,000 today could be worth just £5,394 in 25 years. The actual rate of inflation could be higher or lower.

Of course inflation affects all types of investments, not just the money you hold in your bank account. You may want to consider an investment which has the potential to keep pace with inflation, however that will come with a risk to your capital, so you need to be sure it's right for you.

So, what do you need to know if you are considering investing?

First things first. Not all investments are the same –some are higher risk and some are lower risk.

You'll need to think about what type of risks you can take, and are comfortable taking and what you could afford to lose.

If you'd like to talk about this further I can look at your needs, discuss the level of risk you are comfortable taking and balance that with the level of rewards you're aiming for. Then I'll recommend the options that are right for you. This is one of the main reasons people use the services of a regulated adviser, after all it's my job to be the expert – not yours.

How can I help you?

I have many different types of clients with different attitudes to investment risks. I would welcome a conversation with you to help determine what's right for you.

In the meantime, if you'd like to know a bit more about how 'risk' might apply to investments, this link will take you to [a guide from Prudential](#) which covers this subject and may provide some talking points for us to discuss further.

I look forward to speaking to you soon.

Regards

<Adviser name>