Pennymatters

THE MODERN APPROACH TO FINANCIAL ADVICE

Guide to

Investing with Confidence in Uncertain Times

Turning today's decisions into tomorrow's opportunities

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Financial markets rarely move in a straight line. Periods of growth can be followed by sudden falls, sometimes triggered by events that investors neither predict nor control.

For those who have spent years building their savings and investments, watching their portfolio's value decline can be unsettling. It can prompt understandable questions: should you move your money into cash, reduce your exposure to risk or remain invested and wait for conditions to improve?

These decisions can feel especially significant when your investments are more than numbers on a statement. They may form the foundation of your retirement plans, provide greater financial independence later in life or help you support the people who matter most to you. When markets become volatile, it is natural to want to protect what you have worked hard to achieve.

Renewed trade tensions

In 2026, geopolitical tensions and economic uncertainty have created a challenging backdrop for investors. Conflicts involving the United States, Israel and Iran, the ongoing war between Russia and Ukraine and renewed trade tensions between major economies have fuelled concerns about inflation, energy security and global economic growth.

Disruptions to energy supplies and international shipping routes, including the strategically important Strait of Hormuz, have heightened uncertainty over oil prices, business costs and the wider economic outlook.

Uncertainty about global economic growth

For UK households, these developments can have consequences beyond the investment markets. Higher energy prices can strain household budgets, while shifting inflation expectations may influence interest rates, borrowing costs and business confidence. At the same time, uncertainty about global economic growth can affect company profits and investor sentiment, leading to fluctuations in the value of shares, bonds and other investments.

Against this backdrop, the temptation to step away from the markets until the outlook becomes clearer is understandable. However, waiting for certainty can mean missing opportunities for recovery and growth. Although staying invested is not suitable in every circumstance, a carefully considered long-term strategy can help investors avoid decisions driven primarily by fear and keep their focus on the financial future they are working towards.

Looking beyond short-term market movements

Giving your investments time to recover and grow

Investing is a long-term commitment, not a race to capture every market rise or avoid every fall. Financial markets have weathered wars, recessions, banking crises, periods of inflation and political upheaval throughout their history. While past performance cannot guarantee future returns, previous market cycles show that significant declines have sometimes been followed by periods of recovery.

When investment values fall, it is important to distinguish between a temporary decline in market prices and a lasting deterioration in an investment's prospects. A falling share price does not automatically mean



that a company has lost its long-term potential, just as a market recovery cannot be assumed. Understanding the reasons behind a decline, rather than reacting to the movement alone, can help investors make more informed decisions.

Removes exposure to further market falls

Selling investments during a downturn can seem to offer immediate protection. Moving into cash removes exposure to further market falls on the money sold, but it also removes the opportunity to participate in any subsequent recovery. The challenge is that no one knows precisely when markets will turn. Recoveries can begin even as economic news remains negative and investor confidence is still fragile.

Consider an investor whose portfolio falls in value during a period of market turbulence. The instinct to sell may be driven by a desire to prevent further losses. Yet if the investor sells and markets subsequently recover, they may find themselves buying back into the market at higher prices.

Waiting for conditions to feel safer

If they remain in cash while waiting for conditions to feel safer, they could miss part of the recovery they hoped to benefit from. This does not mean that investors should hold every investment indefinitely or ignore genuine concerns about risk.

Rather, it highlights the importance of having a strategy that takes account of market fluctuations before they occur. When investors understand that declines are a possibility from the outset, they may be better prepared to respond calmly when they arrive.

Understanding the value of time

One of the principal advantages of long-term investing is the opportunity for growth to compound over time. Investment returns can fluctuate considerably from one year to the next, and some years may deliver negative results. Over a longer period, however, investors have more opportunity to benefit from favourable market conditions, provided their investments remain suitable, and the returns materialise.

Time is particularly important because investment growth is rarely consistent. A portfolio may endure several difficult months or even years before conditions improve. Investors with a longer horizon may have greater flexibility to weather these fluctuations without selling at an unfavourable moment. Those who need to access their money soon may have less scope to wait for a recovery.

An appropriate investment approach

The distinction matters when setting financial goals. Money invested for retirement in several decades has a different purpose from money intended for a house deposit next year or to cover essential expenses in the near future. The appropriate investment approach should reflect when the money is needed, how much risk can be tolerated and what would happen if the investment fell in value shortly before withdrawal.

A long-term horizon does not eliminate investment risk, nor does it guarantee that losses will eventually be recovered. However, when the investment strategy is appropriate, it can provide valuable flexibility and reduce the pressure to make decisions based solely on short-term movements.

Allowing compounding to work in your favour

Another important feature of long-term investing is compounding. This occurs when investment returns generate further returns, allowing gains to build on previous gains. When dividends and other distributions are reinvested, they can contribute to future growth alongside any increase in the underlying value of the investments.

For example, imagine investing £10,000 and achieving an



illustrative annual return of 5%. If that return were achieved each year and all gains were reinvested, the investment would grow to approximately £16,289 after ten years, before charges and any applicable taxes. After 20 years, it would reach approximately £26,533. These figures are illustrative, not forecasts; actual returns fluctuate, may be negative and are not guaranteed.

Another way to build wealth over time

The example demonstrates why time can make a difference. Growth is generated not only on the original investment but also on returns accumulated in previous years. Regular contributions may offer another way to build wealth over time, although their value will also depend on market performance, costs and the timing of investments.

Compounding is not a reason to overlook risk or assume that markets will always rise. It is a reminder that long-term financial progress can depend on giving an appropriate investment strategy sufficient time to develop. For someone building wealth gradually, avoiding unnecessary interruptions to that process may be an important consideration.

Ultimately, the value of this growth lies in what it may make possible. It could help support a more comfortable retirement, provide greater freedom over how you spend your time or give you more options when circumstances change. Keeping these ambitions in mind can help put short-term market fluctuations into perspective.

Why trying to time the market can be costly

The challenge of knowing when to buy and sell

The idea of selling before markets fall and buying again before they rise is appealing. In theory, it offers a way to avoid losses while capturing the strongest periods of growth. In practice, consistently making both decisions correctly is extremely difficult, even for experienced investors.

Market prices reflect expectations about the future as well as current economic conditions. They can respond rapidly to changes in inflation, interest rates, corporate earnings, government policy and geopolitical developments. Sometimes markets rise on news that initially appears negative because investors believe the worst-case scenario has already been priced in. On other occasions, apparently positive news fails to lift markets because expectations were even higher.

Waiting in the hope of a better opportunity

Waiting for the outlook to become fully reassuring may not provide the clarity investors expect. By the time confidence returns, prices may already have recovered. Investors who sold during a downturn may then face a difficult choice: reinvest at higher prices or continue waiting in the hope of a better opportunity.

Missing even a small number of a market's strongest trading days can significantly affect long-term returns. The precise impact depends on the market and the period examined, and strong days can sometimes occur close to sharp declines. This makes it particularly difficult to identify the right time to leave the market and the right time to return.

Increase the temptation to react emotionally

Frequent buying and selling can also increase dealing costs and, depending on the investments held and the account used, create additional tax considerations. Even when transaction costs are low, the repeated decisions involved can make investing more complicated and increase the temptation to react emotionally.

For most investors, the more practical question is not how to predict every market movement but whether their

> You do not need to predict what markets will do next to make thoughtful decisions about your future. The important thing is to understand your options, recognise the risks and have a strategy tailored to what matters to you.

investment strategy is designed to withstand a range of possible outcomes. A plan built on realistic expectations, suitable diversification and a clear time horizon can reduce the need to make repeated decisions driven by market sentiment.

Recognising the emotional side of investing

Financial decisions are rarely made in a vacuum. When markets fall, investors may feel anxious, frustrated or disappointed, particularly if they have been saving for many years. A portfolio decline can create the impression that progress is being undone, even when the investor's underlying financial objectives remain unchanged.

The emotional impact can be particularly strong for those approaching retirement. After decades of work and saving, the prospect of losing a significant share of their accumulated wealth can be frightening. Investors may feel pressured to act quickly to protect their future income, even though a rushed decision could have unintended consequences.

Inconsistent with longer-term needs

Fear can prompt investors to sell after prices have already fallen. Conversely, optimism during a rising market can prompt people to take on more risk than they can comfortably afford. Both reactions can lead to decisions that are inconsistent with their longer-term needs.

A useful starting point is to acknowledge that feeling concerned during periods of market volatility is normal. The objective is not to become indifferent to financial losses but to avoid letting anxiety alone determine what happens next. Reviewing the reasons for holding an investment, the associated risks and the time remaining before the money is needed can help provide a more balanced perspective.

Portfolio has become too concentrated

It is equally important to recognise when action is justified. If an investment's underlying prospects have deteriorated materially, if a portfolio has become too concentrated or if personal circumstances have changed, a review may be necessary. Staying invested should never be an excuse for ignoring risks that could undermine financial security.

The distinction is between making a deliberate change because the facts or your needs have changed and making an impulsive decision because the latest headlines have made the future seem uncertain.

Creating a portfolio that can withstand uncertainty

Why diversification matters

Staying invested for the long term does not mean putting all your money at risk in the hope that markets will recover. An appropriate investment strategy should balance the potential for growth against the risk of losses, taking account of both your financial objectives and your ability to withstand setbacks.





Diversification is one way to manage investment risk. By spreading investments across different companies, sectors, geographical regions and asset classes, investors can reduce their dependence on any single area of the market. If one sector experiences difficulties, other parts of the portfolio may respond differently, helping to reduce the impact on the overall investment.

Conflict in an energy-producing region

For example, conflict in an energy-producing region may push up oil prices. Energy companies may benefit from higher prices in some circumstances, while airlines, transport businesses and manufacturers may face higher costs. Similarly, trade restrictions can affect businesses that depend on international suppliers, while creating opportunities for companies producing goods domestically or sourcing from alternative markets.

A diversified portfolio may include shares, bonds, cash and other investments, depending on the investor's circumstances. Shares can offer long-term growth potential but may be subject to substantial price fluctuations. Bonds can provide income and may behave differently from shares, though they carry their own risks, including interest-rate and credit risk. Cash offers greater short-term stability in nominal terms but can lose purchasing power when inflation exceeds the interest earned.

Avoid over-reliance on a single outcome

Diversification cannot eliminate losses or guarantee that investments will behave differently when markets fall. During periods of severe stress, asset classes and international markets may become more closely correlated. Overseas investments can also be affected by currency movements, political developments and economic conditions in individual countries.

The aim is not to create a portfolio that will perform well in every situation. It is to avoid over-reliance on a single outcome and to establish a level of risk appropriate for your financial goals.

Matching investment risk to your circumstances

There is no single investment strategy that suits everyone. The appropriate balance between growth and security depends on factors such as your age, income, savings, financial commitments, investment horizon and attitude to uncertainty.

Someone investing for a goal several decades away may have a greater capacity to withstand short-term market falls than someone who expects to withdraw a substantial sum within the next few years. However, a longer time horizon does not automatically mean that taking greater risks is appropriate. Investors must also consider how they would cope financially and emotionally if their investments fell sharply.

Approaching risk differently from someone else

Your capacity for loss is particularly important. It concerns not only how comfortable you feel with your portfolio declining, but also whether you could sustain a loss without compromising essential spending or important financial commitments. Someone with limited savings outside their investment portfolio may need to approach risk differently from someone with a substantial cash reserve and a secure income.

Regular reviews can help determine whether your portfolio remains appropriate

> Long-term investing is not about feeling confident every day. It is about having a plan you understand, a level of risk you can live with and a clear reason to stay committed to your financial goals.

as your circumstances evolve. A change in employment, family responsibilities, retirement plans or financial priorities may warrant an adjustment. Reviews can also help identify excessive concentration, unexpected shifts in risk exposure or investments that no longer align with your objectives.

The purpose of reviewing your strategy is not to make changes simply because markets have moved. It is to ensure that the investments you hold continue to reflect the financial life you are trying to build.

Keeping accessible savings for short-term needs

One of the most practical ways to reduce pressure during a market downturn is to maintain an appropriate reserve of accessible cash. This can help cover everyday expenses, unexpected bills and planned short-term commitments without forcing you to sell investments at an unfavourable time.

For example, someone approaching retirement may need to cover essential living costs while allowing longer-term investments time to recover from market volatility. Accessible savings or other suitable sources of income may offer greater flexibility than relying entirely on investment withdrawals during a downturn.

Money intended for long-term growth

The right amount of cash will depend on individual circumstances, including income stability, regular expenditure, debts and foreseeable financial commitments. Holding too much cash for too long can also have drawbacks, particularly if inflation erodes its purchasing power or if money intended for long-term growth remains uninvested.

The objective is to distinguish between money needed for near-term financial security and money that can reasonably remain invested over a longer period. Treating these two needs differently can help create a more resilient overall financial plan.

Specific rules governing contributions and access

For UK investors, the account in which investments are held is also worth considering. Depending on eligibility and personal circumstances, a Stocks & Shares ISA can be a tax-efficient way to invest, as qualifying investment income and capital gains within the ISA are generally free from UK tax.

Pensions may offer different tax advantages, but they also have specific rules governing contributions and access. The most suitable arrangement depends on individual objectives, tax circumstances and the need for flexibility.

Keeping your long-term ambitions in sight

Remembering what you are investing for

When markets are turbulent, it is easy to focus entirely on portfolio values, percentage falls and daily financial news. Yet the purpose of investing is rarely to achieve a particular account balance for its own sake. More often, it is to create opportunities and choices for the future.

For some people, that means building enough wealth to retire



A period of market volatility can make those ambitions feel more distant. However, allowing short-term fear to dictate long-term decisions can create difficulties of its own. Selling investments without a clear reason can disrupt a strategy designed to support those goals, potentially making it harder to benefit from future growth.

with greater independence. For others, it may mean helping children or grandchildren, travelling, supporting a partner or having the financial freedom to change careers later in life. These goals are personal and often represent years of planning and sacrifice.

Role investments are intended to play over time

A period of market volatility can make those ambitions feel more distant. However, allowing short-term fear to dictate long-term decisions can create difficulties of its own. Selling investments without a clear reason can disrupt a strategy designed to support those goals, potentially making it harder to benefit from future growth.

Keeping your objectives visible can help put temporary setbacks into perspective. It may be useful to revisit why you began investing, how long you expect to remain invested and what your money needs to achieve.

Investment strategy no longer meets your needs

These questions can help shift the focus away from what markets are doing today and towards the role your investments are intended to play over time.

That perspective should always be balanced with realism. If the money is needed sooner than expected, if your ability to absorb losses has changed or if your investment strategy no longer meets your needs, adjustments may be appropriate. Long-term investing is about maintaining a suitable plan, not about sticking to an unsuitable one.

Building confidence through a disciplined approach

A clear investment plan can provide reassurance when markets become unpredictable. It should set out your objectives, investment horizon, risk approach and the role different assets play in your portfolio. It can also set out when a review is appropriate, helping distinguish between normal market fluctuations and developments that genuinely require attention.

For some investors, regular contributions can help maintain discipline by spreading purchases over time rather than relying on a single investment decision. This approach does not prevent losses or guarantee better returns, and it may not be appropriate in every situation. However, it can provide a structured way to continue





investing towards long-term goals, provided contributions remain affordable and the investment strategy is suitable.

Reassessing your plans in response to headlines

It can also help to limit how often you check your portfolio if daily fluctuations are causing unnecessary anxiety. Staying informed is important, but constantly monitoring short-term movements may prompt reactions that do little to improve your financial position. A scheduled review, supported by reliable information and our professional guidance where needed, may be more useful than repeatedly reassessing your plans in response to headlines.

Above all, remember that discipline does not mean predicting the future correctly. It means accepting that uncertainty is part of investing and preparing for it as thoughtfully as possible. Markets will continue to respond to events beyond any individual's control. What remains within your control is how you plan, how much risk you take and whether your decisions align with your longer-term interests.

Investing for the future, not the headlines

The events of 2026 underscore how quickly the investment environment can shift. Geopolitical conflict, inflation concerns, trade tensions and shifting interest-rate expectations can all influence financial markets, sometimes in ways that are difficult to anticipate. No investor can eliminate these uncertainties or guarantee a positive outcome.

However, uncertainty does not automatically mean that long-term investing should be abandoned. For investors with suitable objectives, an appropriate portfolio and sufficient time, staying invested can offer the opportunity to participate in potential future growth and benefit from compounding.

Not the same as ignoring risk

It can also help avoid the challenge of repeatedly deciding when to leave and when to return to the market. The key is to recognise that staying invested is not the same as ignoring risk.

A considered approach includes diversification, accessible savings for short-term needs, regular reviews and a willingness to make changes when personal circumstances or investment fundamentals genuinely warrant them.

There will be periods when markets fall, and the temptation to act can feel overwhelming. In those moments, remembering what you are investing for can be as important as understanding the markets themselves. Your financial future is built over years, not in response to a single day's news.

By focusing on your objectives, taking a measured approach to risk and making decisions based on your circumstances rather than short-term sentiment, you can give your investments the chance to support the life you want to lead. Returns are never guaranteed, but a disciplined strategy can help you approach uncertainty with greater perspective and make more informed decisions about your finances. ■

Time to take the next step towards your financial future?

If recent events have left you uncertain about your financial plans, taking time to review your position can help you understand your options and decide what may be appropriate for your circumstances.

We will help you assess your financial objectives, understand your attitude to risk and consider whether your investment strategy remains aligned with your longer-term ambitions. We can also help you understand how diversification, investment time horizons and accessible savings may fit into your wider financial plan.

Contact us today to arrange a conversation. With the right guidance, you can make your investment decisions with greater clarity and keep your long-term financial goals firmly in sight.

Ready to invest in your future with confidence?

Market uncertainty doesn't have to mean uncertainty about your next move. Let's review your investments, clarify your goals and explore a strategy tailored to your circumstances.

Get in touch today to take the next step towards a more confident financial future.

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