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## INVESTORS' FLIGHT TO SAFETY SLOWS

- Investors have continued to move money into more cautious investments, such as cash or bonds, over the last six months.
- However the rush to move out of the market has stalled, with the average investor still having approximately the same amount invested in equities as six months ago.
- Confidence in the market has increased, with 63 per cent feeling apprehensive over the last 6 months compared to 58 per cent about the coming year.

The flight from equities continues, with over a quarter (28 per cent) of stock market investors saying they have moved some or all of their money into more cautious investments, such as cash or bonds, in the past six months, according to the third *Investor Outlook* report from Lloyds TSB Wealth Management.\*

The report, which tracks investor confidence on a six-monthly basis, shows a 17 per cent increase in the number of investors who have fled from equities into “safer” bets, such as cash and bonds, when compared with November 2007's report.

However, after a sharp drop in the average amount invested in equities in the first six months of the year (from £52,000 in November 2007 to £22,500 in July 2008), the rush from the markets seems to have stalled, with the average investor still having approximately the same amount in the markets as six months ago (£22,500 in July 2008 to £23,500 in December 2008).

Nathan Moss, Managing Director, Lloyds TSB Wealth Management, comments, “Money is still moving to “safer” investments, such as cash and bonds, as confidence in the future of the markets continues to be shaky. However investors should keep an eye on their long term goals and seek professional advice before making any decisions.”

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### **Investor reaction over the past six months**

As the turbulence in the financial markets continues, nearly two thirds (63 per cent) of investors say they have felt apprehensive about stock market investments in the past six months, up from 54 per cent in July 2008 and 37 per cent in November 2007. This contributed to 66 per cent reviewing their investments in the past six months.

For investors who have made changes to their portfolios over the past six months, 58 per cent moved some or all of their money into more cautious investments (such as cash or bonds), including seven per cent moving their entire portfolio. One in ten (11 per cent) decided to play the market by putting more money into equities and hoping to profit from a recovery – slightly down from 12 per cent in July 2008.

When it comes to influencing investors, the financial pages of the papers have a role to play, with 58 per cent of investors who made changes to their portfolio acting on what they had seen, heard or read in the media/on the internet. Less than a third (27 per cent) took action based on professional guidance from their financial adviser or bank.

### **Prospects for the coming year**

Investors' misgivings about the future of the market continue to dominate, with more than half (58 per cent) saying they feel apprehensive about stock market investments over the coming year, down however from 63 per cent feeling apprehensive about the last six months. One in five (20 per cent) feel confident about the future of the markets, compared to 16 per cent for the past six months.

However planning for the future may be the answer with over a quarter (27 per cent) of respondents who have a structured financial plan feeling confident about the future of the market, compared with just 14 per cent of those who do not.

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Pessimistic investors continue to feel negative about the future, with 53 per cent of those who feel apprehensive believing the return from the FTSE in recent years hasn't been good and the downward tumble is set to continue. Nearly a third (31 per cent) think the stock market is too risky to invest in and 15 per cent believe equities won't outperform cash and bonds in the long-term.

However amongst optimistic investors 51 per cent of those who are confident in the future of the market believe short-term blips in the market should be ignored and stocks and shares should be looked at as a long term investment. Forty six per cent think that the stock market will outperform cash and bonds and a third (29 per cent) believe in the resilience of the markets.

### **Looking to the future**

Asked in July 2008 about their confidence in their long-term financial futures, 47 per cent felt confident about their future financial prospects while only 22 per cent felt pessimistic. But the continued turbulence has meant that increasing confidence is unlikely to prompt a rally in the FTSE, with just 42 per cent of investors today feeling optimistic about their financial future and 28 per cent expressing their pessimism.

Again, financial planning does appear to be the answer, with 52 per cent of those with a plan in place feeling confident about their financial futures, compared with just 34 per cent amongst those who did not.

### **Restoring confidence**

When asked what actions would contribute to a return of confidence in the markets, answers were varied. Forty two per cent of respondents believe the resumption of interbank lending is key to rebuilding faith in the markets, followed by global coordination on monetary policy (31 per cent), greater transparency from financial institutions (30 per cent) and falling base rates (29 per cent).

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Nathan Moss adds: "This data could indicate a turning point for the markets. We are seeing investors pausing before moving more cash out of the FTSE and Government and global intervention is potentially beginning to restore investor faith.

Whatever their next move, investors should seek expert financial advice and be aware of the consequences of their actions before making a rash decision that they might come to regret."

Lloyds TSB Wealth Management offers financial solutions to those with a minimum income of £60,000 per annum (£80,000 joint income) or at least £100,000 of savings and investments.

The service helps people to plan for specific financial goals – such as paying for education, investing in the stock market, protecting family wealth or building a retirement fund. Qualified financial advisers can put in place a suitable financial strategy to achieve financial goals, prepare for retirement and plan for the future.

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\* Research conducted online by Research Plus 5-10 December 2008, among 836 UK adults aged 18+ who currently hold stock market investments or held them in the past six months. The average amount invested in equities (including stocks and shares and non-cash ISAs) was calculated to be £23,623 using a weighted average from claimed respondent investment value.

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