

Structured investments let you grow your money with certainty

Investments offering a level of protection are not new but have become especially attractive amid the uncertainty seen in the markets during 2020.

In times like these, many investors turn to the perceived safety of cash – missing out on growth opportunities in the process. Structured investments, on the other hand, provide access to growth assets to help beat inflation while still giving investors the comfort of knowing that their initial investment amount is safe.

Typical features of structured investments

Capital protection

These investments are typically for a set period, and your initial capital amount invested is fully protected. Therefore, even if the index the investment is linked to has an overall negative return over the period, you'll still receive your initial investment amount back.

Enhanced returns

These investments typically also offer an enhanced upside, should the index have an overall positive return over the period. This varies between different structured investments but could be up to four times (400%) of the return over the period.

Certainty around returns

The level or percentage of enhanced return will be confirmed at the beginning of the investment term, removing uncertainty.

Tax advantages

Many structured investments are set up in tax-efficient structures such as endowment or sinking fund policies. This means that you have no tax administration burdens as an individual investor,

as the tax administration is taken care of within the policy on your behalf. The policy tax rate is often lower than the marginal tax rate of many investors.

What to be aware of when investing in structured products

Liquidity – you only benefit from the capital protection and enhanced returns if you remain invested for the full investment term – say, five years. Only invest funds that you won't be needing in the short term.

Default risk – this simply means the risk that the bank that undertakes to provide for the return profile, is unable to do so. Providers of structured products typically only select banks with high credit ratings from the rating agencies – but ensure you are comfortable with this exposure.

Structured investments as part of an investment portfolio

Structured investments have an important role to play as part of a diversified portfolio. By minimising capital loss and uncertain returns, they allow an investor to perhaps take on a little more exposure to other higher-growth investments within the portfolio.

Before investing in any solution, investors should always understand their own risk profile and tolerance, and what role the investment will play in their overall strategic financial plan. We encourage investors to seek the advice of a qualified financial planner before investing.

Click [here](#) for more information.

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