Money Matter$ - 27 May 2021

By Standard Chartered Bank

Title: How to grow wealth for your future

Why save? Why Invest? Why Worry?" A good retirement requires money! The earlier you start investing and saving, the less it will cost to amass enough savings to live the life you deserve during your golden years.

However, before you decide on how to allocate your monies into different investment options you have to gain a deep understanding of your financial position

Banks such as Standard Chartered can perform financial check-up that will give you a private overview of your current personal finances as well as identify your financial goals prioritise them and work out solutions to help you achieve them.

Once you do this, you'd understand that prudent and proactive money management is for all– the haves and the have-nots. You would also gain insight and knowledge into current finances, have access to tools to identify, prioritise and quantify financial goals, and are equipped to make financially informed decisions.

How Best to Invest My Monies?

Don't put all your eggs in one basket. Where asset allocation is concerned, ask yourself these questions:
What are my short, medium and long-term financial goals?
What's the level of risk I am willing to assume for each financial goal?What rate of return am I looking for?
What type of assets should I have in my portfolio? How much of each to put into each asset class?
Are there changes in personal circumstances that require me to review my risk appetite and re-balance my asset allocation?

Having answered that, you need to know what your investment horizon or timeframe is. If your time horizon is short-term, i.e. two to three years, more cash/fixed deposits or bond funds are advisable based on rule of thumb. A short-term portfolio will help preserve capital and outpace inflation but returns will be lower.

If it's medium-term, i.e. five to 10 years, then a balanced mix of fixed deposits, bond funds, and balanced funds are advisable.

For a long-term investment horizon above 10 years, during which you want to preserve capital yet outperform inflation and grow capital,: having a higher proportion of equity funds and shares are recommended investments.

Creating wealth also involves weighing 2 key elements namely, risk and reward. The riskier the investment, the longer the investment horizon required to hold through the tough times and potentially get excess returns in the long run. Every investment carries some element of risk. What you must do is to understand your risk appetite and how it weighs up to the investment tools you are considering, taking into account your financial goals.

For instance, do you want some form of income now or are you ready to invest for long-term capital growth? New investors should learn what kind of investors they are and invest in assets that suit them, doing this can involve seeking advice from licensed investment professionals, choosing appropriate investment tools and diversifying according to your personal risk profile.

Periodic Review of Your Portfolio

Review your portfolio every 3-6 months to see if there is a need to re-allocate assets. Check if your goals are still relevant and if your lifestyle has changed. One key to successful investing is to never change your asset allocation no matter what is happening in the market unless your financial needs or goals change. It is often tempting to sell out a specific investment when the market is uncertain,

but your longer-term goals should take priority, so it is important not to let emotions rule your decision during these uncertain times.

Shift your investment mix as your needs change at different life stages. Don't make the mistake of parking all your money in one investment vehicle. Your risk appetite will change over time and the projected returns of your respective investments needs to be monitored. Hence the products that potentially create wealth include unit trusts, higher education funds, retirement funds and overdraft facilities against shares or mortgages. On the other hand, deposits, money market funds and bond funds that preserve capital may have the lowest returns but are better at times of uncertainty. Conversely, stock investments and equity-skewed funds that beat inflation have the highest risk.

Wealth Protection

Last but not least, understanding your current financial standing and planning to achieve your financial goals will allow you to better manage, grow and protect your wealth. The latter is important because there is no point in creating wealth if the wealth created is not protected. Adequate planning will ensure a sizeable nest egg to ensure financial well-being and financial independence.

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