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By Standard Chartered Bank

Title: Wealth planning

Wealth planning means developing an overall financial plan to achieve short, medium and long-term financial objectives. Successful wealth planning lies in developing such a plan, implementing it and reviewing it regularly, always ensuring that it reflects current changes in circumstances.

Wealth planning provides the necessary foundation for successful investing. The first step is to get a clear overview of one's current financial status. Goals, aspirations and financial gaps should be defined with the greatest possible accuracy.

An investor should begin by determining his investment personality, his short, medium and long-term needs, his risk tolerance level and the time horizon for each different need. A conservative investor is generally more concerned with the safety of the principal and the minimization of risk. His desire for substantially lower risk automatically results in the lower returns that can be expected with this reduced level of risk tolerance.

An aggressive investor is primarily concerned with maximizing returns and is willing to accept a higher degree of risk in order to obtain potentially higher returns. He strives for greater profits and with timely market information, financial planning tools and guidance of a good personal financial consultant, with a longer time horizon; he would also be able to ride out market fluctuations.

Somewhere in the middle is the moderate investor. A moderate investor would typically prefer a more flexible investment strategy and is willing to take only a certain amount of risk, though he is fully aware that higher returns and higher risk tolerance are two sides of the same coin. Current circumstances may not be in his favour; his time horizon may be short or his investment may be a significant portion of his total assets, resulting in his reluctance to take higher risks.

Investment personalities are not chiseled in stone. An aggressive investor may be faced with certain life circumstances that may change his time horizon and thus, his investment strategy may take a more or less aggressive stance, depending on situations.

Diversification is the key to sound investing. Leaving a fair amount of total assets in cash, a portion in bonds, some allocation towards an investment linked plan, a few lots in equities and the balance in mutual funds results is a good asset mix. With a diversified portfolio, the volatility of equity shares can be moderated by long-term investments in bonds and mutual funds.

A question generally plagued by most investors is, "How can I avoid choosing the wrong investments?" The answer is simple; by becoming an informed investor via increasing financial literacy, instead of an 'emotional' investor.

'Emotional' investors act on feelings rather than facts. Their investments are based on sentiments. Investment 'noise' makes good headlines and just plain sells, tending to cause investors to focus on the short term. 'Emotional' investors feel fully informed because they read the financial publications or follow the stock market. They fuel stock market volatility but fail to realize that because they transact together with other 'emotional' traders who base their decisions on market news validations, they have an extremely low probability of success and are less likely to add value to their portfolio.

The informed investor understands how financial markets work and know how to use their knowledge to consistently make money. They remain focused on business fundamentals. They are interested in investing for the long-term and with experience, or with the help of a trained personal financial consultant, they are able to make informed decisions.

Timing market swings is a risky endeavour. A sophisticated investor with a soundly diversified portfolio stays invested and rides out the peaks and valleys; a method historically proven to be a valid long-term strategy. Comprehensive wealth planning should also provide ongoing means to assess the progress towards the set goals. It is imperative to monitor and periodically compare achieved results with the expected benchmark levels. Personal circumstances like a new home, college expenses, as

well as external circumstances such as current economic or political situations, should be taken into consideration when reviewing the plan.

Wealth Planning should be dynamically updated and reviewed annually. Over or under performance of your investments would dictate a review of time horizons and or an analysis of personal and portfolio risks.

Both the novice and the seasoned investor could greatly benefit from the right tools and unbiased recommendations of a personal financial consultant. Such professional guidance enhances the planning process, ensures comprehensive planning and the development of an investment strategy that is based on historical performance data and is tailored to suit the individual's needs. A personal financial consultant would take the goals and objectives of the investor in mind and mete out advice accordingly and above all, do the utmost to help protect, secure and accumulate wealth; the end objectives of any superior wealth management plan.

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