Money Matter$ - 2 June 2022
By Standard Chartered Bank

Title: Benefits of a Regular Savings Plan for Investment in Unit Trust

Everyone has questions about their financial future. Whether it involves providing for your child's education, a secure retirement, or realising your personal aspirations. To achieve all this, you need to make your money work harder for you. And this is where smart investing can make a big difference. You can plan, build and attain your financial goals with practical investment such as:

Regular Savings Plan
Regular savings is one of the best strategies for long term investing. It creates wealth at a gradual pace by investing small and affordable amounts regularly, and in doing so, it takes the guesswork out of investing.

What is dollar cost averaging?
Dollar cost averaging involves investing a fixed amount at regular intervals of time. This effective method allows you to buy more units when the unit price is low (when the market is down), and less when the unit price is higher (when the market is up). Over the long term, this reduces your average unit cost of investment. This not only leads to lower risk associated with investment and poor timing, it also takes the emotional swings out of investing as well.

Encourages discipline
Regular investing encourages discipline, as you'll be setting money aside on a monthly basis.

Mitigate risk of market timing
Regular savings takes the worry out of market timing, as there is no need to predict when to get in or out of an investment. It also reduces the risk of investing a large amount in a single investment at the wrong time.

Lower investment sum
You don't need to commit a large sum of money all at once, to start investing. Regular investing is an effective way to build up your portfolio. It's flexible, as you can contribute an amount that you can afford. While small contributions may not seem impressive at first glance, regular investing can really add up over the course of a lifetime with the effect of compounding.

A working example:
• You invest $1,000 into XYZ Asia Fund at $1.00 per unit. How many units does the customer get?

$1000 ÷ $1.00 = 1,000 units

• Due to the economy downturn, the fund price drops to 0.80 cents one month later. How much is your investment worth now?

1000 units X 0.80 cents = $800

• You decide to invest another $1,000 into the fund. How many units do you now hold?

$1000 ÷ $0.80 = 1250 units

Therefore total number of units = **1000 + 1250 = 2,250 units**

• At what price do you need the fund to rise up to before you break even on your total investments of $2,000?

$2000 ÷ 2250 units = 0.89 cents/unit

• If you had not invested and dollar cost averaged at 0.89 cents you would have had to wait for the price to come back up to $1 before breaking even. This way you are being proactive in your investment strategy instead of just waiting for prices to come back up.

Your benefits
• It is a no fuss regular savings plan
• The plan is in line with the concept of long term investments
• Dollar cost averaging
• A proactive investment strategy for long term savings
• Averages down the cost of units in a bear market