

SUPER MARKETS

ISSUE 3

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Editors' Note



Jessa Tan
Executive Editor

"My second career path is to be an eSport Athele."

Welcome to the caffeine induced, blood, tear and sweat stained issue of Super Markets!

I'm just joking. The team has worked really hard on this issue and I do hope you readers enjoy it as much as the amount of hard work and thought put into the third issue of Super Markets.

It is a great honour to be able to progress from being a writer to being an assistant editor in this issue. An even greater feat to continue on the production and publication of this magazine. It is never easy and extremely nerve wrecking to pass on the baton.

Do leave any feedback or discussion on any topic covered in this (and previous) issues! Looking to hear from you readers soon! ;D

- Jessa Tan, Financial Editorial Deputy Director



Dave Ng
Editor-in-Chief

"Call me for all your insurance related needs! :D"

NOTES



Tee Kai Lyn
Executive Editor

"An extra shot, my only picker-upper"

Deadlines after deadlines after deadlines, our Financial Editorial team has spent quality time in producing quality articles.

From financial articles to featured interview articles, we make sure to keep our focus on promoting financial literacy for all of you students and young financial professionals.

This has been our best work yet and we strive to only get better.

It was shakey at the start, but every first step is bound to be uncertain. We encourage our writers to write with impact and clarity, to get to work instead of sitting and waiting for inspiration.

- Tee Kai Lyn, Financial Editorial Deputy Director

CONTRIBUTORS

ANDY LIM

I don't stop when I'm tired.
I stop when I'm done.



EIKA JUHARI

To do good, you need to feel good.
To feel good, you need to look good.



WANG ZHEN YANG

You can't get lost,
if you don't care where you are.



MICHELLE CHIN

With great power,
comes great electricity bills.



AGNES WIDJAJA

only need coffee
on days that end with "y"



CONTRIBUTORS

CANDY TIO

Sleep is good,
but books are better.



LUI KIN FUNG

The road to success is an insatiable
hunger for knowledge and
a belly full of food and beer.



AARON WONG

I'd be unstoppable,
if I could only get started.



TANG WEI QI

Regardless of black or white,
I will make things right.



FINANCIAL INC
EDITORIAL



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In today's market, undergraduates leave school armed with internships find meaningful employment. Have you ever wondered how you can prepare for an internship to enhance your employability?



Adrian Teng
Ivory Capital Asia



Christopher Choo
The Riverside Company



Tay Jian Wei
Golden Equator Capital

What was your drive to take up an internship at your company?

AT I always knew I wanted to do investment banking and was looking for a firm where I could be closer to the deals and gain more exposure. Going to a top name is just not an option for everyone. Especially as market conditions are bad, and I have no previous finance experience, which explains why I went with a boutique.

Do a quick search for “Boutique Investment Banks in Singapore” on Google and you will find Ivory Capital in the top few listings. Ivory is a boutique investment bank which does cross-border transactions for institutions as well as high-net-worth clients.

The difference between a boutique and a Bulge Bracket (BB) is that in a boutique you work in a very small team, thus you will be expected to hold more responsibilities as an intern. This exposure allowed me to gain tremendous experience as compared to working in a BB, which are generally more specialized.

In addition, Ivory holds a strategic partnership with Morgan Stanley, differentiating itself from the other boutique investment banks. Thus, bolstering my decision to join Ivory.

CC Unlike the big buyout funds, middle market PE firms such as Riverside specialise in investing in Small-Medium Enterprises (SMEs). I believe working in such a firm creates tremendous value-add as the work you do has a direct impact on the entrepreneurs, founders and even the employees of the business.

Riverside specialises in the smaller end of the middle market and we typically make control investments in firms with a track record of profitability, defensive business

models and strong cash flow generation capabilities. After investing in these firms, the management team is often retained and we continue to provide operational support and advice. At the end of the day, it is about leaving the company in a better position than when we first saw it.

JW I was reading on a case study on a mobile payment service, M-PESA, and grew an interest in Fintech – mobile payments.

As an aspiring entrepreneur, I chose to apply for Golden Equator Capital (GEC) to understand the funding process from a Venture Capitalist (VC). On top of that, majority of the companies in GEC's portfolio are in the area of Fintech, which seemed particularly interesting to me.

What do you think is the importance of interning?

AT Doing an internship offers so much benefits to us students.

Firstly, it allows you to find out more about the industry and apply knowledge learned in the classroom. While the classroom certainly teaches students important information, there's something different about implementing those teachings with a real client or customer.

Secondly, in most fields, no longer can a graduate land an entry-level job with merely a bachelor's degree and no prior work experience. Internship programs are a great way to boost your portfolio and give you real accomplishment stories for your resume.

Lastly, you can decide if this is the right path for you. Working for a company in your industry can give you valuable insight into whether or not the industry is the right choice for you, potentially avoiding the costs of ob-



taining a degree in field you're not interested in.

CC An internship gives you the opportunity to get your foot in the door of the Finance industry. Finance is a global industry which results in it being highly competitive; it is not uncommon to see students from the US and UK applying for the same internships as you are!

Thus being in an internship programme sends a strong positive signal to future employers on your readiness and commitment to succeed in the industry. In addition, it is also a good way to build up your initial network with the professionals around you.

JW By being in an internship programme, you get to experience first-hand of the job you want to have after you graduate. As an intern, you are able to experience the daily operations of being in a particular industry. It's never too late to figure out what you want in life.

What are some qualities you think is important for success in this industry?

AT The learning curve in investment banking is really steep. You're staffed on deal teams from the very beginning and are responsible for a lot of work early on. That is why being a fast learner would really help as you would be able to pick things up on the go and without someone holding your hand through the process.

Keep in mind, a lot of the work you'll be doing as an intern is unglamorous. Formatting slides, creating graphs, entering data into Excel, sending out meeting invites, processing comments, printing book – there are a lot of tasks you'll have to do that you're almost certainly "overqualified" for. It's important to not complain and think that you're "too good" for these tasks.

Most importantly, you got to be able to get along with everyone – senior bankers, other analysts, etc. You have to be presentable and mature, so show that you're a good networker and are a good representative of the firm.

CC A sense of curiosity. The beauty of the financial markets is that it is rapidly changing and there is always something new to learn every day. Many times what differentiates a good investor is his ability to draw connections between seemingly unrelated happenings in the markets. Being equipped with a wide range of knowledge also allows you to apply what you have learnt in one area to another.

JW I believe everyone should have a strong sense of ownership towards their work, regardless of any industry. The quality of work is a reflection of your character – whatever assignment you are tasked to (job/intern/school), make sure that you are proud of your work before submitting.

What are your takeaways from your internship?

AT Having been working in a small team, I got to meet clients for every transaction that I'm working on. If I were not interning at Ivory, I doubt I'll ever get to meet them as they are not those average guys you see every day.

Other than the information from research prior to the meetings, these executives would provide us with key insights into the industry that we may not know as we're not in the industry. From this internship, I've gained invaluable experiences in various industries, namely Hospitality, Oil & Gas (O&G), Renewable Energy, Video Gaming, etc.

CC I think the ultimate takeaway in an internship is the opportunity to bridge what you learn in theory in school with real life applications.

Riverside holds a weekly team meeting which allows deals and prospective investments to be reviewed and discussed in an open forum setting. Having exposure to such an environment provided countless learning opportunities and also makes my contributions to the company valued.

JW One thing that I learnt during my stint at GEC is to always value add to any organization or team which you are a part of. Simple things like finishing tasks given by respecting deadlines, contributing to the team by commenting above everyone else or providing suggestions which you think might benefit the organization during team meetings.

How did you manage to find this internship?

AT I have a specific interest in Mergers and Acquisitions (M&A) so I went to research on some of the boutique investment banks in Singapore with a track record in M&A. Ivory then caught my eye due to their strategic partnership with Morgan Stanley.

I think Ivory could provide ample learning opportunities and thus I sent in my application together with my equity reports and financial models in April for an internship position. The next day, I got called up by my managing director for an interview, and Voila! I got accepted.

CC Well for me, definitely not as exciting as Adrian's. I sent in my application, went through several rounds of interview and got offered the internship position. In conjunction with the topic on interviews, I believe it is important to focus on your individual edge to stand out from the competition.

Fret not if you do not have any prior internship experience; start by participating in finance competitions such as the CFA Research Challenge. Through competitions, you set the discipline for yourself to produce a good quality financial report and portfolio to present to your future employers.

I am particularly interested in VC, therefore attracted to GEC's portfolio where its first fund had a concentration towards Financial Technology (FinTech). It was greatly publicised on press with noticeable investment in MC Payment, Paktor and Glints. After having done some research on these companies, I had grown an interest in their investment style, thus joining their team.

How do you prepare yourself for the industry?

AT During my first year in SIM, I was an active member of SIM GE's Investment and Networking Club (INC). I was fortunate enough to get into the highly coveted Student Managed Fund (SMF) as an equity analyst, where I got to meet like-minded individuals who helped build solid foundations on valuations methods and analytical skills which helped prep my career.

I was also involved in competitions such as Maybank Kim Eng and NUS-SGX Stock Pitch, which allowed me to hone my financial modelling skills and arm me with the proficiency in stock pitching.

CC I believe the very first step is to be equipped with the relevant financial knowledge through tertiary education. Some of the modules that are highly relevant include Principles of Accounting, Corporate Finance and Macroeconomics.

It is important to read widely too. Reading the news and articles from Bloomberg and Wall Street Journal as well as finance and investment books such as The Five Rules for Successful Stock Investing would get your familiarised with the markets and help you to hit the ground running from day 1 of the internship!

JW I would say, to prepare yourself to become someone you imagine yourself to be in the next 5, 10 and 20 years. You never know you might switch industries in the future. So find your passion and interest and develop it, it is better to be recognized for a particular expertise.

What is your typical day like as an intern?

AT Day-to-day operations differ as an Intern at Ivory Capital. One day I could be compiling information for a pitch book, another I could be working on scenario analysis for a transaction. I love working on different things as it keeps me on my toes.

CC As an intern at Riverside, most of the time is spent on executing transactions, analysing companies and conducting research and due diligence on potential investments. The exciting part is the wide variety of deals you get to work on. One day you might be analysing a restaurant chain, and another you might be researching on an ecommerce fashion company!

JW I am responsible for deal sourcing and conducting due diligence on companies that matches the firm's portfolio criteria. We evaluate companies across a span of different stages – from pre-seed to pre-IPO, but only make strategic investments. I have recently finished preparing an investment memo for the general partners and is also currently involved in preparing a Technology Sector Outlook for the first half of the upcoming year, 2017 (1H2017).

As a student from a Private University, how do you differentiate yourself from other schools?

AT Both soft and technical skills are essential in Investment Banking. Being a highly sought after career choice, all of us are in fact competing on an international level. Having the skills can only get you so far if you're from a non-target school, so be sure to attend networking sessions if you're looking to join any of the bulge brackets. Nonetheless, keep your head up. It's only impossible if you don't try.

CC Many of the top firms in finance often provide career opportunities mainly through the local university career portals, giving private university students minimum chance at application into these firms. However, we could start with applying for internships in smaller boutique firms and doing an off-cycle internship as they are often less competitive. Most importantly, develop a strong sense of resilience and never be afraid to fail!

JW I had the same dilemma initially but I realize that everyone has equal opportunities. Just make sure you are prepared when the opportunity arises.

What is the biggest challenge or risk you have faced during internship?

AT My biggest challenge is meeting my own expectations. I'm a perfectionist and I personally set high standards to challenge my potential. My advice to students is to not be too hard on yourself and always take pride in your work. Also, remember to set time aside for yourself, your life doesn't revolve solely around work.

CC The greatest challenge is the high expectations of the internship and the steep learning curve. Even as an intern you are given huge responsibilities such as building financial models and writing investment memos that would be presented to the senior management of the firm. As the quality of each of your work is a reflection of yourself, there are pressures to perform to the best of your abilities all the time.

JW The biggest challenge for me was adjusting to the company's culture. I was never treated as an intern but rather a member of the investment team. The culture of the company surely empowers me as an individual, where I am given many responsibilities and they trust your work quality. My colleagues were very supportive as well in helping me adjust to their working environment.

“ Tell me and I forget. Teach me and I remember. Involve me and I learn. ”
- Benjamin Franklin

How to



Global phenomenon Pokémon GO has captured hearts of the young generation. It's a twist of augmented reality. However, where are the investors that are looking to capitalise on this fad.

By Lui Kin Fung

Here's everything you need to know about Pokémon GO before jumping the gun:

Pokémon GO is developed and distributed by Niantic. Nintendo invested in Niantic.

The Pokémon Co. which Nintendo owns 32% stake of, also invested in Niantic.

Niantic Labs is not yet a publicly listed company.

This means that although the only natural method to capitalise on this fad is to buy into Nintendo's stocks, it would not relate to any exponential gains, here's why:

Nintendo's share price increased by 120% during the release of Pokémon GO.

Nintendo's share price dropped by 17% within the span of a day when it released information that it would only have limited gains from the Pokémon GO venture. While Nintendo would indubitably reap its benefits from the Pokémon GO venture, the same cannot be said about investors who bought Nintendo stocks under the impetus of Pokémon GO.

Pokémon GO's hype has lived up to its name with reportedly a 100 million downloads and almost 3 million dollars in app purchases per day, but in line with Nintendo's disclosure, they only stand to gain a share of the pie.

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is to buy into Nintendo's stocks, it would not relate to any exponential gains, here's why:

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Now you would be questioning, as long as Nintendo is reaping benefits from the Pokémon GO venture, it would also mean that buying Nintendo's stocks would be a financially sound decision. This could not be further from the truth. Firstly, it's now too late to act on the news after the whole Nintendo truth bomb debacle about Pokémon GO but more importantly, multinational conglomerates do not just derive its profits from only one income-generating product. In this case, it's a little bit trickier as Pokémon GO (Niantic Labs) is not set up under the umbrella of Nintendo, instead Nintendo owns part of Pokémon GO under some very diversified position, and it is currently unclear if Nintendo owns enough of Pokémon GO to have say in it.

Millennials by re introducing what does it mean for financi-

So far, investors have been operating under the assumption that Pokémon GO is set up under Nintendo. Even if we were to look at things from their standpoint, it would not have really related to Nintendo's performance. It means that as long that there are other companies that Nintendo is a parent of do not perform, it would not be a gain and could even be a loss. As such, if we were to look at the Nintendo's Q1 release:

Condolitated Results for the Three Months Ended June 2015 and 2016

(Amounts below one million yen are rounded down)							
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent
	million yen	%	million yen	%	million yen	%	million yen
Three months ended 30 June 2016	61,969	(31.3)	(5,134)	-	(38,674)	-	(24,534)
Three months ended 30 June 2015	90,223	20.8	1,149	-	14,286	-	8,284

It shows that Nintendo's profits attributable to owners of parent company are on the decline since 30 June 2015. What this shows is that the returns from the supposed parent position taken in Pokémon GO have a lot to catch up to and but also has a good potential for an upside.

Everything aside, while Nintendo bathes in its red, it does not mean that the company is doomed for, and that you should not even think about touching it with a ten-foot pole.

It can be shown that Nintendo is currently operating at a loss as from its Operating Income from 1,149 million yen to a negative 5,134 million yen; performance of its net sales is also down about 31.31574%

million yen		
Description	Three months ended 30 June 2015	Three months ended 30 June 2016
Net sales	90,223	61,969
Cost of sales	47,537	31,436
Gross profit	42,686	30,532
Selling, general, and administrative expenses	41,536	35,667
Operating income (loss)	1,149	(5,134)

Accompanied by the breakdown of the company's consolidated sales information.

million yen		
Category	Three months ended 30 June 2015	Three months ended 30 June 2016
Dedicated video games hardware	44,556	25,104
Dedicated video game software	44,439	34,850
Smart devices, IP related income, etc.	932	1,649
Playing cards, Karuta, etc.	294	364
Total	90,223	61,969

In the current digital age, millennials are losing touch with their used-to-be favourite gaming hardware like the Nintendo DS or the PlayStation Portable (PSP), as they used to be the most decent form of portable game consoles. However, that has been overtaken by more convenient phone application games.

The upcoming Pokémon Sun and Moon could potentially ride on the recurring Pokémon craze, and give a totally new face-lift to the sales following:

- 1) Dedicated video game hardware
- 2) Dedicated video game software
- 3) Smart devices

Will Pokémon be able to swoop in and save the day? I guess we can only find out in the next quarterly release from Nintendo.

THE GLOBAL FIN

The Global Financial Crisis (GFC) placed the U.S. subprime mortgage industry in the spotlight. This worldwide financial fiasco was the ultimate result of a complex chain of debt across the financial market starting in USA.

The blames didn't merely lie on the bankers. Regulators, investors, and central bank bore responsibility too for mishandling the economic imbalance and failing to exercise precautions to prevent the outbreak of the crisis.

There are many contributing factors that led to the 2008 crisis but the most significant factor was believed to be a combination of global macro-imbalance, the US government housing policies, and financial market.

Global Macro-Imbalance

Back then, there was large current account surpluses developed in Asian economies (especially in Japan), complemented by the current account deficits in U.S. economies. Massive capital flows poured across the two economic superpower countries, USA and Japan. The surplus was used to purchase large amount of U.S. government debts, as a way to finance them.

This, in return, pushed U.S. interest rates down as money flooded the country. At the same time, the U.S. Federal Reserve lowered interest rate down to 1% as an attempt to keep the economy strong. This policy was enacted as a response towards the dot.com bust.

Soon, the financial system became so “crowded” in terms of the extraordinary influx of capital deployed in every corner of the market, creating piles of cheap credit, which made borrowings easy for banks.

Abundant credit inflows brought in “free money” into the system, stimulated uncontrolled demand expansion and triggered banks to go crazy with leverages, growing tremendously rich.

Meanwhile, Investors were sitting on their bundles of money, hungry for opportunities to turn their money into more money.

U.S. Government Housing Policies

The housing bubble was caused by an attempt of the federal mandates to promote affordable housing.

The mission of affordable housing was applied through the government sponsored entities (GSEs), “Fannie Mae” (Federal National Mortgage Association) and “Freddie Mac” (Federal Home Loan Mortgage Corpora-



They participated in the expansion of subprime mortgages through deregulation in mortgage markets.

Initially, they were directed to provide at least 42% of their mortgage financing to low-income borrowers. This target was increased to 50% in 2000 and 52% in 2005 and continued to put pressure on Fannie and Freddie.

This led to a home-buying frenzy. Housing market was bombed with explosions of subprime loans. U.S. housing price index more than doubled and banks saw real estate as a highly profitable investment with low risk.

From 2000 to 2007, around 31% of trillion U.S. dollars that banks created went to residential property, although many were toxic. This pushed up housing prices faster than wages. Investors saw this piece of action as a gold opportunity and turned their focus to housing market.

This was a period of great prosperity where everyone enjoyed great returns. Market participants became ignorant towards the risk of loss as greed increasingly became a virtue among Wall Street bankers and U.S. Investors. They were hungrier than ever, demanded for more and more return.

FINANCIAL CRISIS

By Agnes Widaja



Financial Market Innovation

Mortgage-Backed Securities (MBS) comprised of a pool of mortgages that were bundled together and sold as tranches up the investment chain: from mortgage broker to private mortgage bank and then to Wall Street investment banks.

They became quite popular during the housing boom as they were recognized to be a low-risk, high-return investment. Due to the dramatic increase in housing prices, many people began to believe that they would continue to rise indefinitely. Demand for MBS inflated and lenders continued to lend aggressively, deregulating the credit standards so as to maintain strong demand and keep the investment growing.

Easing credit standards loaded the housing market with **NINJA** loans, loans extended to subprime borrowers with **No Income**, **No Job** and **no Assets**.

Lenders justified lowering credit standards with the belief that housing prices would rise indefinitely. Hence, even in the default of the subprime borrowers, they could always liquidate the collaterals and this would still yield them with a handsome profit. Everything worked

out nicely and everyone was happy. Nobody realised that many of these mortgage-backed assets were bombs waiting to explode.

Unfortunately, the unexpected happened.

In March 2007, U.S. subprime mortgage industry collapsed as many went default and home foreclosure rates turned out to be higher than expected.

Depressed housing prices caused further complications as it made many houses worth less than their mortgage value. In addition, some owners choose to walk away, leaving their houses forsaken. More and more mortgage payments turned into houses leading to an oversupply.

As a result, housing prices plummeted and set off a chain reaction in the economy. Individuals and investors could no longer flip their homes for a quick profit. Smaller banks and mortgage companies were left saddled with unpayable loans as they had borrowed money to buy these mortgages and now could not sell because nobody would pay for their time bombs. Suddenly, banks started defaulting on their loans as well, triggering the downward spiral that, by late 2008, gripped the world economy. Many banks were facing insolvency and credit markets started to freeze. The situation darkened.

The catastrophe spread beyond United State's borders. When everything collapsed, greed turned to fear.

The inter-bank market froze due to the lack of confidence in the banking sector. Banks reduced lending to each other as fears of insolvency increased due to liquidity concerns. Central Banks and governments acted as a stop-gap measure, keeping the financial market operating until banks gained each other's trusts again. It was like a musical chair game where Central Banks kept the music playing by flooding the tumbling global markets with credit.

Nevertheless, these strains continued to 2008 when the fall of Northern Rock Bank in UK triggered global panic, marking the beginning of the Global Financial Crisis. The domino effect started and other big names began to follow suit, falling and tumbling even more.

The bankruptcy of Lehman Brothers and acquisition of Merrill Lynch shook the entire world into crisis mode. The badly impaired banking system led to an extreme reduction of credit expansion, dragging the world economies into severe gloomy period of recession.

Lessons from The Global Financial Crisis

It is an inevitable fact that financial crisis are inheritable features of market economies. The contraction and expansion cycles of varying amplitudes, plunging and surging of market prices are all part of the economic cycles that may affect the world both positively and negatively.

They are unavoidable, but that does not mean we are unable to do better. Crises do repeat themselves and there are always lessons to be learnt from every weakness that frustrate us.

Lesson 1: Nothing that is too good to be true lasts forever

As we unfold the Global Financial Crisis, it was clear that policymakers were slow to learn that they were dealing with a severe crisis on global scale.

It was during the time of euphoria that the crisis emerged. The whole financial market started to resemble a candy shop where everything was sold at huge discount and everybody was sugar high. Unfortunately, lots of people, even the policymakers were not aware about the aches that would soon to follow.

The lesson to be taken is that if something is too good to be true, it probably isn't.

Lesson 2: Deterioration in Underwriting Standards

The Global Financial Crisis has shown that the market is unable to discipline itself and tend to disregard underwriting standards especially during a period of asset appreciation. The practice of underwriting standards was eliminated by over a decade prior to the outbreak of the crisis.

Lenders expect that the period of asset appreciation (in this scenario, houses) would last long and makes most loans good. They would then lend more relative to value and expected cash flow until they realise that said assets have been overvalued triggering price reversal before finally, a collapse. Borrowers would sink underwater and lenders would be left insolvent.

Will History Repeat itself?

The future has inherent level of uncertainty. Though the world today is recovering slowly, there are still some destabilizing factors which, if left uncontrolled, have the potential to trigger another doomsday.

An analysis of a chain of subsequent financial crises

over the past 30 years show that markets, despite of their collective expertise, are destined to repeat history.

Less than a decade ago, the world sank into Global Financial Crisis. Despite of the shockwaves that are still with us, economic recovery has indeed taken place. It has been a long and slow process with bumps in the road along the way. The market reforms after the Global Financial Crisis put much more capital into the system and tougher rules on risk-taking. U.S. economy is more stable, resilient, and stronger than before the crisis. Dollar has recently strengthened, bringing higher export revenues to the country.

However, on the other side of the world, financial experts are warning that we are on the verge of another economic crisis. Alarm bells have been sounding in various parts of the world. The main reason for slow global growth in 2016 would be China.

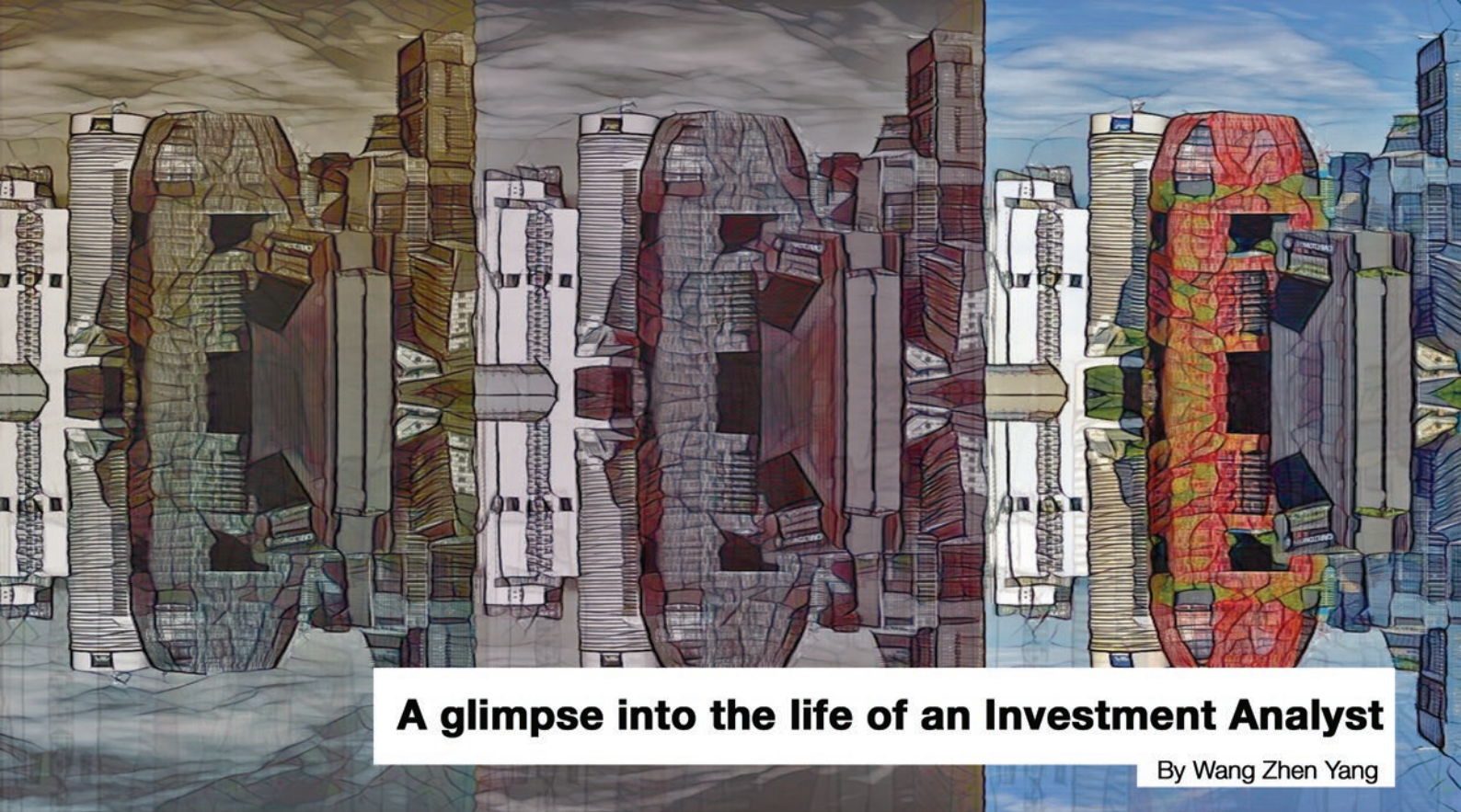
For the past five years, world economic growth has been fueled by China's credit overabundance, but now it looks like the Chinese dragon has weakened. After the Global Financial Crisis, China's exports plunged due to reduced demand from crisis-ridden countries (most notably the U.S.). This drop in industrial growth and fall in property market signals the cracking of Chinese economy.

As a consequence, China is importing less material and commodities from other developing countries. This is why the price of these commodities is shrinking: There is too much supply and not enough demand to meet it.

Moreover, the Eurozone economies are still fragile. In the last quarter of 2015, the Eurozone grew by only 0.3% with Greece's piles of debt dragging the country a step closer to bankruptcy.

The slowdown in global economy due to insufficient demand to meet the current level of productions would put the profitability of many economic activities into doubt. Furthermore, the world is still being supplied with massive private and public sector debt from the Global Financial Crisis and various implemented macroeconomic policies did not really help to reduce the overall debts. If these debts remain insolvent, this may spark new crises across the world.

Influential worldwide economic events would always be surrounded by never ending debates. So are we at risk of Global Financial Crisis 2? Will the history repeat itself? Yes, we are always at risk. The question is to what extent are we exposed to the risk? Will it be another dark catastrophe or just a temporary dramatic shift in economic climate? Only time will tell. The interconnectedness of global finance means that countries are defenseless against such crisis, but they would be less threatening if the world is better prepared.



A glimpse into the life of an Investment Analyst

By Wang Zhen Yang

Many of us wish to become an investment analyst upon leaving university. But what does it really take to become one? Landing oneself on the job is not the end game and is only the beginning.

We got a sneak peek into life as an investment analyst with Simeon Ang (SA) who is currently employed as one with a regional broker. Simeon is a graduate from the University of London, with academic direction from the London School of Economics and Social Science.

ZY: What are the skills that you gained from your previous jobs and how do those skills relate to your job?

SA: Most of the skillsets I gained from my previous jobs were built up over time and were transferable and useful in my work as an analyst. To me, work as an analyst is all about connecting the dots; learning how to retrieve information from various sources, linking these relevant information together and forming a cohesive picture.

To be an analyst, you have to collect information from fundamental sources such as from the company, industry and/or country. From there, you have to understand the relationship between each source and join the dots to establish a connection, causality or correlation.

By joining the dots, you will then be able to grasp a better understanding of the bigger picture and how each actor/factor affects each other.

ZY: Could you share with us, what is your typical day like at your work?

SA: On a daily basis, you have to step into the office way before market opens and prepare for the daily conference call on the market outlook.

During the daily conference call, we share about what happened after market closed and keep investors abreast of developments outside of the country, in particular in the US. Ultimately, we want to prepare investors for the opening bell and provide an understanding of roughly where markets and indeed, individual counters are likely to head.

As the day progresses, we provide market updates and reports on specific counters that announced consequential developments previously and what these developments mean for these counters.

ZY: Is acquiring a Chartered Financial Analyst (CFA) charter important in this field?

SA: Ultimately, the question is: is the charter worth your time and effort? You have to decide if having the CFA aligns with your ultimate goal because there will be both economic and opportunity costs involved.

While economic costs are straight forward, opportunity costs include the time and effort spent on going through the curriculum that could have otherwise been spent on something else. Juggling work and studies is tough, especially so during the exam periods.

As with investments, the risks and rewards have to be determined by individuals and each case is unique. So be sure that you are really committed to undergo the rigour that is required of the charter before embarking on the journey.

“It is all about connecting the dots and linking them to form a cohesive picture.”

ZY: Are Fintechs a threat or an opportunity for banks?

SA: In my mind, Fintech appears to swap the human role with algorithms that feed into machine learning etc. While concepts may still be in an incubation stage, I think that Fintech could be poised to enhance or even replace the role of a human investment analyst.

While robo-advisory as well as other Fintech ideas can be startlingly revolutionary, we must understand that there will always be a need and premium for the human touch in the finance industry. In this sense, this trade is probably not a sunset one, although, as what is oft repeated, change is the only constant. In that light, I think analysts anywhere should relish such changes and move to adapt to and not try to resist change.

ZY: As an analyst, do you have backup plans for anything and what do you do if you can't solve a problem?

SA: In terms of troubleshooting, the first point always starts with one's self. Am I really at my wit's end? Are there other things that I can do to solve the issue?

If all else fails, I would seek the help of teammates. Incidentally, I note that analysts that work as a team generally outperform analysts who work in silos.

Why is this so? Because as a single analyst, there will always tend to be a bias or a possible blind spot that you might not have noticed even if you have accumulated numerous moons of experience.

ZY: Do you feel that the sacrifices you had to make to succeed were worth it?

SA: The main sacrifice was giving up personal time. Working with tight deadline, we are expected to work evenings and weekends to finish up projects and/or reports. This takes away time that I could otherwise spend on other things.

In life as with investments, I always feel that there is a need for an appreciation of the very big picture. You tend to lose sight of the big picture if you only focus on the small things. Sacrifices such as these are small.

Ultimately, I would want to know if these sacrifices bring me closer to my goal. If it does, well and good. If it does not, then I will drop it and plan my next course of action.

ZY: What is the most important thing for someone who might be planning to enter this career?

You need to have passion coupled with an inquisitive mind. While skillsets and experience are things you can pick up with time, having an innate curiosity will help when you are presented with an overabundance or lack of information.

ZY: How important are grades/GPA for obtaining a job as an investment analyst?

SA: To be honest, my grades were not very good. Still, having good grades does give you an edge. It certainly leaves an impression when someone sees your resume.

Ultimately however, it all boils down to your eagerness to learn and put what you have learnt into use.



Simeon Ang
Investment Analyst at Maybank Kim Eng

A firm will hire you based on your resume, but it will keep you on its payroll only if you are able to contribute positively to the growth of the firm.

Don't be discouraged if you do not have a good GPA, there are a lot of ways to break into the finance industry. As a personal example, I took nearly four years before I got employed by a finance company. How long will it take you?

ZY: Should students decide their career path for the money or one that matches their passion and skills?

SA: It is a competition of both.

You have to be realistic. To work for our passion might ultimately dull the passion as we get bogged down with daily toils of work. Hence, I always find that money has to be one of the other reasons why I would pursue a certain career path.

Two quotes establish the push and pull of passion and money. While many say that we should stop chasing money and start chasing passion, I feel that the passion for money is something that is never fickle.

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that is never fickle”**

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Simple Steps for Long Term Investment

by Chiang Kian Seng

When it comes to investing, there are a myriad of ways to go about achieving your financial goals. The question should really be this: which method suits your lifestyle, risk appetite and the time you have to achieve your financial goals.

Take for example the 2 most common ways that people often talk about - short-term trading and long-term investing.

Short Term Trading

The first thing that appeals to most people about short-term trading is the media hype in that it is possible to make loads of money in a short period of time. People who practice short-term trading usually base their decisions to buy or sell a stock on Technical Analysis. They will look at the price movement and trading volume of a stock and try to identify repeatable patterns on the stock's chart. They will then use these patterns to try and forecast the future direction of the stock's price.

One of the problems with this approach is the fact that in the short-term, share prices can be volatile. For the short-term trader to be successful, it often requires him to monitor his trades and to make snap buy and sell decisions based on what he observes on the stock's price charts or whatever news that is released that might have an impact on how the stock's price will move.

You only need to look back at some recent events like Brexit, Chinese RMB devaluation, etc. which wrecked havoc in the financial markets to appreciate that in the short-term, we have no control over how stock prices move.

For most of us, with full-time jobs and family commitments, this requirement for constant monitoring is something that we may not have the time to do.

Long Term Investing

In the long term, stock markets have so far gone up in value.

Let's look at the Straits Times Index (STI) over the past 15 years. The stock market has experienced large corrections due to global events like the Global Financial Crisis of 2008, the European Debt Crisis of 2011, Oil Crisis of 2014, etc.

However, despite these setbacks, the STI has managed to claw its way from 1361.86 points in October 2001 to 2856.68 in October 2016. This works out to be a total return of 109% or a Compound Annual Growth Rate of 5.06% p.a. for the last 15 years (exclusive of dividends). In monetary terms, a S\$10,000 investment made in September 2001, would have grown to S\$20,968.19 in 15 years and this is despite it going through the worst financial crisis since the Great Depression of the 1930s in 2008.

Time Mitigates the Effects of Market Volatility

It is quite clear that given enough time, the effects of short-term volatility, which is something we can't control, can be mitigated.

We cannot predict with 100% certainty when a future economic crisis will occur and also when our markets will suffer another massive correction. This is where the concept of Dollar Cost Averaging comes in to help us eliminate the need to figure out when is the best time to invest in the markets.

Dollar Cost Averaging

In the Dollar Cost Averaging strategy, an investor will set aside a regular, but small investment sum to buy securities at regular intervals. These investment intervals could for example be monthly, quarterly or yearly. The advantage of investing in this way is to allow the investor to buy more shares when share prices are lower, during a financial crisis for instance, and to buy less shares when the share prices move higher. The objective is to bring down the average cost of our investments over time. It also mitigates the risk of placing a one time, large investment in the markets at the wrong time, for example, just before a crisis hits.

Don't Put All Your Eggs in One Basket

Another way for investors to reduce the risk of capital loss is to diversify one's investment capital into a basket of assets or securities. If an investor were to put all his investment capital into just one company, then, if that company were to wind up due to business failure, the investor could potentially lose his entire investment capital.

To properly reduce the risk of this happening, an investor should consider splitting his investment capital into multiple assets and create an investment portfolio.

lio. So even if one or two of the assets that he invested in were to fail, there is a lower chance of losing his entire investment capital at one go.

Portfolio Asset Allocation

As mentioned before, investing in a portfolio of assets helps to reduce the risk of total capital loss. However, the type of assets that an investor put into his portfolio is also an important factor to determine the returns an investor enjoys over the long term.

World economies and even individual country economies go through up and down cycles over time. These cycles are commonly known as Business Cycles. During various phases in these cycles, returns for some asset classes will flourish, while others will decline. The phases can be broadly broken up into 4 main stages, namely, Full Recession, Early Recovery, Full Recovery and Early Recession.

For example, when economies are at the Early Recession phase, bonds tend to have better returns, whereas returns on stocks and commodities tend to fare worse. During the middle part of a recessionary period, stocks start to perform better together with bonds while commodities lag behind. When economies are on the path to recovery from a recession, commodities will then start to perform better and catch up with stocks and bonds.

What this means is that in order to diminish the possibility of large fluctuations in one's portfolio returns in various economic cycle scenarios, an investor should divide his investment capital into these major asset classes, stocks, bonds, and commodities, and set aside some as liquid cash for emergencies.

How much of capital one decides to invest in any one of the asset classes depend on a number of factors, like age, risk appetite and investment time horizon. For example, a young adult who has just started working would be able to tolerate more risk and therefore, he could invest 60% of his capital in stocks, 20% in bonds, 10% in commodities and the remaining 10% in cash. However, someone approaching retirement age would adjust his portfolio such that a bigger portion of his capital would be in bonds and cash and a smaller portion in stocks. A simple guide to determine the proportion of your capital to allocate to stocks is to subtract your current age from 100.

Portfolio Rebalancing

The final step in ensuring that one reaps the best potential returns possible, adjusted for short-term market volatility and risk, is to do regular portfolio rebalancing.

Portfolio rebalancing should be done regularly, for example every half yearly or yearly. It is a process where one reviews the individual capital allocations of each asset class in one's portfolio.

The benefit of doing portfolio rebalancing is that one will be inadvertently following the Economic Cycle as it revolves. More capital will be channelled to weaker asset classes as prices decline, lowering the average cost of investment over the long-term.

Conclusion

It seems like it is second-nature for us to over-complicate things, especially in investing. The problem with overly sophisticated investment plans is that they can be hard to implement, demand precious time and resources from us, and may likely fail simply because it takes too much effort.

The plan above is simple and does not take much time to implement and monitor. It is one that does not require us to figure out when is the best time to start investing and will allow us to sleep peacefully at night. It has built-in features that take advantage of the natural cycles that our economies revolve around, removing the hassle of trying to make sense of what is happening in financial markets all the time. Essentially, it is simple enough and not time consuming, so one would be less likely to give up half way.

This is a featured article by Maybank Kim Eng.



Kian Seng is Head of Education, Maybank Kim Eng Singapore. In his role, he mentors & guides clients in their trading & investment journeys. Additionally, he is the in-house expert for our cutting edge regional securities platforms. Kian Seng believes that financial education is one of the best gift you can give yourself. He teaches & guides with passion because he enjoys helping people make sense of the trading world.

BREXIT SHOCKS

UK PROPERTY MARKET

Many domestic buyers are invoking “Brexit Clause” written into contracts agreed before the Brexit referendum, allowing them to pull out from buying houses with the uncertainty of the potential impact on house prices and job security.

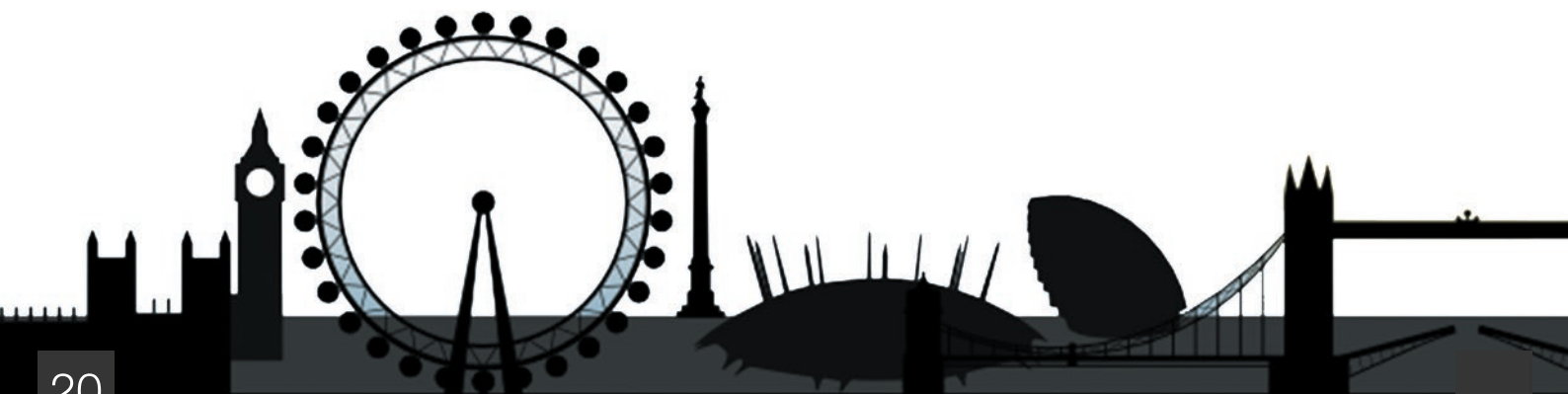
By Andy Lim

The on-going uncertainty in the following months are likely to pull back price growth and transaction volumes in the short term.

By focusing on a buyer’s perspective, one would want to have a stable position before committing to buying a property. Buyers, who entered at a high entry price before the Brexit, could hit the possibility of capital depreciation or negative equity if they were to sell for short-term capital gains.

Who got hit the worst?

London property was seen to be worst affected after the vote of Brexit in June. This would not come as surprise as this is where most property transactions are by foreign buyers. Prime central London areas, where foreign buyer sales are typically the highest, dropped by £29,188 or 3.6 per cent. According to Rightmove, statistics have shown that the asking price for UK properties on the market in July, prior to previous month, have fallen on average by 0.9%, negative £2,647, to £307,824. Inner, or central London, was hit drastically with asking price falling by 2.3%, negative £19,051 to £813,682.



The Doom and Gloom

UK property prices, especially in London, have been reflecting bullish strong growth since the end of 2013 due to a fairly healthy economy with low interest rates, high employment, and a known imbalance of supply and demand of houses. In a BBC documentary with Housing Minister Brandon Lewis, he highlighted his target of a million of new homes by 2020. Hitting that target would mean ramping up at least 200,000 new homes annually to tackle England's housing shortage, however this has not been seen in England since 1989.

According to the Department for Communities and Local Government (DCLG) which figures were released in Feb 2016, more than 143,500 completed on new build homes nearly doubled the low point of 2009. Along with the figures from the Home Builders Federation shown a 12% rise in planning permissions on same quarter last year.

Another significant event in 2016 was partly contributed to the downward pressure of housing prices in the 2H of 2016. Starting from 1st April 2016, stamp duty land tax (SDLT) for buyers of second houses would increase by 3%. As part of government plan being announced last year in November 2015, by UK Chancellor of the Exchequer, George Osborne. Thereafter, it has caused a big movement in the property market in anticipation of the tax hike. Many transactions have been brought forward especially during the Q1 2016. The number of residential property transactions surged to a record high in early March as buyers of second property sought to avoid the additional tax burden. This resulted in a sharp increase of 2.5% in UK house prices on March itself.

These changes to stamp duty tax rate will raise an extra £1bn for the Treasury by 2021, a portion of it will go to housebuilding to achieve the UK government's aim of increasing home ownership rate, regenerating estates, and introducing housing schemes to aid first-time home buyers in the market.

With the arising uncertainty of Brexit, continuing shortfall of social housing stock, it weighs even more pressure on the declining house prices.

The Bright and Sunny

On a positive outlook, the Brexit vote could reignite interest from foreign investors. The pound slumped to 31-year low following the Brexit referendum vote to leave the European Union. Foreign investors have taken advantage of the weakening pound and invest into UK. A rising number of European buyers are tipping their toes into property investment in UK, bargaining across London.

In addition, the Bank of England (BOE) Monetary Policy Committee has voted to introduce a stimulus package to achieve target inflation of 2% to sustain economic growth and employment. This was followed by a cut in bank interest rates from 0.5% to a record low of 0.25%. The lower interest rate would reduce mortgage rates and act as a boost of confidence to households.

Wrapping it up

Ultimately, the conditions in the UK housing market would be determined by condition of its economy as a whole. In particular, the labour market and consumer and business reaction on Brexit. The outlook on UK's labour market seems to be in good health. Unemployment has dropped to 4.9%, the lowest rate in 11 years since July and employment rate is at a record high of 74.4%. However, the reaction from consumers and businesses remains unclear. By Autumn there would be a clearer indication of any post-referendum hangover attributed by buyer's confidence level. Moreover, article 50 of the Lisbon treaty initiating in the UK's departure from the European Union would not be invoked by the parliament before the end of the year.





CONVERSATION WITH

Timothy Ho

by Eika Natasha

Timothy Ho is the Co-Founder and Managing Editor of Dollars&Sense - a personal finance website Dollars&Sense provides an insight to the finance industry and helps people make better financial decisions. Timothy Ho is an alumni of University of London in SIM Global graduating as a First Class Honors student in Bachelor of Science(BS) Economics and Finance. Timothy was also the President of SIM Investing & Networking Club for the year 2011 and 2012.

EN: Could you introduce us to Dollars&Sense?

TH: Dollars&Sense is a personal finance website that seeks to aid Singaporeans in making better financial decision in their lives. We ensure that our content is relatable to the average Singaporean as we gear towards a more localized and informal approach in writing. We also make sure that our articles are credible for our readers, so they can trust what we publish in the long run.

EN: Your articles are spot on where you tackle the issue of financial topics. What is the thought process that comes with creating creative content?

TH: We always remind ourselves to have a specific target audience in mind.

The trick to writing is that if you are writing for everyone, you are writing for no one. If a writer can envision one or two persons that want to read the article he is writing, then there will be more similar individuals that want to read the article.

Each article needs to be targeted to a certain group of people before it is able to have a group of readers. We also provide news that is educational in which the public do not know about or do not think about.

EN: I've read your article on traits that would make you successful in financial planning, one of them being "Discipline". Personally, I don't have much discipline in that area. How do we sustain good financial habits?

TH: When it comes to good financial habits, I like to relate to a healthy lifestyle. You cannot have a healthy lifestyle for just a week or month. It has to be a sustainable healthy lifestyle that you are living which includes eating healthy, have enough sleep and getting the right amount of exercise. These actions are sustainable only because they become habits over time.

It goes the same way for financial habits. Financial discipline is important. We cannot wake up today and decide to stop spending and start investing. The first step is budgeting. We need to learn to budget our monthly expenditure so we are able to save more.

EN: On D&S, there is a category on insurance. Generally, people below the age of 25 don't see the importance in understanding insurance. Why is insurance an important instrument in personal finance?

TH: The right way to look at insurance is that at different points in time, you would have different needs.

As a student, the most important thing is to have a health insurance. You want to make sure you have adequate health insurance coverage so that if you are hospitalized, you won't have to fork out a hefty sum of money to pay for medical bills.

When we start a family, we will come to realize how important life insurance is. As we grow older, we might need investment-related plans that gives us returns when we retire, like an endowment or an annuity plan. The whole process of insurance is a lifelong journey.

EN: For someone who is not financially proficient, can you explain how investing is more beneficial over just having a savings or a fixed deposit account.

TH: I think the main issue is inflation. If the money you have in the bank is generating an interest rate lower than inflation, the value of money goes down over time.

One of the key ways to overcome that is through investments. However, people shy away from it because they don't know how to, and feel that it is too difficult.

Today, there are many easy ways to gain basic knowledge to get exposed to the market. For example, you can always invest in STI ETFs to give you diversification across 30 top performing companies in Singapore. You need not have a lot of knowledge to invest in STI ETFs, but, it does not mean that you have to start investing 80% to 90% of your savings across the ETFs and com-

-panies that you may not know much about.

The main thing is to strike a balance. Investing is a journey; you invest 10% to 15% of your savings each time.

EN: Personally, I love your Career Advice section; I was very enlightened on the article on whether I should get a CFA or an MBA. How important it is in today's global context in pursuing a higher education?

TH: Qualifications and experiences come hand in hand. You do not want to be in a situation where your qualifications exceed the amount of experience that you have.

At the same time, your work experience should not surpass your paper qualifications, as certain jobs require a minimum academic score.

Learning is ongoing process can come from formal education and informal education through work experiences. It is important to strike a balance between both rather than to focus strictly on one and neglect the other



EN: Why did you want to start your own company?

TH: I started Dollars&Sense not because I wanted to be an entrepreneur, but it is just a passion of mine to write about financial related matters.

I feel it is important for Singaporeans to be financially educated. Dollars&Sense achieves and is seen as a trustworthy website. We are very independent, as we are not aligned with any financial insurance company. We view independency as a very important factor because we want to provide content with alternative insights.

At the end of the day, especially after the 2008 Global Financial Crisis, people want information from a source that is reliable. One does not listen to a personal banker blatantly. They do comparisons and match with suggestions or advice they get from members of the public.

EH: Should aspiring entrepreneurs work for others/company first or do you feel they should venture into building their own start-up company?

TH: We cannot discount the experience we get working in the corporate environment. It was a very valuable experience for me because I pick up a lot of skills, such as life working skills.

Having said that, if someone is passionate about starting something then they should. However, do not start a business just because you think you can make a lot of money out of it. You start it because you know that is something you want to do. When your profits come in, you are happy you have a job that you really enjoy.

EN: What advice you would give for one to climb the corporate ladder?

TH: The most important advice I can give is to be open to criticism. When you are working in a corporate environment, you must be open to the feedbacks you are receiving. If you are open to feedbacks or criticisms from your supervisors, you can improve yourself to be a better employee tomorrow.

The biggest mistake you can make is going into a company thinking you already have figured things out when in actual fact; there are a lot of things you have not learned about being in the industry.

I think no bosses or managers would want an employee who is not teachable. We would want to coach new people who have the potential and not someone who thinks he knows everything. This is a factor that every fresh graduate should avoid.

EN: You worked for various companies before you started Dollars&Sense, what are some of the challenges you faced working for a boss?

I won't say that there were challenges but when I transitioned from a student to the working environment, the standard of expectation increases exponentially.

You are expected to deliver high quality work. You are not expected to come in and spend six to nine months figuring out how to work. The learning curve is very steep and you must be a fast learner. You have to do a lot more extra homework than what you typically would.

For example, when there is something that you don't know about, you are expected to do some research on it before entering a meeting because the level of knowledge you need to have has to be on par with everyone.

In my opinion, this is a challenge for fresh graduates when entering a corporate lifestyle, where the environment is unfamiliar and fast-paced. There is a lot of learning in the earlier stages of working life.

EN: Looking at the current economy of Singapore, do you think there are a lot of job opportunities in the finance industry for the year of 2017?

TH: I think one area that all finance graduates are not considering enough is the FinTech industry in Singapore.

There are many FinTech companies in Singapore today and these FinTech companies will sooner or later replace some of the jobs traditional financial institutions are currently doing.

Many students steer towards looking for a traditional finance job, such as working in the commercial banks, a brokerage house and investment banks. They do not explore enough on FinTech companies that are growing in both Singapore and in Asia regions.

EH: Would you like to give your 2 cents for our post-graduates who are job hunting?

TH: It is not necessary to get a job in the finance as your first job. More importantly, your first job should be where you can continue to learn and develop yourself.

This is so in the future, when there is a better opportunity in the financial sector, you can steer towards it rather than being fixated on getting a finance job now.

EN: You were the President of INC in 2011/2012. How has that experience developed you to be who you are?

TH: My experience as a president in INC gave me the idea of starting Dollars&Sense.

When I was the President of INC in 2011/2012, I realised most people in school were focused on the latest strategy to make money in order to become a great trader. Not many students talk about investments.

This shaped my thought on what is actually important for Singaporeans.

There isn't a shortage of people who know great algorithms to make \$10,000 a month. There is a shortage of people, average Singaporeans like you and I, who do not know that with consistent efforts to save money, we can be a millionaires by the time we reach 55 years old. That is if we do not touch our CPF money and make small investments across many years.

We should not try to think that one could be rich through active trading of stocks.

The whole experience in INC reminded me that there is a need to educate people not just in SIM or schools but across the country why financial education and staying invested in the long run is important, especially in a fast growing economy.



Wealth Protection in Singapore

by Aaron Wong

Wealth Protection is the concept of planning and execution to protect one's assets.

The main goal of wealth protection revolves around insulating assets from potential threats of creditor claims and/or unexpected costs arising from liabilities and emergencies.

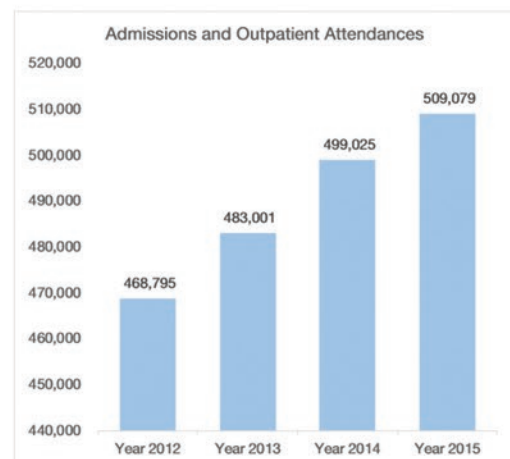
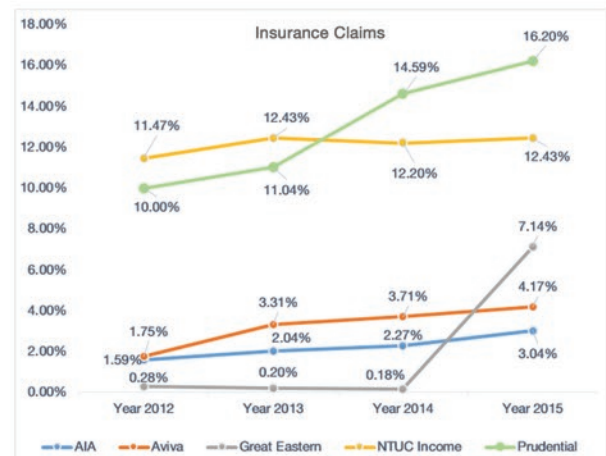
In Singapore's context, even the Central Provident Fund (CPF) familiar to most Singaporeans and Permanent Residents serves as a form of wealth protection for retirement. Thus, no one can shun away from this topic entirely.

Is wealth protection essential to everyone?

Detrimental events can happen to anyone regardless of their wealth, health, status, age, and gender. If they do happen, chances are the victims would be robbed of a substantial sum of their wealth. Though there is no foolproof way to prevent these events from happening, what can be done is to cushion the negative impact through wealth protection.

Statistics from the Ministry of Health (Singapore) and the Monetary Authority of Singapore highlighted an increase in both number of hospital admissions and healthcare insurance claims rate for every insured individual. In general, there is a rise in the amount of

people seeking medical treatments over the years.



For the general populace, this worryingly trend supports the fact that wealth protection is becoming increasingly vital to prevent one's wealth from depletion when medical misfortune occurs.

When unforeseen circumstances occur to an investor without a well-planned wealth protection plan, investors could, at best, be forced to exit a financial position with potential upside or at worst, face bankruptcy.

How do I start protecting my wealth?

Having discussed the potential effects Wealth Protection have on one's financial position, this begs the question of how wealth protection is incorporated into everyday life and how it is achieved.

Insurance

Insurance serves as one of the greatest deterrents to threats to personal finance at a relatively small cost. It works by transferring the risk of a potential loss to an insurance company in exchange for a premium paid by the insured policy holder.

It is a tool that helps offset financial liabilities without the need to liquidate assets/ investments, leading to a more comfortable financial position. It is extremely important to identify the types of policies that are suitable as exposure and risks differs with each individual.

For the average person, the most common form of insurance would be health and automobile insurance. These policies help to hedge one's wealth from medical costs and lawsuits from auto accidents.

Another effective solution to safeguard your wealth from a lawsuit is by purchasing a personal liability insurance policy.

Personal liability insurance policies pay benefits up to the limit of the policy in the case of a lawsuit arising from policyholders' own actions and negligence.

CPF LIFE and SRS

Making CPF contributions are compulsory for every Singaporean with an income, and is known to many as a scheme to ensure every Singaporean is able to retire. What most people do not realise is CPF's secondary function of wealth protection as your CPF monies are protected from creditors.

This function carries through even after you make the retirement transition to CPF LIFE.

The CPF LIFE scheme is a scheme that provides retirees a monthly pay-out from their Draw Down Age (DDA) until their demise. By paying a premium from your retirement account savings to participate in CPF LIFE, you are essentially safeguarding that amount and

the monthly pay-outs calculated from the annuity from creditor's claims.

Apart from protection from creditors, the CPF Advisory Committee recently came up with a new option for a CPF LIFE plan with escalating pay-outs. This plan was created to allow the purchasing power of the pay-outs to keep up with the rate of inflation.

The Supplementary Retirement Scheme (SRS) serves as a complement to the CPF Scheme. Participation in the SRS, unlike the CPF scheme, is voluntary.

An SRS account works as a saving scheme to build up one's retirement nest egg whilst providing tax relief incentive. When a contribution is made to your SRS account, the amount contributed is deducted from your taxable income. Similarly, when funds are withdrawn from the SRS account at the stipulated age, only 50% of the amount is taxable.

While the funds in the SRS accounts are not protected from creditors, it is still a form of wealth protection as the tax relief incentive provide protection against the corrosion of tax.

Assets Protection Trust

Last but not least, another method of wealth protection is to set up an assets protection trust.

The purpose of an assets protection trust is to create a safety net to safeguard personal assets that are set aside for one's beneficiaries. The assets can be distributed immediately to beneficiaries or after a period in the event of the trust owner's passing.

The basis of the trust protects the assets from creditor's claims in the event of unforeseen financial loss or difficulties. It also helps to ensure that beneficiaries involved do not squander the assets. These trusts must be irrevocable – So consider this an "advance on your will" to your beneficiaries.

To end off...

Ultimately, wealth protection is just a part of the wealth management process. It plays a crucial role in protecting your assets for the future, be it for a comfortable retirement or for wealth distribution.

To make sure one's wealth is efficiently utilised, the bigger picture of wealth management has to be taken into account rather than wealth protection alone. Also, do source for trusted financial advisers that can provide advice which suits your financial needs.



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