The benefits of long term saving

The unusually high levels of stock market volatility witnessed over the last few years and recently have been in part due to the uncertain times that we live in, and stock markets hate uncertainty. It is easy to get caught up in the short-term frenzy of stock market volatility, but it's always important to focus on the bigger picture – your long-term financial goals. Below we provide some points for you to consider when thinking about your investment plans.

Take your time

During volatile periods it's easy to become preoccupied with day-to-day market fluctuations and to make quick decisions. Some people try to anticipate movements in the market and switch their investments accordingly. But financial markets can be volatile and unpredictable; they can suddenly fall in value then bounce back quickly over the following days. This makes it very difficult to predict stock market movements and to get the exact timing of when to invest just right. Rises and falls are part of normal stock market life. However, investing a **fixed amount** on a **regular basis** into a long term savings plan could help 'smooth out' stock market movements.

Save regularly

Contributing a fixed amount on a regular basis is not only an effective way to save, but also helps to 'smooth out' fluctuations in the value of your unit linked savings plan.

Whenever you make a contribution to your unit linked plan you buy units in your chosen fund or funds. A unit is essentially a stake in a fund. Market fluctuations affect the cost of the units in funds. But when the price is driven down it means your regular contribution can purchase more units.

By saving a fixed amount on a regular basis clients are able to take advantage of 'Unit Cost Averaging' (also known as Dollar Cost Averaging), therefore reducing the risk of investing a large amount in a single investment at the 'wrong' time.

Turn over to see an example of unit cost averaging in action.

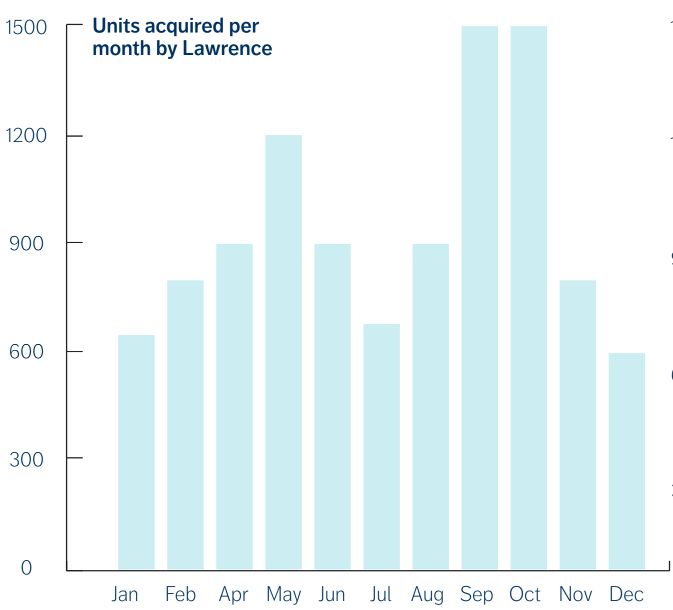
Take advice

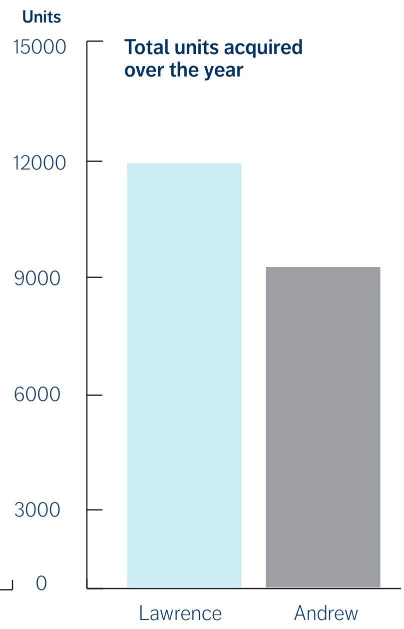
We recommend that you seek the advice of your usual financial adviser before making any investment decisions.

Unit cost averaging (also known as dollar cost averaging) refers to saving a fixed amount on a regular basis. It is an effective way to save and helps to 'smooth out' fluctuations in the value of your unit-linked savings plan

Unit cost averaging example

	Lawrence			Andrew		
Month	Amount Invested (SGD)	Fund Unit Price (SGD)	Units Acquired	Amount Invested (SGD)	Fund Unit Price (SGD)	Units Acquired
January	750	1.00	750	9,000	1.00	9,000
February	750	1.10	682	0	1.10	0
March	750	0.90	833	0	0.90	0
April	750	0.80	938	0	0.80	0
May	750	0.60	1,250	0	0.60	0
June	750	0.80	938	0	0.80	0
July	750	1.00	750	0	1.00	0
August	750	0.80	938	0	0.80	0
September	750	0.50	1,500	0	0.50	0
October	750	0.50	1,500	0	0.50	0
November	750	0.90	833	0	0.90	0
December	750	1.20	625	0	1.20	0
Total	**9,000**		**11,536**	**9,000**		**9,000**





This example shows how unit cost averaging works in practice. Lawrence Chan uses the unit cost averaging approach while Andrew Young invests a lump sum at the start of the year. Lawrence's and Andrew's SGD750 is invested each month into a fictitious fund to show an example of how the strategy works.

Please be aware this is only an example, in practice charges would apply for the management of the fund. These charges would have the effect of reducing potential returns. This example does not take into account inflation.

Lawrence invests SGD750 a month for one year into the fictitious fund. At the end of the year, Lawrence has acquired 11,536 units. At this time, using the December unit price, the units have a value of SGD13,843 (11,536 x SGD1.20).

Andrew on the other hand invests a lump sum of SGD9,000 in January. His investment acquires 9,000 units in the same fictitious fund. By the end of the year, using the December price, the units have a value of SGD10,800 (9,000 x SGD1.20).

As you can see, by spreading his investments over the year Lawrence is SGD3,043 better off than Andrew. For the same investment he has benefited from the effects of unit cost averaging.

Key benefits of unit cost averaging

To sum up, the key benefits of 'unit cost averaging' include:
- Smoothing the peaks and troughs of market volatility.
- Buying more units per premium in falling markets, thus increasing the number of units in the chosen mirror fund.
- Positioning well to take maximum advantage when market rebounds.

Benefits of using a regular savings plan

Investing in a unit-linked investment product

- Allows investors to spread smaller investment amounts across a wider choice of mirror funds.
- Allows access to the underlying funds at lower minimum investment amount through mirror funds than investing directly with the fund houses.
- Greatly reduces the administrative burden of holding multiple funds with multiple managers.

Regular reviews

Regardless of stock market volatility, it's important to review your investments on a regular basis to ensure they are in keeping with your attitude to risk and future goals. As your personal circumstances can change throughout your lifetime you should review your chosen investment funds yearly to ensure they still meet your needs. The funds you choose to invest in now may not be right for you later in your life.

If you're unsure as to how you should go about reviewing your investment you should speak to your financial adviser.

Finally, it is important to remember that inflation will reduce the spending power of any money you might get back in the future.

DCA_SG 03.20