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WOMEN & THEIR MONEY ABCs ON BONDS

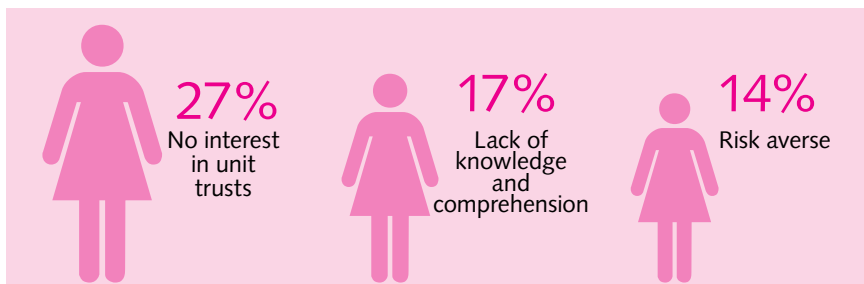
For women, financial planning is crucial because they tend to have a higher life expectancy and are generally more conservative in their investment behaviour. OCBC Ladies' Circle brings you a series of investment articles to give you better financial know-how. In this first issue, we talk about bonds.

SAVING BUT NOT INVESTING

In a recent survey* carried out on ladies from the OCBC Ladies' Circle, 85% of women make it a point to save every month and 54% have fixed deposits, but less than 36% invest in other higher risk investment products like unit trusts, stocks, structured deposits or commodities. In fact, 9 out of 10 of them prefer a low and below average risk portfolio but with more secure returns.

This proves that women are aware of the importance of financial planning but tend to be more conservative and comfortable with regular savings accounts and/or fixed deposits. Though savings are essential, it is just as important to begin some form of investment planning in higher risk instruments, in order to earn higher returns and to ensure better financial security for retirement years. Bonds are an ideal asset class to mark the first step of your investment journey.

Why do women not invest actively:



'The key to investment success is to start early and invest regularly,' advises Anne Tay, Vice President, Wealth Management. **'Don't let the lack of knowledge or fear of investment products hold you back.'**

LEARNING ABOUT BONDS

A bond is a debt security, also known as a fixed income security. When you purchase bonds, you are lending money to an entity, usually a corporation or a government as the issuer. In return for the loan, the issuer will pay you a specified rate of interest (coupon rate) during the life of the bond and the principal value of the bond when it matures.

CORPORATE VS. GOVERNMENT BONDS

Corporate bonds are issued by corporate organisations to finance their business expansion or strategies. They carry a higher risk compared to government bonds but they tend to offer a higher interest rate.

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In Singapore, Government bonds are known as the Singapore Government Securities (SGS). SGS have a maturity date of 2 years or more from the date of issuance. Debt securities which mature 1 year or less from the issue date are called Treasury Bills (T-bills).

MAKING SENSE OF THE PRICES

Bonds usually have a face value of S\$100 and its prevailing market price is quoted in hundreds. If you purchase your bond at S\$102, you are deemed to have bought it at a premium. Similarly, if you purchase the bond at S\$95, which is below S\$100, you would have bought it at a discount.

Bond prices move in opposite direction to interest rates. If you purchase a bond for the purpose of capital gains, you need to watch interest rates movements. If the interest rate moves up, bond prices will come down accordingly. As such, selling before maturity may result in a capital loss. The issuer of the bond only promises to pay you the full principal amount or face value if you retain the bond till maturity.

BENEFITS OF BONDS

- Helps to diversify and stabilise your portfolio to reduce your risk exposure.
- In event of liquidation, bondholders take priority over common stockholders.
- Enjoy a steady stream of income from periodic coupon payments.
- Potential capital gains if you sell your bonds when interest rate falls and bond prices goes up higher than your purchase price.

To learn how investing can be made simple, visit any **OCBC branch** to pick up a free copy of the **'Women & Their Money'** booklet!



*Source: From a survey commissioned by OCBC Bank on the OCBC Ladies' Circle base and conducted by idealog Singapore in July 2009, with a representative sample of 158 Singaporean females aged 20 to 60.