

How to grow your money?

Wealth Management. Ask OCBC.



Do you love your children?

PARENTS who love their children would want the best for their kids. A good university education is one of the best gifts parents can give their children.

But university education is expensive and it will get even more expensive in time to come (see table).

So if you are a parent, you will need to start planning early so that you will not be left stranded when your children are ready to go to university.

There are a couple of things that you ought to keep in mind

when you plan for your children's university education.

Firstly, if you wish to send your children to an overseas university, bear in mind that it costs a lot more than a local university.

For example, the cost of a four-year course in a Singapore university is currently estimated to be nearly \$45,000. The corresponding cost for a university in the United States is almost five times that amount.

Secondly, remember that the cost of education is likely to

escalate sharply in the years ahead. The cost of education in a local university, for example, could double in the next 20 years.

So if you are formulating a plan for your child's university education, you will need to estimate how much it will cost by the time your kid is ready to enter university.

Once you've estimated the cost, you will need to start saving and investing as early as possible.

Financially, it will be more painful if you put it off too late.

For example, if you have 15 years to save for your child's education in the United States, you will need to set aside a lump sum of \$175,413 and invest it at 5 per cent per annum.

Alternatively, you could embark on a monthly savings

of \$1,359 and invest it for a compounded return of five per cent per annum.

However, if you only have five years to accumulate the required funds, you will need to set aside a much larger lump sum of \$285,728 or about \$5,340 per month.

One way to build up a pool of funds for your children's university education is by investing in unit trusts — although you should diversify your portfolio to protect against downside risk.

To save and invest systematically, you may wish to consider a regular savings plan.

Aside from investing in unit

trusts, you could also consider an endowment plan.

The latter is a long-term savings policy, and you should choose one with a maturity period that ends when your child is ready for university education.

Endowment plans also have a "sum assured" value which is paid out in the event of death.

This is the last article in our 13-part series that was aimed at bringing you back to the basics of Wealth Management. We hope you've found the series useful and wish you and your loved ones a secure and happy financial future.

COST OF UNIVERSITY EDUCATION				
LOCATION	SINGAPORE	AUSTRALIA	UK	USA
LENGTH OF COURSE	4 YEARS	3 YEARS	3 YEARS	4 YEARS
Today	44,880	111,585	170,610	232,184
5 years' time	53,962	142,061	214,034	273,323
10 years' time	64,005	176,074	265,714	315,666
15 years' time	76,599	218,312	334,028	364,670
20 years' time	92,439	270,780	424,846	421,396

Includes total tuition fees and total living expenses

SOURCE: OCBC WEALTHMAP

Need information on how to manage your wealth?
Visit our website at <http://www.ocbc.com/wealth>

Real Solutions. Real Wealth Management.
OCBC Bank

US Federal Reserve likely to raise rates for 10th time since June 2004

John M Berry
news@newstoday.com.sg

UNITED STATES Federal Reserve officials will not spend much time at their policy-making meeting today debating whether they are close to ending interest rate increases. The recent economic news has been too strong for that.

On the other hand, there is no reason for them to consider moving toward a tight monetary policy, as opposed to just bringing the overnight lending rate to that neutral level at which policy would no longer be stimulating economic activity.

Growth is solid, not running away, and inflation, while more of a concern to Fed officials than growth, is still seen as under control. Nevertheless, revisions to earlier core inflation figures showed prices increasing at about a 2-per-cent rate over most of the past two years, and officials undoubtedly would not like to see that rate rise further.

So the policy-making arm of the Fed — the Federal Open Market Committee (FOMC) — will likely raise its federal funds target by another quarter-percentage point for the 10th consecutive meeting, to 3.5 per cent. Similarly, the

FOMC will say once again that it remains likely to continue to remove policy "accommodation" at a "measured" pace. That means further interest rate increases are probable at the other three meetings this year.

Accelerating growth
Over the past month, most of the economic developments have pointed to accelerating growth. Even the huge US trade deficit improved a bit in the most recent data, so that added demand for goods and services in the US is translating into more production and jobs rather than just more imports.

With spending for cars and other goods doing unexpectedly well last month, numerous forecasters are now predicting the US economy will rise at a 4.5-per-cent to 5-per-cent annual rate this quarter, after a 3.4-per-cent rate of increase in the previous quarter.

Last Friday, the Labor Department said the number of payroll jobs rose by 207,000 last month, roughly in line with the average monthly gain for the past six months. If that continues, the 5-per-cent unemployment rate could gradually decline.



Recent strong US economic data suggest the Fed will continue to raise rates.

Payroll gains

Among the larger payroll gains were those at car and automotive parts dealers and in financial services. Neither should have been a surprise, since motor vehicle sales soared last month and the real estate market, with its attendant mortgage activity, remained buoyant.

Some of the acceleration in growth will likely be temporary. Encouraged by big discounts, car sales took off last month and will not increase in that fashion again this month. Consumer incomes are rising, though not so rapidly as to support that kind of splurge month after month.

Greenspan's focus

The issue is whether the quarterly increase in compensation slowed down. A few analysts think it did, and if they are right, unit labour costs may have gone up at only about a 1-per-cent annual rate during the quarter.

Fed chairman Alan Greenspan and many of his colleagues focus on the change in unit labour costs in making their assessments about what is happening to inflationary pressures.

In their discussion of the economy at today's meeting, Fed officials will be looking past the latest numbers in their usual calm way. Most, if not all of them, continue to be quite comfortable with the results that their quarter-point per meeting approach to normalising the level of overnight interest rates have turned out.

By the end of the meeting today, they will have raised that target by 250 basis points since June 2004 without strangling the economy. Even with the recent data revisions and the changes to forecasts, they still stick with that approach. — *Bloomberg*

The writer is a Bloomberg columnist. The opinions expressed are his own.

STOCKcalls

China Enersave (11 cents) — Buy

DBS Vickers keeps its "Buy" recommendation on China Enersave with a 17-cent target price despite lower-than-expected 1H05 earnings, as commencement of the Huizhou plant will provide full-earnings contributions in FY06. DBS Vickers says new energy laws passed by China should also help demand for renewable energy projects and support future earnings.

Hyflux (\$3.34) — Sell

CLSA downgrades Hyflux to "Sell" with a \$2.66 fair value as 2Q05 earnings "look good only because of an exceptional gain". CLSA says there has been no confirmation on its China projects, while the completion of the Sing-Spring divestment has been delayed even further. "Given such difficulties in Singapore, we are even more cautious on the mega-projects in China, which remain Memoranda of Understanding".

— Reports from Dow Jones