

How to grow your money?

Wealth Management. Ask OCBC.



What is Wealth Management?

WEALTH Management is a catchy phrase which players in the financial services industry use frequently. However, its real meaning and who it is intended for is often misunderstood.

Most people think that Wealth Management is meant only for the wealthy. This is a common misperception.

Wealth Management should be practiced by everyone, irrespective of how wealthy one is.

Unless you happen to be fortunate enough to come into unexpected wealth, this is the only way to ensure the future needs of your family and you are taken care of.

To start with, it entails assessing your current financial state of affairs for excesses and inadequacies (such as over-spending and over-borrowing).

Once you have done that and addressed your shortcomings,

then you are ready to start putting a plan in place.

The first part of your plan requires you to outline clearly your immediate and longer-term goals.

Strategies can then be devised and implemented to help you achieve these goals.

At the heart of this are two very simple concepts: Save and invest regularly.

Nothing beats the effect of a regular investment stream that grows exponentially because of compounding.

The second part of your plan is to ensure that you have protection for "rainy" days. Wealth can easily be wiped out so you must have something put in place to protect it and to provide for "rainy" days.

This includes setting aside enough savings so that you will not face a cash-crunch should something unexpected happen

(for example, job loss) in the future.

It is here that having enough of the right kinds of insurance protection will ensure that you and your dependents have financial security should something unfortunate happen.

As you amass your wealth through your life, the third part of your plan becomes critical. You need to ensure that your wealth is transferred smoothly to your dependents when you pass on.

Wills and estate planning are becoming an increasingly important but often forgotten part of our lives. At the very least, proper planning can prevent your dependants from becoming unduly burdened by estate duties and other forms of taxes after your passing.

Lastly, managing wealth means planning for your twilight years so you can enjoy a

comfortable retirement.

Most of us probably think retirement is too far away, what with the worries of today, but it is in starting today that we secure tomorrow.

It is clear from what has been described so far that Wealth Management has been somewhat of a misnomer.

To demystify the slogan, OCBC Bank will embark on a series of articles over the next few weeks to bring you back to the basics of Wealth Management.

Our articles will define Wealth Management concepts clearly and we will offer you

real examples and solutions which you can easily understand and relate to.

For example, in next week's article, we will help you to take stock of your income and expenses and assess if you are living within your means.

Remember that it is important to make informed decisions when planning for your financial future.

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OCBC Wealth Management

CPF-linked funds bleed in Q1; Imas works to allay investors' fears

CPF-linked funds lost money again in the first quarter, but an industry association wants to ramp up investor education to "rationalise" fears on investing in unit trusts.

Out of the 243 unit trusts under the Central Provident Fund Investment Scheme (CPFIS), about six in 10 made negative returns in the first quarter.

The returns? An average of -0.02 per cent in the quarter ended March 31, according to fresh data by Standard & Poor's (S&P).

But the Investment Management Association of Singapore (Imas) wants to see more CPF savings parked in unit trusts, said its executive director Andrew Kwek during an S&P press conference yesterday.

"Yes, poor performance of the funds has been a key disincentive for people to invest in unit trusts," noted Mr Kwek.

"But after a period of being burnt, and as the markets begin to turn into money-making territory, the (continued) fear of being burnt will be a hindrance to people making those investments. What we want to do is rationalise some of those fears."

He said that retail investors might also be feeling averse to unit trusts because of recent media reports highlighting some malpractices in the fund managing industry.

These include "churning" by Financial Advisors (FA) who earn extra commission by getting clients to buy and terminate new



Concerns over high oil prices had hit stock markets in the first quarter, said Standard & Poor's.

investment products within a short time.

To "rationalise" consumer fears, Imas is now working with insurers and fund managers to develop a list of do's and don'ts for FAs and investors.

The checklist will be rolled out by year's end through MoneySense, an ongoing investor education programme, Mr Kwek said.

For the first quarter, CPF-linked insurance-linked products (ILP) also delivered an average return of -0.32 per cent.

"The performance of equity markets was mixed in the first quarter, with the United States and Greater China markets bearing the brunt of the decline," said Ms Sharon

Wong, director of S&P Equity Research.

She explained that concerns over high oil prices and slowing global growth hurt global sentiment.

The latest performance is dismal compared to the last quarter ended Dec 31, where unit trusts returned 6.75 per cent and ILPs yielded 5.77 per cent. Easing oil prices then had inspired stock markets to rally.

But the picture turns positive viewed over a one-year period: Nearly six in 10 CPF-linked unit trusts beat the CPF Ordinary Account annual interest rate of 2.5 per cent.

— Christie Loh

STOCKcalls

Want Want Holdings (US\$1.03) — Strong Buy

DBS Vickers upgraded Want Want to a "Strong Buy" from "Buy" and raised the price target to US\$1.38 from US\$1.09, after noting that the company's 1Q earnings showed broad-based growth in all business segments.

The research house raised the FY05 net profit estimate by 5.8 per cent to US\$95.6 million on likely improvement in gross margins.
— Dow Jones

Seksun Corporation (38 cents) — Hold

Kim Eng keeps a "Hold" on Seksun with a six-month target of 40 cents as the company's weak 1Q05 results were in line with expectations. It also noted bullishness on the company's 2Q prospects, projecting 2Q operating performance to be both better quarter-on-quarter and year-on-year.

Seksun's 2H05 is expected to be better than 1H, as demand for hard disk drives, especially 1-inch drives, is expected to pick up. Though Kim Eng said that there is no change to its FY05 profit forecast of \$11.5 million, it added that the valuation is unattractive at 11.9-times FY05 earnings, while the downside is probably limited by a book value of 36 cents.
— Dow Jones