Cashflow Projection

Name:
NRIC:
Address:

$20 milk powder – below 7 years old
Every week $10 NTUC voucher fruits and vegetables
$10+$10+$10+$10 +$20 = $60 per month
Sign attendant – bring to you to sign during the food ration.
Food ration : March/June/Sept/Dec 2021 – rice, oil, can foods all halal
Piggy bank – 1st week of the month. Take photos for all children and send to whatsapp

Expenses – Daily & Monthly

	Weekday					Weekend	
	Mon	Tue	Wed	Thu	Fri	Sat	Sun
	(Breakfast $4+lunch $5+dinner $10) $20 (3 sons $20 + $20 = $60	$60	$70	$70	$80	$90	$90
A: Total per week [Add up expenses from Mon to Sun]	$60+$60+$70+$70+$80+$90+90 = $520 per week						
Total per month [7 x 30]	4 weeks * $520 = $2080 per month $1500, $500, $1200						

Transport Expenses

Transportation to work $

Note: Calculate the daily amount and total it to monthly

Children - Monthly

Milk Powder $

Diaper $

Milo $

Babies check up $

School fees $

House - Monthly

Phone Bill $

Electricity PUB Bill $

Others

Toiletries and Grocery $

Rental $

Property Maintenance / Town Council $

Any others $

Note: Calculate the daily amount and total it to monthly

Outstanding loan - Private and Families and Friends

1)

2)

3)

Saving

Income earn (salary) - Expenses = $

Example $1500 - $2000

Total Saving $500   example

Investment

Insurance

Bonds

Fix Income

Any others

Charter - Lesson 1

Before you meet an adviser

1 Identify your goals and advice needs

Setting your goals

The type of advice you need depends on your circumstances and what you're trying to achieve.

The first step is to think about your financial goals. A good way to do this is by timeframe:

- **Short-term**, e.g. saving for a holiday or paying off a credit card
- **Medium-term**, e.g. buying a home or building an investment portfolio
- **Long-term**, e.g. achieving a certain level of income in retirement. Insurance, medical bills

Exercises: What are your short term goals? List your top 3. And explain why? And how would you do it?

What are your Medium-term goals? List your top 3. And explain why? And how would you do it?

What are your Long-term goals? List your top 3. And explain why? And how would you do it?

Do you need advice?

Whether you need to seek financial advice will depend on the complexity of your situation, your goals and whether you want a tailored financial plan.

If you don't need tailored financial advice, some other useful sources of financial information include:

- **SHG's MoneySmart website** - information and tools to assist you with budgeting, determining your current financial position, and planning for retirement.
- **Your bank, credit union or building society** - information about savings and loan products.
- **Your super fund** - may be able to assist with information about investment options, consolidating multiple accounts, making additional contributions, and insurance options.

Activity: Think about your financial goals

Set your goals below and they will be **added to your 'to-do' list**.

Goal type [Aged care] Details [20] Timeframe [ ] Est. amount ($) [60000]

Write down your current goals.

Further reading

Select items below you want to **add to your 'to-do' list** to read later or click the link to view the webpage now.

- ☐ Identifying your financial advice needs - Work out whether you need financial advice.
- ☐ Goals & risk tolerance - Learn more about investment risk and investment goals.

Exercises:

Why do you needs financial advice?

What is your investment goals? Example if you have extra cash or saving, what will you do with it?

What kind of risk can you accept? Low, medium or high? Explain what you select?

Lesson 2

Identifying your financial advice needs

Do you need financial advice?

You may have avoided getting financial advice because you're not sure how a financial adviser can help you. You may also think you'll have to pay for a **comprehensive and expensive financial plan**. Depending on the kind of advice you need, you may not.

This page explains the things an adviser can help you with, and it suggests some places you can get free or **low cost factual information** about different financial products and strategies. **Compare for example**

- **When a financial adviser can help**
- **When a financial adviser is not needed**

When a financial adviser can help

Smart tip

If you need financial advice because you're having trouble paying your bills or need to sort out your debts, see a financial counsellor first.

Don't think an adviser will make you a millionaire through a secret formula or a magic ability to pick winning investments. Advisers mostly add value by helping you sort out your financial goals and working with you to develop a plan to achieve them over time.

Most importantly, working with an adviser will help you turn thought into action, especially if you tend to put things off.

If you're unsure whether financial advice is right for you, visit our financial advice toolkit to understand what the process involves, before you make a decision.

Exercise: Develop a plan – How do you achieve your goals?   - 50 mins

Jan	Feb	March	April	May	June
July	Aug	Sept	Oct	Nov	Dec

Advice is helpful in times of change

Professional advice is most valuable when you're going through a big life event like starting a family, being retrenched or managing an inheritance. It's also great for less **immediate goals** like growing your super or **planning for retirement**.

The type of advice you need will depend on your life stage, the amount of money you have to invest and the complexity of your affairs. See types of financial advice for more information.

When a financial adviser is not needed

Not every situation calls for comprehensive, ongoing financial advice. Instead of financial advice, you may simply want factual information about different investment products and strategies or need to understand more about financial services generally.

Here are some places where you can get that kind of information.

Banks, credit unions or building societies

Bank, credit union and building society staff can be a good source of free factual information about ways to save such as savings accounts, term deposits and first home saver accounts. This might be all the information you need if your main financial goal is saving for a home or building a savings buffer.

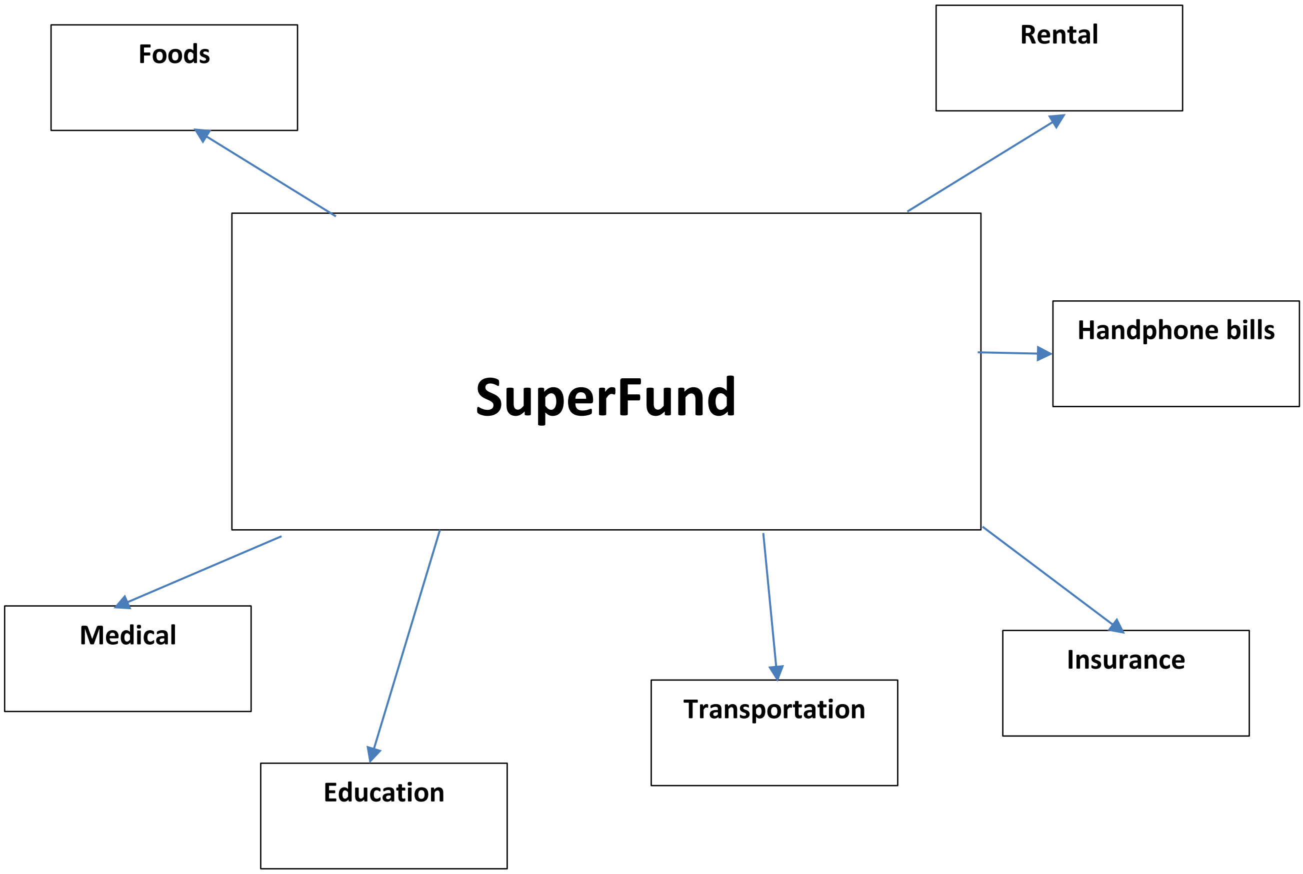
Remember to shop around and compare products.

Use our savings calculator to set up a plan to reach your savings goals.

Your super fund

Your super fund can provide factual information, including:

- Investment options within your current fund
- Saving for retirement
- How to make extra contributions to your current fund
- Consolidating multiple super funds
- Insurance options with your current fund



Exercise

How much money should we save inorder to meet our daily needs?

Retirement Planner

Case study: Jim's super idea

'I've been in the same super fund for 10 years but I'm only just starting to think about whether I'll have enough money to retire. I phoned my fund to see if they could help. They told me they hold regular seminars, have online information about retirement or if I want they can refer me to a financial adviser. I wish I'd contacted them for help years ago.'

Lesson 3

Goals & risk tolerance

Choosing investment goals

You can't choose the right investment strategy until you're clear about your **investments goals** and timeframe. Working out your goals will help you identify the types of investments that are suitable for you and how much risk you can take.

- **Set your investment goals**
- **Set your timeframe**
- **How do you feel about risking your money?**
- **How much risk should you accept?**

Set your investment goals

Investing is about putting your money to work to achieve your personal goals. So start by identifying what you want to achieve by when. Setting goals forces you to plan, and having a clear goal - ideally written down - helps motivate you to stick to your plan.

Think about your goals first. Perhaps you are saving for a holiday, for a home deposit or to pay for a child's education. Or your goal may be to boost retirement savings. You can then see that different goals have different timeframes. You may only have 6 months or a year to save for a holiday but if you are saving for your retirement you might have 25 or 50 years.

Setting a timeframe for each goal helps you stay on track. You may have several goals, each with a different timeframe. Allocating a timeframe to each investment goal will enable you to think about how much you can afford to invest and how long it will realistically take you to reach your goal.

Sample goals and timeframes

Goal	Short term (up to 3 years)	Medium term (3-7 years)	Long term (more than 7 years)
House			
Save for child's education			
Boost retirement savings			
When do you want to spend the money			

Set your timeframe

Setting a timeframe for each goal will help you work out how much investment risk you can afford to take.

If you are saving money over a short period of time it may be tempting to use higher-risk investments. But growth investments, such as shares, are not appropriate for short investment timeframes as their value might drop suddenly, just when you need your money.

But if you are saving for a long-term goal, such as retirement in 25 years, then you have time to ride out the ups and downs in the market. This means you can take on a higher level of investment risk.

Exercise

Give a thought. What would you be expecting after 25 years later from now? Example investment, and saving? Increases or maintain or decreases?

How do you feel about risking your money?

Risk tolerance also depends on your ability to cope with dips in the value of your investments. Factors that can influence your risk tolerance include your age, your ability to recover from capital losses and your health.

To decide where you fit on the risk tolerance scale, ask yourself this question: 'How would I feel if I woke up tomorrow and found my investment balance had dropped 20%?'

If this drop would cause you to worry a lot and pull out of the investment, then a high risk investment is not for you. This is because you could pull out at the worst possible time and actually compound your losses.

If, on the other hand, a drop in the market causes you to start looking for bargain buys, then you are probably very comfortable with market fluctuations. You will be comfortable with a higher level of investment risk.

Your comfort level could be somewhere in between.

How much risk should you accept?

Your overall risk tolerance is the lesser of the risk you are comfortable with and the risk your timeframe will allow you to take. Use the investment grid below to work out where you fit on the investment risk scale. Cash is low risk and growth is high risk.

Your partner may not have the same risk tolerance as you. If you are considering a joint investment, you may need to compromise on an investment option you are both comfortable with.

Exercise

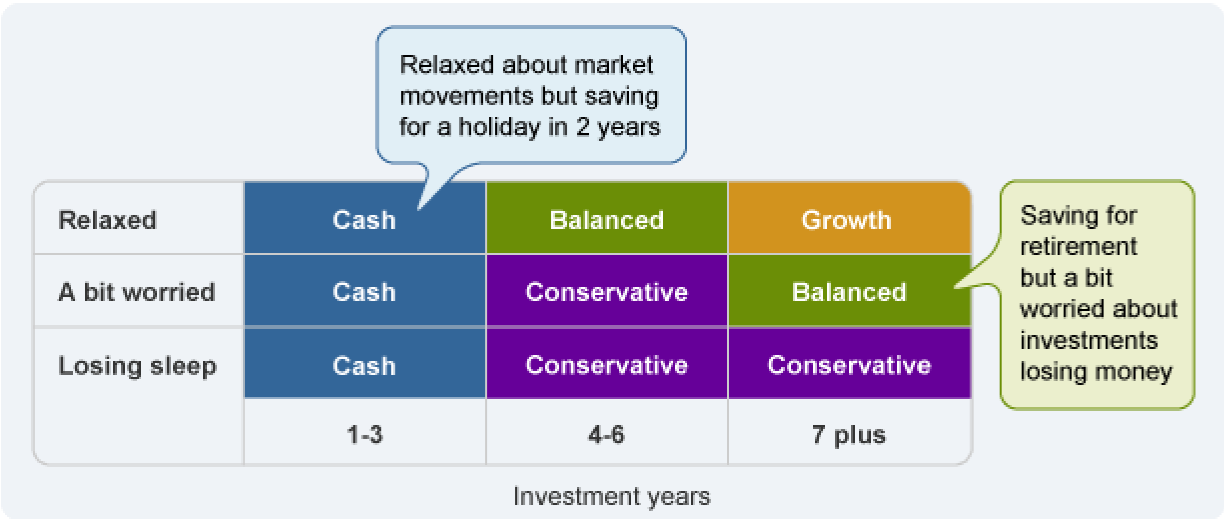
1) What would happen if you notices/found out that you make a lost in your investment?

2) In the past, have you lost any investment? Example

3) What should you do to recover your losses?

4) Do you think you will make the same mistake again?

How comfortable are you?



What we mean by growth, balanced and conservative

When we use 'growth', 'balanced', 'conservative' and 'cash' here, this is what we mean.

- Growth - invests 70-90% in shares or property. Aims for higher average returns over the long term.
- Balanced - invests 50-70% in shares or property, and the rest in fixed interest and cash. Aims for reasonable returns, but less than growth funds to reduce risk of losses in bad years.
- Conservative - invests 30-50% in shares and property with the majority in fixed interest and cash. Aims to reduce the risk of loss and therefore accepts a lower return over the long term.
- Cash - invests 100% in deposits with Singapore deposit-taking institutions. Aims for stable returns over a short term.

Different funds may have different names for their portfolios and asset allocations may not be the same as ours.

Case study: Carissa plays it safe

Carissa is studying and working part-time. She is saving for a post-graduation trip but is extremely cautious and doesn't want any risk of losing her capital. She is happy to accept a steady rate of return from a high interest online savings account.

'I may not be getting the same returns as a share investment in the good times but I want to take this holiday when I graduate in 2 years time, so preserving my capital is my main concern. The share market? Not at the moment. I don't have time to get back any losses.'

You've identified your goals, know your timeframes and considered your risk tolerance. Be aware that borrowing to invest adds even more risk to a strategy. While there is potential to greatly increase your returns there is also a risk that you will greatly increase your losses.

Next, learn more about risk and return.

My savings plan – Exercises

My goals

Goal	How much it will cost?	When do I want to achieve it?	How much can I save each week?
e.g. holiday to the Great Barrier Reef	$3,000	1 year	$60

How I will reach my goal?

One way to save	How much will this save per week?	How much will this save per month?	How much will this save per year?
e.g. Rent a DVD rather than go to the movies	$20 per week	$85	$1,040
e.g. take my lunch to work	$50 per week	$215	$2,600

Lesson 4

Types of financial advice

Finding the right financial advice for you

The type of financial advice you need will depend on your stage of life, the amount of money you have to invest and what you are trying to achieve. This page explains your financial advice options.

- **General financial advice**
- **Personal financial advice**
- **Different ways to get advice**

General financial advice

General advice does not take into account your particular circumstances, such as your objectives, financial situation and needs. For example, if an adviser gives you information about a product that might be suitable for you, but does not take into account your overall financial goals or actually recommend you take up the product, it is general advice.

You can get general advice about financial products or investments from someone who holds or works for a company that has an Singapore Financial Services Licence (SFSL).

Case study: Kathy and Joe get general advice from their super fund

Kathy and her husband, Joe, bought a new house so they decided to check if the life insurance and income protection insurance they had through their super funds were enough to cover the mortgage repayments if either of them died or couldn't work anymore. When they called their super funds they were told they could only be given general advice which covered information about the features of their insurance products and their current level of cover. They were advised to consider all their debts and expenses, not just their mortgage repayments. Kathy and Joe realised they needed to have a closer look at their finances to work out the level of insurance cover they needed.

Exercise – Group

1) Who is adviser in this case study?

2) How does an adviser identify?

Personal financial advice

If you want a recommendation that takes your personal situation into account, you need personal advice.

For this kind of advice, it's important that you only talk to someone who is a licensed adviser. See choosing a financial adviser for more information on how to find a licensed adviser.

The cost of the advice will depend on the scope and kind of advice you receive. For more information, see financial advice costs.

Use our financial advice toolkit to understand the the financial advice process, and what is involved at each stage.

Types of personal advice

There are different types of personal financial advice that you can get from an adviser:

- **Simple, single issue advice -** addresses a particular aspect of your finances, for example, the best way to make personal super contributions. It's not comprehensive advice. You may be able to work out some of these simple issues for yourself, for example, you could use our super contributions optimiser to work out the best way to make personal super contributions.
- **Comprehensive financial advice** - involves developing a comprehensive financial plan to help you set and achieve financial goals. It will cover things like saving, investments, insurance and superannuation and retirement planning. This sort of plan should be monitored and adjusted over time.
- **Ongoing advice -** your adviser will monitor and review your financial plan on a regular basis to help you manage your financial affairs. The frequency of reviews and how you pay for them should be mutually agreed when you start working with a financial adviser. Find out exactly what your ongoing fees cover.

See financial advice costs for more information about ongoing advice fees.

Exercise – Group

1) Who can give you personal financial advice?

2) Can you accept any personal financial advice? If no why?

Different ways to get advice

The way you get advice may depend on your needs, practical considerations and how comfortable you are with various advice methods:

- **Face-to-face advice** - suitable for holistic advice or more complex issues, where it is practical to meet with an adviser
- **Phone-based advice** - suitable for single issue personal advice or general advice, often in conjunction with a follow up email or letter
- **Video chat or conferencing** - allows people in rural and remote areas, or those who have difficulty travelling, to receive face-to-face advice on a broader range of issues
- **Robo-advice** - advice delivered online via computer, tablet or smartphone, using technology in place of a human financial adviser.

There are many ways to access financial advice, whether you want it on an ad hoc basis or whether you want to develop an ongoing relationship with an adviser. Consider your advice needs and what you are prepared to pay to help you work out the best option for you.

Exercise – Group

1) What is face to face advice mean to you?

2) Could phone based advice help you in your financial needs?

3) When should you use video chat or conferencing?

4) Do you think Robo advice could help you in your financial needs? If no, why?

Lesson 5

How to do a budget

The ins and outs of budgeting

The best way to take control of your finances is to do a budget. This is a simple tool that helps you understand the money going **in and out** of your household.

A budget shows you if you are spending more or less than you can afford. It enables you to direct your money to where it matters most, so you can stay on top of bills and start putting money towards your future goals.

Here are our simple steps to prepare and use a budget.

- **Why do a budget?**
- **Preparing your budget**
- **Using your budget**
- **Getting help with your budget**

Why do a budget?

Doing a budget helps you get off the treadmill of living from one pay packet or payment to the next. It enables you to sort out your **money priorities** and find the right balance between **spending and saving**.

A budget lets you **pay off a credit card or loan**, plan better for when your big **bills are due**, and **save up for a holiday or big purchase**.

Save abit monthly

CPF – insurance – paid yearly due

Telephone – monthly due date

HDB - monthly

Preparing your budget

Use our budget planner (cashflow -excel) to plan where you want your money to go. Choose a time period for your budget that suits your **lifestyle** - for example, a week, a fortnight or a month.

Peer exercises

Discuss within your peer what can you do with a budget?

Why budget is important to you?

How would you plan your budget?

Budget Planner

It is helpful to look at the money going in and out across a whole year. Include regular payments such as your rent or home loan, phone and electricity, car or public transport.

Checking your bank statements, bills, credit card statements, receipts and shopping dockets will help you to work out all your expenses. Use your best guess if there's anything you can't find or if bill amounts vary across the year. Get our top tips on checking your bank statement.

Add in all the money that you receive or are paid over the time period. This could include your pay from your full-time or part-time job, any casual work, your pension, government benefits, child support payments and any money from investments. If your income is variable, make an estimate based on your past year's earnings.

When working out your money priorities, think about which items you need for your SHG living expenses and which are extras or things you could maybe do without if you needed to save some money.

Case study: Alex's rate bill strategy

Alex knows she has to pay rates of about $300 every quarter. To plan for these payments, she sets aside $100 a month into a special bank account called 'bills'. This way she is prepared when the bill is due and can use the money she has put aside.

Using your budget

Print your completed budget planner and keep it somewhere safe. Before you go to the supermarket or other shops, check your budget to see how much you can spend and then stick to that amount.

Track My Spend

If you are trying to save money, look at your budget and find ways to cut back on the extras. Try and budget a specific amount for fun, leisure and personal expenses but don't make your budget so tight that you won't be able to stick to it. Use the savings plan to keep you focused on your goals.

It's a good idea to redo your budget every 3 to 6 months to make sure it reflects your current income, spending and what you want to achieve. Once you are comfortable with using and sticking to a budget, you can update it less frequently, like once a year.

You will probably also want to refresh your budget when there are significant changes to your income or expenses, like getting or losing a job, buying or selling a car or house, the extra cost of expanding your family or managing illness.

Peer exercises

How do you track your spending?

Are you able to control your spending wisely?

What is require or needed inorder to track your spending?

If you have money left over (a surplus)

Smart tip

The best way to save is to put money into a separate savings account as soon as you're paid and before you get the chance to spend it.

There are a lot of things you can do with any extra cash, including:

- Open a high interest savings account
- Look into investing
- Think about making super contributions

When you receive a pay rise, bonus, special payment or tax refund put the money straight into your savings account to give it a boost.

Peer exercises

What should you do with your surplus?

If you're spending more than you can afford (a deficit)

This is not the end of the world but you do need to take action to fix this. Check your budget to make sure you've got all the amounts right and look at your expenses to see if there are any you could reduce. What could you cut out or cut back?

If you're still in the red or are finding it hard to work out what to cut, read the section on managing debts. Or talk to a financial counsellor - they are free and can help you take control of your money.

Getting help with your budget

If you are on a low income or have never done a budget before, starting a budget may be pretty tough. You will find that it does get easier though. The first budget is the hardest but you will get better at it as you go along.

There are also people who can help you with budgeting such as financial counsellors.

The following pages have lots of information and tips if:

- You are leaving home
- You are having a baby
- You have lost your job
- You are over 55 and you're planning your retirement.

Peer exercises

What should you do if it is a deficit?

What needs to be done inorder not to have a deficit again?

Budget and monitoring services

Beware of budget plans sold by high-pressure selling. You could end up paying $5,000 or more for a 'budget' and a 'monitoring service' that the salespeople claim will help you pay off your loans faster. Unfortunately, these budgets can be totally unrealistic and involve all sorts of sacrifices that no-one could live with. The 'monitoring service' may also be a waste of money.

The best way to do a budget is to have a go yourself. If you can, get help from a trusted friend who is good with money.

Budgeting is a skill that anyone can learn. The more you do it, the easier it will be to stay on top of your money. Get started now by using our budget planner.

Insurance provides the money you need when things go wrong. If you have insurance, the cost of repairs, medical treatments, travel changes or theft can be softened.

This section of the website explains what to look for in insurance products so you can find the right policy for your needs.

- **Car insurance -** including special information for young drivers
- **Home and contents insurance -** including storm, flood and fire cover
- **Life insurance -** including life cover, disability cover and income protection
- **Travel insurance -** protection you are travelling

- **Health insurance** - for different types of health costs
- **Mobile phone, tablet and laptop insurance -** coverage for these important electronic items
- **Pet insurance** - cover for your pets
- **Disaster proof your finances -** disaster proof your important documents and financial records
- **Renewing your insurance -** how to assess your existing policy
- **Consumer credit insurance -** is it the right option for you?

Peer exercises

Write down all your cashflow in details. And submit it.

Daily Expenses tracking sheet (每日现金流量)

Name 0

Date									Remarks
	Week 1	Week 2	Week 3	Week 4	Week 5			Total	
Cash Inflows （现金流入）									
Salaries/ Allowance （工资，生活费）	0.00	0.00	0.00	0.00	0.00			0.00	
Vouchers （礼券）	0.00	0.00	0.00	0.00	0.00			0.00	
Loan from Banks/Others （贷款）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Cash inflow （总现金流入）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Cash Outflows / Expenses （现金支出/费用）									
HOME （房屋）									
Rental （租金）	0.00	0.00	0.00	0.00	0.00			0.00	
Monthly instalment （分期付款）	0.00	0.00	0.00	0.00	0.00			0.00	
Insurance （保险）	0.00	0.00	0.00	0.00	0.00			0.00	
Phone / Internet / TV （电话，上网，电视）	0.00	0.00	0.00	0.00	0.00			0.00	
Utilities (Water, Electricity) （水，电）	0.00	0.00	0.00	0.00	0.00			0.00	
Town council fees （市政费）	0.00	0.00	0.00	0.00	0.00			0.00	
Maintenance/ Appliances （电器，维修）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Home （总房屋）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
TRANSPORTATION （交通）									
MRT card (MRT/bus) （地铁/巴士）	0.00	0.00	0.00	0.00	0.00			0.00	
Taxi/Grab （计程车）	0.00	0.00	0.00	0.00	0.00			0.00	
Petrol （汽油）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Transportation （总交通）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Daily expenses （日常开支）									
Groceries/ Wet Market/Toiletries (超市/巴刹/家	0.00	0.00	0.00	0.00	0.00			0.00	
Dine out Food & Drinks （吃喝）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Daily Expenses （总日常开支）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Child care （孩子开销）									
School fees, Student/Child care （学费，托管费）	0.00	0.00	0.00	0.00	0.00			0.00	
Tuition/Enrichment classes （补习，课外活动）	0.00	0.00	0.00	0.00	0.00			0.00	
Milk Powder, Diaper, etc （奶粉，尿片）	0.00	0.00	0.00	0.00	0.00			0.00	
Pocket money to children （零用钱）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Child care expenses （总孩子开销）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Entertainment/Vacation/Special occasions （娱乐，旅游，过节）									
Movies, KTV, etc （电影，KTV）	0.00	0.00	0.00	0.00	0.00			0.00	
Clothes/ Dresses （衣裳）	0.00	0.00	0.00	0.00	0.00			0.00	
Beauty parlour / Saloon （美容，理发，按摩）	0.00	0.00	0.00	0.00	0.00			0.00	
Holiday - Airfare/Hotel/Others （旅游）	0.00	0.00	0.00	0.00	0.00			0.00	
Special occasions （过节，特别节日）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Entertainment （总娱乐，旅游，过节）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Health and Medical (医药)									
Health Insurance premium （医药保险）	0.00	0.00	0.00	0.00	0.00			0.00	
Doctor visits/medicine （看医生）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Medical （总医药）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Others （其他费用）									
Money to parents / others （父母）	0.00	0.00	0.00	0.00	0.00			0.00	
Loan/ interest repayments （还贷）	0.00	0.00	0.00	0.00	0.00			0.00	
Donations （捐款）	0.00	0.00	0.00	0.00	0.00			0.00	
4D/ Toto	0.00	0.00	0.00	0.00	0.00			0.00	
	0.00	0.00	0.00	0.00	0.00			0.00	
Total Others （总其他费用）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Total Expenses （总现金支出/费用）	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Savings （储蓄）									
Savings as per SHG （储蓄SHG）	0.00	0.00	0.00	0.00	0.00			0.00	
Other savings （其他储蓄）	0.00	0.00	0.00	0.00	0.00			0.00	
Investments （投资）	0.00	0.00	0.00	0.00	0.00			0.00	
Total Savings (总储蓄)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Net Cash flows （剩余现金）	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Lesson 6

Risk & return

Is it worth the gamble?

Risk is the chance an investment won't give you the outcomes you want. For example, you expect your investment to grow but its value falls. Or you expect regular interest of 10% but interest payments fall to 5%. Or you expect to be able to get your money whenever you need it but your managed fund suddenly freezes withdrawals.

It's impossible to avoid all risks when you invest. Higher potential returns usually come with higher risks. The important thing is to understand the risks and then keep within a level you are comfortable with.

- **Understand risk**
- **Use tactics to manage risk**
- **Watch out for investment scams**

Understand risk

Successful investors understand the main types of risk that can hit their investments. If you do, you will have a much better chance of avoiding the 'ouch' factor from taking too many risks.

The specific risks to keep an eye on depend on your needs and the type of investments you make.

Peer exercises

What do you know about risk now?

In your own words, what needs to be done inorder to reduce your current risk?

Do you think it could help you in the longer term, by reducing the risk?

Compare with low risk investments

Some investments are low risk. For example, a term deposit or bank account is low risk as the deposit you make is government guaranteed for up to $250,000. This account may offer interest at 4%. Any investment offering a return above this rate has some kind of risk and you'll need to find out what it is.

Short-term savers

If you want to spend your money within 3 years, your main concern will be to protect your capital. A high interest savings account, with an authorised deposit-taking institution is safe and your money will be available when you need it.

The case study short-term saving looks at when 'low risk' is the way to go.

Long-term investors

If you're investing for the long term, say more than 7 years, you want your capital to grow in value. Risks you face include:

- Inflation may erode the purchasing power of your money (this means that a fixed amount of money will buy less things in the future)
- The timing of your decisions may cause lower returns or loss of capital (buying at a market peak, selling when the market is down)

The case study capital growth gives examples of how to deal with such risks.

Retirees

As a retiree you rely on your investments to give you money to live on. You need them to give you regular, reliable income payments. The risks you face include:

- Your investments will not produce a regular, consistent income. For example, share dividends are usually only paid twice a year and are not guaranteed. Interest rates can go down, reducing your income.
- Inflation may erode the purchasing power of your money.

The case study regular income tells one retiree's investing story.

Peer exercises

What is important for you now?

How do you want to look like went you are retire?

Other risks

There are other types of risk that can hurt your investments if not managed properly. Interest rate changes, currency movements and changes in the law can all affect how your investments perform.

Use tactics to manage risk

As a general principle, the lower the risk, the lower the likely rate of return. You'll need to take some investment risk to end up with a healthy return over time.

Your aim is to meet your goals, protect your capital and maximise returns, without exposing yourself to too much danger.

Smart tip

Diversification is a key way to reduce risk. Don't put your life savings into one investment.

You can do this by:

- Choosing investments that match your needs and investment timeframes
- Sticking with mainstream strategies, investment types and providers
- Diversifying - you'll kick yourself if you lose half your money by putting it all in one place. See diversification
- Having some of your investments in low risk assets (such as interest-bearing deposits) that you can draw money from when markets are performing badly

You can test your knowledge of investment risk, diversification and investment products by taking our investing challenge.

Investing challenge

Watch out for investment scams

There are no shortcuts to investing success. The combination of high returns and low risk does not exist. The golden rule is 'if it sounds too good to be true, it probably is too good to be true'.

For more information see investment scams and investment warnings.

Investing is never going to be risk free. With careful planning, you can identify and manage the risks that are most likely to trip you up. Diversification is the best tool you have for overcoming investment risk.

Peer exercises

What are the scrum? List it down

What should you do with scrum? Example scrum phone call or email.

Lesson 7

Financial products and sales incentives

Checking limits and connections

It's important to check that an adviser can provide advice about the financial products you currently own, or if they're limited to selling particular products.

It also pays to check the relationships the adviser has with any people or businesses they refer you to.

These checks are important because both of these situations may influence the advice you receive.

- **In-house products**
- **One stop shops**

In-house products

Most advice businesses have an approved product list (APL) that contains financial products they have researched and given their advisers authority to provide advice about.

Many APLs contain 'in-house' products. In-house products are products that are provided by a related party such as the bank or other financial institution the adviser is employed by. APLs may also contain products from an unrelated product provider, which are not in-house products.

Without special authority from their licensee, the adviser may not be able to give you advice about your existing financial products if they are not on their APL. Instead, the adviser is likely to recommend a product from their APL.

Before you get advice, it's important to ask the adviser whether any of your existing products are on their APL.

You can also check the product areas an adviser can provide advice on.

Peer exercise

What is approved product list?

Financial advisers register

Smart tip

You may lose important benefits such as insurance if you switch to another super fund. If you're unhappy with your current fund, talk to them first. Make sure you understand the pros and cons before you switch funds.

Switching products

If you already have investments when you see an adviser and they recommend you switch to one of their in-house products, you should ask the adviser to explain why your existing investment is no longer suitable.

Don't be pressured into buying an investment or life insurance product you don't need or want. It can be very difficult to get out of some investments and if you switch life insurance policies you could lose the benefits of the previous policy. Make sure the new product is right for you before you act on the adviser's recommendations.

If you decide to switch to an in-house product, be aware that the adviser may receive some sort of benefit like a performance bonus for selling you that product.

See questions to ask a financial adviser for talking points you can use to check the suitability of any product the adviser recommends.

One stop shops

SHG has seen a significant increase in advisers offering 'one stop shop' services that aim to cater for a number of different financial service needs. This may be a good way for you to save time, but be aware that it may also mean the adviser receives monetary benefits for referring you to the other professionals or businesses they've recommended.

How one stop shops work

An adviser may recommend you set up a self-managed super fund (SMSF) with a strategy to invest in property. The adviser may refer you to a property developer that can help you find an investment property, and may also recommend an accountant to help you with the paperwork to set up an SMSF.

In this situation, it's important to be aware that the adviser may have a pre-existing business relationship with the professionals they've recommended. This means the adviser is likely to receive a referral fee or other benefits that could amount to thousands of dollars.

The adviser may also have a personal interest in the property development or accounting business.

See questions to ask a financial adviser for talking points you can use to check for sales incentives.

Case study: Rachael and John are advised to set up a SMSF

Rachael and John see an adviser about their super. The adviser recommends that they put their super balances into a self-managed super fund (SMSF), and that their SMSF borrows $300,000 to invest in a residential property.

Rachael and John are referred to an accountant, mortgage broker and property developer to implement the recommendations made by the adviser.

The statement of advice (SOA) they receive says that the advice business does not have any financial interest in, or receive fees, commissions or benefits from any products, investments or service providers recommended in the SOA.

While the advice business does not directly receive any fees or benefits, the financial adviser is a common owner of all three businesses he's recommended Rachael and John use. These businesses will benefit from the adviser's recommendations.

Rachael and John can check if the adviser has any involvement in the other businesses by doing a company and business search through SHG for a small fee or by checking SHG's financial advisers register.

Financial advisers register

Don't be afraid to ask an adviser why they are recommending a particular product. You should also ask them if they, or the advice business they work for, will benefit from any referrals they've made.

__Charter 2 – lesson 1__

Evaluating and implementing financial advice

5 Understand your Statement of Advice (SoA)

After you have met with your adviser, you will receive a formal SoA, which will:

- document their recommended strategy and why it's appropriate for you
- outline any recommended products, and
- list all the costs associated with the advice.

Use the following checklist to make sure you understand the advice and how it will benefit you.

If you are unsure about anything in your SoA, you should follow up with your adviser before proceeding with the advice.

⚠**The results produced in this section of the tool are for general information only and should not be taken as professional financial advice.**

Activity: Review your SoA

Use the following questionnaire to make sure you understand the advice received and how it will benefit you. Items requiring follow up will be **added to your 'to-do' list**.

Check the Statement of Advice (SoA) is appropriate

Check the strategy makes sense>

Yes No/ Unsure

- Do you understand why each strategy is appropriate for you?
- Do you understand how or if your goals are likely to be achieved?
- Does the SoA cover all the areas you were expecting it to?

Check the products fit your strategy

Ensure you understand all costs

- ☐ What to look for in financial advice - Learn about the things you should consider before you act on an adviser's recommendations.

Regular review of your financial situation

Review your advice and situation at least once a year to ensure you are on track.

Depending on your life stage and the complexity of your investment portfolio, you may decide to do this more frequently. If there have been any significant changes in your life that might affect your current strategy or your attitude to risk, this should also prompt an earlier review.

A review is also a good time to assess the performance of your investments and whether they are meeting your expectations.

Contact your adviser if you have any concerns about your strategy or investments.

<u>Lesson 2</u>

Keep track of your investments

Eyes wide open

Tempted to just invest and forget? You'll feel much more informed and confident if you look at your investments every so often.

Keep your eyes open and be prepared to ask questions of your adviser or the product issuer. Watch out for warning signs that tell you something may be going wrong. Things change, so review your plans regularly.

- **Keep track of each investment**
- **Look out for warning signs**
- **Review your plans**

- **Coping with sudden changes**

  Keep track of each investment

  For each investment you have, you'll receive periodic transaction statements showing the value of your investments and the fees and taxes paid. Store these records in a safe place, so that you can easily lay your hands on them for accounting and tax purposes.

  Good record keeping is an essential part of investing. Treat your paperwork like your best friend-it will save you from stress in the future.

  You may also wish to watch your portfolio by periodically looking at websites or newspapers. It's easy to check the price of shares and units in managed funds and super funds.

  If you have invested for the long term, don't be spooked by short-term ups and downs.

  Look out for warning signs

  There's no guaranteed way to spot losses in advance but sometimes there are warning signs that an investment may be heading downhill. Here are some typical warning signs to look out for.

  Accounting problems

  Mistakes, delays, audit qualifications and controversy over accounts could be warning signs. Accounting rules can be complex and genuine errors or differences of view do occur, but repeated issues may indicate deep-seated problems. Significant unexplained expenses or large consulting fees to related parties could indicate company director fraud.

  Management problems

  Director and senior management in-fighting, resignations, breaches of the law or unethical conduct can be warning signs. Changes in management may be necessary, but it could distract the management's attention from running the business.

  Over-promising and under-delivering

  While even the best managers can make mistakes, ongoing disappointing results, lack of communication and falling service standards may point to something being seriously wrong.

  Peer exercise

  Why review plan is important?

What will happen if you don’t review your plan?

Review your plans

Smart tip

Review your financial plan once a year and come up with new strategies if your circumstances change.

The world changes and so do you. That's why successful investors review their plans regularly. The rule of thumb is to revisit your investment plan at least once a year.

Start with a review of your financial situation and goals. Perhaps your circumstances have changed. Have there been any births, deaths, marriages, sickness or career changes in your life? Life events may mean some goals are no longer relevant. You may have to come up with some new ones.

If your goals change, you may have to re-jig your strategies too. A change in your employment status or health may alter the risks you are prepared to take when investing.

Finally, consider whether the value of the individual investments in your portfolio has changed. If you are making your own buy and sell decisions, you may need to review and rebalance the investment mix to make sure it still matches your strategy and attitude to risk. If you are using a fund manager they will generally make rebalancing decisions for you.

Coping with sudden changes

Market and economic conditions can change rapidly, but a knee-jerk reaction can often make things worse.

Make a decision based on your long-term investment goals and what you think will happen in the future. Do not make a decision based on what has happened in the past (eg. my investment has gone down 20%).

Review your goals and risk tolerance. If your investments still fit your goals and risk tolerance, then you would need a good reason to change.

If your investments **do not** fit your goals and risk tolerance, you have a tough decision. Should you change investments (and sell when prices are low) or hope that your investments will go up in value? You may want an adviser to assist you with this decision (see financial advice).

If you have an adviser, talk to them.

Congratulations on making your way through the steps to becoming a smarter investor. As you continue with your investment planning and decision-making,

trust your common sense. Remember the golden rule - if it sounds too good to be true, it probably is.

Lesson 3

Problems with your investments

When things go wrong

If your investments have fallen in value or your investment company has become insolvent, you will be feeling anxious and worried. The investment loss may be due to various factors, a fall in the overall market, problems with one investment, poor advice or breaches of the law.

Peer exercises

Here we discuss what to do if:

- **Your investment value falls**
- **Your investment company becomes insolvent**
- **You think you've been scammed**
- **You think you've been given bad advice**

Your investment value falls

If your investments have fallen in value, see keep track of your investments.

If the company's accounts have large unexplained or unusual expenses, it may be a sign of director fraud.

If you have an adviser, talk to them. See working with an adviser.

Your investment company becomes insolvent

If a company is insolvent it cannot pay its debts when they are due.

You should contact your investment company immediately if:

- They stop paying your interest payment
- They stop paying the distribution you expect to receive
- You see something in the media about your investment company going into administration or liquidation

The most recent prospectus or the product disclosure statement (PDS) will have your investment company's contact details.

Will you get any money back?

Whether you will get any money back will depend on what type of investment you have and the financial status of the company. For example, if you own shares in the company, any money that is recoverable will first go to the company's creditors and then to shareholders.

Get legal advice

It's a good idea to get legal advice about your rights and whether you are entitled to any compensation. The reasons for the company's insolvency may include misconduct or a breach of the law, and you might be able to be compensated.

Case study: Bill and Judy get some legal advice

Bill and Judy invested in a company which collapsed in 2009. They heard that a class action was being run against the company and they decided to join it. The lawyers running the class action said that Bill and Judy would only have to pay their legal fees if the class action failed. After a lengthy court case they were able to recover some of their money.

You think you've been scammed

Investment scams are often so professional, slick and believable that it is hard to tell them apart from genuine investment opportunities. The scammers set up a fake business and websites to trick people out of their money. For more information see investment scams.

You think you've been given bad advice

If you think the financial advice you've been given was inappropriate then you have a right to complain. For more information see working with an adviser.

When there are problems with your investments, work out what your options are and if you can recover any money. It's important that you focus on the future to get your finances back on track.