

# WEALTH ACCUMULATION MADE EASY



**THIS ARTICLE LOOKS** at the basic elements one should examine before embarking on the journey of wealth accumulation. Quite often, we tend to invest on an adhoc basis or hearsay from friends about how they made their money, or through advice of a trusted advisor.

Investment is a power tool to increase one's wealth. However, bashing through the investment jungle without a clear direction, strategy or even reason to bash into the jungle may be an unwise choice. One should know and take responsibility for understanding why and what investing is. This hopefully, will lead to choosing the "right product" to meet that particular need.

In addition, investing comes with a level of risk. Knowing your time horizon and risk tolerance helps remove emotionally based decisions when it comes to volatility in the markets..

This article is broken into three parts: namely, YOU, Deployment Strategy and Investment Instruments.



Many of us invest our money to make more money. However, we do not ask ourselves:

- What is this investment for?
- What are the products I need to consider?

With reference to the diagram above as a guide, work your way clockwise and your answers to the above questions will assist in determining product suitability, duration of your investments and the risk tolerance that you should be taking.

For example, I am planning for my retirement and I am 35 years old. I plan to retire at 60. This means I don't need the money for another 20 plus years. Hence, the kind of risk I can take is higher as I am able to withstand the ups and downs of the stock markets and stay invested.

On the other hand, if the money that I have is meant for rainy days, then my purpose is to protect my savings so that in unfortunate events I will have cash available to tide me through the difficult phase. Therefore, the risk tolerance will be very low for this money. The type of products I choose will have to meet this need. Understanding the purpose of the investment is vital in determining your risk tolerance and the kind of products to suit that particular need.

Now that I have identified the purpose of my investment, the time horizon and risk tolerance the next question is what are my investment options. An examination of the product level specifics to meet the needs. There are hundreds if not thousands of different products in the market to fill this gap. It can range from a simple saving account to stocks,

property investments and other asset allocation strategies. The questions to keep in mind are "how does this fit with my need?" and "what will it require of me?".

There may be investment products like stocks and unit trusts that may be required to make a choice on how actively the portfolio is to be managed.

There are people who invest in certain stock and unit trusts. They buy and hold those shares and funds for the long term, and may be adding in more money periodically ("Dollar cost averaging"). This can be termed as passive management of funds, where the person is not adversely affected by short-term ups and downs in the stock market. Their focus is on the longer term and buying big well-managed companies and funds.

On the other hand, there may be those who would like to have their money actively managed. The stocks and funds traded more frequently than those of passively managed accounts. Knowing how I want my portfolio managed also helps me take responsibility for my money plus it also helps to remove emotional swings during down markets.

In the earlier example on retirement planning, I could have a picture of an endowment plan that matures at age 60, continuous stream of income coming from rental income, annuity plan that kicks in at age 65, dividend paying stocks and money invested in unit trusts and stocks.

It's like a puzzle. Now that you have the big picture, it's time to find the pieces to fit into the puzzle. Some products may not fit in, others fit very nicely. This forms the full picture of

retirement assets that can be drawn down on. Coming back to the NOW, I have a clearer picture of the kind of products I need to put in place for my retirement plan.

The next question is strategy deployment, ie how and what do I need to put in place for my action plan.

One key point is affordability Based on my current income and expenditure how much can I allocate? I will need to take stock of my income and expenditure. This is where the value-added service of a financial consultant comes into play.

Even if I am not able to put the whole puzzle in place now, I can start by putting in place the pieces that I can afford. I may also have to formulate a plan on big ticket items such as my investment property.

Determine a Periodic Review Process every 6months or annually where you update your road map. Like all road trips, one will need frequent pit-stops to check the map, top up the petrol, review how far you have come, are there any changes in the course of your previous plan, how much longer is there to go before enjoying your arrival at your final destination.

At the end of the day, investing is a journey and what matters is that you get to your destination. Hence, have a clear road map and deploy your resources wisely. And make sure you enjoy the journey.[TFL](#)

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