

Managing Your Money During COVID-19

在疫情期间如何管理您的资金

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-1.11%
+7.14%
-3.12%

-4.28
+13.28
-11.28
+2.28
+13.28
-11.28
+17.28



Important Information

重要信息



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This document is for informational purposes only and does not constitute a solicitation to buy or sell securities.

Past performance is no guarantee of future returns. Forecasts may not be attained.

The value of investments and the income from them may go down as well as up and you may not get back the amount invested.

The value of investments may rise or fall due to changes in the rate of exchange in the currency in which the investments are denominated if it is different from the investor's own currency.

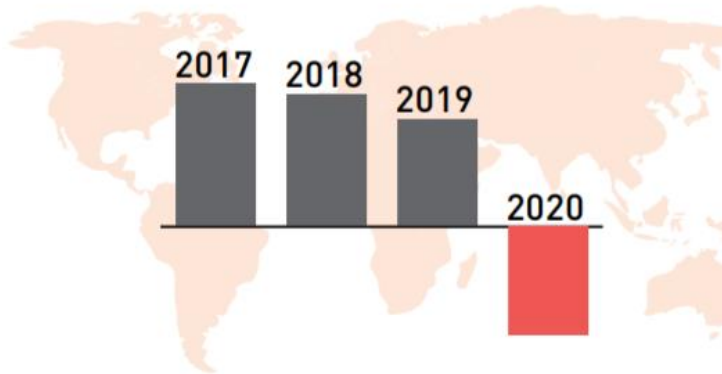
There are additional risks associated with international investments, including foreign, political, currency and economic factors to consider.

Throughout this document where charts indicate that a third party (parties) is the source, please note that the source references the raw data received from such parties.



COVID-19 has led to a sharp economic downturn across the globe 疫情导致全球经济急剧下滑

GLOBAL GDP GROWTH



THE IMF EXPECTS THE GLOBAL ECONOMY TO CONTRACT BY 3% IN 2020



THE FORECAST FOR SINGAPORE'S 2020 GDP GROWTH IS DOWNGRADED TO -7% TO -4%

Source: MTI

Where we earn our money is under stress

几乎所有工业领域都面临压力

Almost all sectors have suffered demand or supply shocks

SEVERELY AFFECTED



SIGNIFICANTLY AFFECTED

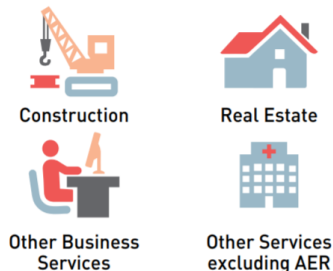


- **Employees:** Will I (or my spouse) be retrenched or forced to take a pay cut?

MODERATELY AFFECTED (OUTWARD-ORIENTED)



MODERATELY AFFECTED (DOMESTICALLY-ORIENTED)



- **Business owners:** Do I have enough cash to survive? When will demand return?

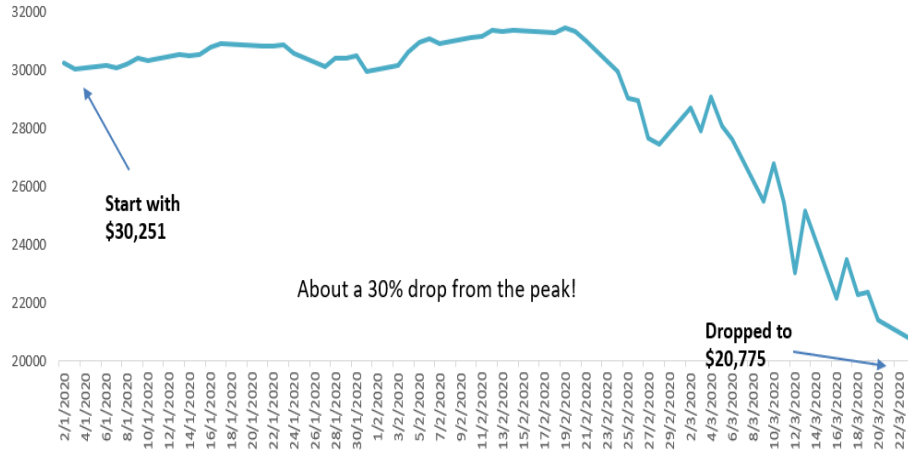
Source: MTI

Where we grow our money is volatile 全球市场动荡不安

My Money

Investors: Why are markets going up when there is recession? Is it too late to buy?
Will there be a double dip?

**S&P500 Index growth of wealth
1 Jan 2020 - 23 Mar 2020**



**S&P500 Index growth of wealth
23 Mar 2020 – 5 Aug 2020**



Source: Factset, MoneyOwl



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3 types of decisions you may need to make during this crisis 在这场危机中您可能需要做的3种决策

My Money

- **Financial Planning Decisions**
- **Investing Decisions**
- **Life Decisions**

This crisis can be an opportunity to make good lifelong decisions for ourselves and our family.



Personal Money Equation

个人金钱方程式

My Money

Financial Planning Decisions (left side)

Investing Decisions (right side)

INCOME

Increase your income & protect it

Income

- Savings

- Fixed Expenses

Variable Expenses

SAVINGS & EXPENSES

*Increase your savings by
controlling your expenses*

- Short-Term Financial Planning
- Helps you become financially “well”
- What you can better control

X (returns)^{years} = Future Goal

INVESTMENT

*Stay invested for the long term to
get the returns you need*

- Long-term investment strategy
- Helps you stay “well”
- What you have less control over



Financial Planning (Left Side of Money Equation)

财务计划

My Money

Increase Income & Protect It

- Be the best at what you do
- Stay relevant
- Protect income through suitable low-cost insurance like term insurance

Additional strategies in stressed times

- Can you or your spouse take a side job for additional income?
- Grants for upskilling
- Rent out a room
- Sell personal assets

Increase Savings by Controlling Expenses

- Budgeting
- Lowering your debt
- Have or build an emergency fund in safe and liquid places (bank deposits or equiv)

Additional strategies in stressed times

- Restructure expenses or activities
- Eliminate expenses by “decluttering”
- Use your CPF-OA as contingency, don’t invest it
- Defer payments



Budgeting to Strengthen Financial Position

做好预算以加强财务状况



Step 1 – Estimate total net income: \$3,600 [gross income \$4,500]

Step 2 – Targeted savings, 15% of gross income (*pay-yourself-first*): \$675

Step 3 – Estimate expenses: \$2,925

Step 4 – Break it down to Fixed and Variable expenses

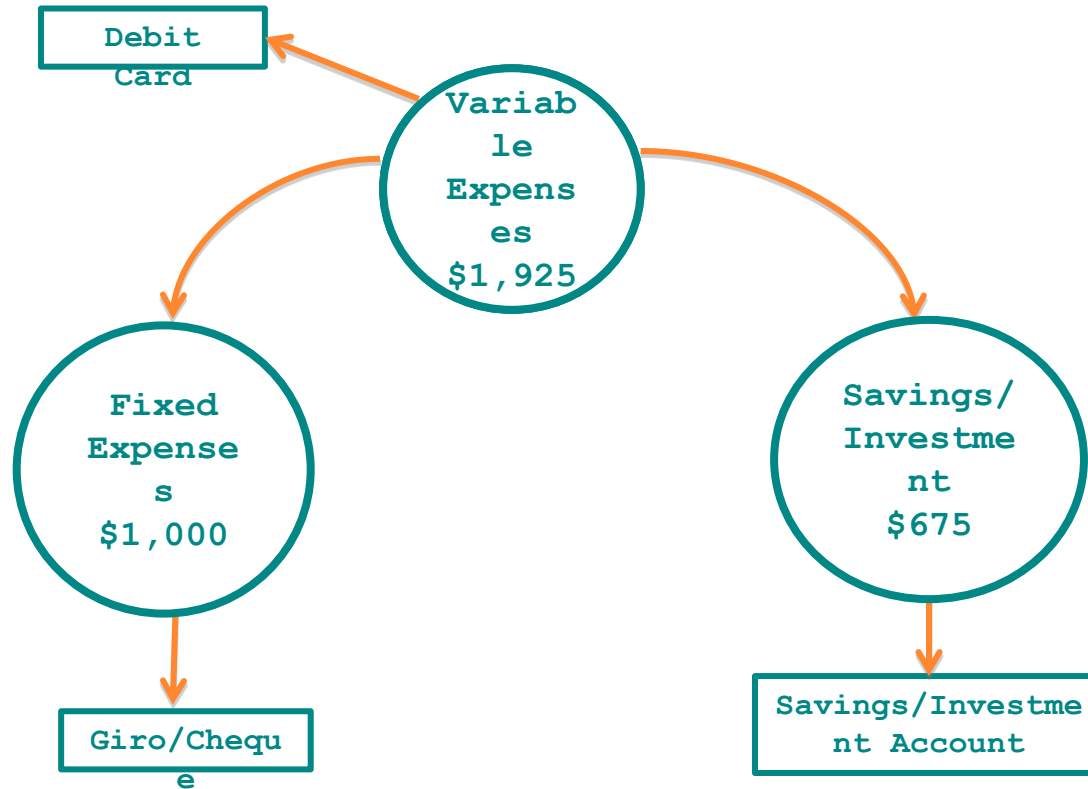
- Fixed: \$1,000
- Variable: \$1,925

Step 5 – Bad mood fund (from variable expenses): \$50/\$100



Budgeting to Strengthen Financial Position

做好预算以加强财务状况



When Cash Becomes Tight

当荷包缩小时

My Money

- **Restructure insurance** to get same coverage at lower premiums
(caution: speak with an adviser & subject to health situation)
- **Restructure consumption:**
 - Group tuition instead of individual intuition?
 - Cheaper brands
- **Reduce or eliminate expenses:**
 - Can you do without a car (eliminate car loan)?
 - Can you do without a helper?
 - Cut down on paid enrichment programmes
 - Utilities usage
- **Do not invest CPF-OA balances:** use as emergency cushion for mortgage payments
- **Defer** mortgage payments, loan payments, insurance premiums

A crisis is the best time to review your budget. When it is all over, you may realise you did not need many of these things even after life goes back to normal.



Personal Money Equation

个人金钱方程式

My Money

Financial Planning Decisions (left side)

INCOME

Increase your income & protect it

SAVINGS & EXPENSES

Increase your savings by controlling your expenses

Income

- Savings

- Fixed Expenses

Variable Expenses

- Short-Term Financial Planning
- Helps you become financially “well”
- What you can better control

Investing Decisions (right side)

X (returns) ^{years} = Future Goal

INVESTMENT

Stay invested for the long term to get the returns you need

- Long-term investment strategy
- Helps you stay “well”
- What you have less control over



Investing during COVID-19 在疫情期间进行投资

My Money

- I am new to investing. Should I start?
- Should I continue my monthly Regular Savings Plan (RSP)?
- I am already invested. What should I do when markets are so volatile and so high again?

The crisis in the short term should not change our approach to investing for the long term. But the crisis makes it even more important to do it right.



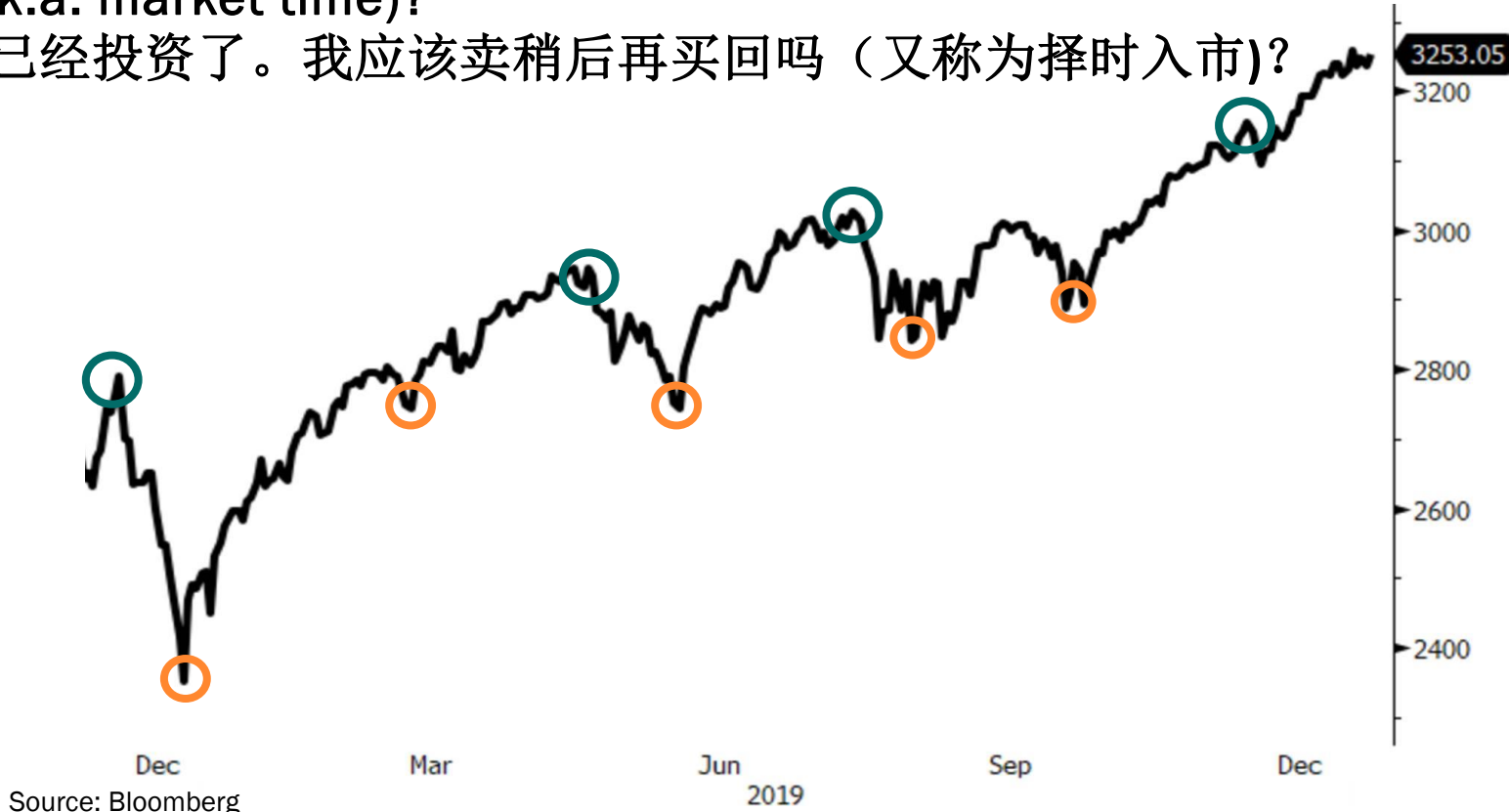
Should I start investing or continue with my monthly RSP? 我应该开始投资还是继续每月的定期储蓄计划？

- Only invest if you are financially fit and healthy
 - ≥ 6 months' emergency fund
 - Savings $\geq 15\%$ of Gross Income
 - Total Debt Repayments $< 40\%$ of Total Income
 - Non-Mortgage Loan Repayments $< 15\%$ Take Home Pay
- Defer new investments and defer/reduce new RSPs if you suffer job loss or pay cuts that threaten your financial health
- Investing is **NOT** a quick fix to short-term money problems

I am invested. Should I sell and buy back later
(a.k.a. market time)?

我已经投资了。我应该卖稍后再买回吗（又称为择时入市）？

My Money



Source: Bloomberg

Snapshot of S&P500 in 2019. Source: Bloomberg



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About Timing The Market – Study 1

关于“择时入市”-研究1



My Money

If you believe in beating the market, consider this:
S&P 500 between 1978 to 2019 (41 years)

-  Annual returns was **8.7%**
-  Take away the worst 50 days: Returns jumped to **16.4% p.a.**
-  Take away the best 50 days: Returns dropped to **2.6% p.a.**

Adapted from a study done by Michael J. Mauboussin, Ex-Chief Investment Strategist of Legg Mason Capital Management. His original study was based on the time period of 1978 to Oct 2005.



About Timing The Market – Study 2

关于“择时入市”-研究2

Another Study was done by Burton G. Malkiel, Professor at Princeton University, former member of Council of Economic Advisers, Author of “A Random Walk Down Wall Street”

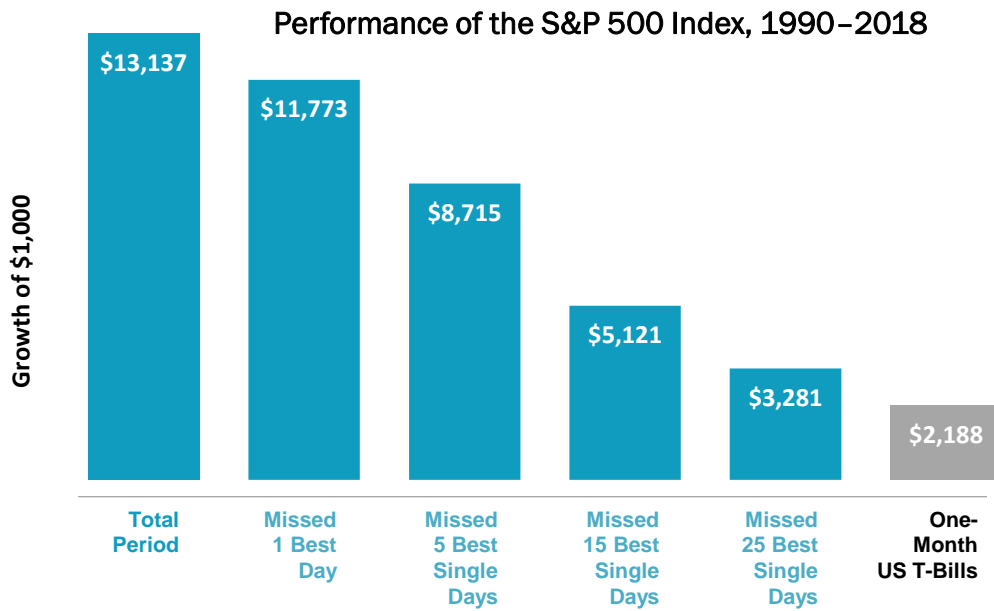
Results over past 67 years (1953 till 2019)	Conclusion from the 2 studies, if you try to time the market:
<ul style="list-style-type: none">• Market has risen in 46 years• Been even in 3 years• Declined in only 18 years	<ul style="list-style-type: none">• If you are wrong, you are in a very bad shape• Chances of you being wrong is 3 to 1 against you.• Very stressful way to invest

Adapted from a study done by Burton G. Malkiel - A Random Walk Down Wall Street (2007). His original study was based on the time period 1953 to 2006.



Timing the market can hurt your goals

“择时入市”可能会损害您的目标



Missing only a few days of strong returns can drastically impact overall performance.

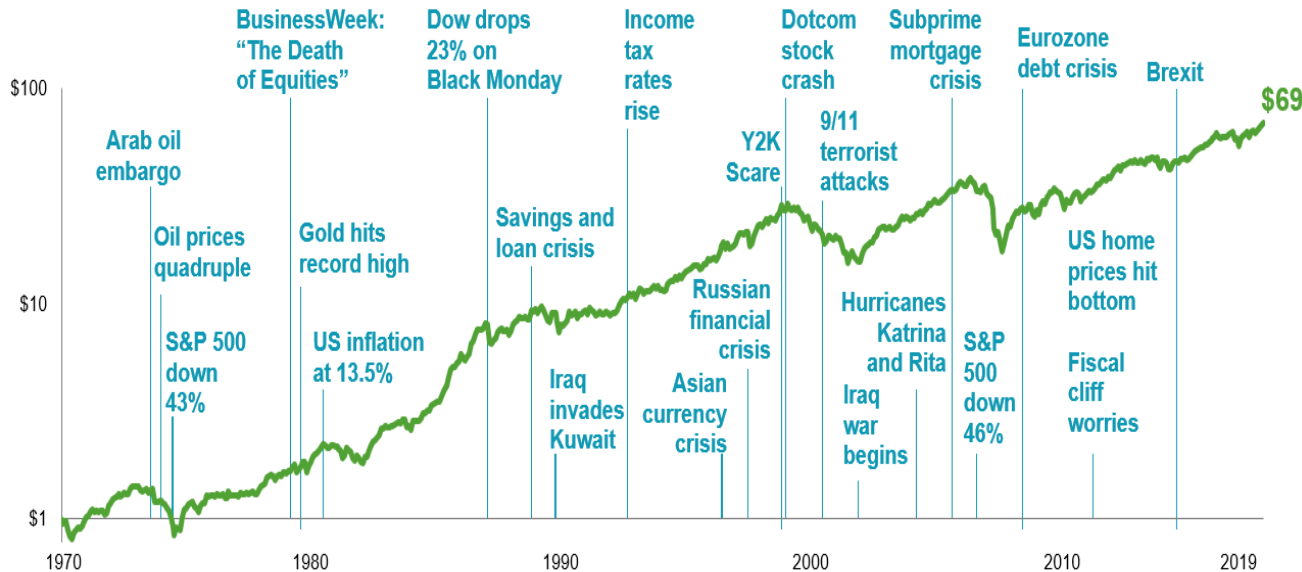
Annualized Compound Return	9.29%	8.87%	7.75%	5.79%	4.18%	2.74%

Source: Dimensional Fund Advisors



There is no need to time the markets 无需“择时入市”

Growth of a dollar—MSCI World Index (net dividends), 1970–2019



Markets Have Rewarded Discipline. A disciplined investor looks beyond the concerns of today to the long-term growth potential of markets.

Source: Dimensional Fund Advisors



Lessons from history and logic

历史和逻辑的教训

My Money

- A major crisis happens now and then
- No matter how bad a crisis, the stock market always recovers
- The broad stock market goes up in the long run.

Why? Earnings, demand, population growth.

- It is not unusual for markets to be forward-looking: markets price in the value of the **future** dollar of earnings



In summary, investors should stay put 总而言之，投资者应保持不变



The work is done before the volatility happens – matching your need, ability and willingness to take risks



Staying invested means you get average return of the markets



Less stressful than timing markets or stock selection



However...2 conditions:

- You must have time – at least 10 years for a full 100% equities portfolio; if not enough time, allocate a portion to bonds (seek advice)
- Invest in global diversified markets
 - If you invested only in one stock and it failed during the crisis, there is no hope for recovery



Don't Waste This Crisis: Financial Planning Decisions & Investing Decisions

不要浪费这个危机：财务计划决策和投资决策

INCOME

Increase your income & protect it

- Being the best in what you do
- Staying relevant
- Using suitable, low-cost insurance
- Additional strategies: side job; training grants; rent out rm; sell assets.

SAVINGS & EXPENSES

Increase your savings by controlling your expenses

1. Budgeting
2. Lower your debt
3. Have an emergency fund
4. Additional strategies: restructure insurance, expenses, reduce or eliminate, defer payments

Income

- Savings

- Fixed Expenses

Variable Expenses

- **Short-Term Financial Planning**
- **Helps you achieve wellness**
- **What you can better control**

$$X \text{ (returns)}^{\text{years}} = \text{Future Goal}$$

INVESTMENT

Stay invested for the long term to get the returns you need

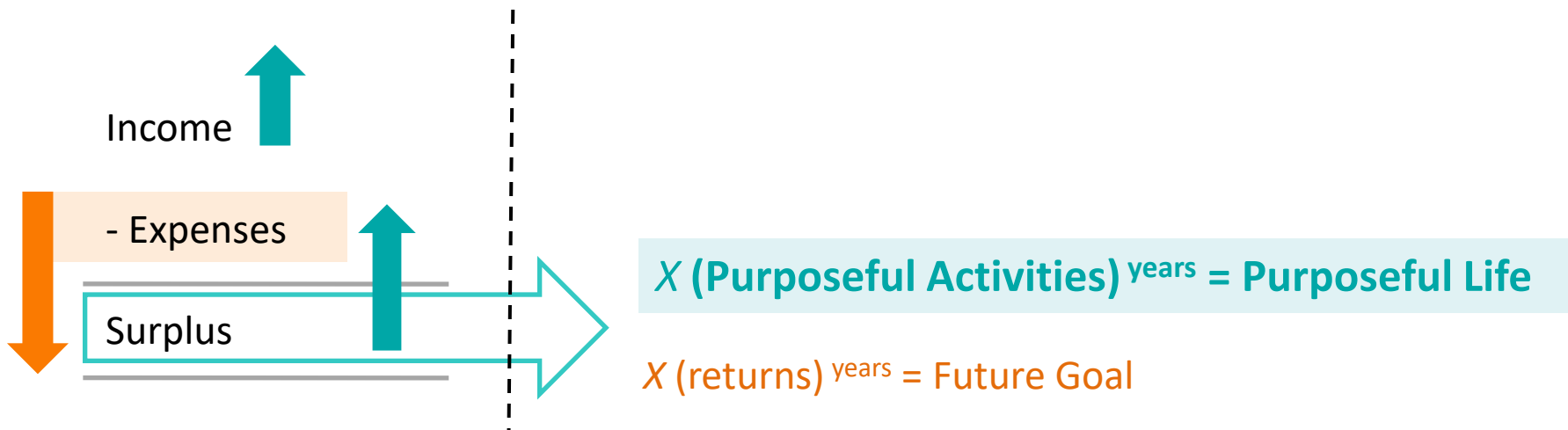
- **Long-term investment strategy**
- **Helps you maintain financial wellness**
- **What you have lesser control over**



Don't Waste This Crisis: Life Decisions

不要浪费这个危机：人生决策

My Money



- A crisis can be a good time to declutter our lives.
- When we seek sufficiency rather than maximisation in both consumption and investments, we can focus on what is truly meaningful to us.

The winning mindset for thriving financially through the COVID-19 crisis



在疫情中实现财务目标的成功心态

*“Maintain **unwavering faith** that you can and **will prevail in the end**, regardless of the difficulties, and at the same time, have the **discipline to confront the most brutal facts** of your current reality, whatever they might be.”*

– Jim Collins, “Good to Great”



My Money

A financial education initiative by

