INVEST TALK

A quarterly newsletter by The Investment Services Division

October 2002 Issue

The LifeCycle Approach to Investment: A Primer

Ever ask questions like "Am I taking too much risk in my investments? Or too little risk?" and "How should I have invested my monies?"

Chances are we probably have asked such questions but the desire for high returns or the fear of making losses sidelines these concerns. As such, we could be taking too many risks by chasing the hot investment tips from our brokers. On the other hand, we may be taking too little risks by investing in low risk-low return products or not investing our monies at all. As a result, we may fail in our attempts to achieve our goals like building a nest egg for retirement or funding our children's education.

By adopting the Lifecycle approach to investment, we can avoid such problems. It is a simple but often ignored investment strategy of reducing investment risks and increasing potential returns through diversification with timely changes in asset allocation as we grow. We can then achieve our goals without taking unnecessary risks or too little risks.

Briefly, Lifecycle investing segregates our lives into different stages and defines how each stage should influence our investment decision and GrowthPath. The rationale is that our priorities and obligations change with each stage of our life. And as these changes take place, our investment profile and capacity to take risk change as well.

At the early phase of our lives, we can sustain a high amount of risks as we have a greater time horizon to ride out the ups and downs of the markets. As we mature, our financial obligations start to increase and so our investment risk appetite will be reduced accordingly.

Therefore, our investments should match our changing tolerance for risks so that our investments would not be subjected to potential losses for assuming unnecessary risks or lowly returns for taking on too little risks.

For example, Mr Tan is in his mid-twenties and just starting out his career. He would have little or no obligations and his time horizon to sustain risks is long. As such, he can afford to have a greater proportion of his monies in equities and other higher risk investments.

But as Mr Tan matures, his commitments such as housing loan, car loan and children's education will increase. As such, his capacity to take risks would be reduced. In order not to assume unnecessary risks, he will start to reduce his exposure to equities and higher risk investments, and increase his holdings of bonds and other lower risk investments. This would help to preserve gains from the equity exposure and meet his obligations.

And as he nears retirement, his investment portfolio should have an even greater proportion in bonds and lower risk investments as compared to equities and other higher risk investments. This would ensure that his retirement nest egg is preserved.

By adopting the Lifecycle approach to investing, you will become more aware of your ability to sustain risks and develop a portfolio that best suit your investment profile. This would ensure that your monies are optimally invested and your GrowthPath is firmly in place.

editor's NOTE

The uncertainty of the global economic recovery, ongoing restructuring of the Singapore economy and employment prospects may distract us from taking a long-term view towards our investments, and lessen risks by not investing. The fact of the matter is that risk is a fact of life for all of us. There is even risks in doing nothing but just holding onto cash, thanks to inflation.

The trick is to reduce such investment risks and increase potential returns with a well-diversified investment portfolio, and rebalancing this investment mix depending on market conditions and our ever-changing priorities. This requires a fair amount of discipline and investment knowledge on our part. In this issue, we highlight the lifestyle approach to investing, a strategy that allows us to re-look at our investments as our priorities and obligations change with each stage of our lives.

For those who are keen to reduce their taxation for the coming financial year, please do not forget to contribute money into your SRS account, and invest these SRS contributions to maximize your returns.

Since this is the last issue of Invest Talk for the year, we would like to take this opportunity to thank you for the support and to wish one and all, best of health and a very joyous Christmas!

Yours Truly,
Tan Boon Chye
Vice President
Head, Investment Services Division
Personal Financial Services

大 華 銀 行
UNITED OVERSEAS BANK

feature STORY

Pay Less TAX – the Legitimate way!

With the greying population in Singapore, there is a need for Singaporeans to be financially sound and independent in their old age. With this in mind, the government has introduced a voluntary contribution scheme – the Supplementary Retirement Scheme (SRS) in April last year. Being Singapore's very first deferred tax scheme, contributions to SRS are accumulated tax-free (with the exception of Singapore dividends). Furthermore, when you withdraw your funds upon reaching the statutory retirement age (currently at 62 years old), only 50% of the withdrawals are taxable. You can further reduce tax by spreading your withdrawals over a maximum period of 10 years. However, to achieve the objective set for this scheme, a 5% penalty will be imposed on premature withdrawals.

Since the launch of SRS, close to 12,000[1] individuals have opened a SRS account, over a period of 9 months and the numbers are increasing by the day. These individuals, understand and appreciate the tax shelter element that has been entrenched in the scheme.

It is not too late to start saving for your retirement through SRS. With the revised income tax structure[2] in 2003 coupled with the removal of the one-off GST rebate of $250 and personal relief of $3,000, you can still benefit from SRS. Here is an example of tax savings with SRS, based on the revised tax schedule for year of assessment 2002.

Assumptions:

- Statutory Retirement age is 62 years of age
- Current age: 35 yrs
- Years to retirement: 27 yrs
- Assessable income: $70,000 per annum over 27 yrs
- Maximum SRS contribution cap: $10,500 (contributed through retirement, 62)
- Withdrawals upon retirement are spread over 10 yrs (Maximum allowable withdrawal)

	W/O SRS	With SRS
Assessable Income	$70,000	$70,000
Less : **Personal Reliefs**		
Personal & Earned Reliefs	$ -	$ -
CPF Contributions	$16,000	$16,000
SRS Contributions	$ -	$10,500
Other Reliefs	$ 3,000	$ 3,000
Total Tax Relief	$19,000	$29,500
Tax Chargeable Income	$51,000	$40,500
Income Taxes		
Gross Income Tax Payable	$ 1,990	$ 1,045
Less : Rebate @ 10%	$ 199	$ 105
GST Rebate	$ -	$ -
Income Tax Payable	$ 1,791	$ 940
YEARLY TAX SAVING ($1,791 - $940)		$ 851

[1] SRS Statistics as at 31 December 2001, Ministry of Finance
[2] Source: Inland Revenue Authority of Singapore

Illustration of Returns

Total Accumulated SRS Investments @ 3.5% p.a. over 27yrs =	$475,552
Accumulated Tax Savings re-invested @ 3.5% p.a. =	$ 38,542
	$514,094

As illustrated, tax savings of $851 per annum can be achieved when you participate in SRS. And if you re-invest the tax savings, you get to enjoy additional income of $38,542 potentially. As such, with a yearly contribution of $10,500, re-investing tax saving and together, compounded over 27 years at a conservative rate of 3.5%, one can accumulate a substantial nest egg!

So start saving for your retirement today by opening a SRS account today. If you do have one, simply visit any UOB Group branch or Invest Shop, or call our hotline 1800 22 22 121. As for the 12,000 individuals who already have a SRS account, stay invested to let your money work harder for you!

market BULLS &BEARS

Equity and Bond Markets

Outlook for Q4, 2002

REGION/ SECTOR	CURRENT QUARTER OUTLOOK Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
EQUITIES				
US	■			• Recent data painted a mixed picture on the health of the world's largest economy. Strong sales of automobiles and homes contrasted with sluggish retail sales, while weaknesses in the labor market and in manufacturing continued. • Consumer spending continues to be resilient. However, recent declines in consumer confidence suggest that uncertainty surrounding the economy, terrorist threat and Middle East issues may put a damper on consumer spending. This could exert further downward pressure on economic growth. • The Federal Reserve held interest rates at 1.75% but it warned that the economy could experience further weaknesses. • As such, in the immediate term, US markets will continue to display relatively high levels of volatility.
EUROPE		■		• Recent economic statistics indicate that European growth is unlikely to accelerate this year and a number of profit warnings of late had raised fears that more disappointments could materialize. • Manufacturing in Germany, the eurozone's largest economy, contracted after just two months of slow growth while the Ifo Institute's German business sentiment survey showed a further deterioration in confidence in August. • On a longer term, pension reforms could be expected in several Eurozone countries over the coming years and this should spur the growth of the capital markets in EU. • Market volatility is expected to persist in the near term, causing markets to remain weak.
JAPAN	■			• There are still no visible signs of a sustainable economic recovery in Japan. • Japanese household spendings fell 0.3% in July as job concerns and falling wages made consumer reluctant to spend. • Recent economic data released for Q2 appeared mixed. • Smaller firms are also facing pressure to refinance their increasing levels of debt, adding further strain on the banks in Japan.
ASIA EX JAPAN			■	• Market valuations are relatively more attractive. • Asian countries like Korea and China continue to be well supported by strong domestic demand, increased consumer confidence and capital spending. • Abundant liquidity due to global monetary policy easing should support the growth of the Asian markets in 2002 • However, the US economy and political uncertainties in the Middle East are major concerns for the export-oriented Asian economies.

REGION/ SECTOR	Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
Bonds				
US		■		• US bonds are relatively expensive and yields are likely to rise as the economic cycle turns decisively. • However, the Federal Reserve left rates unchanged in its latest meeting and voiced concerns over the risks of weakening economic recovery, sparking speculation that it may be biased towards rates easing if the economy falters.
EUROPE		■		• More attractively valued than the US bonds. • Investors switching out of US bonds into European bonds due to higher yields and more room for movements within the European yield curves. • ECB opted to leave rates on hold despite weak eurozone data as inflationary pressures mount with higher oil prices.
ASIA			■	• Asian credit ratings remain on an upward trend and countries like Korea and Indonesia receive rating upgrades from the credit rating agencies. • However, Japan faces possible ratings downgrade as concerns grow with regard to the slow pace of reforms and bad debts problems in the finance sector.
EMERGING MARKETS			■	• The Latin American economies receive a boost as US approved a large loan to Uruguay while IMF devised a US$30 bn rescue package for Brazil. • Credit fundamentals of sovereign debts should continue to improve.

fund FEATURE

Interview with the Fund Manager for the

UOBAM United Global Emerging Markets Portfolio SGD (GEMs).

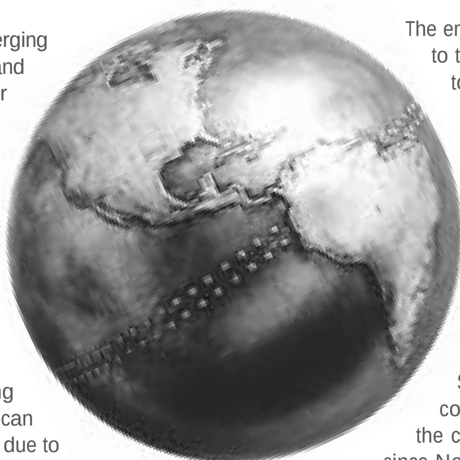
UOB Asset Management Ltd launched GEMs on July 2001 and appointed Ashmore Investment Management Ltd as the sub-manager for the fund. Ashmore is one of the most successful and experienced investor in emerging markets debt and currency and has won the Global Investor's 2002 Award for Investment Excellence in Emerging Markets Bonds for the second year running.

GEMs invests primarily in debt instruments issued by governments of developing countries and adopt the same investment approach that Ashmore used to manage its hugely successful Emerging Markets Liquid Investment Portfolio (EMLIP), which returned 19% annually since its inception in 1992. GEMs aims to replicate the success of EMLIP and over a 12-month period, has returned an outstanding 13.8% on a bid-bid basis as at 6 Sep 2002.

We speak to Mark Coombs, Managing Director of Ashmore, to get an insight on why emerging market debt is a must-have in an investment portfolio.

Why should investors invest in emerging markets debt?

Compared to the developed countries, emerging markets like Asia, Latin America, Africa and Eastern Europe have the potential of faster and greater economic growth. Therefore, there are more attractive investment opportunities in these markets.



Emerging market debt is an excellent investment vehicle to participate in the sector. Performance data has shown that emerging market debt outperformed equities of the same markets over a ten-year period.

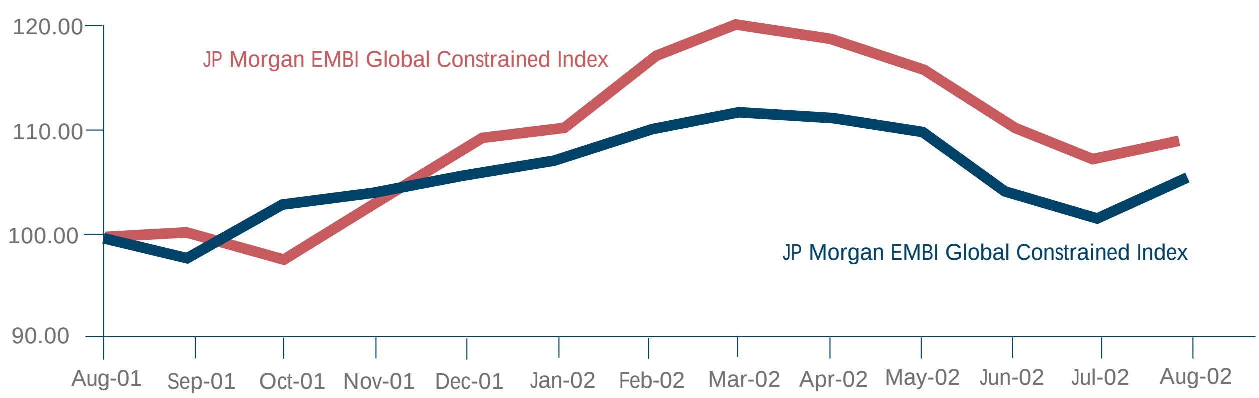
Also, emerging market debt offers strong diversification benefits for investors and can help to reduce overall portfolio volatility due to the weak correlation with major asset classes such as global equities and global bonds.

So, it is time to invest in emerging market debts now?

The emerging market debts are currently looking pretty cheap due to the rise in risk aversion. As such, the entry time for investors to put their money in emerging market debts is very good at the moment. Although investors are worried about the US economy, Brazil, the potential war with Iraq and other factors, it is always a good time to buy when things are looking bad. To add to that, the long-term fundamentals for emerging market sovereign bonds are looking very positive. Ashmore's investment style is to buy into dips and through active management, we have successfully rode out of periods of volatility and uncertainty.

What is the performance of GEMS?

Since inception, GEMs have performed commendably, considering the investment environment. The chart will show the consistent out-performance of GEMs against its benchmark since November last year.



Source: Micropal, Performance as at 30th Aug 2002, I, Offer-Bid, Net Income, SGD

In the context of the fund's investment focus, what is the outlook for emerging market debt? What are the growth opportunities for the fund?

In a couple of decades, emerging markets may be over 50% of global market capitalisation. The recent negative experience in US equities has prompted a profound rethink of asset allocation in favour of emerging market debt from enthusiastic consultants and global benchmark indices. For instance, the Lehman Universal index is one of the indices increasingly being adopted as a fixed income benchmark. With 4% allocation to emerging market debt, institutions can no longer ignore the asset class and could be allocating approximately US$20-$40 billions in emerging market debts over the next few years as a result of the change in just one index. The opportunity is there to invest ahead of this substantial anticipated flow of new money entering the market.

Disclaimer: Past performance is not necessarily indicative of future performance. Investments in unit trusts are not deposits, or other obligations of, or guaranteed or insured by United Overseas Bank Limited. Investments are subjected to investment and foreign exchange risks including possible loss of the principal amount invested. The value of the units and the income from them may fall as well as rise. All applications for the funds must only be made on application forms accompanying the prospectus. Investors should read the prospectus for details. This article should not be construed as an offer or solicitation for the subscription, purchase or sale of the fund in question.

Promotion :

Enjoy 3% discounts when you invest in GEMs before 18th Oct 2002. Invest $10,000 or more and you'll get an exclusive UOB Asset Management umbrella.

product HIGHLIGHT

How to maximise your SRS Monies?

On top of enjoying tax savings through contributing mony into your SRS account, your SRS monies will go a long way by investing through them. One way is to invest in UOB Life Guaranteed Rewards Plan. It is a Single Premium endowment plan that offers the highest Guaranteed returns in the market. This, coupled with tax savings from SRS, your returns will increase substantially!

UOB Life Guaranteed Rewards Plan offer:

- Up to 3.85% p.a. guaranteed returns
- 100% Capital Protection (From second year onwards)
- 150% Insurance Coverage
- Flexible policy term ranging from 5 to 10 years
- Affordable minimum investment of $5,000
- Tax exempted returns
- Further tax savings if you invest using SRS monies

Below is an illustration for your estimated returns:

Assumptions: -

- Makes a contribution of $10,000 to his SRS account in 2002 and purchased UOB Life Guaranteed Rewards Plan with SRS contribution.

The tax savings for Year of Assessment 2003

Tax Savings	W/O SRS	With SRS
Tax on Chargeable Income	$50,000	$40,000
Income Tax Payable	$1,900	$1,000
TAX SAVING ($1,900 - $1,000) $ 900		$ 900

By placing $10,000 into his SRS account, the person enjoys a tax savings of $900 as illustrated above.

The following showcased how the combination of tax savings and returns from the product can actually increase your overall investment gain.

Tax Savings together with Returns from UOB Life Guaranteed Rewards Plan (GRWP)

Term	Investment In GRWP	Tax Savings from SRS	Effective Cash Outlay (Less Tax Savings)	Maturity Value of GRWP	Investment Gain (incl. Tax Savings)
10	S$10,000	S$900	(S$10,000 - S$900) S$9,100	S$14,590 at 3.85% p.a	4.83%

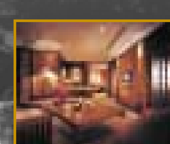
As a result of a tax savings of $900 for an SRS investment, the total cash outlay towards the UOB Life Guaranteed Rewards Plan is effectively $9,100 (10,000 - $900). The SRS tax savings and the guaranteed return of the plan further increases the final investment gain from 3.85% to 4.83%. Needless to say, investor's with higher income tax bracket will definitely enjoy higher total investment gain. On top of this, life insurance coverage of 150% of purchase will be provided to you free of charge from second policy year onwards!

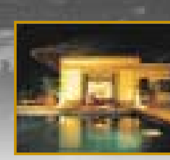
UOB Life Guaranteed Rewards Plan is also available for CPF Investment Scheme and cash investment.For more information, speak to our Personal Financial Consultants at Invest Shops or call 1800 22 22 121 today.

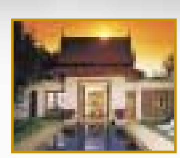
[1] Source: Inland Revenue Authority of Singapore

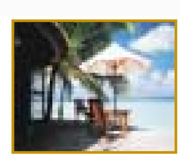
latest PROMOTIONS

Aberdeen Asian Funds Promotion









Asian economies and equity markets have rebounded strongly since the financial crisis in 1998. Asia will most likely benefit from upturn in the global economy. This could be an opportune time to invest in Asian funds.

Invest in Aberdeen Asian funds before **31st October 2002** and you will not only enjoy an attractive discount of 2.5%, but also great offers.* Each investment of $1,000 with your CPF savings entitles you to a chance to **win a holiday at a luxurious Banyan Tree resort** of your choice.° There will be one lucky winner every month! What's more, simply invest $5,000 and an exclusive Aberdeen teddy bear is yours for free[1].

* Applicable for Aberdeen Pacific Equity Fund, Aberdeen Indonesia Equity Fund, Aberdeen Japan Equity Fund, Aberdeen Malaysia Equity Fund & Aberdeen Singapore Equity Fund.

° Terms and conditions and discounts apply.

[1] While stocks last and applies to both cash and ASPF/ CPF-OA investments.

最新
资讯

人生周期阶段性规划

投资风险会太大或太小吗？该如何进行投资？

诸如此类的问题一直都困扰着投资者。但是，由于人们往往一方面期望获得高额回报，一方面又害怕蒙受巨大损失，最终便无法正当处理这些问。因此，有人盲目听从经纪人的贴士，投资在风险很大的热门项目；也有人战战兢兢地选择低风险低回报的投资，或索性完全不进行任何投资活动。结果无法取得预期的投资目标，甚至可能得不偿失。

要避免这样的问题，我们可以采用人生周期阶段性规划，随着时间的演，进行多元化的投资计划，适当地管理资产，从而有效地减少投资风险，同时确保回收。这么一来，我们就可以避免太大或太小的风险，顺利达到投资目标。

简单地说，人生周期阶段性规划将人的一生分成数个阶段，并且说明每个人生阶段对我们的投资决定和成长道路有何影响。在不同的人生阶段，我们都会有不同的生活目标和义务，而我们的投资内容和能力也会随着不同的生活目标和义务而有所改变。

在最初的人生阶段，我们可以承担较大的投资风险，因为我们有足够的时间应付市场的种种波动。随着年龄的增长，我们的经济负担就跟着增加，促使我们必须小心缩减投资风险。

因此，我们的投资活动必须随着个人所能负担的风险而改变。除了要减少不必要的巨大风险以避免无谓的损失，我们也要确保投资恰当，否则可能无法取得理想回报。

假设二十多岁的陈先生，事业刚刚起步。他的经济负担小，承担风险的时间长。所以，他能够将大部分的资金投资于股票及其他高风险的投资项目。

然而，当陈先生逐渐成长，他可能必须负担房子贷款、汽车贷款以及孩子的教育费。他的经济负担会逐渐增加，使他必须减少股票和高风险的投，而增加债券或选择风险较低的投资活动。这么一来，他就可以保障股票投资所带来的利益。

在接近退休年龄的时候，陈先生应该选择投资在较多的债券或投资风险较低的项目，保障他的退休金。

采用人生周期阶段性规划，您就可以对自己承担风险的能力一清二楚，了如指掌，从而选择一个最适当的投资计划。这么一来，不但可以确保生财有道，您也可以肯定自己的成长道路，保障未来。

the MAKERS

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