

A young girl with dark hair, wearing a light-colored sweater, is shown in profile, blowing on a dandelion seed head. The dandelion seeds are blowing away in the air, creating a soft, ethereal atmosphere. The background is a bright, green field under a clear blue sky.

**JustUnitTrust.com**  
**10 October 2009**

**Personal Investment Planning**  
**Need-based**  
**Solution & Value Plans**

**“Failure to plan”**

**is**

**“Planning to fail”**

# Life Cycle Investing

- Life cycle theory (1970s) – each human has both human & financial capital. Now adopted into “Life-cycle Investing”.
- Person’s wealth = sum current financial wealth + present value their human capital (future earning potential)
- Advocates – safe investments as “base layer” of personal wealth.
- Shifts focus from time horizon (when do risk profiling) to investor’s resilience (potential income) to stomach price volatility.

# Life Cycle Investing

- Assume, people prefer to smooth their consumption across their lifetime.

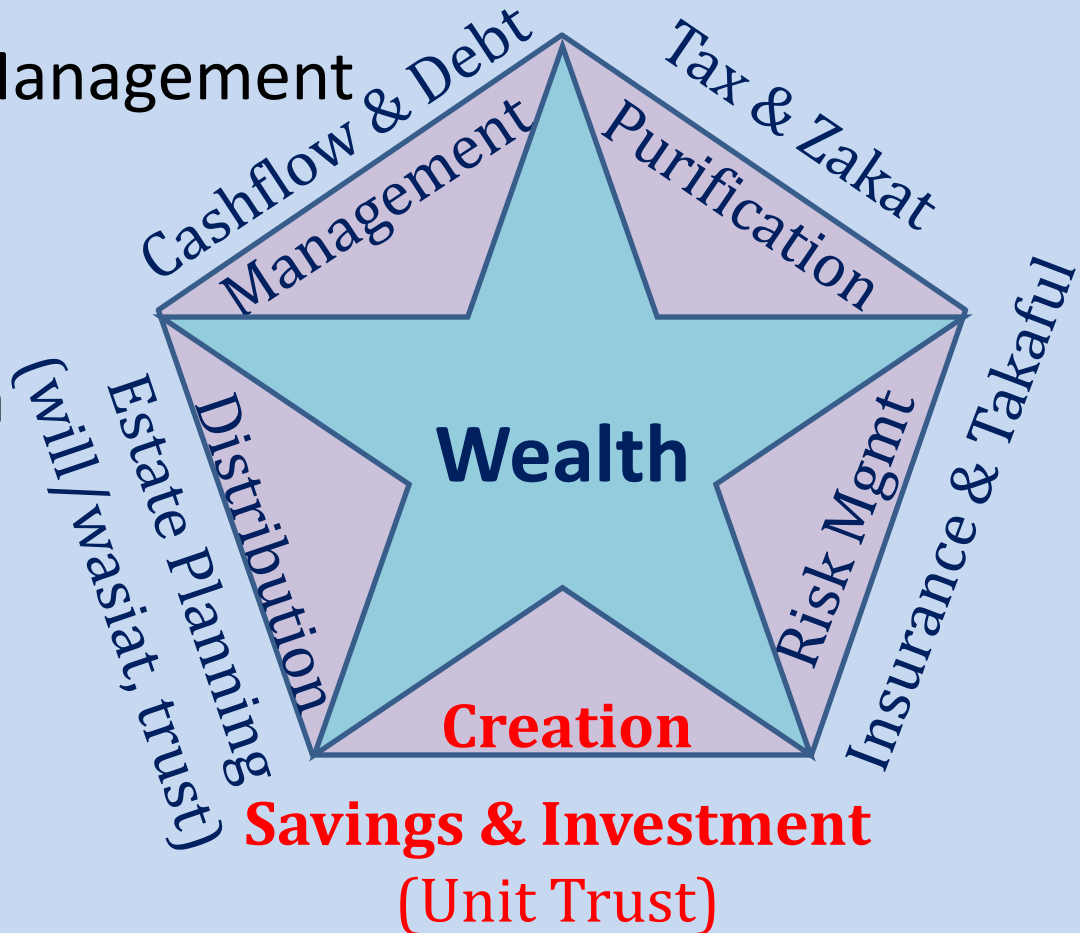
Retirement savings – shifts consumption from high earning years to years when person no longer in workforce.

Study Loans & mortgages – shifts in opposite direction.

Health Insurance – shifts from “good health” times to potential “bad health” times.

# Financial Planning - NEEDS

- Financial needs change throughout life.
- Common needs :
  1. Cashflow & Debt Management
  2. Protect against risk
  3. Tax & Zakat
  4. Accumulate wealth
  5. Distribute wealth



# Islamic Financial Planning

- Scope more comprehensive – based on Syariah principles (actions, transactions, techniques & instruments) in order for Muslims to achieve good life in this world & the hereafter.
- Parameters Muslim's Financial Needs :
  1. Wealth is entrusted to us as human beings.
  2. Accountable to the tenets of Islam.
  3. Worldly needs have direct implications on the needs of the hereafter.
  4. Gain “falaah” (prosperity) here & hereafter.
  5. Need to achieve good life in Islam (hayatan toyyibah) crucial in drawing financial plan.

# Islamic Financial Planning - Guide

Syariah guidance on Financial Planning :

1. Wealth/asset (al-mal) is a trust (amanah) from Allah & must be administered and spent in the way guided by rules of Allah (ahkaam)
2. Wealth/asset must be gathered/created from lawful means (halal) through honest efforts without engaging in giving or accepting usury (riba).
3. Properties/asset must not be left idle.
4. Wealth/asset must be protected, purified via zakat, distributed to rightful heirs.

Ref : Al-Baqarah 261, 286 & Al-Bukhara 278

# Islamic Financial Planning - Needs

Syariah perspective on “Needs” of human kind :

1. Daruriyat – *essential* needs; without it society in extreme difficulty (clothing, shelter, food).
2. Hajiyyat – needs of *society*; affects society in general (personal vehicle, family house, prime education).
3. Tahsiniyyat – complementary needs of society; preference of *some segment in society* (credit cards, leisure, tertiary education).

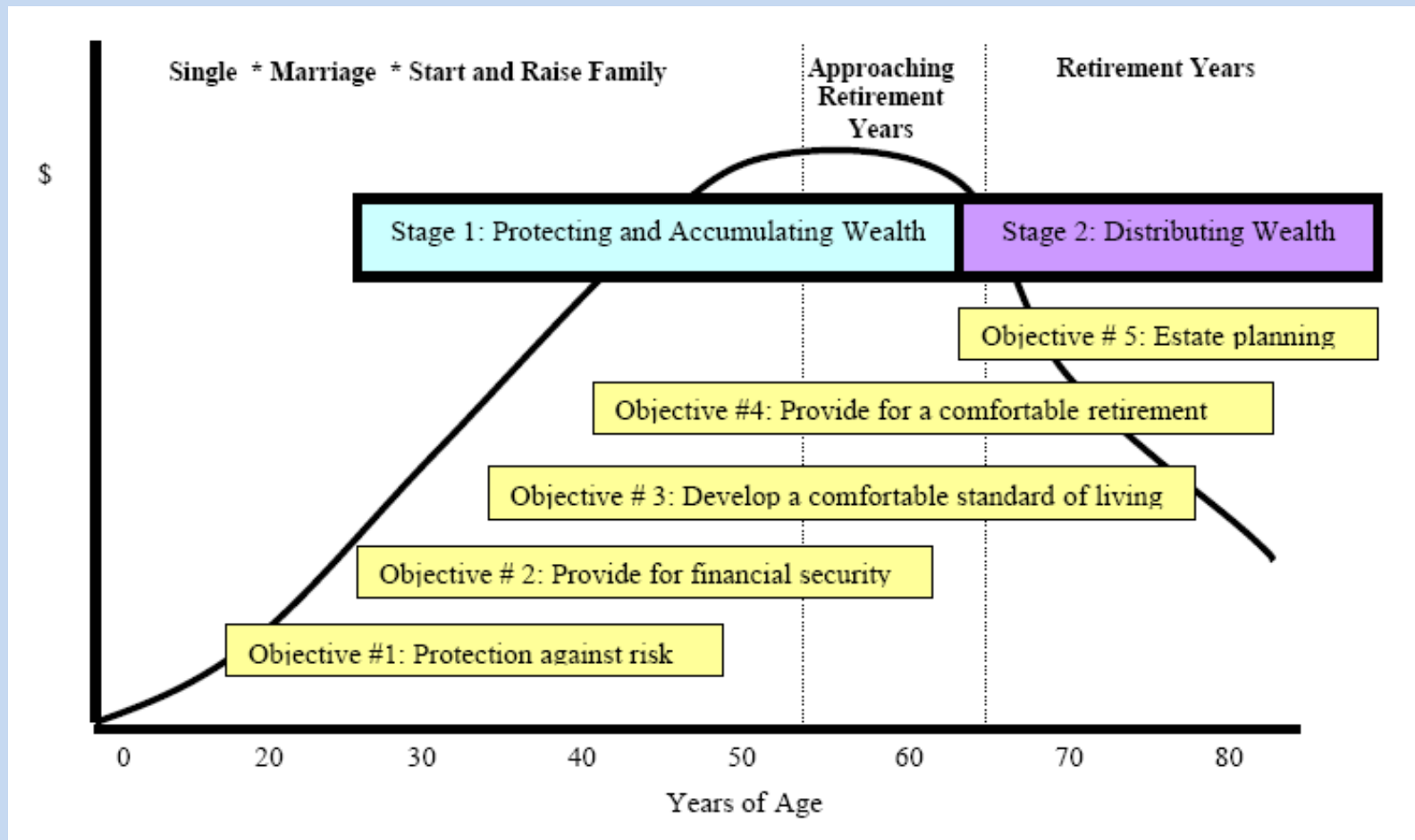
# Islamic Financial Planning Advisory - Ibadah

- Muslims duty-bound to be actively involved.
- Islam is a way of life “deen” as how to live here & hereafter.
- 5 main objectives of Syariah :
  1. Belief (al-din)
  2. Life (al-nafs)
  3. Mental faculty (al-'aql)
  4. Lineage/family (al-nasl)
  5. Wealth/property (al-maal)

Ref : Baqarah 188, Al-Nisa 161

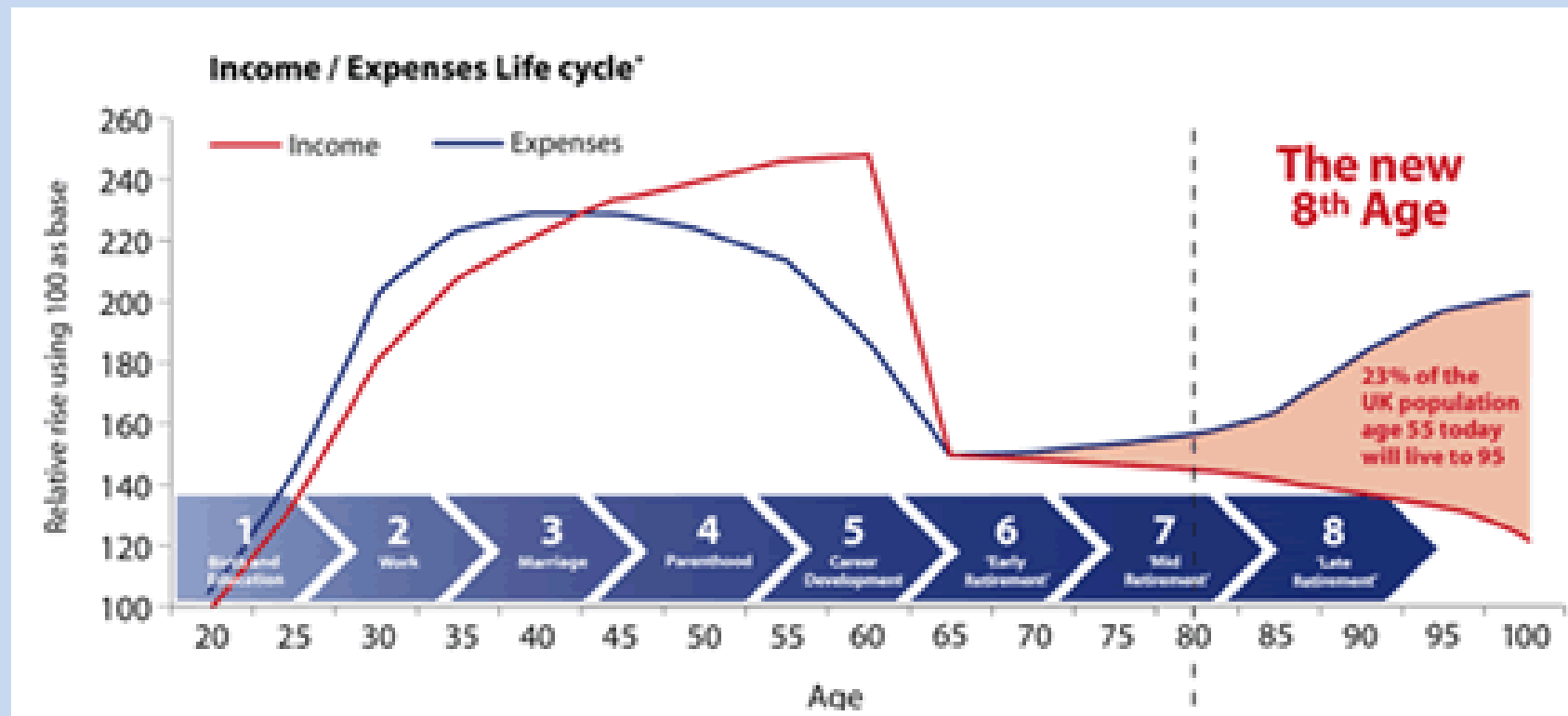
# Financial Planning - Objectives

- Financial needs & objectives change throughout life.



# Financial Planning - Objectives

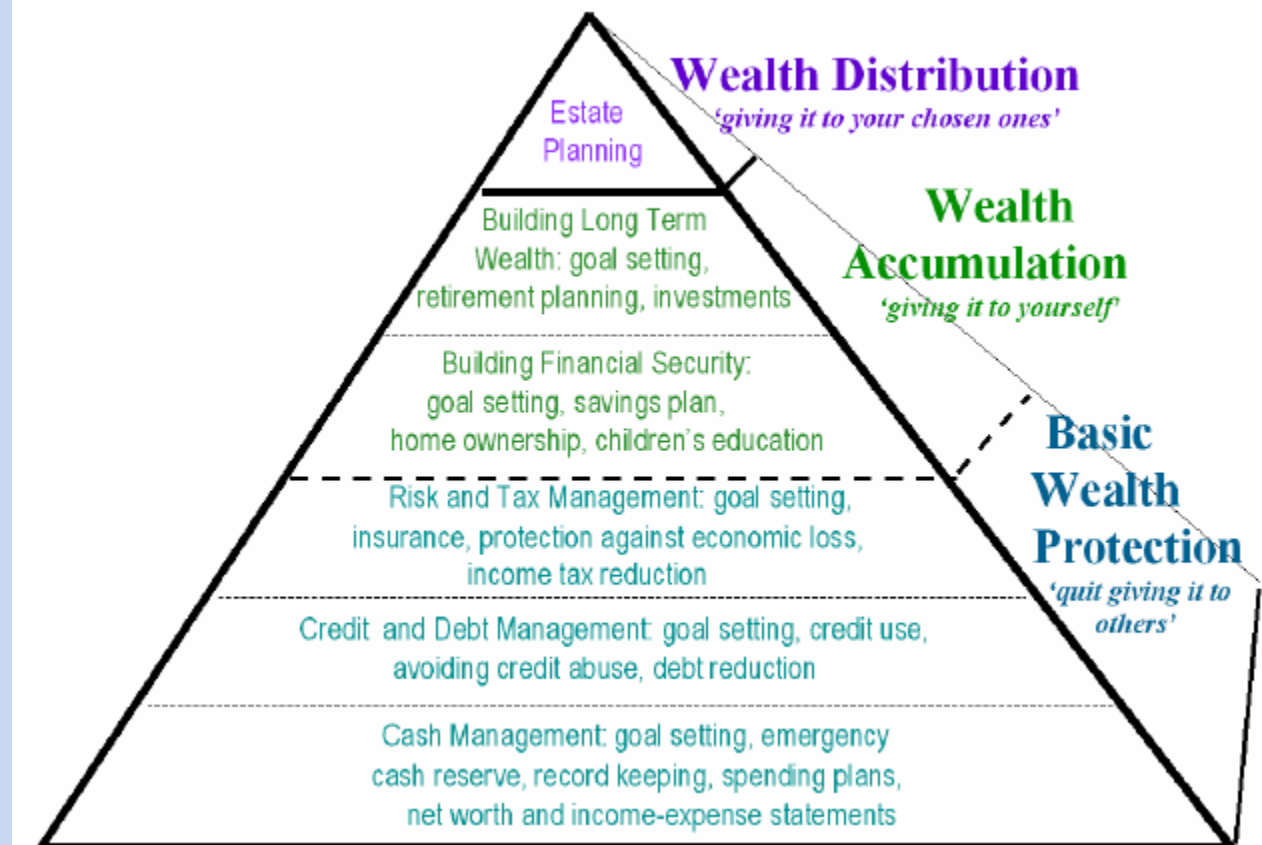
- Income & Expenses - change throughout life.



# Financial Planning - Objectives

- Investment Plans are common tools in “Wealth Accumulation” & “Wealth Distribution” stages. It is easier to implement once the “Basic Wealth Protection” is established.

## Personal Financial Management Pyramid



# Financial Planning - Needs

- Lifestyle changes affect financial situation and needs at different stages in life :
  1. Marital status – single, married, divorced, widowed
  2. Employment status – employed, unemployed, facing unemployment
  3. Number of dependents – children, spouse, parents
  4. Economic outlook
  5. Education level & needs
  6. Health status

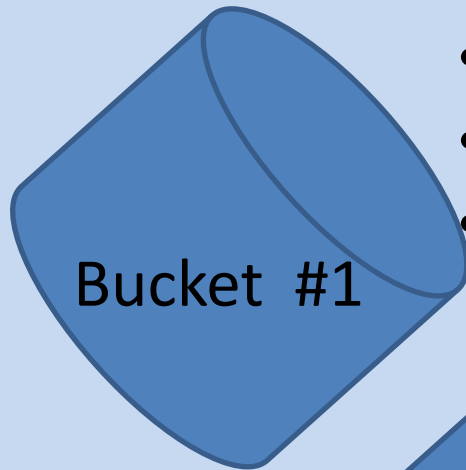
# Financial Planning - Needs

- For many, the ultimate financial goal is to gain Financial Independence/freedom.
- Some common personal financial needs :
  1. Buy car, house
  2. Getting married
  3. Education fund
  4. Retirement fund
  5. Pilgrimage fund
  6. Emergency fund
  7. Legacy

# Financial Planning – Wealth Mastery

## Security/protection – beat inflation

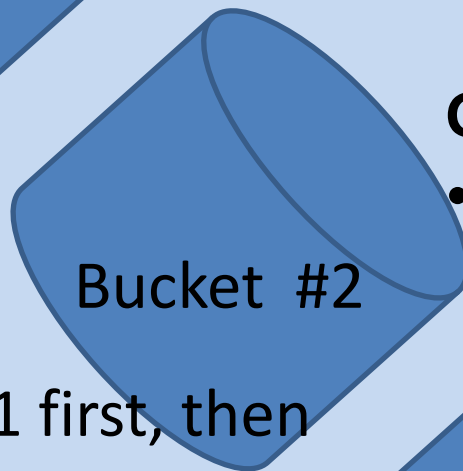
- 2-6 months expenses
- cash, bonds
- Insurance, epf



Bucket #1

## Growth

- investment



Bucket #2

## Buy & Hold

- Unit trust
- property

## Trading

- stocks

## Dream Capital

- planes, boats
- jewelry
- fun things
- sports



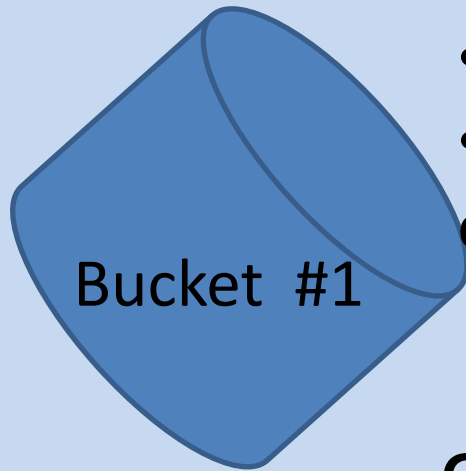
Bucket #3

- Fill bucket #1 first, then start bucket #2, eventually bucket #3.
- Adapted from Anthony Robbins's "Wealth Mastery"

# Financial Planning - Needs

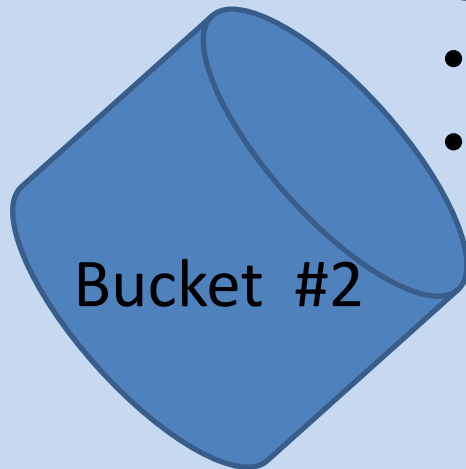
## **Security/protection – beat inflation**

- basic needs
- fixed income investments – bonds, epf, insurance, money market, bank a/c



## **Growth – build Critical Mass**

- maximize (optimize) returns
- non-guaranteed investments



### **Buy & Hold (investor)**

- Long-term, critical mass

### **Trading (trader)**

- short-term – immediate cash

# Financial Planning - Needs



## **Dream Capital**

- may not make money
- money you can afford to spend on fun things

# Asset Allocation – Wealth Mastery

Age	Bucket	Conservative	Aggressive
< 45	Security	40%	<b>30%</b>
	Growth - buy & hold - trading	30% 30%	<b>35%</b> <b>35%</b>
45 - 55	Security	60%	50%
	Growth – buy & hold - trading	20% 20%	25% 25%
> 55	Security	70%	65%
	Growth – buy & hold - trading	15% 15%	17.5% 17.5%

# Financial Planning – Important Strategies

Some important strategies to built into Financial Investment Plans :

- Diversification - risk control in portfolio management

## **Asset Allocation plan**

- across asset class (equity : bond : money : property : commodity)
- in same asset class  
eg. Equity via equity funds & equity ETFs
- Tactical allocation
- Portfolio rebalancing (never, mandatory period, mandatory levels)
- Build in cut loss & profit take levels.

# Financial Planning – Unit Trust Funds

Using Unit Trust as vehicle to achieve Financial Goals.

Important consideration :

- UT designed for medium to long-term, with potential short-term returns. Ideal investment horizon 3 – 5 years.
- Asset allocation responsible for 90% of a portfolio's returns – allows reasonable rate of return with lower volatility.
- Avoid being over-diversified – can achieve diversification with 7 types of funds (local balanced + equity funds domestic + equity fund regional + global bonds + global bonds + commodity + REITs).
- Tactical (theme) funds able boost returns portfolio – usually can hold for shorter-period (< 6 months)

# Financial Planning – Unit Trust Funds

Using Unit Trust as vehicle to achieve Financial Goals.

Important consideration :

- Dollar-Cost-Averaging & regular investment
- Service Charges

# Financial Planning – Unit Trust Funds

Using Unit Trust as vehicle to achieve Financial Goals.

Important consideration :

- Cost of Procrastination (DDI presentation)

Age	Annual Savings RM	Value End of Year RM
26	2,400	2,506.59
27	2,400	5,221.22
28	2,400	8,161.16
29	2,400	11,345.12
30	2,400	14,739.34
31	2,400	18,527.77
32	2,400	22,572.15
33	2,400	26,952.21
34	2,400	31,695.81
35	2,400	36,833.14
36	-	39,779.79
37	-	42,962.17
38	-	46,399.15
39	-	50,111.08
40	-	54,119.97
41	-	58,449.56
42	-	63,125.53
43	-	68,175.57
44	-	73,629.62
45	-	79,519.99
46	-	85,881.59
47	-	92,752.11
48	-	100,172.28
49	-	108,186.06
50	-	116,840.95
51	-	126,188.23
52	-	136,283.28
53	-	147,185.95
54	-	158,960.82
55	-	171,677.69

**Ali**

**DDI:  
RM200  
per month for  
each person**

**Andrew**

\* Assume ROR is 8%

Age	Annual Savings RM	Value End of Year RM
26	-	-
27	-	-
28	-	-
29	-	-
30	-	-
31	-	-
32	-	-
33	-	-
34	-	-
35	-	-
36	2,400	2,506.59
37	2,400	5,221.22
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For Internal Circulation Only



**Cost of  
Procrastination**

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**Ali**

**DDI:  
RM200  
per month**

**Anand**

**DDI:  
RM400  
per month**

\* Assume ROR is 8%

Age	Annual Savings RM	Value End of Year RM
26	-	-
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29	-	-
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31	-	-
32	-	-
33	-	-
34	-	-
35	-	-
36	4,800	5,013.17
37	4,800	10,442.43
38	4,800	16,322.32
39	4,800	22,690.23
40	4,800	29,586.68
41	4,800	37,055.53
42	4,800	45,144.29
43	4,800	53,904.42
44	4,800	63,391.63
45	4,800	73,666.27
46	-	79,559.57
47	-	85,924.34
48	-	92,798.28
49	-	100,222.15
50	-	108,239.92
51	-	116,899.11
52	-	126,251.04
53	-	136,351.12
54	-	147,259.21
55	-	159,039.95

For Internal Circulation Only



**Cost of  
Procrastination**



**PUBLIC MUTUAL**  
SINCE 1919  
WHILE OTHERS SURVIVED BY PUBLIC BANK

# Financial Planning – Unit Trust Funds

- Investor's Psychology

 For Internal Circulation Only



# Asset Allocation – Equity vs Fixed Income

- Simple Rule of Thumb

**equity % = 100 less “your age”**  
(balance in fixed income)

- reduce portfolio risk - invest in low beta (less volatile) stocks/equity with high dividend payout (independent power producers, cigarette companies, some consumer products)

# Asset Allocation – Risk Profile

- What it means is “how much can you stomach? – your pain threshold”
  1. Aggressive – loss 15% - 20% (or more)
  2. Moderate – 8% - 15%
  3. Conservative – below 6%(net of service charges ?)
- Volatility measures risk.
  1. FD volatility 0 – 4%
  2. Bonds funds volatility about 4%
  3. Equity funds volatility 8% - 14% (developed markets) to 20% (emerging markets).
  4. Commodities funds volatility above 14%.

People don't buy *price*, they buy *value*.  
Pause & Think..

What are

- Need
- Feature
- Value (not price/cost)
- Value-add
- Benefit
- Buying buttons

# Pause & Think..

“Promote Solution to fill the Need”

- Describe *benefits*, not only *features*, and link to *buying buttons* (pride ownership, desire gain, fear loss, comfort & convenience, security & protection, satisfaction of emotion).

# Financial Planning - Process

- 6 step process : E-G-A-D-I-M  
(Establish relationship - Gather information – Analyse – Develop Plan – Implement – Monitor)
- Identify client's financial needs :
  1. Recognize & Uncover real needs (vs perceived)
  2. Determine needs are current or future.
  3. Quantify needs (surplus/shortfall) – GAP.
  4. Prioritize the needs.

# Financial Plans : Investment and Time

A lump sum investment of RM10,000, with interest compounded yearly, accumulates the amounts indicated at the respective years.

Annual Interest Rate		3%	4%	5%	6%	8%	10%	12%	15%	20%
Number Of Accumulation Years	5	11,593	12,167	12,763	13,382	14,693	16,105	17,623	20,114	24,883
	6	11,941	12,653	13,401	14,185	15,869	17,716	19,738	23,131	29,860
	7	12,299	13,159	14,071	15,036	17,138	19,487	22,107	26,600	35,832
	8	12,668	13,686	14,775	15,938	18,509	21,436	24,760	30,590	42,998
	9	13,048	14,233	15,513	16,895	19,990	23,579	27,731	35,179	51,598
	10	13,439	14,802	16,289	17,908	21,589	25,937	31,058	40,456	61,917
	11	13,842	15,395	17,103	18,983	23,316	28,531	34,785	46,524	74,301
	12	14,258	16,010	17,959	20,122	25,182	31,384	38,960	53,503	89,161
	13	14,685	16,651	18,856	21,329	27,196	34,523	43,635	61,528	106,993
	14	15,126	17,317	19,799	22,609	29,372	37,975	48,871	70,757	128,392
	15	15,580	18,009	20,789	23,966	31,722	41,772	54,736	81,371	154,070
	16	16,047	18,730	21,829	25,404	34,259	45,950	61,304	93,576	184,884
	17	16,528	19,479	22,920	26,928	37,000	50,545	68,660	107,613	221,861
	18	17,024	20,258	24,066	28,543	39,960	55,599	76,900	123,755	266,233
	19	17,535	21,068	25,270	30,256	43,157	61,159	86,128	142,318	319,480
	20	18,061	21,911	26,533	32,071	46,610	67,275	96,463	163,665	383,376
	25	20,938	26,658	33,864	42,919	68,485	108,347	170,001	329,190	953,962
	30	24,273	32,434	43,219	57,435	100,627	174,494	299,599	662,118	2,373,763
	35	28,139	39,461	55,160	76,861	147,853	281,024	527,996	1,331,755	5,906,682

# Financial Plans : Investment and Time

monthly investment of RM100 made at the beginning of each month, with interest compounded monthly, accumulates the amounts indicated at the respective years.

		FD	TH	ASB	UT					
Annual Interest Rate		3%	4%	5%	6%	8%	10%	12%	15%	20%
Number Of Accumulation Years	5	6,481	6,652	6,829	7,012	7,397	7,808	8,249	8,968	10,345
	6	7,898	8,149	8,411	8,684	9,264	9,893	10,576	11,712	13,953
	7	9,358	9,708	10,075	10,459	11,286	12,196	13,198	14,897	18,353
	8	10,862	11,329	11,823	12,344	13,476	14,740	16,153	18,594	23,718
	9	12,412	13,017	13,661	14,345	15,848	17,550	19,482	22,885	30,259
	10	14,009	14,774	15,593	16,470	18,417	20,655	23,234	27,866	38,236
	11	15,655	16,602	17,624	18,725	21,198	24,085	27,461	33,647	47,963
	12	17,351	18,505	19,758	21,120	24,211	27,874	32,225	40,358	59,824
	13	19,098	20,485	22,002	23,662	27,474	32,060	37,593	48,148	74,288
	14	20,899	22,546	24,361	26,362	31,008	36,684	43,642	57,191	91,924
	15	22,754	24,691	26,840	29,227	34,835	41,792	50,458	67,686	113,430
	16	24,666	26,923	29,446	32,270	38,979	47,436	58,138	79,869	139,653
	17	26,636	29,247	32,186	35,500	43,468	53,670	66,792	94,011	171,630
	18	28,666	31,664	35,066	38,929	48,329	60,557	76,544	110,426	210,623
	19	30,757	34,181	38,093	42,570	53,593	68,165	87,533	129,479	258,170
	20	32,912	36,800	41,275	46,435	59,295	76,570	99,915	151,595	316,148
	25	44,712	51,584	59,799	69,646	95,737	133,789	189,764	328,407	862,672
	30	58,419	69,636	83,573	100,951	150,030	227,932	352,991	700,982	2,336,082
	35	74,342	91,678	114,083	143,183	230,918	382,827	649,527	1,486,064	6,308,355

# Financial Planning – SOLUTIONS & PLANS

Next training !

Tungguuuuu.....

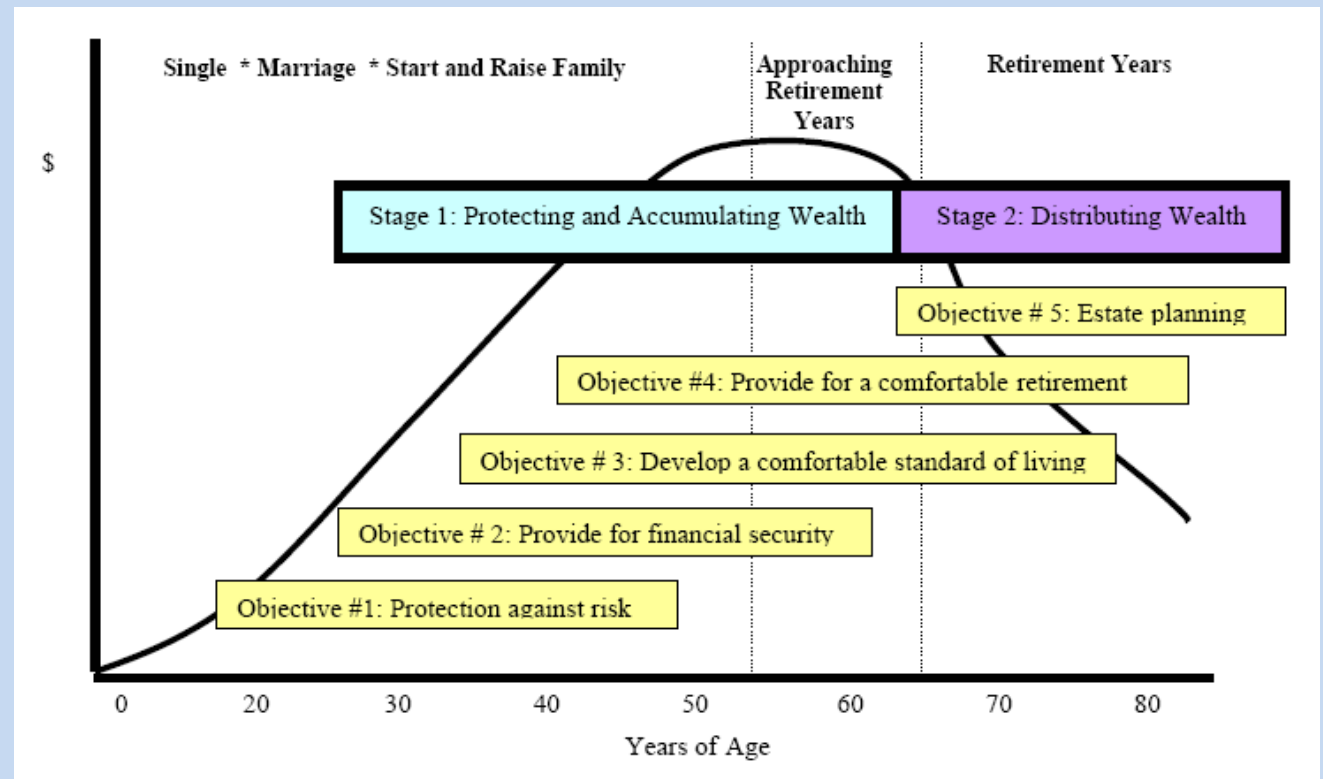
**Terima kasih**



# Discussion 1

What are the Financial planning needs according to the following life cycle ?

1. Learning Years (age 0 – 20)
2. Accumulation Years (age 20-25s to 45s)
3. Consolidation Years (age 45s to 50s)
4. Financial Independence (age 50 to 55-60s )
5. Gifting Years (ages >60s)



# Discussion 1

## 1. Learning Years (age 0 – 20)

- Education
- Daily expenses
- Medical & Hospitalization

## 2. Accumulation Years (age 20 – 45s)

- Early earnings
- Low income – high expenses
- Budgeting & cashflow
- Expenses – study loans, car, first home, daily expenses, maybe children expenses
- Savings focus : ST & MT
- High risk tolerance (retirement fund)

# Discussion 1

3. Consolidation Years (age 45 – 50)
  - Established earnings
  - Usually higher income but expenses remain high, especially if have children
  - Children education fund
  - High equity % combination domestic & emerging markets
4. Financial Independence (age 50 to 55–60s)
  - Pre-retirement
  - Peak income
  - Slightly lower risk tolerance
  - Start think legacy planning & position asset more conservative.

# Discussion 1

5. Gifting Years (> 55-60s)
  - Focus : preservation capital & maintenance lifestyle
  - Low daily expenses
  - Additional expenses – medical, holidays
  - Lower risk tolerance
  - LT health issues
  - Asset distribution & estate planning