Partners for Life

The Ultimate Guide to Investing for your Financial Goals

What's inside

Why bother investing for your financial goals?

Cars and houses aren't cheap. Nor are sending your kids off to university, vacations, paying for medical emergencies or even retirement. However, at one point in your life or another you may find yourself wanting some or all of these things. That's why investing your money is so important. Investing allows you to obtain an additional income or profit on your money or capital so that you can make that down payment on your first home or retire in comfort when you're ready. Simply put, investing is a great wealth creation tool that will help you achieve your financial goals.

I have goals! Sign me up for investing!

If you have financial goals the first thing you should do is to identify what they are. Get out your pen and paper, your laptop, personal computer, tablet, phone, or whatever you use to make personal memos and record all the things you want. Make sure you put down how long you're prepared to wait before you have them and give a rough estimate of how much you think they might cost. Whether it's a trip to Europe, your first car or sending your kids abroad to study when they graduate from secondary school, no dream is too big so don't hesitate to write it down.

I'm sure of my goals and when I want them, what do I do now?

Right, now that you have (hopefully) listed out all your financial goals, here comes the fun part. You can use our **Investment Calculator** to work out exactly how much money you'll need to put away each month to meet your goals in the time frame you want. The two key things to consider when doing this are the *interest rates* you'll earn on your investment and your time horizon for making your goal become a reality.

> As an investor, interest rate is referred to as the income you receive if you invest it in an income-producing bank account or in a security.

Your time horizon is the length of time over which an investment is made or held before it is liquidated (converted to cash). For example, the time horizon for an investment made towards sending a child to university might be 18 years for newlywed parents who are expecting, but only 5 years for the parents of a thirteen-year-old.

Similarly, the time horizon for a 30-year old saving for retirement might be 35 years, whereas it might be 15 years for a 50-year old who started saving late in life. The shorter your time horizon, the less time your money will have to grow when invested and the smaller your potential returns (profits).

Interest rates can also affect your potential returns. These go up or down depending on the avenue for investment or "investment vehicle" you choose. Usually, the higher the interest rate , the more risky your investment will be. Interest rates for a particular investment vehicle can also fluctuate over time. For example, the interest rates on any given mutual fund may go up or down. The following section offers more on what risk means.

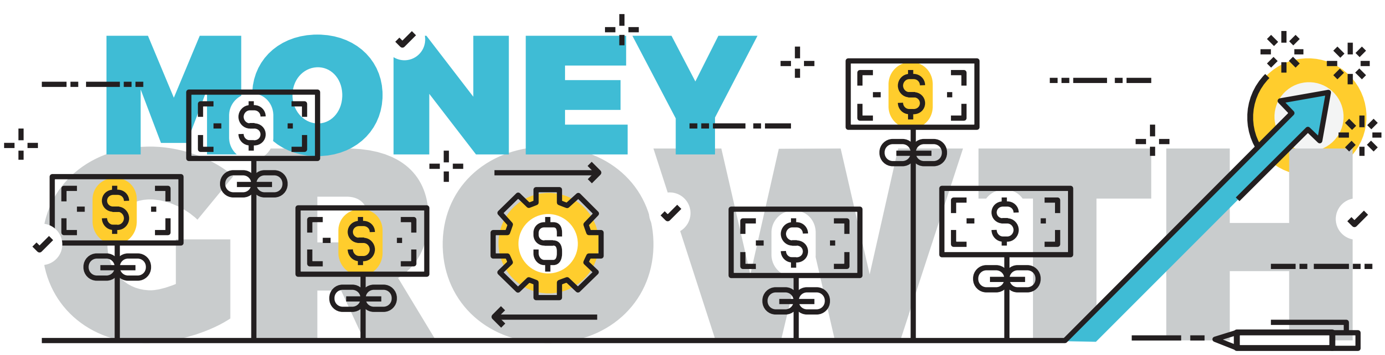
A breakdown of risk

This "riskiness" of an investment or investment risk is, the chance of loss on the capital you have invested. If an investment is deemed risky it means that you can lose some or all of your capital. It will also probably mean that you have a better chance of earning higher potential returns. This is because riskier investments tend to have higher interest rates associated with them. Stocks are a good example of this type of investment.

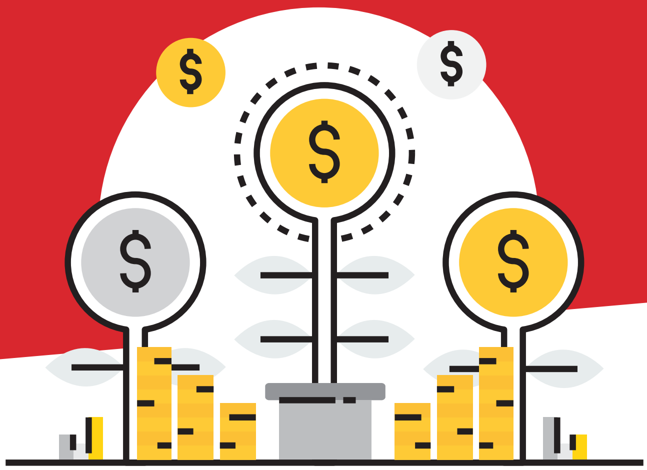
Some investors prefer risky investments and we call them 'Aggressive Investors'. While we call those who don't like the thought of losing all or some of their money 'Conservative Investors'. A risk profile will tell you your tolerance for risk which can be affected by your age, the time horizon for your investment, the importance of your goal and your own personal experience with taking risk in the financial markets. You can use our **Investor Profile** tool to figure out whether you're an aggressive or conservative investor.

We at the TTUTC are the only mutual fund and *collective investment scheme* provider that is mandated by UTC Act to never exceed more than 10 percent holding in any one issuer. This means that our investment strategy is not one that allows for high levels of concentration in any particular asset or security.

We therefore manage risk in a way that ensures that investors have the best opportunity for consistent, competitive returns, aiming to give you financial peace of mind when you invest at the UTC.



How to kick-start investing



Budget, budget, budget!

After you've taken account of your financial goals it's time to start setting aside money for investment. You already know what your take-home pay is, so prepare a budget to ensure that you have enough money to put towards your investments at the end of the month. You would have worked this out by looking at your time horizon for your goal, the interest rates you'll probably receive on your investment and the amount of money you'll need to make your goal become a reality.

For example, say you're a photographer and want to buy some new photography equipment which will cost $10,000. However, all you have set aside right now is $2,000. You also know that you want the equipment within the next two years (which is your time horizon) and that you're interested in investing in a mutual fund that will yield about 5% interest per year. If you plug these figures into our **Investment Calculator** you'll find that you can achieve this goal by setting aside around $320 per month.

"Budgeting is really important. After all, the less money you spend, the more you can earn interest on through investing." Whether you want a brand new

car or to go backpacking across Europe, always keep the thought of that eventual goal at the back of your mind. We can guarantee that by doing this it will be much easier for you to forgo that recently released smartphone that caught your attention in favour of the one you already have.

Tracking your expenses

Once you've started budgeting you can cut costs even further by figuring out how to keep your recurring monthly expenses as low as possible. You do this by tracking them. How? Well, you won't be surprised to hear that there's an app for that! Check out your phone's app store for one that suits your taste.

Tracking your expenses will help make sure they aren't going beyond your income. This can save you a lot of money over time, giving you a greater reward later on. We call this delayed gratification. What's delayed gratification? It's about resisting the temptation of an immediate reward in exchange for a future (usually bigger) reward. It means you give up the daily guilty pleasures that slowly drain away your income in favour of a future where your financial goals are met thanks to your very own diligent planning.

Insider tips on investing

Time is an investor's best friend

It's never too early to start investing for your goals. In fact, the reality is quite the opposite. The earlier you start, the better chance you have of making a tidy profit in the long run. That's because of the magic of compound interest. Compounding amplifies the growth of your money by taking into account any interest added to the initial deposit made so that the added interest earns interest too from then on. This addition of interest to the initial deposit is called compounding.

Understanding compound interest

So how does compounding work for you exactly? Well, it's pretty simple. When you invest your money and it earns returns (profits), and then in turn those returns start to earn money as well, your initial investment, no matter how small, can blossom into something much bigger. Take a look at the chart below. Daniel and Daniela have made a quite similar choice. They have both chosen to invest an initial deposit of $10,000 and and leave it untouched for the next 30 years. They both get steady, yearly interest rates of 10%. However Daniel's investment isn't compounded and Daniela's investment is:

Year	Daniel	Daniela
1	$11,000	$11,000
5	$15,000	$16,105.10
10	$20,000	$25,937.42
15	$25,000	$41,772.48
20	$30,000	$67,275.00
25	$35,000	$108,347.06
30	$40,000	$174,494.02

We can quite easily see that Daniela made the better choice. It's also good to note that not only did she make a smart choice in choosing an investment where her interest would be compounded, she was also awarded for her patience. After 10 years she had earned just about $6,000 more than Daniel. It was only in the twentieth year that we really began to see the margins begin to stretch between her earnings and Daniel's. So what can we take from this? Well, the answer is simple: make the right investment decisions now. Even if you think your dream of owning a new home will only be realised in the distant future, it's best to get started right away. Time is working in your favour.

Just as investing maximizes your earning potential, compounding maximizes the earning potential of your investments. Remember however, that compounding needs to take time to work, you must keep your hands off your investment ***and*** any interest earned.

We're here to help you achieve your financial goals

The TTUTC offers a range of mutual funds to suit your investor profile. Our **TT$ Income Fund** and **US$ Income Fund** both allow you the potential to earn interest on your money while having full access anytime you need it. You can start investing with as little as $100! Plus, interest earned is compounded daily and credited to your account quarterly.

What are mutual funds and how can they help you?

Mutual funds can be viewed as groups of people who share common or "mutual" investment goals. Instead of investing on their own, they come together, pool their resources, and let professional managers invest their money for them in stocks, bonds, and other securities. Each investor owns shares, which represent a portion of the holdings of the fund. These shares are called units and are purchased by the investor at their value price on their day of purchase. The number of units you buy is determined by the fund's unit price or net asset value (NAV) and the amount you have to invest.

Mutual fund dividends, like coupons, are paid regularly to unitholders from profits generated by the fund's investments and may vary based on the performance of the mutual fund. All portfolio managers will aim to make profits on their portfolio and a portion of this will then be shared up between unit holders periodically. Dividends are typically shared among unit holders based on how many units they purchased.

For example, if a fund's unit price is $10.00 and you have $1,000.00 to invest, you'll be able to buy 100 units assuming there are no sales charges or transaction fees.

By owning units in a fund, you become a unit holder. A mutual fund pools money from many individual unitholders like yourself and the fund's manager invests this money in a portfolio of stocks, bonds, or other securities, depending on the fund's objectives. You'll generate money on your investment through *dividends* & capital gains.

Mutual funds offer several key benefits to investors:

They have higher potential returns

Compared to other cash and cash equivalent investments, mutual funds offer investors the opportunity to earn higher rates of return than what is currently offered at other financial institutions. You earn these higher interest rates while retaining access to your money just as you might with your bank's savings account. However, in the case of mutual funds, your money grows at a faster rate.

They offer diversified portfolios

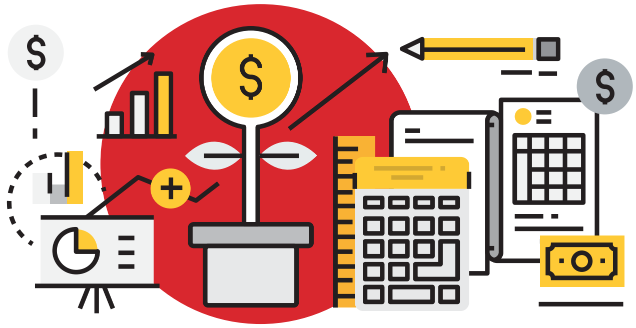
Mutual funds provide investors with the opportunity to easily diversify their investments by investing in portfolios that contain different securities and asset classes. Diversified investments mean lower risk of loss on your capital. Perfect for ensuring that your financial goals are met in the time frame you expected!

For example, a fund's portfolio might include stocks in manufacturing and insurance companies among others. If one security in a particular industry isn't performing well, securities in unrelated industries will help to offset its impact. For example, if the manufacturing industry is down, the banking and insurance industries may still be doing well, therefore the fund's overall performance may not be adversely affected by a downturn in one stock or industry.

Achieving this level of diversification outside of a mutual fund will prove very costly to the investor as each company's shares would need to be purchased individually, in addition to factoring in the commission charges and transaction fees.

They have low minimums

You don't have to have access to a large sum of money to begin investing in a mutual fund. TT$100.00 is all it takes at the TTUTC to own a portion of a large portfolio of securities and receive the same investment management that pension funds and wealthy individuals enjoy.



They offer easy access to your money

Investing in a mutual fund will allow you access to your money while giving you the opportunity to earn higher returns than what is currently offered at other financial institutions. Interest rates at banks are typically lower than those that can be gained from mutual funds which means your money grows at a slower rate.

They offer professional management of your money

Mutual funds are great for first time investors, who may not have the financial acumen to successfully manage and grow their investments. The TTUTC's funds are managed by professionals who follow market trends, identify attractive opportunities and manage each fund according to its investment objectives and policies.

Conclusion

The TTUTC is here to help you achieve your financial goals. For some people this e-book may be all they need to get them started on investing towards achieving their financial goals, while for others it may be a bit more difficult. If you're worried about your ability to budget and manage your finances get in touch with our team at Advisory Services who can help you with:

- Setting realistic financial goals for yourself and your family
- Assessing your financial health by closely considering your assets and liabilities
- Creating a practical and comprehensive plan that will meet your financial goals
- Monitor your progress
- Adjusting your financial plan when life circumstances changes

We'll help you get started down the right financial part for you and your family, making sure you don't have to do it alone.

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Partners for Life

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