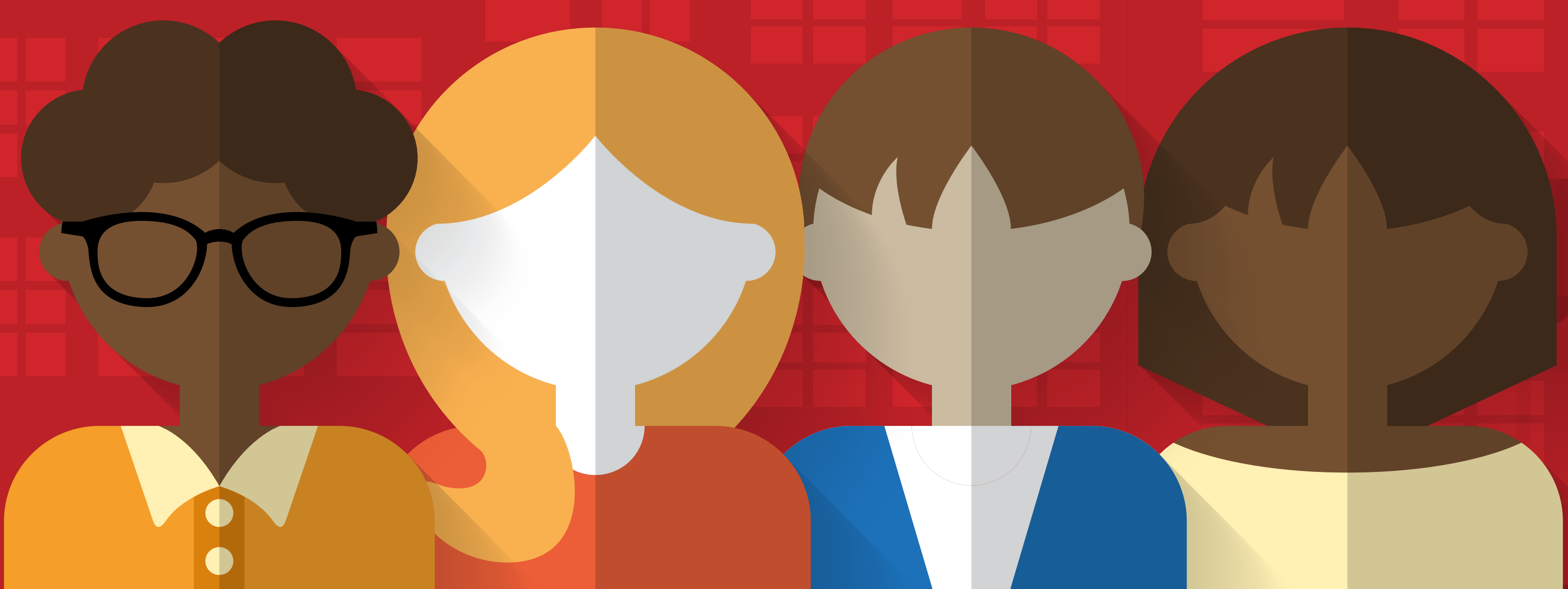
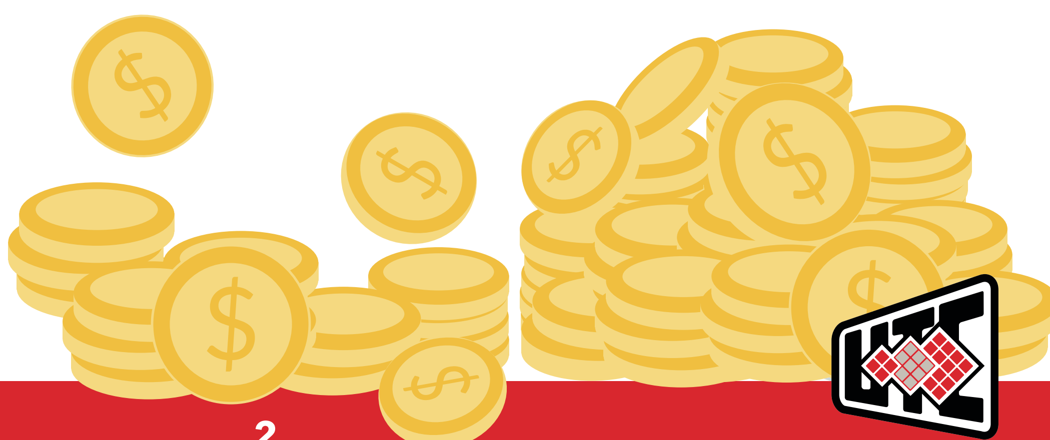
UNIT TRUST
CORPORATION

The Millennial's Guide to FINANCIAL PLANNING



What's inside

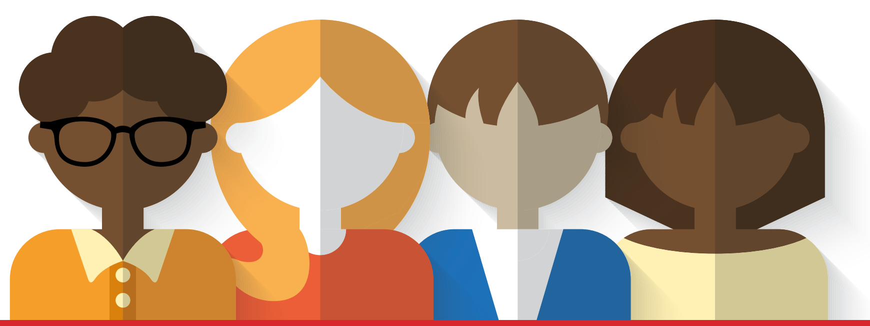


Introduction

You have something other investors want!

If you're in your twenties, you have something other investors don't have and would benefit a great deal from: **TIME**. Because of the beauty of compound interest, your time becomes vital in the world of both long and short term investing (but especially in long term investing). Not sure what compound interest is? Interest added to the principal of a deposit or loan so that the added interest also earns interest from then on is what is referred to as compound interest. This addition of interest to the principal is called compounding.

A great way of showing the magic of compounding is in this simple question. Would you rather have 'Option A': 10,000 every day for 30 days or 'Option B': one cent that doubled in value every day? If you answered 'Option A' you'll have missed out on an extra $5,000,000. That's because 'Option A' only nets you $300,000 while Option B gets you $5,368,709.12.



Who should invest and why?

Everyone should invest and yes… that means you too.

A lot of young people want future financial stability but how do you get there? Through careful financial management, savings and, importantly, investment. Set yourself up for a great financial future by starting to invest even a small amount of your money at an early age in mutual funds like the TT$ Income Fund where you can earn compound interest.

But wait until you're 40 or 45 to start investing your money and you would probably have to invest double or even triple what you would have had to invest in your twenty's to reach the same targets.

Now as for why you should invest, that's up to you. Keeping in mind that we all have financial goals we want to achieve. But first we suggest that you do some introspection to pin point your financial goals. Ask yourself:

- Am I investing for a new car?
- Am I investing for my first home?
- Am I investing for a dream vacation?
- Am I investing for financial stability?
- Am I investing for my retirement?
- Am I investing to send my child (or future child) off to university?

Time is money

Ok, now that I know that I have to invest, what's an easy way to start?

You don't need an MBA in finance from some fancy university to manage your finances and invest your money well, first time investors can achieve financial security with a little bit of research and forward-planning.

The Trinidad and Tobago Unit Trust Corporation is proud to offer a range of **mutual funds** that are specifically tailored to meet both your long and short term investments needs.

Enter the world of mutual funds

What is a mutual fund?

You probably don't know that mutual funds are one of the fastest-growing investment opportunities worldwide. The reason for their popularity is simple: Mutual funds make investing easy. You're not required to be an investment expert or pour a lot of your time or energy into managing your portfolio to invest in them. With our mutual funds you don't even need a lot of money to get started!

Think of mutual funds 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.

Stocks: A type of tradeable financial asset that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

Bonds: A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used to raise money and finance a variety of projects and activities. Owners of bonds are debtholders, or creditors, of the issuer.

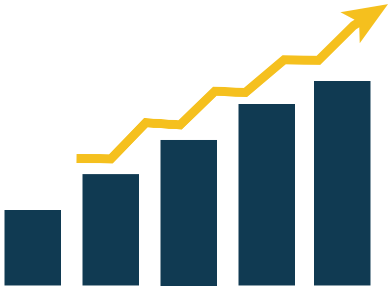
What do mutual funds offer?

Broken down, the benefits of mutual funds are:

1. Higher Potential Returns
2. Professional Management
3. Diversification
4. Low Minimums
5. Easy Access to Your Money

Mutual funds are a great opportunity for both experienced and first time investors to invest. The best part is, at UTC, you can enter into a mutual fund with an initial deposit of just TT$100.00, giving you the opportunity to access expert money management and the opportunity to invest in a broad range of companies. *Like all mutual funds, our funds, provide an easily accessible way to participate in the financial market.*

Higher Potential Returns



Investing in a mutual fund will give 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.

Diversification

Mutual funds provide investors with the opportunity to easily diversify their investments by investing in portfolios of different securities and asset classes. *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.

Low Minimums

A large sum of money is not necessary to start investing in mutual funds. With as little as TT$100.00 you can own a portion of a large portfolio of securities and receive the same investment management that pension funds and wealthy individuals enjoy.

Access to Your Money

With mutual funds, it's easy to make withdrawals and deposits, giving you lots of control over how you invest your money. You decide your investment time frame. For example, our **US$ Income fund** offers no charges or penalties on withdrawals and 100% access so you can withdraw or deposit your money whenever you want, investing at your own pace.

Professional Management

Since you may be new to mutual fund investing, you may not have the know-it-all to successfully manage and grow your investments. UTC's funds are managed by professionals who follow market trends, identify attractive opportunities and manage each fund according to its investment objectives and policies. Now that you understand more about mutual funds, let's go a step further.

How do mutual funds work?

The key to understanding how mutual funds can work to improve your financial standing is by understanding how they operate. Simply put, you invest in a mutual fund by buying units. 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.

For e.g., 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's no sales charges or transaction fee.

How do I become a unit holder?

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 growth.

What are dividends?

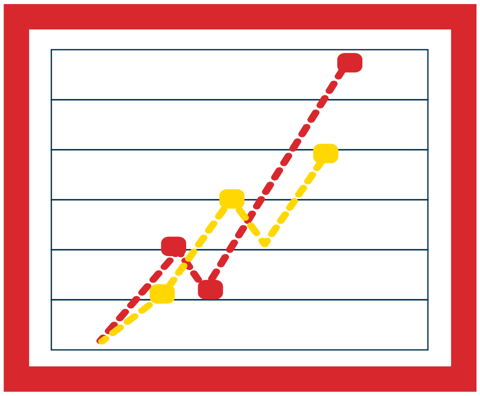
These are paid regularly to unitholders from profits generated by the fund's investments and may vary based on the performance of the mutual fund. All portfolio managers will aim to make profits on their portfolio and a portion of this will then be shared up between unit holders periodically. Dividends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

What are capital gains?

These are earnings generated when an investment that has increased in value is sold.

There are two types of capital gains when investing in mutual funds:

- When a mutual fund sells an investment in its portfolio for a higher price than was paid for it.
- When the price at which you can sell your unit exceeds the purchase price.



UTC US$ Income Fund

Putting your US dollars to better use is easy at the Trinidad and Tobago Unit Trust Corporation. The US$ Income Fund allows persons with US dollars to invest while earning income, as well as it provides easy access to their funds and safety of capital. This fund invests in a diversified range of high quality, short-term US dollar denominated fixed income securities. These securities will include a wide range of government bonds and money market instruments of investment grade quality.

> The US$ Income Fund allows short-term investors with US Dollars the ability to invest while reaping an income, as well as easy access to their funds and safety of capital.

Personal finance and investment best practices

How to grow your money?

Your parents should have taught you about "delayed gratification" when you were growing up. If not, the sooner you learn what it's all about the easier you'll find it to keep your finances in order. What's "delayed gratification"? It's about resisting the temptation of an immediate reward in exchange for a future (usually bigger) reward. It means more future planning when it comes to your finances, investing today to be more highly rewarded in the future. Here are some investing best practices:

Pay yourself first!

Now that's a good mantra to live by when it comes to personal finance. Don't just work to pay bills. *No matter how high your debts may be or how low your salary may seem, it's wise to find some amount – any amount – of money in your budget to save in an emergency account (EA) every month.* It's easy to get this habit started. Simply have money directly deposited from your salary into a dedicated mutual fund for those unexpected emergencies.

Rule of thumb: You should aim to put about three month's worth of living expenses in your "EA". Open another mutual fund for funds that you can permit yourself to access anytime so you won't be tempted to touch your existing investments unless you enter a period of financial uncertainty in your life.

Remember that having money in an "EA" can keep you out of trouble financially, helping you to sleep better at night. It's a great stress reliever to know that the next time an unplanned expense arises you'll be covered. Also, if you get into the habit of saving money and treating it as a non-negotiable monthly "expense", pretty soon you'll have enough emergency money saved up.

Use credit cards wisely

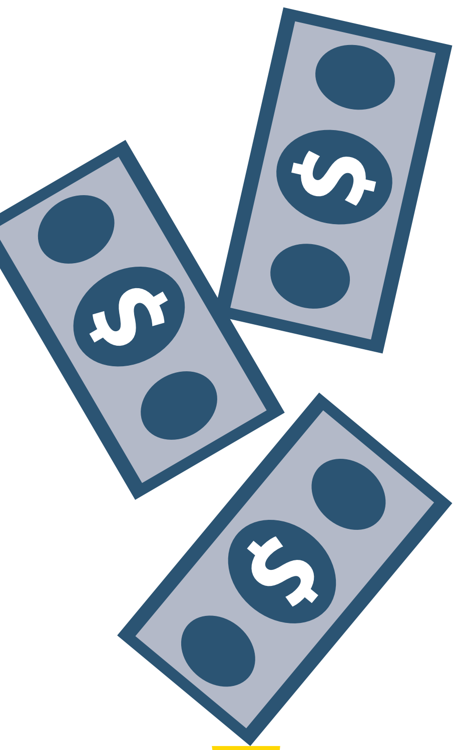
While you may find it tempting to impulse buy, getting an item on credit the minute you want it, it's best to wait until you've actually saved up the money. Credit cards should be used carefully and with full knowledge of their implications. You'll not only be paying the value of the item but any interest rates attached to the credit purchase as well. It's important to cut those impulsive shoe purchases or upgrades to the latest smartphones out of your spending in favour of meeting your financial goals.

Keep track of your regular expenses

For most people, their financial well-being doesn't depend on how much they earn, but how much they spend. Once you've started tracking this you'll realize how important it is to make sure your expenses aren't going beyond your income. The best way to do this is by budgeting.

Once you see how those $35 dollar lunches bought at work add up over the course of a month, you'll realize that making small, manageable changes – like swapping those pricey lunches for a home cooked meal – can have just as big of an impact on your financial situation as getting a raise. Yes, really!

In addition, keeping your recurring monthly expenses as low as possible will also save you a lot of money over time. If you don't waste your money on impulsive purchases you want now, you can have a much greater reward later on. That's the beauty of delayed gratification.



Where does all the money go?

Well to help you find out, try these tips for tracking expenses. Start by identifying variable expenses which are those that vary from month to month, such as clothing, entertainment and food. Keeping in mind that you have the most control over these types of expenses.

To help you identify your variable expenses, use a simple notebook, or download an app for your phone and record every cent you spend. Yes, there's an app for that! Remember to track every expense, even if it's only a small purchase, like a snack after lunch. The longer you track expenses, the better your chances to successfully maintain acceptable spending levels.

Invest your money and set goals

Invest early and regularly. It may be difficult to do so when loans and bills are high relative to one's salary, but every little bit helps. Even a very small amount saved in one's 20s can grow to a significant sum by one's 60s if it isn't touched. Remember that it's always better to save a minimal amount than not to save anything at all.

Keep in mind that you're investing for a reason. Let's say you're investing your money for your first home. *For many young professionals, buying a home is a long term financial goal . Preparing to buy your first home can take several years so it is important to plan as early in advance as possible.*

Start setting money aside each month toward your down payment. The amount you set aside should be dependent upon a number of factors, such as when you plan to buy, where you want to live and, and your target price range.

You can **use our U-invest Financial Tool for guidance** when setting your goals.

Investing in yourself

Don't neglect your own education and skills. Investing in your professional development will help you to increase your future earning potential and by extension disposable income. So, while it's very important to save/invest you should also spend money on your own personal development. Explore options to further your education or enhancing your skills. Don't neglect looking after your health too. Developing a healthy lifestyle can actually keep you financially fit as the likelihood of paying expensive medical bills will be reduced by incorporating diet and exercise in your daily routine.

But what if I have debt?

Most of the time, the word "debt" has negative connotations but it's not always a negative thing. Many of us take out loans to start a new business, purchase a home and even to further our education. However, because we have debt commitments we think we can't save or invest. But that's not true at all. You can still set aside money for the future, even while paying back the money you owe.

It may be a good idea to consider investing even while meeting your debt commitments. Don't forget how crucial time is when it comes to investing and having your money compounded. If you decide to wait before beginning to invest, the money you end up missing out on in the future could be worth much more than the money you put towards paying off your debt today.

There are two popular methods that people use to tackle debt.

1. Concentrate on paying off the debt with the smallest balance first (never forgetting to make required payments to all debts). When that balance is repaid, apply that payment to the loan payment with the next smallest balance, continuing the process until all debts are satisfied.

2. Concentrate on repaying the debt with the highest interest rate first. This method will save you the most in interest charges over time. Regardless of the method you choose, be patient and persistent.

You can find out more about tackling debt **here**.

Conclusion

Don't ever think that investing is something that only "real adults" do, putting it off until you have "figured your life out". Also, don't ever fall into the trap of thinking you can't achieve your lifelong goals because you don't have enough money to do it. Keep focused on keeping your spending under control, maintaining your finances and diligently investing your money and with careful planning you'll be able to achieve them.

For a summary and review of everything you've just read, see your financial planning checklist on the following page.

Found these tips helpful?
Share this guide

Your financial planning checklist:

Print and save this checklist as a quick reference guide to your financial planning.

- [ ] I have done my research on mutual funds, like the UTC's TT$ and US$ Income Funds.
- [ ] I have begun investing with the potential to earn greater future returns as a result of compounding interest rates.
- [ ] I aim to make small sacrifices today for greater rewards in the future, opting to invest my money instead of spending it on things I don't really need.
- [ ] I have my long-term and short-term goals set out, keeping in mind what I'm investing towards.
- [ ] I always ensure that I'm practicing healthy spending through budgeting and careful monitoring of expenditure.
- [ ] I make it my duty to invest a portion of my salary every month. Even if it's just a small amount.
- [ ] I have money deposited directly from my salary into a dedicated mutual fund.
- [ ] I stay committed to my investments, refraining from making any premature withdrawals.
- [ ] I have an Emergency Account to cover any unforeseen expenses.
- [ ] I look after myself and my health, always seeking out opportunities for personal development to enhance my earning potential.

Found these tips helpful?
Why not share this list.

SAFETY ▪ STRENGTH ▪ STABILITY

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