

SFP

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CEO's Message Industry Update

Regular Investing - A long-term approach through Dollar Cost Averaging (DCA)

CEO's Message

Today, things can change in a matter of months which previously took years. Some headline news published today will not be valid tomorrow and not long ago Malaysians experienced high oil prices, dropping interest rates and the global financial crisis. So, what are the impacts of such changes?

One thing is for sure, it causes the markets to fluctuate, known as volatility to many. A volatile market is an unpredictable market with the probability of not being able to achieve the expected return for investors. How do we manage volatility? One of the many ways is to have a well planned portfolio diversifying across multi managers, multi assets, multi strategies and multi sectors. Diversification can help manage risk to achieve expected return for investors over a period of time, because the fluctuations of a single security have less impact on a diversified portfolio.

However, on the other hand, volatility also means opportunities. Hypothetically, substantial profit can be made when investors buy at the bottom and sell at the top of the market. This strategy of buying and selling financial assets by attempting to predict future market price movements is a very difficult task. As a result, many investors often enter at the wrong time and end up buying at a higher price and selling at a lower price, depreciating their investment value.

To overcome this, Standard Financial Planner endeavours to educate the public to look at Dollar Cost Averaging (DCA) as an effective investment strategy. DCA is the technique of buying by investing on a regular schedule to avoid market timing. This lessens the risk of investing a large amount in a single investment at the wrong time. For a closer look at DCA, be sure to read the main article featured in this newsletter.

While we are always focusing on developing savings and investing for our retirement, our children's education and lifestyle upgrades, we must not overlook the importance of setting aside a percentage of our cashflow for insurance as there are various risks that we are exposed to. The risk of health, death, disability and other unforeseen circumstances may jeopardise our financial plan causing all that we have accumulated to collapse. If this happens, all of our hard work and effort will be in vain.

It is important to have a holistic financial plan to secure our future and the future of our loved ones. It is always a good time to speak to an experienced financial planner to embark on your journey to financial freedom.

Alfred Sek
CEO
Standard Financial Planner



Industry Update

At SFP, our aim is to keep our clients informed on the progress of the Company and the industry

Prudential Assurance, a business partner with Standard Financial Planner conducted a retirement survey on the Malaysian public. Retirement is a huge issue in Malaysia as the wages are not in tandem with the rise of inflation and the general public does not have a robust retirement plan.

Malaysians know what they want for retirement

- They want to be worry-free in their golden years.
- 48% say that "retirement is a time to relax and enjoy oneself."
- 65% want to spend time with children and grandchildren when they retire.
- 65% wish to travel and see places.

Are Malaysians confident of achieving their retirement dreams?

- Inflation has eroded Malaysians' confidence towards having a comfortable retirement.
- 22% say they are less confident about their retirement compared to a year ago.
- Such concern is observed more evidently amongst those who are about to retire, i.e. aged between 45 and 55 years - 36% say they are less confident about their retirement compared to a year ago.
- Only 21% of Malaysians agree that their Employee Provident Fund (EPF) is sufficient to fulfil their retirement needs and lifestyles.
- 48% say that with inflation, they worry that they will not have enough money to take care of their retirement needs.

Do Malaysians have a robust retirement plan?

Apparently not. Although 72% claim that they are saving for retirement, 41% do not have a concrete plan on how to build their retirement funds. They just save as much as they can now and hope that they will have enough to cover their retirement needs.

- Additionally, 39% of Malaysians see themselves working beyond the mandatory retirement age, with 47% of them citing financial concerns as the main reason for doing so.
- 53% of the married individuals aged between 45 and 55 state that they will work a few years past the mandatory retirement age.

Source: Prudential - www.whatsyournumber.com.my

If you have concerns about your savings, or would like to find out how to increase your retirement funds, contact your SFP adviser today.

www.sfplanner.com

Regular Investing

A long-term approach through Dollar Cost Averaging (DCA)

The saying "a little goes a long way" is never more true than when it comes to regular investing. By setting aside a few dollars a month, what seems a negligible amount now may snowball into a substantial sum over time, transforming into a solid nest egg for you.

It is hard to time markets

It's tough to identify the best time to enter and exit markets. Markets can do well in the long-run but over shorter-term, prices tend to fluctuate because of news, market sentiments, expectations, rumours and competitive activities.

No one can really time the market. Investors are tempted to buy when market conditions are favourable, i.e. when the prices are strong. Similarly, when prices drop, nervous investors sell, in an attempt to cut their losses. Deciding when to step in and invest is one of the most difficult and stressful investment decisions a person can make.

While statistical measures and yardsticks, such as price-earning ratios, can help us determine the true value of a stock, rational measures are frequently ignored and investors tend to rely on sentiment.

With the 'fear' and 'greed' sentiment grabbing us ever so often and shaking our investment logic, it is time for the investor to ask: What can I do to avoid making timing decisions?

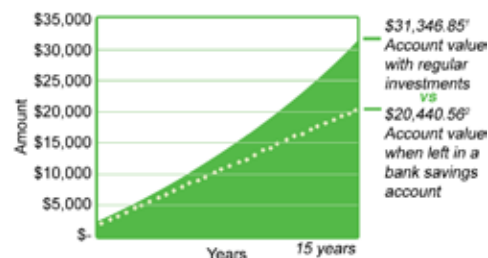
Investing Regularly - Making sense in the long-run

One of the best ways to resist reacting to market sentiment is to save on a regular basis. This means you invest the same amount at regular intervals. With a Regular Savings Plan (RSP), no matter how small the amount, money put away each time will compound and potentially grow over time into a solid nest egg. The benefits of regular investing have been proven through the systematic investing technique known as Dollar Cost Averaging (DCA) where timing risks are mitigated as you buy units at regular intervals.

For example:

Imagine making an initial investment of \$2,000 and contributing \$100 a month to your investment account.

Initial Investment	\$2,000.00
Regular monthly investment	\$100.00
Investment Return %	5% p.a.
Years of regular investment	15
Total investment	\$20,000.00
Value of investment	\$31,346.85



¹ Assume annual rate of return is 5% (Source: www.colonialfirststate.com)

² Interest rate based on DBS savings deposit account of 0.25% p.a. as at 23/01/07 (Source: www.dbs.com)

It is important to note that investment returns are impacted by a number of factors, such as the type of investment you are investing in, your investment timeframe and market conditions.

DCA Defined: A system for regular investment

DCA is a technique often used in buying mutual funds in which investments of defined amounts are made on a regular basis. As a long-term disciplined strategy, DCA can help you ride on the benefits of compounding interest to potentially build a sizable sum.

Enjoy long-term benefits

Cultivates investment discipline in you

Regular investing forces you to set aside money every month when you receive your salary. At the same time, you need not worry about how much money to invest in the market at any point in time because the investment amount is fixed.

Minimises risks associated with huge sum investments

Since the amounts invested are small, you avoid the risk of huge sum investments. Negative news flow are less likely to affect you, thus minimising undue worries so that you can concentrate on the bigger issues in life.

Eases you into the market

Investing into unfamiliar 'territories' may give you an overwhelming sense of plunging into the unknown. Although DCA does not assure you of a profit or protect against a loss in declining markets, this systematic investing 'habit' helps you stay on course towards long-term investing.

Helps you equalise gains and losses

With long-term regular investing, you will be able to ride out market volatility and use DCA to your advantage.

Example - If your share price rises by 10%, you will enjoy big gains because of the shares you've accrued over time. If it declines by the same amount, you can take comfort in knowing that you can purchase more shares at a less expensive price in your next investment - shares that may regain their value over time.

Ensures an overall lower share price and more shares through the years

DCA ensures that your money purchases more shares when prices are low and fewer when prices are high. Over the long-term, the average cost you pay for the shares will likely be less than the average price.

Month	Amount Invested	Price per Share	No. of Share(s) Purchased
Jan	\$100	\$10	10
Feb	\$100	\$8	12.5
Mar	\$100	\$5	20
Apr	\$100	\$10	10
May	\$100	\$16	6.25
Jun	\$100	\$10	10
Total Amount Invested			\$600
Number of Share(s) Purchased			68.75
Average Cost per Share (\$600/68.75 Shares)			\$8.72
Current Share Price			\$10

It's not the price you pay for each unit that matters. It's the average price per unit over time that determines your overall return.

A long-term and consistent strategy

While investing a lump sum at the most opportune time can potentially profit you more than if you DCA your investment, defining 'opportune' is difficult for even the most seasoned experts. As a long-term strategy, you may find DCA to be more appropriate in helping to increase return potential, potentially lower your average cost per share, and give you the assurance that you make sound investment decisions during uncertain markets. As DCA strategy involves continued investment, it is of paramount importance that you consider your ability to sustain share purchase through periods of low price levels.

Source: AXA Life Insurance Singapore Pte Ltd

Other Sources: www.axaonline.com.fundsupermart.com

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For quality financial advice and a savings plan that is tailored to your needs, contact your SFP adviser today.

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