

Investing Through Life's Stages

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Investing is a lifelong process. However, our financial needs tend to change as we progress through different life's milestones. From the early years of starting out in a career to the later stages of preparing for retirement, investors would have to tailor their portfolio accordingly in each phase.

In our latest Fundamental Flash, we unpack the different stages of an investor's lifecycle and the smart money moves one can make.

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The Early Years (Ages 18-30)

The beginning of an investor's working life are the best time to start building a strong financial foundation. While it can be daunting, every journey begins with the first step. Remember, you've got this =)

Build an Emergency Fund - Investors should immediately prioritise efforts to build an emergency fund that is composed of at least 3 months' worth of living expenses. This would serve as a financial safety net in case of any emergencies especially in the early carefree years.

Figure Out Your Number - Next, take some time to really think through your investment goals and life plans. The number-crunching starts here to figure out how much you need to achieve a comfortable retirement and draw out a roadmap towards achieving it.

Pay Yourself First - At the early stage of one's career, it's likely that you will have competing financial obligations such as rental, car loans or other expenses. But it is important to always pay yourself first before you aim to settle other commitments.

A simple budgeting technique is to follow the 50/30/20 rule (50% to needs; 30% to wants; 20% to savings/investments) so that you always set aside something for future you when you draw your salary.

Start Investing - As wryly put, "Youth is wasted on the young." But your money doesn't have to similarly go to waste. Take advantage of the power of compounding and start investing in a diversified portfolio to grow your wealth over time. With a longer investment horizon, your portfolio should be ideally tilted towards riskier asset classes like equities, as you are in a better position to recover from dips in market cycles.



Retirement Calculator

Check out our retirement calculator via the link or QR code to give yourself a head-start! aham.com.my/RetirementPlanningCalculator



Glowing Up (30s-40s)

Our 30s-40s are our prime years when everything begins to fall into place. You're old enough to finally know stuff and your career, relationships and finances are also beginning to take shape and gather momentum. Here's how you can optimise them to full effect with these steps:-

Maximise Contribution - With a more solid financial base, you should take the opportunity to plough as much as you can towards your investment portfolio. With time on your side, you are still able to reap the powers of compounding by investing regularly. A simple investment approach is through the use of dollar-cost averaging where you invest fixed sums in regular intervals to take advantage of market blips and reduce your overall cost in the long-run.

Spread Your Risks - As always, you should continue to strive for diversification across different asset classes, sector and geographical exposure. You are likely still in a position to take some risk, but it may be prudent to also think about adding some fixed income and dividend-centric funds to act as a ballast to your portfolio.

Stay on Track - Depending on your life choices - things like marriage, home ownership or kids could be on the cards. Hence, you should periodically review your investment portfolio and make any necessary adjustments to align with your new goals and risk tolerance. It may be helpful to earmark different buckets in your investment portfolio for each of your financial goals.

Hustle and Invest in Yourself - Our 30s-40s will form one of the most productive years of our life to maximise our earnings potential while still being in the pink of health. During these years, be open to step-up to new opportunities in your career or business to learn as much as you can and improve your skillsets. But remember to also be generous to yourself and take time off to invest in your health and wellbeing.



The Final Sprint (Ages 50-65)

The final sprint into retirement may feel like the last leg of a long marathon. But the best years are still ahead of you and should continue to stay focused. With these financial moves, you can cross the finish line with confidence and transition smoothly into retirement.

Get Retirement Ready - The pre-retirement stage will be a crucial time for you to assess your retirement readiness and make any necessary adjustments to your portfolio. It may be useful to sit down with a wealth consultant to identify any gaps in your retirement savings and what you can do to narrow the shortfall. Consider supplementing your retirement by opting for EPF's voluntary self-contribution or investing in Private Retirement Schemes (PRS) that gives you a tax relief.

Start De-Risking - At this stage, investors should consider reducing their exposure to riskier asset class like equities and focus more on capital preservation. With a shorter investment horizon, you may not have the luxury of time to recover from a sharp drawdown in markets. Thus, consider harvesting gains from some of your equity positions and shift them into bond or money market funds.

Tie Up Loose Ends - With your earning power at its peak, it will be a good opportunity for you to tie up any loose ends and settle any outstanding debt obligations. It may be important to also review your existing insurance coverage to ensure that you have adequate protection.

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Staying Golden (Ages 65+)

Staying golden in retirement means not only enjoying the fruits of your labour, but also continuing to make smart financial decisions to make your retirement savings last. It's time to sit back, relax, and enjoy the ride, but don't forget to keep your financial plan on track to sail comfortably into your golden years.

Focus on Income Generation - As you approach retirement it would be wise to think about loading up on income-centric investments that would sustain you. Asset classes like fixed income or REITs which provide a stable income stream can help cover your living expenses to ensure a comfortable retirement.

Make it Last - Once you reach retirement, it would be wise to also think about determining a withdrawal strategy to ensure that you have enough money to meet your present needs and future financial security. The

most common retirement withdrawal strategies is the 4% rule, where you withdraw 4% of your retirement savings in the first year. Each year, you'll then increase that amount slightly to account for inflation (usually 1% -2%). Having said that, there are no one-size-fits-all approach and you should think about what works best for you.

Keep Investing & Stay Engaged - Of course, reaching retirement doesn't mean that you should stop continuously investing for the future. There are still new adventures to embark on, places to explore and experiences to gain. Depending on your goals and risk, consider maintaining a portion of your portfolio in equities especially dividend-yielding stocks that provide opportunities for capital growth as well as income. Most importantly, continue to stay engaged in activities you enjoy and keep healthy because the best years are ahead of you.

Investing is a Lifelong Journey

Investing throughout an investor's lifecycle is crucial for achieving financial security and building wealth. The key is to develop an investment strategy that aligns with your unique needs and to adjust accordingly as circumstances change over time.

By staying disciplined and having a robust plan, investors can build a strong financial foundation that will provide a secure financial future. The key is to start investing early and regularly.

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