Retirement Financial Planning Final Report Presentation

涂恩 Turu

Content

01 Managing your portfolio during a recession and booming period

02 5 model mutual fund portfolios for different investor types

03 My career plan after I graduate NHU

Recession & Booming

Recession

A recession is a business cycle contraction when there is a general decline in economic activity. Macroeconomic indicators such as gross domestic product, investment spending, capacity utilization, household income, business profits, and inflation fall, while bankruptcies and the unemployment rate rise. According to the International Monetary Fund (IMF), "Global recessions seem to occur over a cycle lasting between eight and 10 years.

Booming

An economic boom is the expansion and peak phases of the business cycle. It's also known as an upswing, upturn, and a growth period. During a boom, key economic indicators will rise. GDP, which measures a nation's economic output, increases. So does productivity since the same number of workers creates more goods and services. Business sales increase, driving up profits. As a result, business and family incomes.

Eyeing key concept of Recession

Keep an Eye on the Horizon

The key to investing during recession is to keep an eye on the big picture, rather than trying to time your way in and out of various market sectors and individual stocks. And the fact of the matter is that timing such cycles is beyond the scope of the retail investor.

Macroeconomics and Capital Markets

Consider the macroeconomics aspects of a recession and how they affect capital markets. Within equity markets, investors' perceptions of heightened risk often lead them to require higher potential rates of return for holding equities..

Fixed-Income and Commodity Markets

Similarly, within fixed-income markets, increased demand for risk manifests itself in higher demand for credit risk, making corporate debt of all grades and mortgage-backed debt more attractive: prices go up, and yields go down.

Key Strategies during

Focus on consumer staple stocks

Look for companies with high sustainable dividend yields

Debt poor!

Maintain your asset balance

Consider investing in tangible good

Look for hidden bull markets during a recession

Some recession-proof portfolios

Cash
Recessions can generate a lot of worry, so having a strategic amount cash on hand gives investors the ability to buy favored stock quickly that have fallen sharply in price.

High-quality dividend stocks
These companies generally have a high return on equity, pay high dividends and aren't subject to market cycles. Pharmaceutical stocks are a very defensive, high-dividend subsector of health care.

Preferred stocks
Preferred stocks are a hybrid, having both equity and debt components. These securities often have stable prices and pay decent dividends. The preferred market isn't always very liquid, which is a drawback.

Emerging stocks
Long-term holdings should still be focused for growth. I would pick emerging markets for the younger demographics and faster gross domestic product growth rates, which won't change through recessions.

Commodities
Inflationary effect can support real assets like commodities while hurting stocks. Commodities may also fall, but not as much as stocks.

Diversified assets
Investors need to stay diversified and think long term. A portfolio asset mix should be based on an investor's risk tolerance, not whether markets rise or fall.

Understanding risk of Booming

During a market booming, either lured by greed or lulled into complacency, many investors end up making costly mistakes. Mutual fund investors are no exception. Helped by a roaring stock market and nudged by demonetization, the assets under management of the mutual fund industry grew 30. Investors are putting in more Rs crore a month into equity mutual funds via systematic investment plans (SIP)

Betting on credit opportunities funds for higher yields

Investing only in dynamic bond funds for debt exposure

Starting fresh SIPs for short term

Shifting to direct plans without an adviser’s help

Investing in balanced funds for dividends

Pausing SIPs when valuations are expensive

Taking higher exposure to mid or small-cap funds

A company or industry boom results in an increase of output, jobs and investment in that industry. Certain events can be citywide or nationwide booms for business activity, such as hosting the Olympics, which translates into capital investment, TV broadcasting deals, sponsorship deals and tourism.

During a boom, a central bank makes it easier to obtain credit by lending money at low interest rates. Individuals and businesses can then borrow money easily and cheaply and invest it in. Many people earn high returns on their investments, and the economy grows.

Booms are often medium- to long-term periods of economic or market growth and may eventually turn into a bubble. A bubble is when the boom extends far beyond the fundamental growth trend in value where buyers become ”Irrationally exuberant."

Boom to Bust (Recession)

The problem is that when credit is too easy to obtain and interest rates are too low, people will overinvest. This excess investment is called “malinvestment.” There won’t be enough demand for, say, all the homes that have been built, and the bust cycle will set in. Things that have been overinvested in will decline in value. Investors lose money, consumers cut spending and companies cut jobs. Credit becomes more difficult to obtain as boom-time borrowers become unable to make their loan payments.

Expansion

The increase in consumer income further stimulates demand. A little healthy inflation can trigger demand by spurring shoppers to buy now before prices go up.

Peak

If demand outstrips supply, then the economy can overheat. Investors and businesses compete to outperform the market, taking on more risk to gain some extra return.

Contraction

Rapid increase in interest rates, a financial crisis, or runaway inflation trigger a contraction. Consumers lose their jobs, sell their homes, and stop buying anything but necessities.

Through

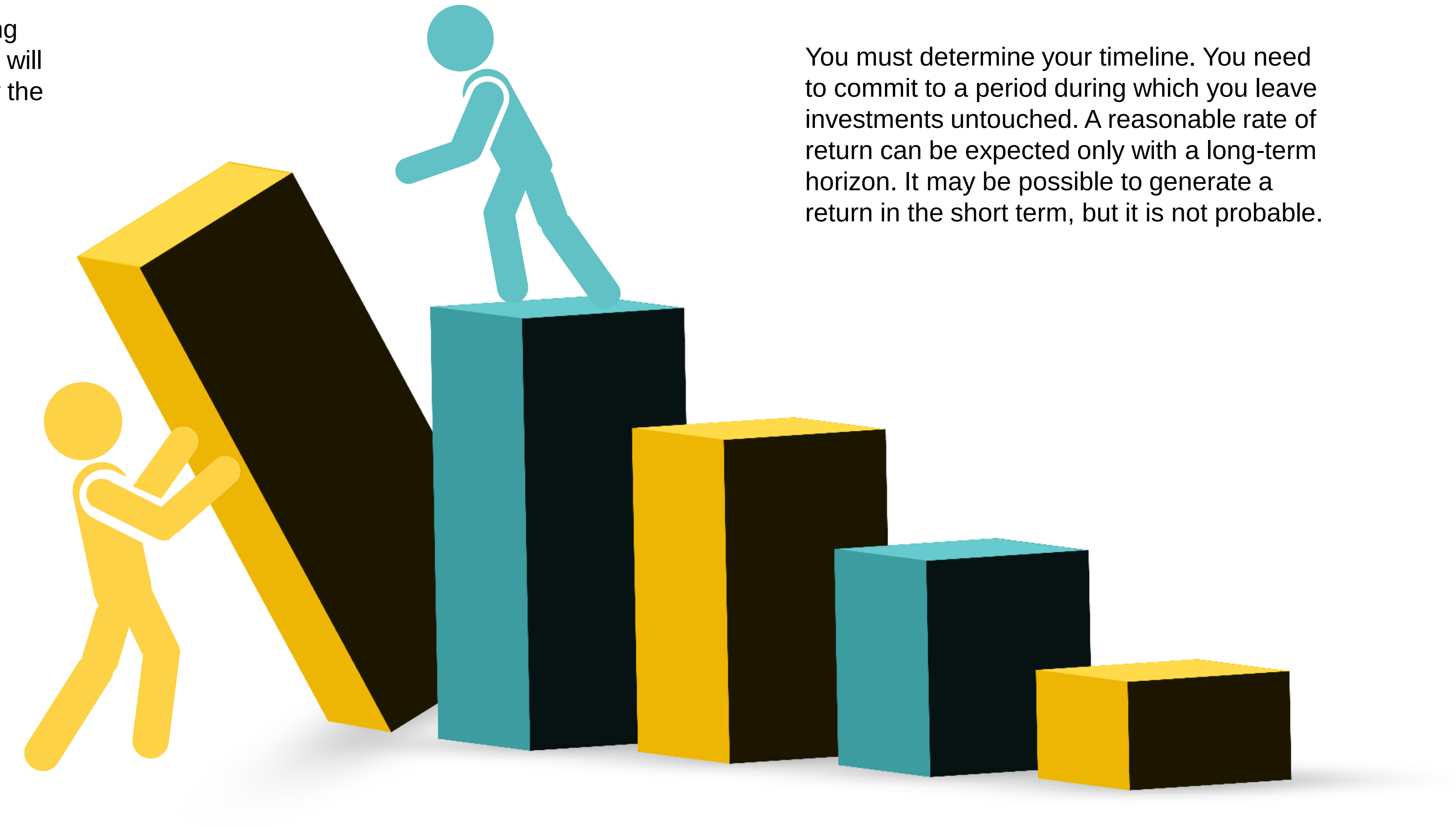
Consumers must regain confidence before the economy can enter a new expansion phase. That often requires intervention with monetary or fiscal policy. In an ideal world, they work together

5 model mutual fund portfolios for different investor types

How to choose your investment portfolio

Asset allocation is the process of choosing which portion of your investment portfolio will go to what kinds of investments. To know the “right” allocation strategy, you need to understand your risk tolerance.

You can pick investments for your portfolio through a process of technical analysis or fundamental analysis.



You must determine your timeline. You need to commit to a period during which you leave investments untouched. A reasonable rate of return can be expected only with a long-term horizon. It may be possible to generate a return in the short term, but it is not probable.

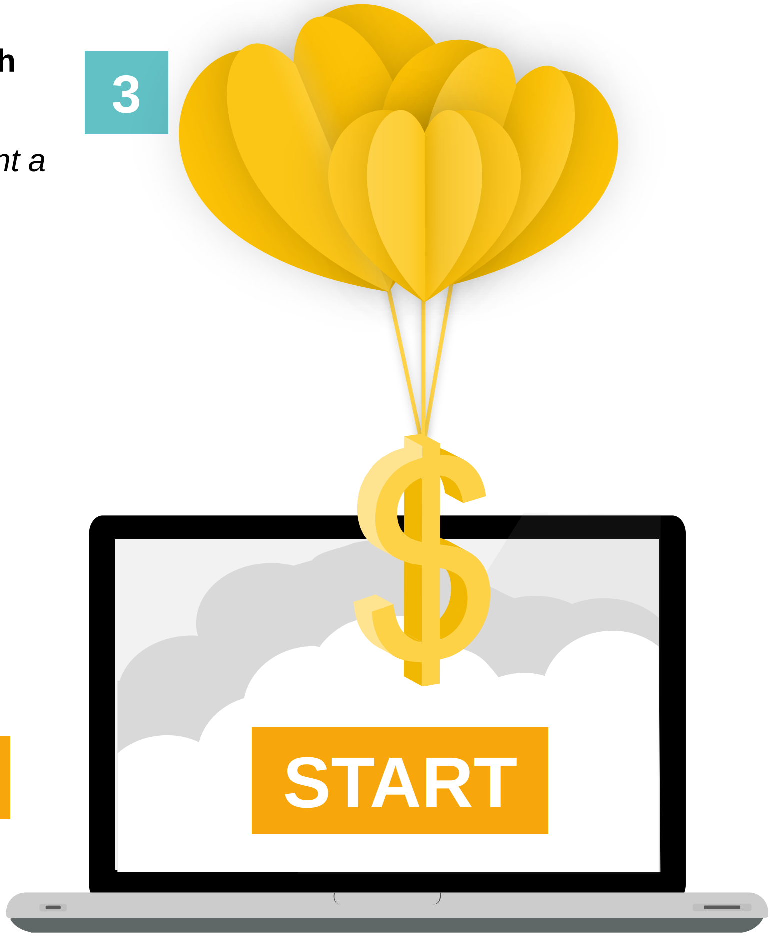
TENURE OF INVESTMENT

RISK PROFILE	6-12 MONTHS	1-3 YEARS	4-7 YEARS	OVER 7 YEARS	RETURNS EXPECTATIONS
VERY HIGH		Sector funds	Sector funds	Mid-cap and small-cap equity funds	OVER 12%
HIGH		Balanced funds (equity oriented)	Balanced funds (equity oriented)	Large-cap equity funds	10-12%
MEDIUM	Medium and long-term debt funds	Medium and long-term debt funds	Hybrid funds (debt-oriented)		8-10%
LOW	Liquid funds, short-term debt funds	Liquid, short-term debt and arbitrage funds			6-8%
TAX FRIENDLINESS	LOW	MEDIUM	HIGH	HIGH	

Mutual fund suitability matrix

Therefore, the returns from these portfolios will depend, in a large measure, on the investing discipline of the individual. Domestic investors are pouring money into equity funds, and SIPs worth Rs 6,000 crore flow in every month. But some experts fear this can quickly change if markets witness a sharp decline.

5 model mutual fund portfolios for different investor types



1 **Wealth Maximizer: For the young and the restless**

Wealth Maximizer portfolio is for aggressive investors who don't mind taking risks.

2 **Wealth Builder: Cautiously optimistic on markets**

Wealth Builder suits those who want to invest in stable large-cap stocks.

3 **Stable Wealth: Get the best of both worlds**

Stable Wealth is for investors who want a balanced mix of debt and equity.

4 **Wealth Secure: When safety is paramount**

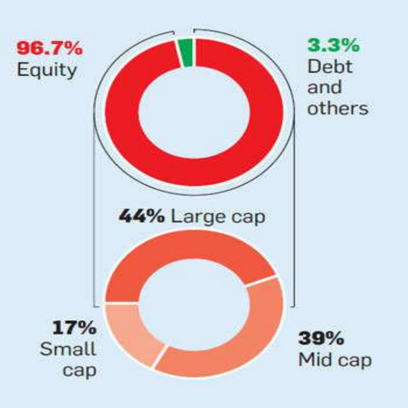
Wealth Secure is designed for investors who don't want to risk their money in stocks.

5 **Income Generator: Regular income in the golden years**

Income Generator is for retirees looking for a monthly income from their investments.

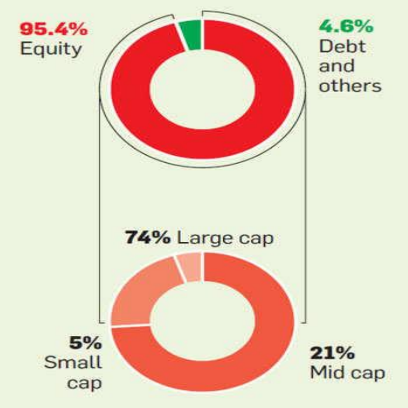
Wealth maximizer

This portfolio has been designed for investors who want high returns even if it means taking high risks. It has two mid-cap funds, one small-cap fund and one multi-cap fund.



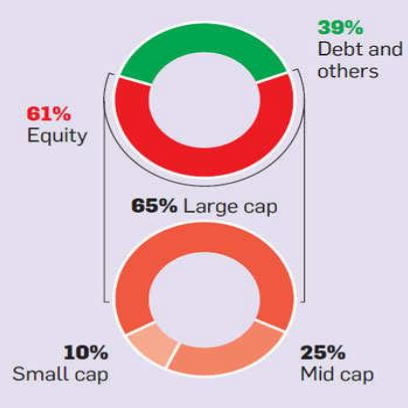
Wealth builder

Small- and mid-cap funds might have zoomed, but even large-cap funds have not done badly. The large-cap category rose 26% in the past one year, though the returns have not been very high in the past 3-5 years.



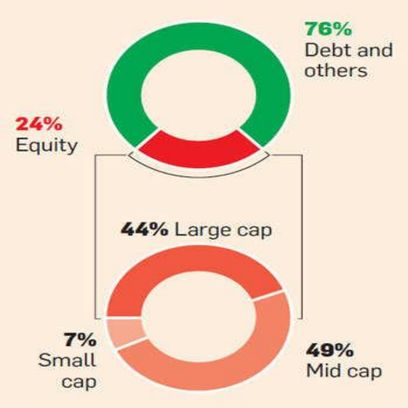
Stable wealth

Even though they might be optimistic, not everyone is willing to bet big on the stock markets. The Stable Wealth portfolio is designed to give investors reasonable growth without too much risk



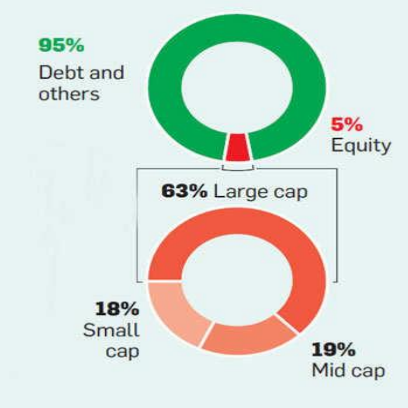
Wealth secure

Some investors just can't stand the prospect of losing money. For them, the Wealth Secure can be an ideal option. The equity exposure is only 24% of the corpus, while the rest is in the safety of debt.



Income generator

Income generator starts with a lumpsum investment and withdraws monthly sum for the investor. It has two medium-term income funds, two short-term debt funds and one debt-oriented hybrid fund.



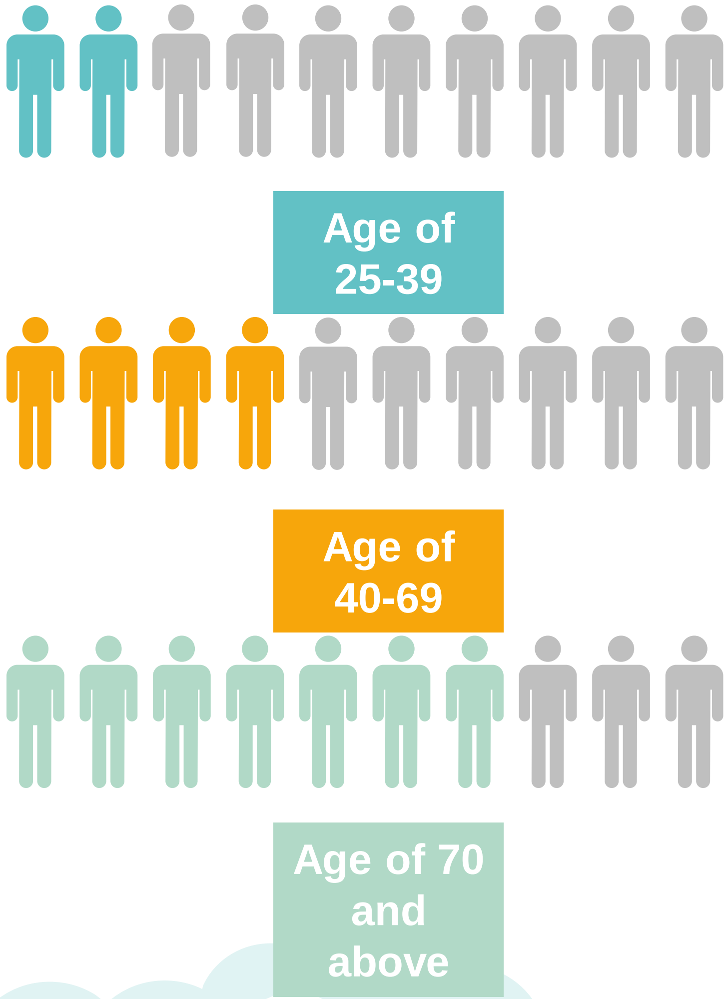
Infographic Style

If the market volatility does not bother you and your investment tenure is more than 8-10 years, go for the Wealth Maximizer portfolio that invests entirely in equity funds and has a decidedly mid- and small-cap orientation. These funds have given spectacular returns in recent years, but also carry high risks.

Not everyone is comfortable with the high returns that accompany high risks. Those seeking comparatively stable but lower returns should go for the Stable Wealth portfolio that adopts a balanced approach and puts only 60-65% in equities.

However, if the thought of losing money is completely unacceptable to you, go for the conservative Wealth Secure portfolio where the equity allocation is just 20-25% of the corpus. There’s no point in taking risks to earn high returns if it gives you sleepless nights and ruins your personal life.

P.S. This age gap is just for me and my opinion. Everyone has really different thoughts. So anyone who is 70-year old can choose Wealth Maximizer etc.



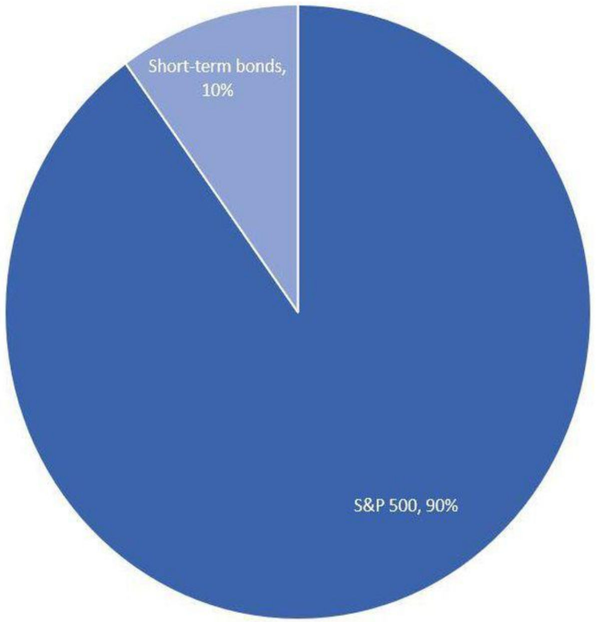
6 Expert Investment Portfolios You Can Implement Today

Warren Buffett - The 90/10 Portfolio

This portfolio follows the instructions that the great investor Warren Buffett has apparently set out in his will for his wife's trust. He outlined this plan on page 20 of his 2013 letter to Berkshire Hathaway Shareholders. The allocation is as follows:

- 90% low cost S&P 500 tracker (here Buffett specifically suggests Vanguard as a low-cost option)
- 10% short-term government bonds

The basic principle here is to "own a cross-section of businesses that in aggregate are bound to do well," for Buffett the easiest way to do that is the S&P 500, which also happens to be very cheap to own via ETFs. He also thinks that this strategy is appropriate for those who don't invest for a living, and the approach avoids high fees and expenses. He believe this portfolio will be "superior to those attained by most investors - whether pension funds, institutions or individuals."



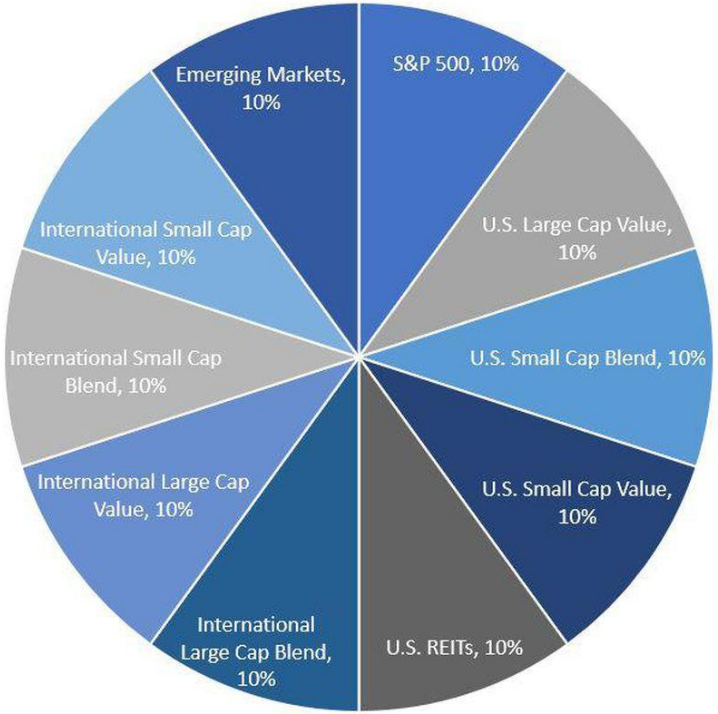
6 Expert Investment Portfolios You Can Implement Today

Paul Merriman - Ultimate Buy and Hold Strategy

Paul Merriman is a successful investor, who know focuses his time on educating people on how to invest through his foundation. He has a number of variations of his portfolios, but here we take Portfolio #7 which captures all his main insights on equity asset classes. It's important remember that Merriman believes in holding bonds too, so this is only the stock part of the portfolio:

10% S&P 500
10% U.S. Large Cap Value
10% U.S. Small Cap Blend
10% U.S. Small Cap Value
10% U.S. REITs
10% International Large Cap Blend
10% International Large Cap Value
10% International Small Cap Blend
10% International Small Cap Value
10% Emerging Markets

Essentially, Merriman's approach is to start with the S&P 500 as a base, but then show that adding small amounts of other asset classes can either help return, reduce risk, or both.



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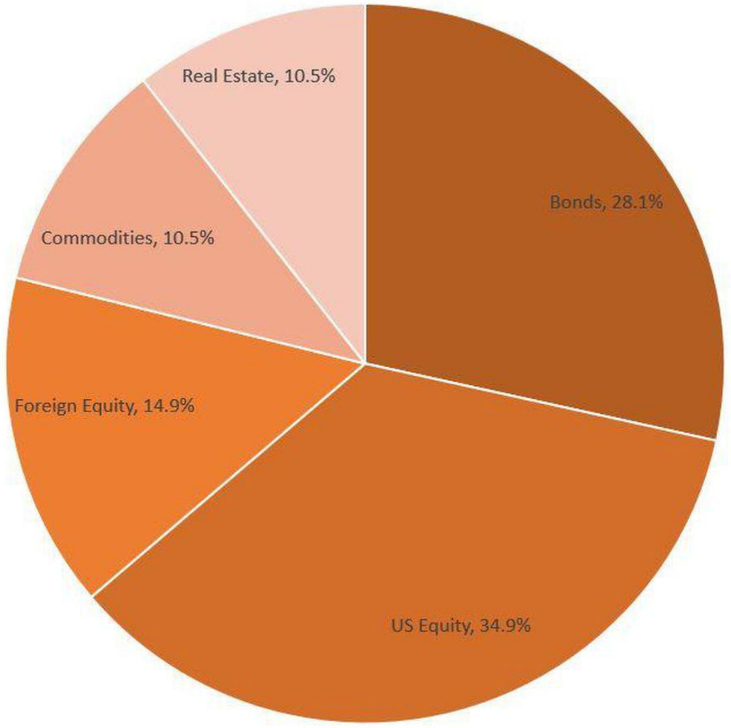
Ivy League Endowments

This allocation as follows:

35% U.S. Equity
28% Bonds
15% Foreign Equity
11% Commodities
11% Real Estate

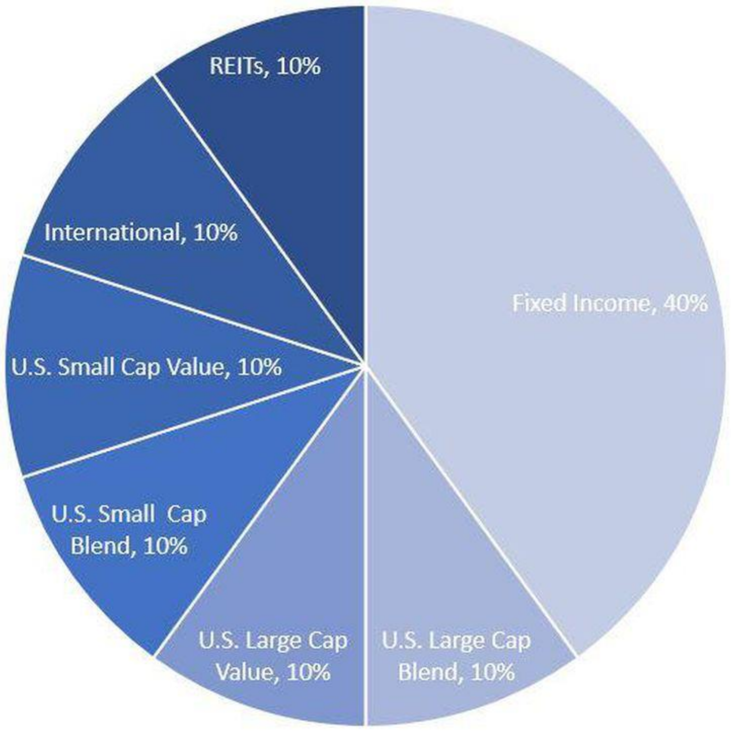


6 Expert Investment Portfolios You Can Implement Today

Coffeehouse Portfolio

This allocation as follows:

40% Fixed Income
10% Large Cap Blend
10% Large Cap Value
10% Small Cap Blend
10% Small Cap Value
10% International
10% REITs

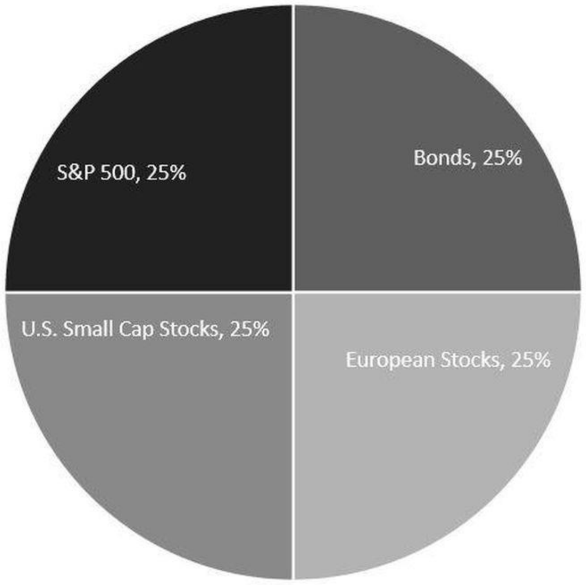


6 Expert Investment Portfolios You Can Implement Today

Bill Bernstein's No Brainer Portfolio

In his book, the Intelligent Asset Allocator, Bill Bernstein examines academic research and historical performance to arrive at a relatively simple to implement portfolio that he expects to perform well for the long-term.

25% Bonds
25% European Stocks
25% U.S. Small Cap Stocks
25% S&P 500

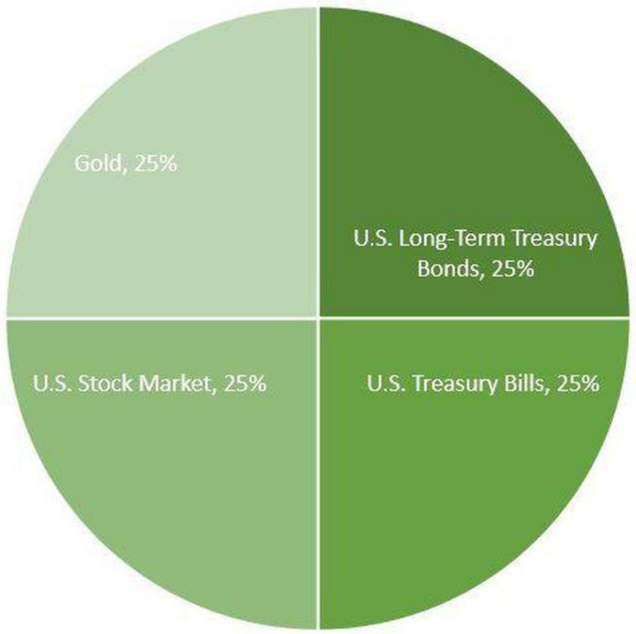


6 Expert Investment Portfolios You Can Implement Today

Harry Browne's Permanent Portfolio

Sometime described as a fail-safe or bullet proof portfolio. Browne's portfolio is designed to hold up well in any economic environment and be a simple portfolio to implement. Each asset class has a role to play: the long-term bonds will perform well during deflation; stocks will do well during times of economic growth; Treasury Bills will hold up during recessions and gold is helpful during times of inflation. By holding all four together you can, in theory, deal with anything that the economy throws at you and still have at least one part of your portfolio do relatively well.

25% U.S. long-term Treasury bonds
25% U.S. Treasury Bills
25% U.S. Total Stock Market
25% Gold



My career planning

After graduating from NHU, I would like to continue to extend my tour agency that based in Mongolia. Even though my major field is FINANCE, I adore tourism because I personally think traveling is one of the biggest things in human life. Also the reason that I wanted to develop tourism in my home country Mongolia is that Mongolia has great opportunity in tourism which is the beauty wilderness and its nature. So I would be working on my tour agency first one to two years after I graduate from NHU. Then I would like to work in the bank as my goal is to be working at Central bank of Mongolia. By working in the commercial bank I would get experience and enrich my knowledge about monetary system and economy. Therefore as I stated my career goal is to work at Bank of Mongolia, Central bank of Mongolia which is in charge for the stability of Mongolian Tugrik.

My career plan for next decade

2-3 years

Study in Financial Master's degree

4-5 years

Extend my tourism company to bigger and better

6-7 years

Start work in Central bank of Mongolia

8-10 years

Pursue to work in international Bank

Thank you