



coffeebreak

12/2018

Secret santa

3 things to note before opening an SRS account

Finding a job one year after graduation

Investment stock-taking and more

dear client,

Recently I had the privilege of attending a luncheon that features Mr David Booth, the founder of Dimensional Fund Advisors and ex-US Senator Mr Bill Bradley. Questions posed to them covered the expected spheres of investments, US politics and even how companies should navigate a new world order of technological advancements and artificial intelligence. My take-home points from these two wise gentlemen are: embrace change, challenges will bring out the creative best in humankind, be truthful, do what is right and things will take care of itself.

The year 2018 has been a challenging year for the markets. There were periods where markets went down more than 10%. We were intentional in asking clients to top-up to their portfolios with spare cash they do not need for the longer term. This will help them to buy in at a lower price and average down the costs of their investments. A client of mine commented that we are doing a dangerous thing: what if the markets go down further and clients blame us for calling for top-ups? The honest truth is: we do not have a crystal ball; we certainly do not know if the markets will continue to go south in the next week or so. But what we do know is, clients are buying in at a level that is lower than the peak, with monies that they can afford to set aside for the long term. We are assured our clients have the time frame as we have done the financial planning for them and of equal importance is the fact: markets will always go up over the long term.

It takes courage to do the right thing.
Providend is what it is today because we

persevered in doing what is right for our clients. 2018 is a significant year because, in October, we celebrated the launch of MoneyOwl, a joint venture between Providend Holding and NTUC Enterprise, to bring the same conflict-free model to the mass market. You can check out MoneyOwl here:

www.moneyowl.com.sg

As we step into the season of Christmas, I am reminded that true love does what is right. God sent His only begotten Son, Jesus Christ, to come to earth as a helpless baby so that through His sacrificial death on the cross, we may experience His great love for us.

Thank you for trusting us at Providend to do what is good and right for you and your family. May you have many treasured and memorable moments with your loved ones this season and we wish you a very blessed Christmas and a Happy New Year!

Warmest regards,
Evelyn Goh
Deputy CEO of Providend



contents

01

Food for Thought

Secret Santa

02

Thought Leadership

3 Things To Note Before Opening An SRS Account

03

Family Happening

Finding A Job One Year After Graduation

04

Coffee Express

Investment Stock-taking And More





01

secret santa





3 things to note before opening an srs account

Loh Yong Cheng, Client Adviser

Does this describe you: you have worked for a number of years, your income is moving up and so is your income tax bill, and the last time you received your NOA (Notice of Assessment) from IRAS in the middle of this year, you asked a friend for ways to reduce your income tax for next year. That is probably where you heard about this scheme called Supplementary Retirement Scheme (SRS). A few months on, as the year-end deadline for SRS contribution is approaching, you still haven't made a decision and are on the fence about whether to contribute.

If this is really you, I hope this article can help you to make an informed decision!

The SRS is a voluntary scheme by the Government to encourage us to save for retirement, over and above our CPF savings. You can open an SRS account with any of the 3 major local banks – DBS, OCBC, and UOB. After it is opened, it will effectively look like another bank account on your ibanking login page. To top it up, simply do a sum transfer into your SRS account via ibanking.

Potential Tax Savings – is the money saved worth the hassle?

Every dollar of SRS contribution will reduce our income chargeable to tax by a dollar in the next Year of Assessment (YA). The maximum SRS you can contribute for 2018 is \$15,300 per year for Singaporeans and PRs, and \$35,700 for foreigners. If your marginal tax bracket is at 15% (i.e. chargeable income from \$120,000 to \$160,000) and you contribute \$15,300 to SRS this year, you can enjoy \$2,295 in tax savings next year, it is still quite a handsome sum.

To calculate your potential tax savings, you can use this [handy calculator from OCBC Bank](#).

Note that for YA2019 (for income earned in 2018), your personal income tax relief cap will be \$80,000.

Liquidity – do you have foreseeable cash need in the near future?

Secondly, the benefit of tax savings should be balanced against your need for liquidity. Monies contributed to SRS cannot be withdrawn without incurring penalties before the statutory retirement age of 62. Premature withdrawals are not only taxed 100%, but also incur a 5% penalty. Hence, you should not be contributing large sums to SRS if you have immediate or foreseeable cash needs. You should build up a comfortable emergency fund before contributing to SRS. In other words, the amount contributed should be saving you intend to withdraw for your own retirement in years to come and not money that you may need in the foreseeable future.

Action – how can I grow my SRS to meet my retirement needs?

If SRS contribution is left untouched, it will only be earning the bank interest rate, which does not make financial sense in the long run. There are many other ways to make better use of your savings, including shares, unit trusts, insurances, bonds, and fixed deposits. The good news is, investment returns are accumulated tax-free and only 50% of the withdrawals from SRS are taxable at retirement. You can also choose to withdraw your SRS investment at the stipulated retirement age in the form of cash or investment (i.e. transfer the investment out of your SRS account).

At Providend, we invest our clients' SRS savings using cost-efficient and globally diversified funds to help them meet their retirement goals. These funds generally take a long-term approach toward investments, without market timing and, most importantly, employ evidence-based methods – meaning that they are backed by research and data.

I have shared 3 key considerations. There are also other rules on SRS such as treatment for early death, migration, and bankruptcy. You can also read about them at the [Ministry of Finance's website](#).

Alternatively, if you find that contributing to SRS does not make financial sense for you at this point in time, you could consider donating to approved charitable organisations. You stand to receive a 250% tax deduction on every dollar donated. Since we are approaching the festive season of giving, why not?

03

getting a job one year after graduation

Helen Tran, Brand Management Assistant

As I reflect at the events that happened in the past year, the most triumphant one for me was getting this position at Provident. When I tell people that I am a Brand Management Assistant at a fee-only financial advisory firm, they often think that I have been working for a while or at least have a background in either finance or marketing. However, the reality is that I am a freshly graduated student from a communication design course at Temasek Polytechnic (TP).

If you are wondering how a graphic designer ended up working as a marketer for a financial advisory firm, let me share my journey with you.

I graduated in May 2017 with a Communication Design certificate in hands. I was proud. Proud because I finally did

it. 11 years after I migrated to Singapore, I graduated with a Diploma that I am passionate about and ready to give back to my family. My heart was filled with hope for the quest of finding my first full-time job.

However, the journey of getting a job in Singapore as a foreigner was not at all glorious as I envisioned it to be. It was rather frustrating and frightening. After graduated, I was granted a year under Long Term Visit Pass (LTVP) to find myself a job and a company who would be willing to sponsor an S Pass for me. At first, I thought it would be relatively easy because I was confident with my ability and skills. However, after several months of constantly applying to many companies, all that I got was phone calls asking if I was Singaporean or PR. And when they found out



that I was not, they rejected my application straightaway. For the first few times, it was fine. I knew it was bound to happen. But when that kept on happening, I felt discouraged. Was I ever going to get a job offer?

At the beginning of 2018, I finally got a job offer. They offered me a Graphic Designer cum Admin position on the day of my interview. Could you imagine my happiness then? I was overjoyed. The only thing that was standing between me and my first day of work was the S Pass approval. The company told me it would take approximately a month for the application to be processed. So I waited for them. I put all my hope in that one basket. A month and a half went by and I have yet to hear from them. I was worried but I was still hopeful. I gave them a call and they said there were a few complications with the system and that was why it was taking a little bit longer than usual. "That's understandable," I thought to myself and continue having the uttermost faith in them. On the day which was exactly a month from my LTVP expiry date, they finally gave me the call. I was so excited when I answered the phone. "So sorry Helen, our company does not have enough quota to apply for your S Pass. I hope you will find a job soon." My heart sank to my stomach. That day, I almost lost all hope in finding a job in Singapore.

My sister and I contacted the Ministry of Education on the same day. We had to explain to them my situation and showed them all the proof of my effort in applying for a job and the recent offer incident. Thankfully, I was granted another year. It felt like the weight on my shoulders was slightly lifted.

Given this second chance, I told myself that I was not going to waste it. I applied to even more companies than before. And one caught my eyes. Marketing. I got to briefly learn about marketing when I was in TP. I was intrigued by it but since I was not a trained marketer, I did not apply for any position related to it.

But then, why not? So I started to apply for marketing related positions. And that was how I chanced upon this position at Providend. When I first knew that Christopher was going to be one of the interviewers, I was petrified. "The CEO was going to interview me?" However, during the interview, Christopher and Nataly were very friendly and genuine. I felt comfortable talking to them. The day after, I got a call from Nataly saying that they were offering me the job. I was over the moon. Despite knowing that I have little to none experience and background in finance or marketing, they believed in my ability to fulfill this position.

The last couple of months working here have been eye-opening. I learned so much about both the financial industry and marketing. Not only that, I am slowly discovering more things about myself. I am grateful that Providend has given me a chance to prove myself. In a way, because of all the events that happened this past year, they led me down the road to be a Brand Management Assistant at Providend.

However, my journey has yet to finish. The end of 2018 is just the beginning of a whole new chapter of my journey. There are still so much more for me to learn. I am excited to see what 2019 may bring my way. But whatever it is, I am ready to take it by its horn.

04

investment stock-taking

Dear Valued Clients,

December is our favourite time of the year – it's usually when we can begin to wind down a little from work and spend more time with our families and loved ones. It is also a good time for some reflection – to think about the things that went well for us during the year, what didn't go too well, and perhaps what we could do even better at in the future.

We also believe that it's a good opportunity to review if we're on track for our retirement and other life goals and whether we need to make any adjustments if necessary.

As you know, your client advisers at Providend will always arrange annual reviews with you to see how you are progressing towards your goals. If you have funds outside of Providend that are invested with your bankers or other advisers, and would like a second opinion on whether they are suitable for you, do feel free to get in touch with your trusted Providend client adviser.

Lastly, from all of us at Providend, we would like to wish you a Merry Christmas and a Happy New Year ahead!

Warmest Regards,
Investment Team

04

coffee express

- The deadline to contribute to the Supplementary Retirement Scheme (SRS) for you to enjoy tax relief in Year of Assessment (YA) 2019 is 31 Dec 2018.
- CPF members can also contribute to the Special Account (SA) to enjoy tax relief.
- Be mindful of how you are using your bonus as it can be saved towards your retirement and/or contribute to your children education fund.
- When shopping during this year-end sales, don't forget to shop for the sales in the stock market.
- Dollar cost averaging will help you to invest at a lower price, hence increasing your expected return in the future.





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see you latte!

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