

# About Investment Products



What you  
should  
know...

An Initiative of

**money**sense  
money matters made simple

*This guide highlights the factors that you should look out for before making any investment decision. Important factors such as fees, risk, product features and your personal financial situation have to be considered so that you can avoid common investment mistakes.*

## **Make a Better Investment Decision**

There are many investment choices available to you. The range can be mind boggling. Nevertheless, you can make an informed decision simply by asking the right questions and working closely with your bank or financial adviser.

### **Selecting an Investment**

Selecting an investment should not be based solely on potential returns. Otherwise, you may have to take more risk than you can handle financially or emotionally. You should invest only if the investment meets your investment objective, time frame and risk tolerance.

Allow your financial adviser representative to conduct a financial needs analysis for you to ascertain which investments are suitable for you and how much you should invest. The financial needs analysis is a relatively simple process:

1. The financial adviser's authorised representative will help you to determine your current financial standing, how much risk you can take as well as your investment time frame and objective.
2. You can help the representative to conduct an accurate assessment of your situation by providing correct and complete information about your current financial position and future needs.
3. The representative will then recommend an investment solution and explain why it is suitable for your situation.

### **Understand the Investment**

Why is the investment suitable for you? What are the risks and rewards? What are the fees involved? These are some of the critical questions that you need answers to. Your financial adviser representative will help you to understand these important issues:

## 1. Type

Your representative will explain what type of investment is being recommended to you (for example, whether it is a unit trust or a life insurance policy).

## 2. Benefits

Your representative will give you details of the investment's unique features and benefits. He or she will help you understand how the product can improve your financial well-being. You will also be told about the amount and timing of the payment of benefits due to you.

## 3. Risk

Investing comes with risk. You have to consider the potential downside of an investment and what might happen in a worst case scenario. Your representative will give you a clear indication of the investment's risk level and spell out the factors that may result in you getting back less than the illustrated values. You will be advised if that particular risk level is suitable for you, based on the financial needs analysis that has been done for you.

## 4. Fees

Your net investment gain or loss is partly dependent on the fees that you have to pay. You will be informed of the frequency, amount and nature of these fees and charges. Some of the fees that you may have to bear include upfront sales charge, management fee, administration fee, insurance charge, switching fee and redemption fee.

## 5. Expertise

You need the assurance that your money is in good hands. If you are being recommended a unit trust, you will be furnished with information about the fund manager that is managing the investment. If you are being recommended an insurance policy, details of the fund manager and / or underwriting company will be given to you. Their relationship with the financial adviser as well as how the financial adviser is being remunerated will also be made known to you.

## 6. Guarantee

Some unit trusts or life insurance policies guarantee your capital or a portion of your investment returns. You will be informed of how much of it is guaranteed and how much of it is subject to market fluctuations. You will be given a

written confirmation of any guaranteed capital, returns or benefits as well as details of the guarantor.

## **7. Redemption and Claims**

Your representative will explain to you when you can cash out part or whole of your investment, and provide answers to the following questions: Is there any penalty for early redemption? Under what circumstances can you claim insurance benefits? How soon can you receive the money? You should have full information on the procedures, charges and restrictions for withdrawal, surrender and claim.

## **8. Warnings, Exclusions and Disclaimers**

Most investments come with a list of warnings, exclusions and disclaimers. Your representative will explain them to you so that you are aware of the limitations of the product you are being recommended. You should read all the terms and conditions and other fine prints carefully. Clarify with your representative any doubts that you may have.

## **9. Reports**

As an investor, you are entitled to investment reports on a regular basis. You will be told how frequently these reports are prepared and where you can get them.

## **A Final Review**

Once you are satisfied that the recommended investment is suitable for you, your representative will give you a set of documents for a final review. They are:

- A summary of the information provided by you on your investment objectives, financial situation and personal needs.
- The representative's specific recommendation and the basis for the recommendation.
- A copy of the prospectus (for unit trusts).
- A copy of Your Guide to Life Insurance, Product Summary and Benefit Illustration (for life insurance policies).

Your representative will go through the documents with you, including the fine prints. Review these documents carefully and keep them safely for future reference.

## **Clarify Any Doubts**

Let your representative know if any of the points mentioned in this leaflet has not been discussed or explained to you. Do not hesitate to clarify with the representative should you have any doubts.

## **Making the Investment**

You should make the investment only when you have fully understood the product and are totally satisfied that it is suitable for you. Remember, your investment selection must match your current financial standing, investment objectives and risk tolerance.

## **Should You Change Your Mind**

If you change your mind after making the investment, you have the option to back out during a window period.

For unit trusts, you can get your money back including any sales charge if you cancel the investment within 7 calendar days of purchase. If you are making additional investments in a unit trust you already own, this option for cancellation is not available to you. You have to bear any losses arising from a drop in market value of your investment. Any increase in market value will not be paid to you.

For insurance policies, you have a window period of 14 calendar days from the day you receive your policy contract to cancel your policy. You will get a full refund less any medical and other expenses paid by the insurance company. You have to absorb any fall in market value of the policy.

## **Take a Long Term View**

The selection of suitable investments can improve your financial well-being. So do take the time and effort to make your selection carefully. Once you have made an informed decision, hold on to your investment and let time work to your advantage. You should review your investments with your representative periodically and make adjustments to cater to changes in your personal needs and circumstances.

## **A Beneficial Relationship**

Everyone has different needs. An investment that is suitable for someone else may not fit your situation. Work hand in hand with your bank or financial adviser representative in the selection of your investments. You will be able to minimise the risks and get the most out of your investments.

## **Reading Guides**

You can find out more from the following guides:

1. Dealing With A Financial Adviser: What To Look Out For?
2. Getting It Right:How To Resolve A Problem With Your Financial Institution
3. Your Guide To Life Insurance
4. Your Guide To Health Insurance

These guides can be obtained from the MoneySense website at [www.mas.gov.sg](http://www.mas.gov.sg) under the "For The Consumer" portal.