



SAFETY • STRENGTH • STABILITY

UNIT TRUST
CORPORATION

ADVISORY SERVICES DEPARTMENT

Newsletter

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FINANCIAL RESOLUTIONS FOR THE NEW YEAR

2020 was a year for the record books! The S&P 500 hit all-time highs in February, followed by one of the shortest bear markets in March – and all this due to a pandemic that impacted every corner of the globe. The COVID-19 pandemic forced everyone to rethink what was normal.

2020 forced us to move out of our comfort zones. Major shifts in our lifestyles had to occur as our work environments changed: children had to be homeschooled,

shopping habits changed and basic activities like having dinner at a restaurant, going to the gym or even going to the hairdresser/barber called for creativity.

People once again proved they could meet any challenge head on and adapted to the new normal in relatively record time. Speaking of taking things head on and adapting, it is time to rethink the way you save, invest and plan for your financial future! Let this pandemic be the wake-up call that most of us need as we embark

on the journey of generational wealth creation and long-term financial stability. If there is one lesson to be learnt from 2020, it is that anything can happen and you need to be prepared. As the year ends and you start to think up that list of New Year's resolutions, do not take the lessons learnt in 2020 for granted. Use the opportunity to reassess your life plan and make some financial resolutions that your future self will thank you for as you move towards your goals.

FINANCIAL RESOLUTIONS FOR 2021 AND BEYOND

I. Let the first resolution you make be this one – START TODAY! On January 1st 2021, wake up with your future on your mind.

- **Make a financial plan**

Determine what your expenses and revenues are. Derive an amount that you can save every day/week/month and put that money in your savings account. Come in and talk to us and let us make your savings happen.

- **Make a budget**

Make a list of all your regular expenses, then analyse that list to determine your needs and your wants. Unfortunately, in the short term, some of those wants will have to be sacrificed to ensure your future needs can be met. Figure out what those wants are that you can eliminate and bid them farewell in the new year.

- **Don't just save, invest**

To grow wealth, you have to invest, not just save. We all know how low interest rates are on savings accounts, which means it would be in your best interest to invest your savings and earn a potentially higher return. Investing may seem scary, especially to novice investors, but there are several options out there to meet the risk appetite of every investor. Don't be afraid of investing; start having conversations with your financial advisor to determine the best course of action to meet your financial goals. The two things that will be key to selecting the right investments for you will be:



- *Time horizon* – how long do you have before you will use the money you have to invest today. This might be the most important factor in how much risk you can take on in your portfolio.

- *Risk tolerance* – are you risk-averse or a risk taker? Based on your risk tolerance, your investments will vary; more stocks equal higher risk, whereas more fixed income securities are less risky. If you are intolerant of risk, there are always certificates of deposits and savings accounts. Remember, the further out your time horizon, the more risk you can afford to take on in your investment portfolio.

2. Second on your list – Determine your financial goals

It's time to sit down and figure out what you want in life and when you would like to achieve these goals. Think about what you want to do in the short term (within the next 12 months), the medium term (within the next 3 to 5 years) and in the long term. In the short term, you may want to invest in yourself and your

business, and complete a course of study. In the medium term, you may want to buy a car, start a new business or renovate your home. While in the long term, you may want to buy a house, set up a fund to send your children to university or have a healthy retirement account. All these things will require money.

While you may think your current income will be enough, or whatever you manage to save without a plan, will be enough, the reality is that may not be true. Without a plan or a clear picture of what you're saving for, it's easy to underestimate how much money you will need and when. Do yourself a favor, determine your financial goals and **write them down**. After you have your list of goals, do some research and determine an average cost for each of these. This will help you determine how much you need to save. Keep in mind, your goals should be SMART:

- **S**pecific
- **M**easurable
- **A**chievable
- **R**ealistic
- **T**ime-bound

For example, don't just say your goal is to retire comfortably. Instead,

say you want to ensure that you can maintain your current lifestyle, and set such investment goals so your income remains stable when you retire. In other words, keep it realistic; this is a not a wish list, it's a plan for a financially secure future.

3. Manage your debt

Debt is sometimes easy to get into but difficult to manage and pay off. Debt is not limited to loans but also extends to credit cards. Always be mindful of how much credit card debt you are accumulating. It may be easy to just swipe if you see something you like, but remember you have goals and that means knowing your budget. Always remember the difference between needs and wants, and stick to your budget. Try to pay off your credit cards on time every month as the interest rates on that debt is usually over 20% annually.

When accessing debt, be careful when using cash as security. Keep in mind that cash doesn't necessarily need to be held at the bank; sometimes your collateral can be held in an investment account. Find out from your banker where your collateral can be held and use the option with the highest return.

4. Take advantage of technology – automate!

COVID-19 and the resulting social distancing protocols have led to a rise in the use of online banking. It is a great way to automate your financial plan. Most local financial institutions offer online banking and ATMs. Some also have mobile apps and telephone banking. Take advantage of these channels as one of the biggest deterrents to saving and investing are the long lines and wait times in financial institutions. As much as possible, have your salary and other income directly deposited to your bank account, then use your online banking to transfer funds to your savings plan and your investment accounts. You can even



set up automatic recurring transfers. Automation can take something that can be overwhelming and make it easy, for example at the Unit Trust Corporation, you can set up automatic transfers from any of the local banks and set up access to our online banking platform – U-online. Click [here](#) for the application form.

5. Ask for help

Don't be afraid to ask for help. If you're not a financial expert, ask for help. At UTC, we are your *Partners for Life* and we will help you navigate any financial uncertainty you may have. Financial advisors can help you select the best mix of mutual funds for your portfolio.

6. Plan for the unexpected

We all hope that nothing bad happens, but the truth is unexpected things happen every day. With COVID-19, we have seen unemployment, temporary layoffs and a higher demand for medical care. It is always

good practice to set aside emergency funds for when unexpected life events happen. Aside from an emergency fund, consider whether you need to invest in insurance. Health, home, car, disability, critical illness insurance, for instance. Risk protection insurance for home and other assets is key to managing and mitigating future unexpected losses. Disability and health insurance may seem unnecessary, but as we all get older, it may be more of a necessity than you think. Consider having a conversation with a professional to determine what you need and what you can afford.

To sum things up, we all have an opportunity to reflect on the lessons learnt from this year. Take the time to make some positive changes for your future. It may seem like a daunting task at first, but you might actually enjoy making a plan and working towards it. As time goes by and you get closer to achieving your goals, that feeling of accomplishment will be priceless.

Key Checklist

- ☒ Pay off high-cost debt.
- ☒ Monitor and rebalance your portfolio, if needed. Your Financial Advisor can guide you.
- ☒ Review and update your beneficiaries on all financial accounts, including annuities.
- ☒ Upgrade or prepare your will.
- ☒ Consider purchasing health insurance to cover expensive and unexpected medical care.
- ☒ Consider purchasing disability insurance to protect future earning power in the event that you are temporarily or permanently disabled.
- ☒ Store important financial and estate documents in a safe location that can be accessed by a trusted and competent family member or close friend.

Again, START NOW!

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About the Advisory Services Department

The Advisory Services Department of the Trinidad and Tobago Unit Trust Corporation was established to serve our valued clients seeking financial and investment advice and solutions from a trusted service provider. We will assist you in enhancing your personal wealth and financial well-being by providing you with financial counselling, investment advice and solutions.



Partners for Life

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