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THE EVOLUTION OF FINANCIAL PLANNING: THE COVID-19 IMPACT

The Covid-19 pandemic is yet to become a memory. We are in the second quarter of 2021 and the world is seeing waves of Covid-19 outbreaks along with variants developing in some countries. However, vaccines have been developed and immunization is giving hope across the globe.

While the Covid-19 pandemic rages on and the global fight continues, individuals and corporate bodies are forced to endure, adapt and pivot in this challenging environment. As such, financial planning has never been more important than right now!



WHAT HAVE FINANCIAL ADVISORS LEARNT FROM THE PANDEMIC THAT CAN HELP INDIVIDUALS?

1. Health insurance and disability coverage are a necessity

Covid-19 symptoms can sometimes persist for weeks and even months. The virus can damage the lungs, heart, and brain, which increases the risk of long-term health problems. It is therefore critical to have health and disability coverage. If your employer does not offer a health plan, establishing an independent health and disability insurance plan should be top priority.

Consider that health insurance offers coverage that typically pays for medical, surgical, prescription drug and sometimes dental expenses incurred by the insured and can extend to family members. It will either reimburse for expenses incurred from illness or injury or pay the care provider directly. As its name suggests, disability insurance is a type of insurance product that provides income in the event that a policyholder is prevented from

working and earning an income due to a disability.

2. Liquidity in an investment portfolio is key

It is a great time to invest! However, investments should be structured in such a way that if an unexpected need arises, cash can be made readily available. With the Covid-19 pandemic, we have seen several sectors of the economy shutting down or operating at very low capacity, for example, the restaurant and hotel industries as well as cruise ship operators and construction companies. The individuals employed in these sectors would not have seen this economic shock coming. The impossible can happen, this should be a lesson learnt from the pandemic.

Structure your investments going forward not just on your risk tolerance level, goals, and time horizon but also in such a way that at least 25% of your assets can be liquidated within a short space of time.

This will help you navigate the unexpected obstacles that life may throw your way.

3. Two incomes are better than one

Having multiple sources of income could be critical in challenging times. If you are part of the white-collar workforce, management, or executive management team at a company, you may consider your single source of income sufficient, however, that may not be the case. Covid-19 has proven to be non-discriminatory, and if you are employed in a sector that has been negatively impacted, it could be devastating. Take for example airline pilots who have a high level of income and under normal economic conditions would not need a secondary source of income. However, with travel restrictions and borders in several countries closed, several pilots have been furloughed and salaries have been reduced or cut indefinitely.



4. Monetizing hobbies is critical

Do not confuse having multiple jobs with monetizing hobbies. Not everyone has a hobby that can be monetized. If you are one of the lucky few with a hobby that can be monetized, take full advantage of your talent! Think of a hotel employee who loves to bake and has therefore started a small business selling those baked goods to provide supplemental income. While hotels may have been required to make cutbacks to reduce expenditure which would include salaries, the baker would still have one source of income even if he/she is retrenched during the economic slowdown.

5. Wants versus needs – the distinction has never been more important.

We all know that it is important to always have a budget and to stick to it. To come up with an effective budget, you need to differentiate between wants and needs. Needs vary by person, but some of the basic needs include things

like food, housing, clothing, education and transportation. Needs are basically everything you need to stay alive and function in society. Everything else is a want.

Once you become better at differentiating between wants and needs, you will probably see that you have been able to fulfil more of your goals over the years than you realised. And that can be a significant turning point. When you find things that you want to buy or do that you currently can't afford, it becomes all too easy to focus on those things to the point of overlooking what you already have. Take time to reflect on all the ways that you have been fortunate and the needs you are able to meet every day. When you focus more on needs than wants, you free up income for your rainy-day fund.

6. Continuous development of skills and marketability is key

Never stop learning! As you grow in your professional and personal life, never stop learning. This pandemic has shown the importance of having skills relevant to the

technological age in which we live. Learn, not just in terms of academics, but in terms of life skills. Find free online courses or invest in paid short courses but keep building your skills and keep them current with the industries that are leading the way forward in this global economy.

7. If you have your own business, make that business flexible.

Take the opportunity to learn from some of our local businesses that have better navigated the pandemic. If you own a business, make sure that business has flexibility built into it. If you are in the food service industry, be willing to do home deliveries for example. If you are in some sort of retail business, have an online presence not just a brick and mortar location. Start thinking outside the box on how your operations can be improved and how your team members can be empowered and better equipped to do their jobs and then implement these measures as much as possible.

WHAT HAVE FINANCIAL ADVISORS LEARNT FROM THE PANDEMIC THAT CAN HELP CORPORATES?

1. Remote working can have several advantages without reducing effectiveness.

One of the benefits of staff working from home for employers is the cost savings. This can occur as a result of reduced utility bills (water, electricity, Wi-Fi), building maintenance costs, cleaning costs, kitchen re-stocking costs, reduced wear and tear on office equipment and furniture.

Absenteeism may also be reduced as team members feel less inclined to take sick/personal/vacation leave as they are already working from home. A person is more likely to call in sick if they have a long commute to get to the office while feeling unwell as opposed to if they just had to go from one room to the next.

Increased productivity from team members is another benefit: when working from home, productivity may increase as it is in their interest to get the job done effectively. Likewise, a quick meeting on the internet is far more effective than everyone trailing to a meeting room.

2. Building your team is key

Team members need to be able to complete their deliverables with confidence knowing that they have been properly trained and have access to the resources required to complete all tasks. As focus is placed on building competency in a team, it leads not just to an empowered workforce but it generates loyalty from



team members. This type of team has a higher probability of being successful in the face of adversity.

The mental health of your team is also critical. Covid-19 has resulted in the closure of schools and daycares and many working parents now have to home school or supervise their children during online classes. The added responsibilities and decrease in leisure/relaxation activities such as going to the gym, beach, or restaurant can lead to increased stress levels at home. Employers should ensure that team members have access to employee assistance programmes so they can seek counselling and advice when needed.

3. Technology should never be undervalued.

At the beginning of the Covid-19 pandemic, several companies purchased/leased equipment to enable team members to work remotely. The need for companies to maintain a stock of equipment that can be used in emergencies as part of their business continuity plan is critical. Most companies plan for natural

disasters (hurricanes, earthquakes, floods etc.), as well as ICT disruptions. The average company did not have a business continuity plan for a global pandemic but technology has evolved where many jobs can be done online; companies must embrace this reality and build their business models accordingly.

4. Being able to pivot

Know your business and understand how it can be adjusted to meet evolving client needs. Being able to pivot has made a significant impact on some companies. Take for example a restaurant faced with the pandemic. Some restaurants have been able to combat the economic downturn facing them by striking deals with supermarkets and pharmacies where the restaurant would make pre-packaged meals under their brand and the supermarkets and pharmacies would act as distributors. The ability to pivot and create opportunities in the face of adversity is critical for surviving the pandemic.

Summary

There are a lot of takeaways and lessons from the Covid-19 pandemic. The availability and safety of vaccines have now become hot topics with reopening occurring in some parts of the world while new waves are emerging in others. All in all, the pandemic has delivered an economic shock worldwide and has induced psychological stress throughout. It is important that we take stock of our financial position and goals as we traverse these uncertain times.

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