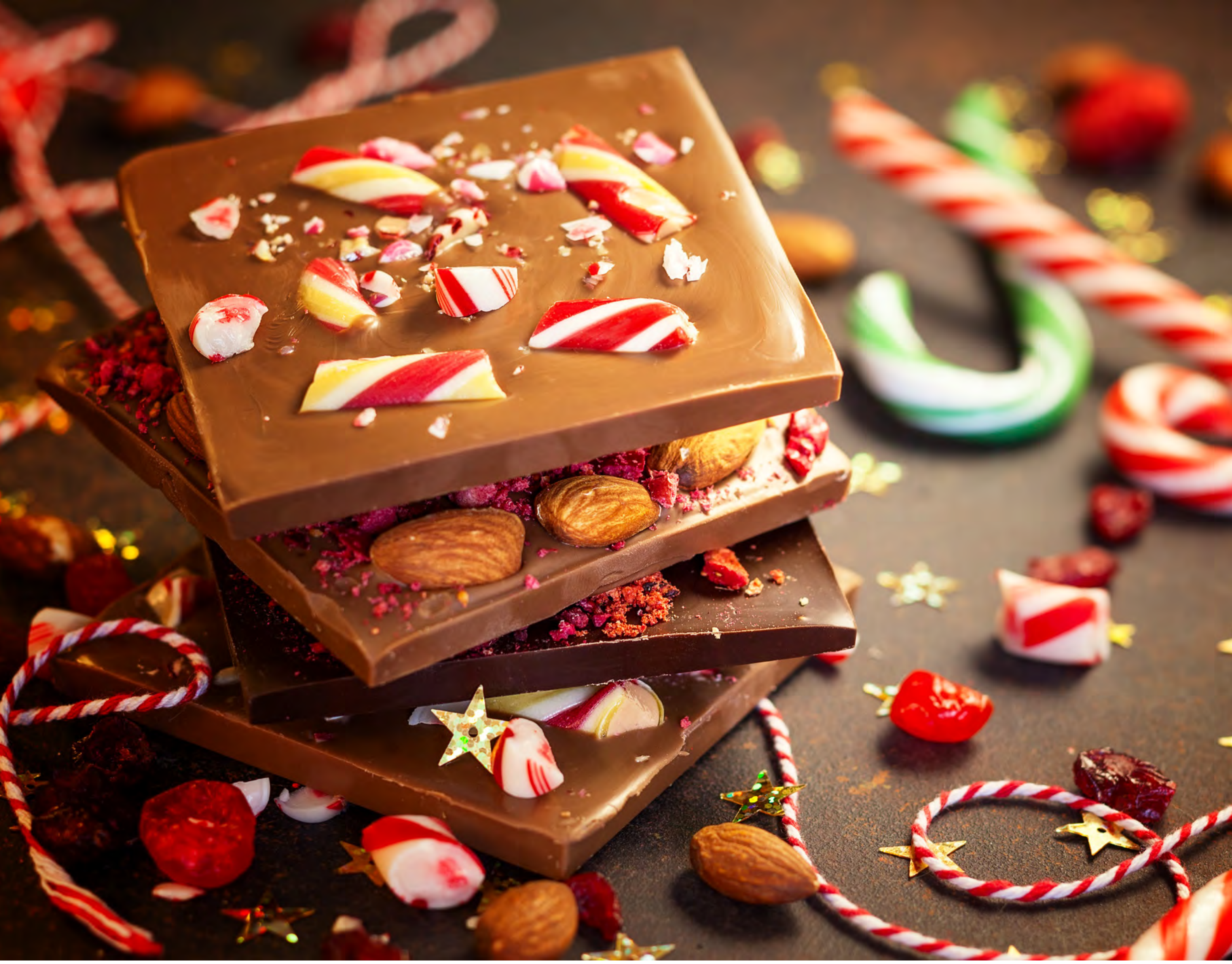


Q4/2024

Coffeebreak

A Disney Holiday Short: The Boy & The Octopus

A Mindful Approach for a Calmer Investment Journey

Navigating Your CPF Special Account (SA) After Age 55

Providend

Dear Valued Client,

As we come to the end of the year, I hope 2024 has been a great year for you. Well, at least from the financial markets standpoint, it has been good. We will share more with you during our Annual Client Event (ACE) in February 2025. We have been organising ACE every year (except in 2020 when Covid restrictions did not allow us to do so) since Providend started more than 20 years ago, whether financial markets have done well or not. It is one of our ways of being accountable and transparent with you. At ACE, besides sharing more about your investment portfolios and markets, we also take time to share about the happenings in Providend and our plans for the year. We think you will like to know. So do sign up for ACE 2025 and sign up early when the registrations are opened as seats are limited.

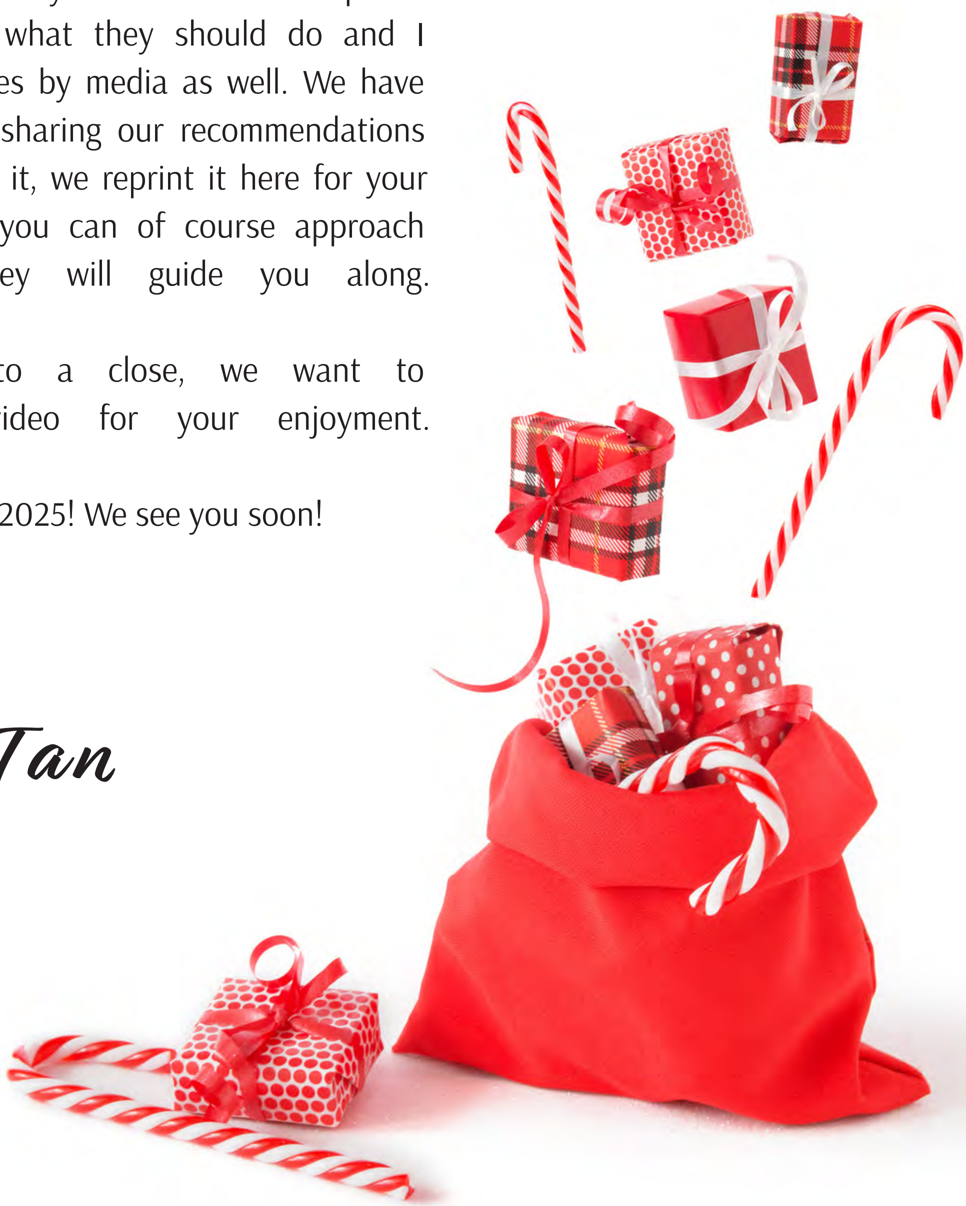
In this edition of CoffeeBreak, our client adviser Annette shares her thoughts on mindfulness and how it can be applied to investing. I personally found it an interesting read and I hope you feel the same as me. Also, as the government has announced earlier in the year that for those who are 55 years and older, they will close the CPF Special Account. Many have wondered what they should do and I have been approached many times by media as well. We have written earlier to all our clients sharing our recommendations but just in case you have missed it, we reprint it here for your reading. If it is too confusing, you can of course approach your client advisers and they will guide you along.

Finally, as the year draw to a close, we want to share a thought-provoking video for your enjoyment.

Please have a blessed and healthy 2025! We see you soon!

Warmest Regards,
CEO of Providend

Christopher Tan



Contents

01

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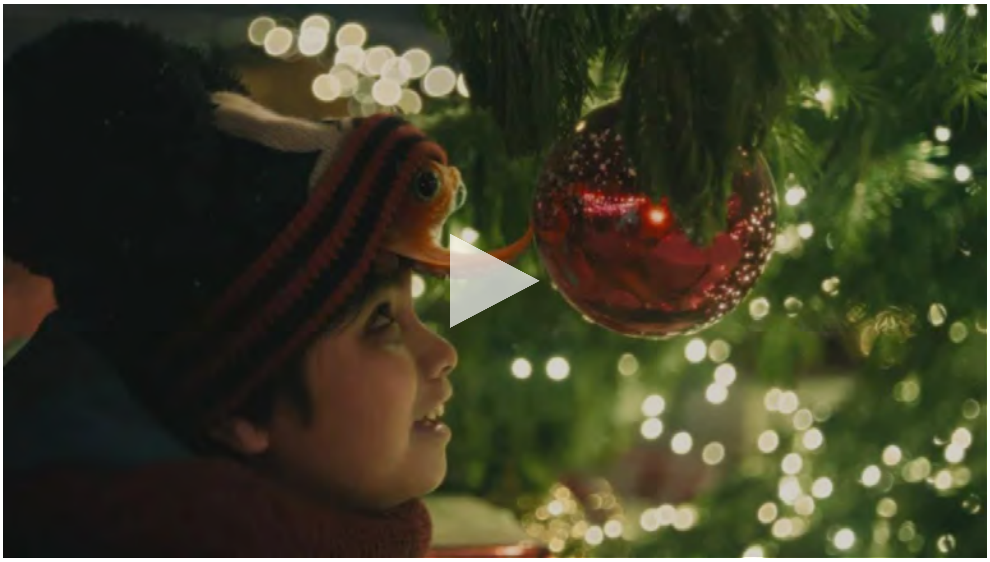
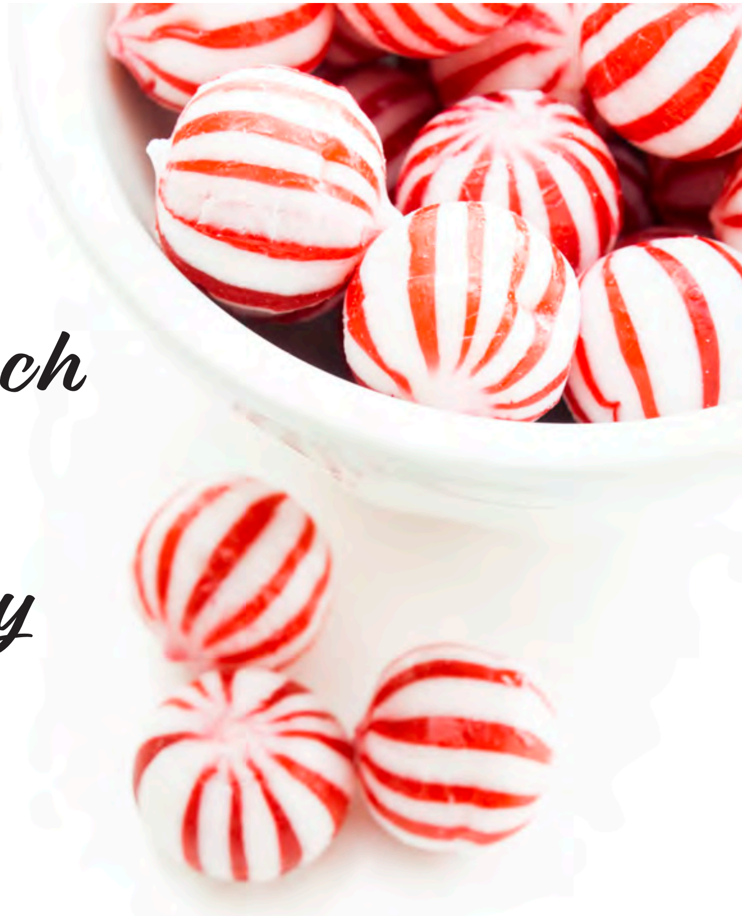


02

A Mindful Approach for a Calmer Investment Journey

Annette Lee, Client Adviser



At Providend, investments are a means to achieve returns to enable our life goals. Our CEO, Christopher Tan, wrote about the 8 steps that we take to ensure the highest probability of success when we manage money for our clients:

1. Only using asset classes that, from empirical evidence, will give long-term expected returns
2. Using a scientific method to estimate future expected returns
3. Creating portfolios of different asset allocations with different risk levels and returns
4. Finding suitable instruments that will deliver these expected returns with higher certainty
5. Understanding life goals and events
6. Finding suitable portfolios to be able to deliver money when needed
7. Helping clients stay invested
8. Making adjustments

Step 7, helping clients stay invested, can be particularly challenging. While our approach in constructing bespoke wealth plans and suitable investment portfolios for our clients may be founded on evidence and science, the actual investing journey, as experienced by our clients, could be driven by emotions.

Each of us react differently to market volatility. This isn't surprising as our behaviours are driven largely by how we think the market works. This, in turn, is shaped by our personal experience with money and investing.

When the market dips, some may view it as an opportunity to invest at lower prices. Others may worry that the lower prices would negatively affect their ability to meet their goals. The latter is more pronounced in those who have had negative investing experiences or are very close to their goal line (e.g. those due to retire in the following year).

In The Psychology of Money, Morgan Housel wrote, "*a good definition of an investing genius is the man or woman who can do the average thing when all those around them are going crazy*".

Doing the average thing in a market downturn is to stay invested. This can be difficult to do, especially when you see falling market prices and constantly hear bad news in the media. As fear and anxiety swell within you, how do you hold on to your portfolio?

Earlier this year, I attended a mindfulness course, where I learnt a lot about my own psyche and ways to manage my emotions. The theory is illuminating, but the practice is hard.

Firstly, what exactly is mindfulness? According to Mindful.org, "*mindfulness is the basic human ability to be fully present, aware of where we are and what we're doing, and not be overly reactive or overwhelmed by what's going on around us*". The Oxford Learner's Dictionary defines it as "*a mental state achieved by concentrating on the present moment, while calmly accepting the feelings and thoughts that come to you, used as a technique to help you relax*".

Many of the mindfulness techniques that I have learned could be applied to help me be a calmer investor. Let me walk you through a hypothetical example in which the market has dipped by 10%.

1. Be Aware of Your Thoughts, Emotions, and Body Sensations

Our thoughts, emotions, and body sensations are data points that tell us more about how we are feeling at any moment. We want to be able to form a baseline picture of what calm feels like. To do so, you can try out a body scan exercise.

In this example:

- **Thoughts**: Oh no! The value of my investment has fallen! This means I won't be able to retire next year as intended. I feel like selling out my portfolio to protect it, in case it goes down further.

- **Emotions**: I'm anxious and fearful.

- **Body Sensations**: I sense tightness in my chest, my breathing is shallower and more hurried. The palms of my hands feel a bit sweaty as well.

The next time you find yourself deviating from your baseline, take note of what you are thinking and physically feeling. Once we become aware that we are deviating from our baseline of calm, we can move forward to steps 2 and 3 below.

2. Acknowledge Your Emotions and Learn to Sit With Them

With kindness and compassion, I tell myself that it is normal and perfectly okay to be feeling scared and anxious when the market dips. I close my eyes and focus on my breathing for a few minutes. Next, I imagine my thoughts as a balloon, and I'm holding it by the string. This helps to create some distance between the thoughts that I'm thinking and myself. While my thoughts and feelings are real, they are also temporal, coming and going as they please. Even though I own and create them, they do not define me as a person. After sitting with the thoughts for a few minutes, I let go of the balloon. As I watch it float away, I start to feel less anxious and fearful.

3. Take Appropriate Action

I consider what to do to feel better and who I can contact to get clarity on the situation. I decide to stop reading the headlines as they make me feel more anxious. I also realise that this isn't the first time that I am experiencing a market dip. The last time this happened was in 2022. The market was down quite a lot. I recall speaking to my adviser then and was assured. Thankfully, I held on to my portfolio. It recovered and moved higher. I also remembered reading that market corrections are part and parcel of the investing journey. I want to speak to my Client Adviser, but it's almost 11 pm. I text him instead, requesting a call the next day. To take the edge off, I tune in to my favourite Netflix show, Midnight Diner, before turning in for the night.

With practice, mindfulness can help us be less reactive to situations, increase our tolerance for discomfort, and build emotional resilience. Over time, we could learn to be a voice of reason and calm for ourselves.

I'd like to leave you with a poem that spoke deeply to me. It also reflects Providend's philosophy in guiding our clients through their long-term investment journeys. As you reflect on its wisdom, I hope you'll embrace the importance of prioritising life decisions before financial decisions. As a trusted adviser to our clients for over two decades, Providend has found that this approach consistently enables our clients to lead a good life, one that is fulfilling and calm.

Walk Slowly (by Danna Faulds)

It only takes a reminder to breathe,

a moment to be still, and just like that,

something in me settles, softens, makes

space for imperfection. The harsh voice

of judgment drops to a whisper and I

remember again that life isn't a relay

race; that we will all cross the finish

line; that waking up to life is what we

were born for. As many times as I forget,

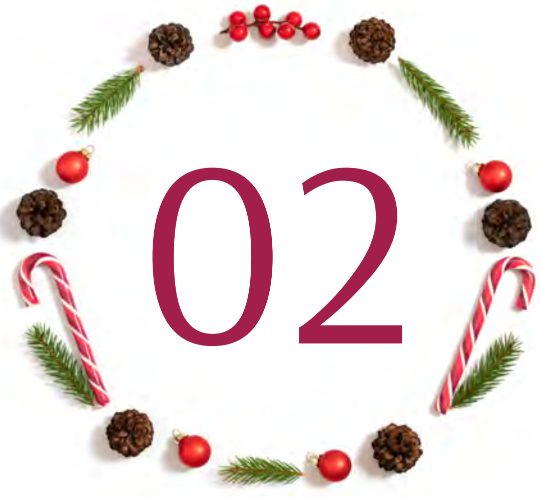
catch myself charging forward

without even knowing where I'm going,

that many times I can make the choice

to stop, to breathe, and be, and walk

slowly into the mystery.



Navigating Your CPF Special Account (SA) After Age 55:

What Are the Options Available?

As you may be aware, the CPF Special Account (SA) for members aged 55 and above will be closed starting in the second half of January 2025. This change was first announced during Budget 2024 in February, and you can read more details here. We have been asked numerous times by the media for our take on this, and we believe the advice shared here may be helpful to you as well as you navigate this transition.

Given the upcoming changes, we understand that you may have questions about the best course of action for your SA funds. We are here to guide you through your options so that you can make an informed decision that aligns with your wealth plan.

To start, it's important to consider the purpose of the funds in your SA: were they intended for short-term use, or are you planning to keep them invested for long-term growth?

Based on your objectives, here are the available options:

If your goal is to keep the money in your SA for the long term:

- Top-Up to Retirement Account (RA):
  If you're not planning to withdraw anytime soon, one option you can consider is topping up your RA up to 4X the Basic Retirement Sum (BRS). You have two ways to do this:

1. You can transfer cash from a low-interest savings account into your RA.
2. If you don't have enough cash, you can transfer funds from your Ordinary Account (OA) into your RA.

However, it's important to note that once you transfer money to your RA, you'll lose the liquidity, meaning that you won't have quick access to those funds. It's best to ensure that the amount in your RA doesn't form a large portion of your total liquid wealth, as this money is essentially set aside for your retirement.

- Investing in Higher-Risk Instruments:
  If you're comfortable with the long-term horizon (think 10-15 years), you could consider investing a portion of your OA funds in equities or other higher-risk options. This could potentially lead to better returns over time, but only if you're okay with staying invested through market ups and downs. It's about balancing risk with your timeframe and comfort level.

If you need more flexibility or plan to use the funds sooner:

- Withdrawals from Your SA:
  For example, if you have $200,000 in your SA (after setting aside the Full Retirement Sum or FRS in your RA), and you want to withdraw about $3,000 per month, adjusting for 3% inflation each year, your balance will last about 5.7 years.

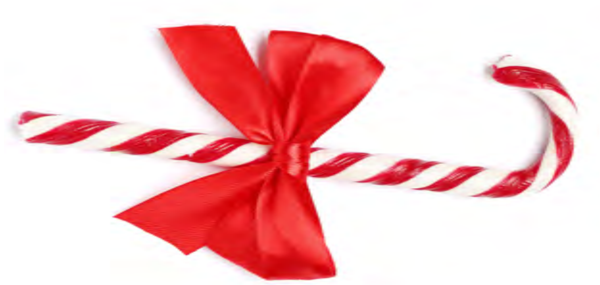
However, with recent changes, your SA would be closed, and the $200,000 would be transferred to your OA, where it would earn around 2.5% annually. With this change, the same amount of money would only last about 5.5 years.

If you have other sources of funds to help cover that 3-month difference, this shouldn't be a huge concern. But, if you'd prefer to have your money last the full 5.7 years, you could consider reducing your monthly withdrawals by about $100.

Important Advice:

If you're planning to use the money in the near future, we would advise against putting it into higher-risk investments like equities. The markets can be volatile, and you may not have enough time to ride out potential market fluctuations.

We know these infromation can feel overwhelming, but your adviser is here to help you navigate them. The most important thing is to ensure that your choices align with your wealth plan and your personal situation. If you'd like, do reach out to your client adviser to dive deeper into these options together, so you feel more confident in your next steps.



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See You Latte!

Providend

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