



# Dos and don'ts of retirement planning

**Choose an investment that is ideal for you as a retirement fund. Make sure it matches your risk tolerance**

All investments are not the same. One of the biggest mistakes you can make (which many investors also do) is to select an investment without checking it if it is ideal for you as a retirement fund.

## **What should you look out for?**

You want to know if the investment is even **recommended for retirement**. The ideal retirement investment account should consider **your retirement goals**, how long you have until you retire (known as **your time horizon**) and **how much you can invest regularly** to fund your dream retirement. You should also ensure that **it matches your risk tolerance**.

## **What is risk tolerance?**

All investments have a degree of risk although they vary in the levels. This risk is linked to the volatility of the investment (i.e., the extent to which the returns move up and down). Some investments are relatively stable (e.g., MFund) while others experience wide movements in returns (e.g., Epack). In selecting an investment, you should consider the risk profile of the investment and your own risk tolerance.

Your **personal risk tolerance in investing simply refers to how much fluctuation** (upward and downward movement) **you can endure**. Based on how you react to these fluctuations, you can have a **low, medium or high** risk tolerance. Each risk tolerance has corresponding investments that are ideal and should guide you in your selection.

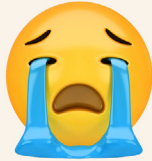
Note that **your risk tolerance goes hand in hand with how much time you have to invest** (i.e., your time horizon). So if you have a high risk tolerance but less than 5 years to invest, you should stay away from investments that tend to fluctuate more or ensure your exposure to these investments is not more than 20% of your investment value. This is because within those 5 years, the value of your investment could go up or down, and if it you needed it just when it goes down you stand to lose out on growth.

## **How you can know your risk tolerance**

It is important to know that **your risk tolerance is personal and dynamic**. It is specific to you and may change over time as you investment knowledge grows or as your life situation changes. You can get to know your risk tolerance by taking the simple test below:

## The risk tolerance test

**HOW WOULD YOU FEEL** if you lost 10% of your money in the first year of investing, even though you intend to invest for 5 years?



**Very concerned.**  
**Withdraw everything**

**LOW** Risk  
Tolerance

- MFund
- EdIFund T1
- T-Bills
- Bonds



**Concerned. But**  
**will not withdraw**

**MEDIUM** Risk  
Tolerance

- MFund
- EdIFund T1
- T-Bills
- **Arkfund**
- **BFund**
- **EdIFund T2**



**Not too concerned.**  
**In it for the long term**

**High** Risk  
Tolerance

- MFund
- EdIFund T1
- T-Bills
- Arkfund
- BFund
- EdIFund T2
- **Epack**
- **Shares**

## Getting ready for retirement

Your retirement is an important phase of your life and you want to be well prepared for it when it comes. Making a bad investment choice could drastically impact the funds available to you when you retire, which could affect your ability to enjoy a comfortable retirement.

If planning for your retirement seems overwhelming, you do not need to face it alone. Talk to us and let's partner you to make the journey smooth. Contact Databank on **0302 610610** or send us an email at [info@databankgroup.com](mailto:info@databankgroup.com).

**Retirement planning is easy with Databank.**  
**Let's face it together!**

