

# [The role of investing](https://assignbuster.com/the-role-of-investing/)

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Investing is one of the most important components of personal finance. Not only it helps to fulfil basic needs in life and help to meet long-term life goals easily, allow me to achieve financial independent too. For this assignment, I will be writing about my investment portfolio allocations. After completing the investment risk assessment to discover my investment risk profile, the result was stated that am generally comfortable with achieving a moderate level of return potential on my investment coupled with a moderate level of risk.

Firstly, I have decided to invest 45% of my total assets in Cash because not only there is a high-interest rate whenever depositing a fixed amount, it is safe and the risk is low too. Investing in this allocation with the highest percentage of my assets, I have to make sure it does not cause any losses to me in a long run.

Secondly, I am investing 30% of my asses in Singapore Savings Bonds (SSB). Investing to SSB makes me feel safe because they are fully backed up by the Singapore Government, which allow us to receive our investment amount back in full with no capital losses and I am allowed to choose to exit my investment in any given month without getting penalized. Thus, this makes me feel at ease with their safety precaution and happy about their flexibility.

Lastly, my allocation that I have decided to invest 25% of my assets are to S-REITs, which stands for Singapore Real Estate Investment Trusts. I choose REIT because it is a safe and stable investment and the yield from REITs are much higher than other stable investments like bonds and fixed deposits. In addition, it also gives me the potential for capital growth increasing my overall gains even more. In addition, supported by my results for the investment risk assessment, I am willing to accept a moderate level risk for my investments while achieving a moderate level of return as well. My expectation for the investment returns per year for REIT will between 5% and 7% of returns, between 2% to 3% for SSB and 3-5% for the cash investment. I would like to hold onto the investment for 10 years.

In conclusion, spreading investments across different types of investments will be safer and beneficial to an individual as it reduces risk and losses. For example, if one of my investment in a company suddenly experiences a dip in value, a rise in another investment could compensate for it. However, even though I am labelled as a young investor which have little experience when comes to investment, I am willing to invest more because I have fewer commitments in life and also have more years to recover any losses when an inevitable situation happens.