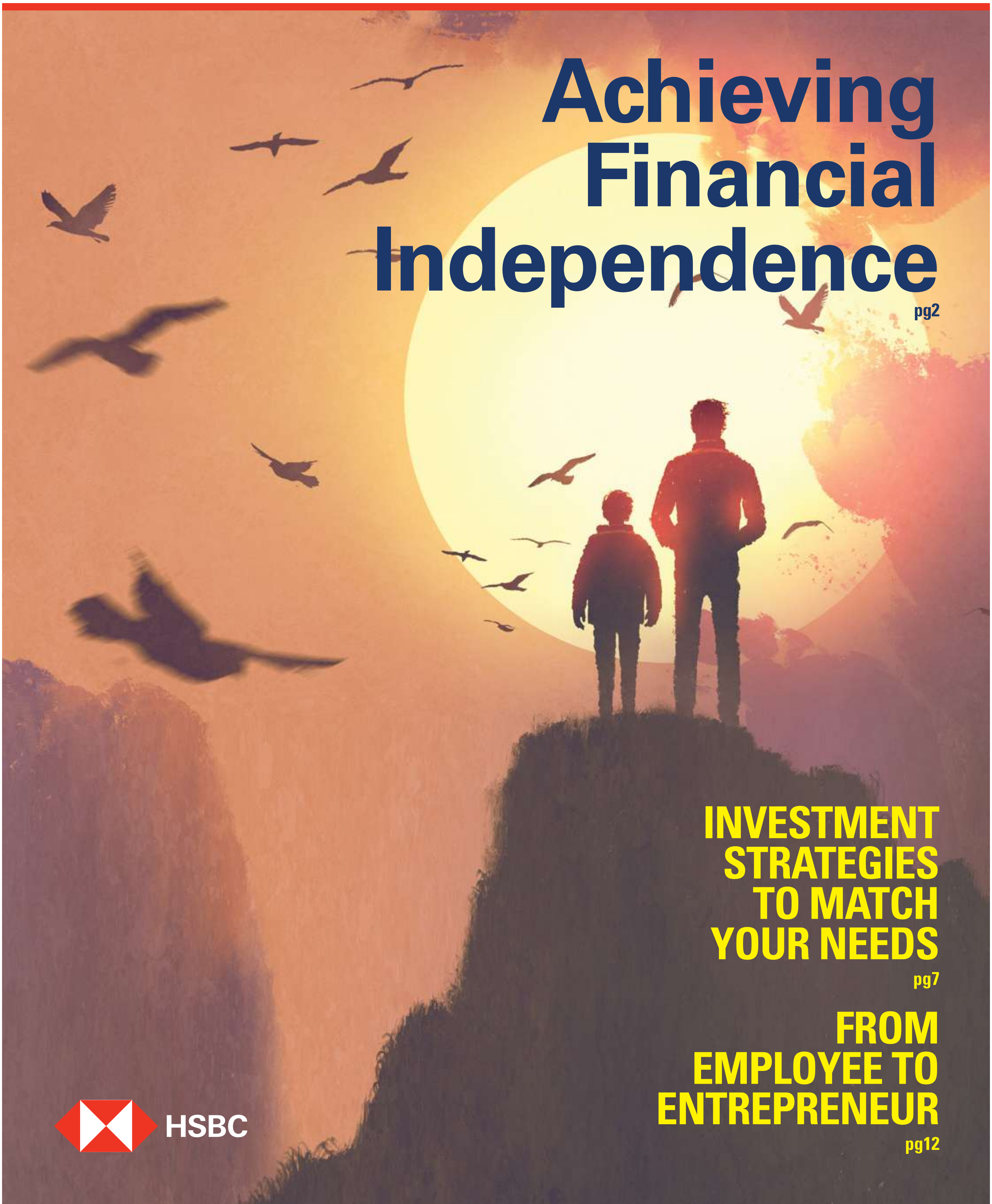
YOUR FINANCES AND ALL THAT MATTERS TO YOU

Liquid

BY HSBC BANK MALAYSIA BERHAD

MARCH 2019 Issue 40



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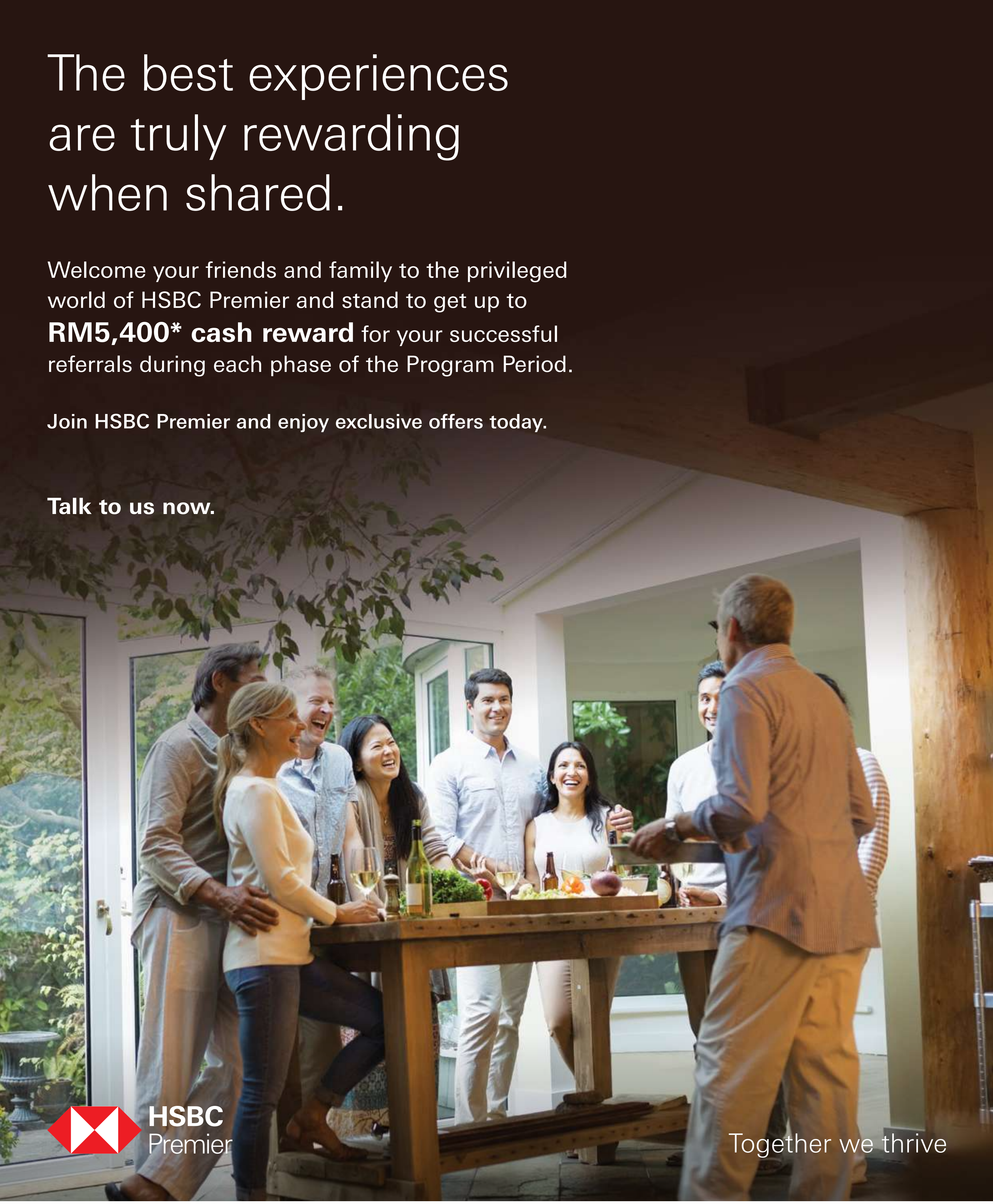

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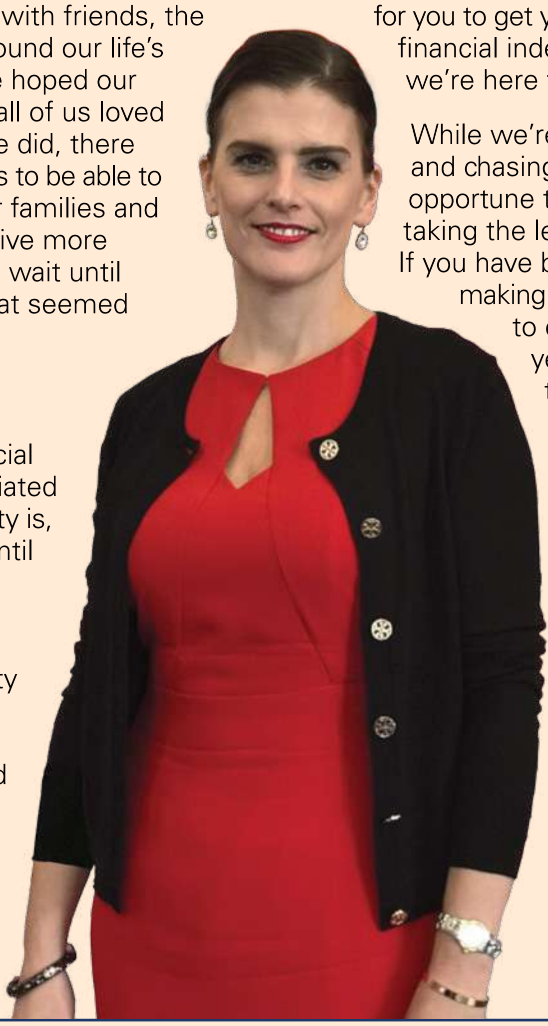
OFF THE CUFF

Living with Purpose

Early on in my career, conversations about life and work with friends would inevitably be about dream jobs, career goals and chasing corporate success. But as we have progressed in life, and our life circumstances and priorities have changed, those conversations have shifted.

At a recent dinner party with friends, the conversation centred around our life's aspirations and what we hoped our legacy would be. While all of us loved our careers and what we did, there was a longing amongst us to be able to devote more time to our families and loved ones, and also to live more purposeful lives. And, to wait until retirement to achieve that seemed rather far away.

So the topic of financial independence came up. Often the idea of "financial independence" is associated with retirement. The reality is, you don't have to wait until retirement to achieve financial independence. Simply defined, financial independence is the ability to accumulate enough financial resources to meet your expenses and fulfil your financial goals without the dependency on a monthly income. These days, it is not uncommon for people to pursue financial independence so they can "retire" from work at an earlier stage in life to have the ability to chase their dreams and ambitions.



Whatever your personal reason may be, with careful planning and commitment, you can achieve financial independence. We have laid out some initial steps for you to get you started on your journey towards financial independence, and if you need help we're here for you every step of the way.

While we're on the subject of work and life, and chasing dreams and ambitions, it's an opportune time to segue into the topic of taking the leap to become your own boss. If you have been harbouring the dream of making the career move from employee to entrepreneur, perhaps this is the year to do it? We have some tips to help get you thinking, and if you are ready to take the next step we have the resources to potentially help you on your business journey.

Till next time, keep well and happy reading!

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Achieving Financial Independence

Do you long to have control over your time? To have the ability to maintain your lifestyle without an additional paycheque? To show up at the office every morning because you love to and not because you have to? Here's how it can be possible…

Most of our adult life cycles will probably follow a similar path: graduate, work ten- to 12-hour day, five days a week until retirement, and then spend our earnings in retirement. It's little wonder why many adults dream of achieving financial independence, yearning to escape this rat race.[1] But in the midst of our busy lives, how much time do we devote to planning for financial independence? Chances are, not enough.[2]

…financial independence allows you to shape your life without taking money into consideration.

What is financial independence?

The definition of financial independence can vary depending on individual goals or circumstances[1], but it commonly refers to a state where we have enough financial resources at our disposal to meet our expenses as well as fulfil our future financial goals.[1] One simple definition is: financial independence allows you to shape your life without taking money into consideration.[1]

While we often hear financial independence referenced in the same breath as retirement or retiring early, it's not so much about that.[1] Financial independence is about having the choice to pursue dreams and ambitions.[1]

If you have just welcomed a new child into your family, you may perhaps want to spend more time raising your child in his or her formative years. Or maybe you want to devote your time to more meaningful life's work like helping poor communities or at-risk youth. Or, you indeed want to retire early and travel the world.

Whatever your reason, with careful planning and commitment, you can build a financial reservoir to break the dependency on a monthly salary or income to achieve financial independence.[2]

Charting a course to financial independence

Here is a plan of attack to help get you going in the right direction to achieving financial independence.

1. Stop procrastinating

The longer you delay, the more challenging it will become for you to achieve financial independence.[2] Start putting aside sufficient savings and investing in the early stages of your career with your source of regular income to build a financial reservoir to take care of all your expenses, and still have sufficient funds to give you a regular stream of income when you reach financial independence – whether that's at retirement or earlier if you choose.[2]

2. Commit to saving

Cut down on discretionary spending and put part of your earnings in savings.[2] Save money no matter what's happening.[3] If you don't have enough room in your budget to save money now, then increase your income, or lower your expenses, or both.[3] Try to commit at least 20-25% of your income to do this.[2] The more you save now, the more your money compounds.[2] Don't underestimate the power of compounding.

For example, if you invest RM10,000 in HSBC's Time Deposit on an 18-month tenure compounding at 3.5% per annum (based on HSBC Interest/Indicative/Hibah Rates PDF document with an effective date of 26 March 2018 available from the HSBC website at https://www.hsbc.com.my/content/dam/hsbc/my/docs/interest-rates.pdf), you will have RM14,106 at the end of a decade and RM55,849 in five decades.[2] Never let excuses stand in the way of saving money.[3] Start now and make it a long-term goal.[3]

3. Invest, invest, invest

Investing is about using your money to generate more money.[3] If you start early with proper planning and a clear strategy, and invest meticulously, you can aim to create sufficient wealth to hopefully achieve your goal of financial independence at an earlier age.[2] If you are unable to commit lump sum investments, plan systematic regular investments to create long-term wealth.[2]

4. Invest regardless of market ups and downs

Plan to invest no matter what the market is doing.[3] By making regular investments, you'll be dollar cost averaging into the market, which will minimise your risk if the market declines.[3] And instead of trying to time the market, diversify your investments and spread it across different assets like equities, fixed income investments, real estate and cash savings.[3] By diversifying your investments across different asset classes, you will protect yourself against unexpected surprises in the market.[3]

If you're not familiar with investments and need advice, seek out the help of a qualified financial advisor for advice. At HSBC, we have specialists who can help you develop an investment strategy and portfolio from a diverse range of investment products to meet your goals – whether that's achieving financial independence when you retire or perhaps even earlier.

...being disciplined in paying down debt while not taking more on will set you heading in the right direction.

In addition, our financial tools like the HSBC wealth dashboard platform allows you to view and manage your investment holdings while our wealth insights provide you with up-to-date news and updates related to your investments from reliable global sources.

Create a series of steps towards reaching financial independence

- Increase your income
- Control your spending habits
- Pay off your debts
- Understand your savings patterns
- Determine your investment objectives
- Define your long-term financial goals
- Purchase the best life insurance for your family
- Implement a legacy plan for your heirs

Source: Forbes, The 15 crucial steps needed to achieve financial independence, 25 March 2016.

5. Be debt free

It's difficult to be financially independent when you owe money to banks or other people.[3] So one of your main priorities should be getting out of debt as soon as possible.[3] You can have different time horizons for getting out of debt with each debt category.[3] For example, you can commit to eliminating your credit card debt in three years, car financing in five years, and your mortgage in 15 years.[3] Our HomeSmart home loan, for example, provides you with the flexibility to deposit excess funds to save on interest and shorten your loan tenure so you can be debt-free faster.

There is no overnight solution to being debt free, but being disciplined in paying down debt while not taking more on will set you heading in the right direction.[3]

6. Make sure you have enough protection

At the beginning of your journey towards financial independence, you may want to maintain minimal insurance coverage to keep your insurance premiums low.[3] But as your wealth grows, your insurance coverage should rise along with it.[3] While we may not normally think of it in this way, the purpose of insurance is to protect your assets.[3] So the more assets you have, the greater your insurance coverage needs to be.[3] HSBC offers a range of comprehensive insurance solutions to protect your assets and family wherever you may be on your journey towards financial independence.[3]

7. Commit to live within your means

Or better yet, commit to live beneath your means.[3] Unless you fully commit to embracing this rule, it will be difficult to achieve the other goals.[3] The reason this is so important is because it's the single step that will provide most of the spare cash you will need in order to accomplish most of the other goals.[3] It doesn't mean penny-pinching, but it does mean being prudent with your spending.[3]

Remember this term: delayed gratification.[3] It means being willing to make sacrifices now in order to provide for a better life for yourself and your loved ones in the future.[3] It means cutting out the expenses in your budget that are not absolutely necessary, and even reducing those that are.[3] It means opting for a local family holiday instead of an overseas vacation, driving your car for a few more years before trading it in for a new one, and eating at home a few more meals a week versus eating out at restaurants.[3] In making these sacrifices, you'll be clearing money in your budget to build savings, settle your debts and invest for the future.[3]

8. Review your goals regularly

Once you have a plan towards becoming financially independent, commit to it.[3] Review your plan regularly including your goals for the different financial categories to ensure that you stay on track.[3] Keep track of your investments, review your portfolio and maintain the flexibility to revise your portfolio mix as circumstances change to match the initial goals you set towards achieving financial independence.[2]

Achieving financial independence isn't easy. But with a detailed plan, a commitment to stick to it and expert advice along the way, you'll get there. To find out how HSBC could potentially help you achieve your goal of financial independence, speak to your Relationship Manager today.

Reaching your goal with a financial advisor

Working with a financial advisor can help you to set a goal for wealth accumulation that allows you to maintain your standard of living without an additional paycheque and achieve your financial independence goals.[4] But how do you choose a financial advisor that is right for you? Here are some useful tips to help you make your decision…

Decide how much help you need

Do you need advice on specific financial needs like buying a house or planning for your children's educational funds?[5] Or you need a professional to create a long-term financial roadmap to reach your goals including investments, insurance, education, retirement, etc?[5] Perhaps you need a long-term financial partner to invest and manage your wealth, plus provide continuous comprehensive financial planning throughout different life stages and changes?[5] Depending on your need, you may pick a financial advisor that provides hourly consultations, comprehensive financial planning or asset management.[5]

Check the credentials

First of all, shop around for potential financial advisors.[6] They may be recommendations from people you trust or perhaps attached to reputable financial organisations.[6] Then make a shortlist, check their credentials and aim to meet them before making a selection.[6] Look for a financial advisor who is a certified financial planner (CFP). CFPs are licensed and regulated, plus take mandatory classes on different aspects of financial planning.[7] You could go a step further and look for a financial advisor who has a Bachelor's degree or Masters in financial planning or a related degree in finance, economics or accounting coupled with a diploma or advanced diploma in financial planning.[6] This is a good indicator that the person has invested a bit of time developing themselves and their knowledge.[6]

Consider the fee structure

While some financial advisors may charge a flat-based fee for a statement of advice, others may charge an asset-based fee which is a percentage of funds under management.[6] A financial advisor who earns money based on commission rather than a flat rate could have an incentive to steer you in a particular direction.[7] In such a circumstance, you should ask the advisor to explain why he or she is recommending any product that delivers a commission to them.[6]

Try before you buy

You don't need to hand over your entire investment portfolio to a financial advisor in one go.[6] A better option is to test the advisor out with small amounts of investments at a time and grow your portfolio with the advisor as your trust grows.[6]

Sources: 1 The National, How to achieve financial independence, 21 August 2018. **2** Economic Times, How to achieve financial independence in six solid steps, 22 August 2018. **3** Forbes, The 15 crucial steps needed to achieve financial independence, 25 March 2016. **4** The Balance, How to become financially independent, 20 December 2018. **5** Forbes, 4 easy steps to choosing a financial advisor, 26 April 2017. **6** The Sydney Morning Herald, The questions you need to ask before you pick a financial adviser, 23 April 2018. **7** Wall Street Journal, How to choose a financial planner.

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Investment Strategies To Match Your Needs

Know the difference between different investment strategies to meet your goals and needs in order to invest smarter.

When it comes to investing your money, there is no "one-size-fits-all" approach.[1] You will need to ask yourself some important questions to help you decide on an investment strategy or approach that will work best for you and your investment goals.[1]

For example, are you a risk-taker or risk-averse?

Are you looking for long-term growth or immediate gains?

Are you trying to grow your wealth or create a steady stream of income?

Growth investing is an investment strategy that is focused on the growth of your capital.

Based on your answers to a few key questions, you will be able to match your needs and goals to a certain investment strategy, or perhaps a combination of investment strategies.[1]

Growth investing

If you are planning to invest to grow your wealth by maximising your capital gains, then growth investing would suit your investment goal.[2] Growth investing is an investment strategy that is focused on the growth of an investor's capital by investing in growth stocks or companies whose earnings are expected to grow at an above-average rate compared to its industry or the overall market.[2] It is a common investment strategy that is appealing to many investors because buying stocks in emerging companies can provide good returns if the companies are successful.[2] However, investing in such companies can carry higher risks.[2]

A common option to use growth investing as your investment strategy would be through growth funds. Growth funds primarily invest in growth stocks – stocks of companies that are expected to grow at a faster rate in relation to the overall stock market.[3] So if you are looking to grow your assets over time, growth funds is a good tool to achieve this investment goal.[3] Growth funds typically perform best in the mature stages of a market cycle when the economy is growing at a healthy rate.[3]

Technology stocks like Apple and consumer cyclical stocks like Coca-Cola, are examples of what growth fund managers buy for their portfolios.[4] But growth funds don't buy only large-cap stocks; they also buy small- and mid-cap growth stocks of companies you may not have heard of but could be the next big growth company.[4] Another area where growth funds may invest in is emerging markets with long-term potential for capital growth from large populations and fast growing companies.[5] The basis of emerging market investments is that it exposes an investor to growth potential not possible in developed markets.[5]

If you opt to invest in growth funds, you should keep in-mind that growth stocks can have temporary periods of extreme fluctuation and that this strategy is best for aggressive investors with long-term investment time horizons such as 10 years or longer.[3] Even though growth funds can have high returns in any given year, they also tend to decline more than the average stock fund during bear markets.[3] Another caveat of growth funds is that they pay little or no dividends so the return to the investors is realised through the price appreciation of the underlying investment.[4]

Dividend investing

Dividend investing provides an opportunity for you as an investor to create a stream of income in addition to the potential growth in your portfolio's market value from asset appreciation.[6] If you invest in dividend funds, for example, you would be investing in funds that primarily buy into companies that pay dividends, which are profits that companies share with stock shareholders.[7] Dividends can be received as a source of income or they can be used to buy more shares in the fund.[7] Generally, investors who invest in dividend funds are looking for a source of steady and reliable income from their investments.[7]

Because of their income-generating nature, dividend funds can be ideal for retiring and retired investors.[7] Beyond providing a reliable source of passive income, dividend funds tend to be less risky compared to other types of funds like growth funds.[7] You could also invest in dividend funds in economic environments where bond funds are not attractive.[7] For example, when interest rates are low but the economy is doing well, bond funds can have lower yields than dividend funds.[7]

A variation of the dividend investing approach where your focus is high dividend yield is a strategy that focuses on high dividend growth rate.[6] This strategy requires investing in companies currently paying lower-than-average dividends but which are growing so quickly that within five to 10 years, the absolute Ringgit amounts collected from your stocks are equal to or higher than would have been received from just focusing on high dividend yield.[6]

The dividend growth investing strategy typically involves a combination of the following:

- Investing in a collection of great companies that increase their dividends at a rate equal to or substantially in excess of annual inflation.[8]
- Holding onto positions for long periods of time to take advantage of deferred taxes as it allows for more capital to be working for you, which means more dividends being paid out to you.[8]
- Diversifying across different industries and sectors so your dividend stream isn't too reliant upon a single area of the economy.[8]
- Making sure the dividend growth is being financed by higher levels of real underlying profit and not ever-expanding debt.[8]
- Investing in a collection of stocks from different countries so you collect dividends in multiple currencies to reduce dependence upon a single economy.[8]

Income investing

Income investing is a strategy where you put together a portfolio of assets specifically tailored to maximise the annual passive income generated by your investment holdings.[9] The goal is to produce a stable and constant stream of cash from a collection of higher-than-average yielding assets to support your day-to-day living expenses.[9]

How much cash can you expect from an income investing strategy? The common guide is the 4 percent rule – meaning you take 4% of your account balance out each year to fund your living expenses.[10] Why 4% you ask? Research has shown that if the market crashes, taking out 5% will cause you to run out of money in as little as 20 years; whereas if you take out 3%, you will virtually never run out of funds.[10] So at 4%, the belief is you will never run out of money.[10]

Often, those who prefer the income investing strategy fall into one of two categories. The first are people who are retiring or retired and want to live off their money to the maximum degree possible without eating too much into the principal.[9] The second are those who receive a large sum of money from a financial windfall – like receiving an inheritance, selling a business, or perhaps winning the lottery.[9]

By choosing slower growth, higher payout stocks, bonds, real estate and other assets, people who are planning to retire or retirees can use the wealth they have accumulated during their working life to provide a stream of income for the rest of their lives to maintain their existing lifestyle, while those who are lucky enough to receive a financial windfall can invest it in similar assets to provide a second or third source of income to improve their standard of living.[9]

However, income investing is not without its downsides.[9] While you may get more cash upfront, you will forego a lot of future wealth since your assets are sending the spare money to you rather than reinvesting it for growth.[9] You also need to be mindful of growth so the actual real dividends, interest and rents are increasing faster than the inflation rate.[9]

Depending on different factors, a portfolio with an income investing strategy may consist of a mix of:

- Safe and secure, dividend-paying blue chip stocks with conservative balance sheets with a history of maintaining or increasing the dividend per share even in bear markets.[9]
- Bonds and other fixed income funds including Treasury and corporate bonds.[9]
- Real estate including outright ownership of property and through real estate investment trusts (REITs).[9]
- Money market funds which typically invest in short-term money market instruments that provide income at interest rates higher relative to inflation with little or no risk.[9]

Value investing

If you love a bargain, then value investing may be the strategy for you. Value investing is an investment strategy where stocks are selected which appear to trade for less than their intrinsic, or book, values.[11] Value investors tend to invest in stocks they believe are selling at a price that is low in relation to earnings or other fundamental value measures.[12] In simple terms, as a value investor, you are looking to find a bargain to buy stocks selling at a "discount".[12]

To find "value", investors and fund managers using the value investing strategy will often employ fundamental analysis to researching and analysing companies to determine if the stocks offer "good value" and should be purchased.[12] Doing all the research and analysis yourself may be daunting, so an effective option of gaining exposure to value stocks could be through investing in funds with a value objective.[12]

These are the key signs you need to look for in the companies when looking for value investing targets:

- Below average price-to-book ratios.[11]
- Lower than average price-to-earnings (P/E) ratios.[11]
- Higher than average dividend yields.[11]

Value investing can be a subjective strategy with different investors potentially placing varying importance on different areas of a company's fundamentals, performance and future growth.[11] Despite that, the underlying reason of value investing is to purchase assets for less than they are currently worth, hold them for the long-term, and hopefully profit when they return to the intrinsic value or above.[11]

To learn more about the range of unit trust products carried by HSBC and the different investment strategies which may fit your long-term financial needs and goals best, speak to your Relationship Manager today.

Sources: 1 The Balance, 8 investing styles: which one is right for you? 28 June 2017. **2** Investopedia, Growth investing, 16 May 2018. **3** The Balance, What are growth stock mutual funds? 25 July 2018. **4** The Balance, The difference between growth funds and value fund, 19 March 2018. **5** Australian Financial Review, Emerging markets continue to offer value despite the risks and volatility, 9 August 2018. **6** The Balance, What is dividend investing and how does it work? 9 September 2018. **7** The Balance, Dividend mutual funds, definition, advantages and tips, 21 January 2019. **8** The Balance, Make money using a dividend growth investing strategy, 23 June 2018. **9** The Balance, How the income investing strategy works, 27 October 2016. **10** The Balance, 10 steps to successful income investing for beginners, 24 January 2019. **11** Investopedia, Value investing definition, 22 January 2019. **12** The Balance, The difference between growth funds and value funds, 19 March 2018.


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From Employee To Entrepreneur

Tips to help you prepare and make the transition from employee to entrepreneur.

If you are a career professional or long-time employee who has dreams of striking out on your own to start up a business and pursue your dream of entrepreneurship, you are not alone. According to a 2017 Workmonitor survey conducted by recruitment firm Randstad, every other Malaysian employee (49%) considered quitting their job to start their own business.[1]

Quitting your job and starting your own business is not a decision that should be taken lightly.

The proportion of Malaysian employees feeling the pull of entrepreneurship was higher than Singapore (32%) and Hong Kong (33%), and almost double the global average of 28%.[1] However, the survey showed that many who considered making the career switch to entrepreneurship were holding themselves back by the fear of failure.[1]

So, are you ready to be your own boss?

As exciting as the thought of making a career switch from employee to entrepreneur may be, it can be a rough road.[2] Estimates suggest that anywhere from 50 to 90% of new business start-ups fail within the first few years.[3] Quitting your job and starting your own business is not a decision that should be taken lightly.[2] You need to ask yourself some tough questions before striking out on your own.[2]

Why do you want to become a business owner?

Do you have an entrepreneurial idea that you unequivocally need to follow and see where it goes?

Or, do you want to become your own boss because you hate your job and need a change?

By asking yourself the difficult questions and going through the underlying motivations for starting a business, you can protect yourself from unnecessary risk, and provide confirmation to why you definitely should become an entrepreneur.[4]

5 good reasons to start your own business

1. You see an opportunity
A new business opportunity, perhaps in the form of an underserved or unserved need in the marketplace, or a new technological innovation, can be an opportunity worth taking advantage of.[4] Be sure the opportunity is real and you are not exaggerating its value.[4]

2. You have a business idea that's been validated
If you're sitting on a tested prototype, the results of a consumer survey, or the anecdotal evidence from years of working in a corporation, suggesting that there is a true need for the product or service you have in mind – perhaps it's time to take the next step.[4]

3. You have industry experience
You have the advantage of a better understanding of the industry, markets, customers and competitive dynamics from your industry experience.[4] These are things that are difficult to match by industry outsiders, as you'll be able to leverage existing relationships to drive your new business.[4]

4. You have the necessary resources
Having an idea is great but to start your own business, you need the right resources to turn idea into reality.[4] These resources can come in the form of financial capital, industry insights, technical know-how or valuable contacts that'll help you accelerate your success.[4]

5. You won't accept failure
The initial road to entrepreneurship can be slow and uneven.[4] Even when you achieve milestones, these can be followed by setbacks.[4] Your attitude towards handling these roadblocks at the beginning will determine your long-term success.[4] If you are the type who gets back up every time you fall, you are well-suited to be an entrepreneur.[4]

Meanwhile, hating your job or boss, wanting to work less, only wanting to answer to yourself, or because a friend or family member wants to start a business with you, are probably not the right reasons to become an entrepreneur.[4]

Making a successful transition to entrepreneurship

The reality is making the transition from employment to entrepreneurship is going to be hard. It's going to take a lot of hard work, practical skills, relationships, determination and mental fortitude.[5] You need to be prepared and make mental shifts to be successful.

Develop your idea and find your niche

Before starting your new business, have a clear picture of what you will do or sell.[2] The best business ideas solve a problem.[2] Aim to fill gaps in the market and provide something consumers need.[2] Do some research to find your niche.[2] You should have your business idea clearly defined before you quit your job and join the world of entrepreneurship.[2]

Have a business plan

Refine your idea with a strategic business plan that will act as your roadmap for your new business.[2] Your business plan should detail what you will offer, who your target customers will be, and how you will fund the business.[2] The business plan can be a simple outline or a formal document, which will help you decide when you will open, where you will operate, and what inventory and equipment you need. Also plan your marketing strategy and business budget.[2]

You probably won't have every detail figured out at the start, but preparing for major parts of your operations is key.[2] A business plan will help you face challenges and lead your business in the right direction.[2]

Build your network

Starting out on your own doesn't mean you have to grow your new business alone.[2] The right connections can help your business in many different ways.[2] Your network should include experts who can offer valuable advice, from financial advisors to industry veterans, and even prospective customers.[2] Nurturing these relationships can lead to long-term customers and a steady inflow of potential business.[2] For an entrepreneur, especially a new business owner, there can never be too many people in your network.[2]

Build on your strengths

Top entrepreneurs get to where they're at by being the best at what they do.[5] They're deeply focused on discovering their true strengths early on and building upon them.[5] Most successful entrepreneurs actively outsource, hire help, or completely avoid tasks that aren't within their core skill set.[5] They know that the more time they spend doing only what they're best at, the higher their chance of success.[5]

Learn to say "No" often

Prioritise and allocate your time well at the start of your business journey.[5] This will have a huge impact on how quickly and effectively you'll be able to scale your business.[5] Time is your most precious resource – allocate it carefully and choose to do only the highest-impact activities that can move your business the furthest towards your goals.[5] Be willing to turn down opportunities that aren't aligned with your goals or don't outrank your priorities in terms of immediate positive business impact.[5]

You control how you define "success"

"Success" in business is commonly associated with becoming rich, selling the company you founded for millions of Ringgit, or being showered with awards and accolades.[5] While these are nice, the true measure of success in business is how much you're able to use your skills and strengths to help others.[5] All other measures by which success is commonly defined, are purely vanity metrics.[5]

Once you've done all your homework and prepared yourself for your entrepreneurial journey, trust yourself and push ahead. You can do it.

Money mistakes new business owners should avoid

Spending big at the start

It may be nice to have the best new computers, a trendy office, a flashy website and highly talented staff to help grow the company when you start a new business, but think carefully.[6] While some expenses may be unavoidable and mandatory, you need to always ask yourself if the expense in question is going to help you generate more revenue in the short-term.[6] Forego expenses that aren't essential to the growth of your company or offer very little value to your bottom line when you are starting up.[6]

Incurring credit card debt

While using credit cards responsibly is a normal business practice, it also exposes you to the risk of deep debt if you mismanage that line of credit.[6] Because credit cards are so convenient to use, many new business owners fail to see that they're compounding their expenses and incurring interest charges every time they use their credit cards and don't pay off the full balance at the end of the month.[6] Irresponsible credit card use could be the worst mistake you make as an entrepreneur – so exercise prudence when it comes to credit cards.[6]

Not setting a clear budget

You may be able to run your business without a clear plan for the future, but you'll have a hard time achieving success without a rough budget to help guide what you can and cannot afford to spend on each month.[6] You need to have a carefully planned budget for operational, marketing and other expenses to steer your new business towards profitability.[6] Having a clear budget also increases financial discipline and refines the roadmap to your business growth.[6]

Banking designed for SMEs

Choosing the right banking partner at the start of your new business journey with banking services that fit your needs can be very helpful. HSBC Retail Business Banking for SMEs provides tailored banking services to help drive your business further and you achieve your goals.

With HSBC Retail Business Banking, you will be able to take advantage of the synergies of your business and personal banking relationships with us and enjoy the rewards that come with it, while maintaining separate business and personal accounts which will allow you to have a more accurate picture of your business' financial health by preventing overlap between what you personally earn and spend, and what your business is generating and costing on a monthly basis.[6]

Features of HSBC Retail Business Banking designed specially for SMEs include:

- Higher interest rates[7] with Integrated Relationship Balance recognition
- Lower lending rates[7] to grow your business with our Working Capital Solutions
- Simplified Banking with digital solutions and real-time FX rates
- Personalised Banking with dedicated Relationship Manager and customer hotline
- Comprehensive banking solutions

To find out more about how HSBC Retail Business Banking can help you on your entrepreneurial journey or grow your SME business, speak to your Relationship Manager today.

Sources: 1 HR In Asia, 49% of employees in Malaysia plan to quit jobs to give a shot at entrepreneurship, 31 March 2017. **2** Forbes, Making the transition from employee to entrepreneur, 28 June 2017. **3** CNBC, How to know when to take the leap from employee to entrepreneur, 28 January 2019. **4** The Balance, 20 right and wrong reasons to start your own business, 20 May 2018. **5** The Balance, 5 mental shifts you need to make to become an entrepreneur, 18 April 2018. **6** The Balance, 7 biggest money mistakes new business owners make, 18 April 2018. **7** Compared to market average as at 25 Oct 2018.

HSBC'S FUND SELECTION
short-term fund performance

RISK RATING	NAME OF FUNDS	ASSET TYPE	1 MONTH (01.01.19 to 31.01.19) %	3 MONTHS (01.11.18 to 31.01.19) %	6 MONTHS (01.08.18 to 31.01.19) %	1 YEAR (01.02.18 to 31.01.19) %	3 YEARS (01.02.16 to 31.01.19) %
4	CIMB-Principal Greater China Equity Fund	Equity	5.95	6.06	-5.64	-10.09	57.68
4	Franklin U.S. Opportunities Fund - MYR Class	Equity	9.95	1.37	-4.46	0.10	39.76
4	RHB GS US Equity Fund	Equity	7.01	-1.00	-2.52	-0.57	39.44
4	Franklin U.S. Opportunities Fund - USD Class	Equity	10.06	1.69	-4.21	0.29	38.93
3	Eastspring Investments Equity Income Fund	Equity	1.97	-0.28	-3.95	-3.37	21.56
3	CIMB-Principal Asia Pacific Dynamic Income Fund (Class USD)	Equity	5.86	6.78	-5.51	-13.96	42.28
3	Affin Hwang Select Opportunity Fund	Equity	2.99	1.38	-2.96	-10.12	26.18
4	Manulife Investment Asia-Pacific REIT Fund	Equity	7.66	12.41	7.74	8.57	45.05
3	Affin Hwang Select Dividend Fund	Equity	3.35	2.40	-3.55	-7.18	24.59
5	Manulife India Equity Fund	Equity	-2.17	5.08	-7.82	-6.87	38.70
3	CIMB-Principal Asia Pacific Dynamic Income Fund (Class MYR)	Equity	4.87	4.41	-4.96	-9.89	39.74
4	RHB US Focus Equity Fund	Equity	8.76	0.43	-10.19	-11.99	29.83
3	Affin Hwang Select Asia (ex Japan) Opportunity Fund	Equity	5.33	3.14	-6.80	-13.42	32.05
4	Advantage Asia Pacific ex Japan Dividend	Equity	4.99	4.81	-4.14	-8.62	40.27
1	CIMB Principal Bond Fund	Fixed Income	0.55	1.39	2.68	4.81	13.63
4	Eastspring Investments Global Emerging Markets Fund	Equity	7.55	6.20	-3.56	-11.22	44.34
2	Affin Hwang Select Balanced Fund	Allocation	2.21	1.21	-1.43	-4.19	18.50
3	Advantage Global Equity Volatility Focus (Class MYR)	Equity	6.50	-0.29	-5.63	-8.52	21.99
3	RHB Asian Income Fund (Class MYR)	Allocation	4.30	4.96	1.51	0.34	24.48
1	CIMB Islamic Sukuk Fund	Fixed Income	0.49	1.21	2.53	4.62	14.54

Risk Tolerance Rating

Very Cautious

RISK RATING 1

- You are generally comfortable with achieving minimal level of return potential on your investment coupled with minimal risks.
- Capital values of products that are potentially suitable for you can fluctuate and may fall below your original investment. In normal market conditions fluctuation is expected to be minimal (although this is not guaranteed), and you are comfortable with this level of fluctuation.

Cautious

RISK RATING 2

- You are generally comfortable with achieving a low level of return potential on your investment coupled with a low level of risk.
- Capital values of products that are potentially suitable for you can fluctuate and may fall below your original investment. In normal market conditions fluctuation is expected to be low (although this is not guaranteed), and you are comfortable with this level of fluctuation.

Balanced

RISK RATING 3

- You are generally comfortable with achieving a moderate level of return potential on your investment coupled with a moderate level of risk.
- Capital values can fluctuate and may fall below your original investment. Fluctuation is expected to be higher than products that are suitable for investors in lower risk tolerance categories, but not as much as for higher risk tolerance categories.

Adventurous

RISK RATING 4

- You are generally comfortable with achieving a high level of return potential on your investment coupled with high level of risk.
- Capital values can fluctuate significantly and may fall quite substantially below your original investment. You understand the risk/reward equation, and are comfortable with this level of fluctuation.

Speculative

RISK RATING 5

- You are generally comfortable with maximising your return potential on investment coupled with maximised risk.
- Capital values can fluctuate widely and may fall substantially below your original investment. You understand the risk/reward equation, and are comfortable with this level of fluctuation.

You should consider investment products that have the same or lower product risk rating as your risk tolerance rating.
Talk to your Relationship Manager for more information on the above funds.

- Investors are advised to read and understand the contents of the respective product offering documents or prospectus before investing. Among others, investors should consider the fees and charges involved. The price of units and distributions payable, if any, may go down as well as up. Top Performing Unit Trusts Funds distributed by HSBC (ranked by 3 Years Performance Growth %). Data is sourced from Morningstar Asia Limited on February 12, 2019.

* Asset Type is based on Morningstar Asia Limited classification.