

# Life is like a box of chocolates

TRUE, you'll never know what you're going to get. There are only two certainties in life: death and taxes. Everything else is uncertain and we won't be able to know what will happen next.

In the investment world, hedge fund managers undertake hedging strategies to offset the potential loss of commodity prices, gold and other precious metal prices, foreign currency, interest rates and even indices via contracts called futures and options. Similarly, in our own personal financial life, there are also areas that we need to hedge and mitigate the risk of a potential loss.

## MEDICAL CONDITIONS

We sometimes take our health for granted and we can be just an illness away from financial ruin. Mitigate the potential loss of an income loss due to medical reasons by having adequate medical and hospitalisation coverage. Just because we never need to see the doctors when we are young does not mean we won't ever fall ill when we get older. Insist on a cost-effective plan with a higher coverage at a lower premium.

## PURCHASING POWER

Inflation is like a termite slowly eating into our long-term savings without our knowledge. We often forget its long-term effect on our purchasing power. It is not a wonder why some of us find it more difficult to save as the years go by despite the increase in our salaries.



Joyce Chuah is CEO of Success Concepts Life Planners

There are various areas in our personal financial life that we need to hedge in order to reduce the risk of potential loss.

## PORTFOLIO RETURNS

A portfolio is usually created for a period of five to 10 years or more. In the longer term, fluctuations in the equity markets will usually be smoothed out and short-term portfolio losses would have been recovered.

In order to mitigate the potential fluctuations in your portfolio returns, create an allocation in your portfolio for bonds or fixed income instruments for the purpose of rebalancing in volatile situations. Such allocations can also provide you with a temporary source of funds in the short or medium term should a sudden financial need arises.

Life is indeed like a box of chocolates. Speak to your financial planner on how you can put in place a 'hedging' plan to manage the uncertainties in life.



Illustration by HAFIDZ MAHPAR