from zero to buying your first stock:

Investor's Starter Guide

Inside: Everything you need to kickstart your investing journey now

DrWealth

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DrWealth

Why Should We Invest Our Money?

Before we start talking about various investment ideas and the hows and whats of investing.

We think knowing the WHY is perhaps one of the most important things before we start cover anything about investment.

Here are four reasons:

1. Achieve Financial Independent — This isn't about quitting your job or retiring early but have the option to do so. It's about achieving financial self-sustainability without relying on job. Such option allows you to live your life at your own terms and isn't that what most people dreams of? Fortunately, our personal finance & investment community is a big fan of this concept and there are many blogs you can follow.

2. Put your money to work (harder) — Your money has to be parked somewhere whether it is in your wallet or bank accounts. But the problem is, both are not offering the returns that can impact your wealth. We believe that you should utilize your financial capital just as how you use your human capital for salary; human capital falls with age but financial capital accumulates and increases over time. Why don't let your money work for you instead of leaving it idle in banks?

3. Beat Inflation Rate — First off, what is inflation? Inflation is the general increase in prices of goods and services. In other words, you buy less than you can with the same amount as the value of your money fall over time. It's like dropping coins whenever you work, eat and sleep. The average inflation rate in Singapore is **2.62%** and the average savings account rate is less than 1%. That tells you that your money is losing its value at the rate of 1.62% every year!

4. Retirement — Investing for retirement is one of the main reasons we see among our students attending our courses. Many are worried that their savings (including CPF) are not able to catch up with their retirement lifestyle once they are no longer employed.

The Truth About Investment Returns & Getting Rich Through Investing

You can't imagine how many times we have students walking up to us just to ask:

"Do you have any investment strategy that can ***beat the market, earn monthly passive income, low capital outlay*** and best ***little to no risks***?"

You can probably guess how we feel about it.

So first off, here's the truth:

> *Investing will not make you* ***rich*** *or* ***replace your salary*** *unless you have a* ***sizeable capital*** *to compound with.*

This is not hard to visualise given that we know the average returns of stock market is roughly 6 - 8% from the STI ETF.

Presuming you have a capital of $100,000 and it compounds at 8% per year; the annual returns will make you $8,000 per year or $670 per month. The sum is good as a side income but certainly fall short in replacing your salary.

And if you are looking for $4,500 per month (average Singaporean salary) you need an investment capital of **$562,500!**

Investment Capital	Returns 8%	$ Per Month
$10,000	$800	$67
$50,000	$4,000	$333
$200,000	$16,000	$1,333
$500,000	$40,000	$3,333
$562,500	$45,000	$4,500

That said we think you should still invest your money because:

1 — Compounding effect takes time to do its magic and the earlier you start the more time it compounds with.

2 — You get better returns than what you would otherwise earn by putting your money in banks.

Next is going to sound counter-intuitive.

In fact, you may be better off starting with small capital during the learning phrase as making mistakes is part of the investing journey; you want to make mistakes when your capital is small, not when your capital is huge.

Starting early allows you to gain the opportunity to learn the necessary knowledge, understanding and mindset about investing. So that when your capital starts to turn sizeable you have the skills to invest it.

Singapore CDP & Stock Brokerage Accounts

Before you can even start investing in Singapore, what you need to do is set up a Central Depository (CDP) account. For this, you have to be above 18 years old and financially well, or simply, not bankrupt. The CDP account is where all the stocks you buy on the Singapore stock market are kept.

To set-up, you can either do the following:

1. **Go to CDP and open an account directly with them**. You can either go to SGX's website to sign up for a CDP account, or complete the application form and mail it to SGX CDP Customer Service located at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588.

   Once your CDP account has been created through this, you can link it to your choice of brokerage firm.

2. **Open via a licensed brokerage firm**. Go to your chosen brokerage firm and get them to create your CDP account. They will hand out to you the same CDP form for you to fill out while you are opening a brokerage account with them.

For step by step instructions, read our updated CDP guide here.

In short:

- CDP is where your stocks are kept. They are like your bank accounts.

- Brokerage firm is what you need to purchase stocks from SGX. You can still call the broker to make trade like the good old days but it will not be cheap as they charge a min. of $40 per transaction and it's far higher than the typical online trading fee of $25.

They are certain brokerages that can act as a custodian and hence CDP is not needed. But it is rare as most people prefer CDP to be their custodian.

Relevant Resources:

✔ How To Start Your FIRST Stock Brokerage Account In Singapore (+Comparison)

✔ What Is SGX Central Depository (CDP) Account In Singapore?

Investment Options

There are countless of investment options you can invest in some are common like stocks, REITs and ETFs whereas some are less familiar like bonds. Over here we will walk you through with each of the investment options; its risks, pros & cons, expected returns and capital requirement.

Stocks

The first one on the list is stock and there is a reason for that, because stock is the most proven long term asset class investors can ever hope for.

What is Stock?

A stock is a share in the ownership of a company. The person who owns share is called stockholder and he is entitled to the company's assets and earnings in the form of dividends in accordance to the percentage of stake he holds.

How do You Make Money with Stocks?

Well, there are two ways:

- **Dividend income** — Companies pay a portion of their corporate earnings to investors in the form of dividends. Dividend payouts can be annually, bi-annually or quarterly depending on the their dividend policy.

- **Capital gain** — You can also profit by selling the stocks at a higher price than what you originally bought. Capital gain usually make up most of the gain you get from stocks.

Your actual investment returns will be the sum of dividend income and capital gain.

Blue Chip Stocks

In short, blue chip stocks are simply shares of well-established, well-recognised, profitable, and financially sound companies.

Blue chip stocks typically have a market capitalization in the billions. They are usually up there in the market leader or among the top companies in its sector.

Even if a person does not engage within the financial industry, they are more often than not familiar with these companies. In Singapore, some common blue chips include: DBS, OCBC and HongKong Land.

When it comes to investing into these, blue chip stocks are generally perceived as low-risk. The returns could vary according to the company you choose to invest your money in.

Relevant Resources:

✔ Do Blue Chip Stocks Really Do Better?

✔ If You Don't Know These 10 Blue Chip Stocks, You are Not Considered a Singaporean

Value Stocks

These are stocks that are priced below its fundamental value. Value stocks tend to be but not always small market capitalisation companies. They are what value investors called the unloved stocks; stocks that have sound fundamental but neglected by the market because of unglamorous characteristics like in sunset industry and boring business model.

Different investors classify value stocks differently and the thing that makes it highly debatable is: what constitutes value?

In short, we think value can be based on:

- Assets — Price to Book,
- Earnings — Price to Earnings
- Cash flow — Price to Discounted Cash Flow

Over here we use asset-based valuation because it is easier to execute for most investors and proven to produce reasonable returns over the long term. You can learn more via our Value Investing Guide.

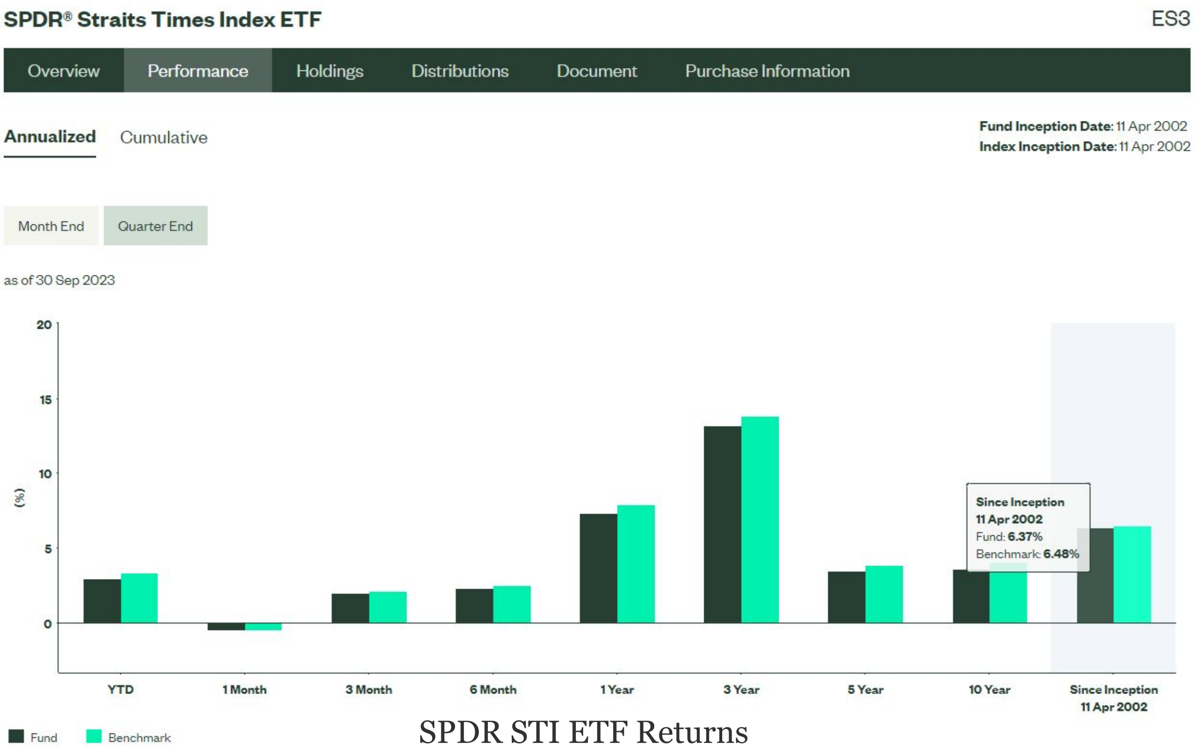
Exchange-traded Fund

ETF in short is a type of fund that is traded in the stock exchange like stocks that owns a basket of assets (bonds, stocks and commodities). The group of assets that an ETF owns is based on the index it tracks.

We purchase ETF to own a basket of stocks to be cost-effective which would otherwise be expensive or difficult to buy them individually.

For example: Buying one unit of STI ETF means we are getting the top 30 blue chip stocks listed in SGX based on market capitalization. What so good about it is that the STI ETF automatically substitutes constituents that are no longer fulfil the index criteria, hence only the strongest occupies the rank.

This is the reason why passive investors love ETFs so much.



SPDR STI ETF Returns

In fact, did you know that if you purchased STI ETF in 2002, held it and did nothing over all the financial crisis occurred during the period including 2008 crisis, you would have gained an average returns of 6.37% over the past 22 years.

Pretty good returns without having to lift a finger. Now, that's the beauty of investing in STI ETF.

Relevant Resources:

✔ Your Complete Guide to STI ETF (SPDR & Nikko AM)

✔ 10 ETFs Listed On The Singapore Stock Exchange You Don't Know About

✔ How to Make Your ETFs Work Harder for You

Investing Strategies

Over the years we have created a few investment strategies

- ✔ **Factor-based investing (guide & course)** — we discovered stocks outperformance can be explained and broken down into simple financial metrics known as factors i.e size, value, quality, momentum & volatility. And investors who have stocks follow those factors tend to outperform market in the run long. The best part is, there is even study done to break down Warren Buffett investing success and it's called Buffett's Alpha. Read: 2 Stock Picking Criteria That Made Warren Buffett a Billionaire.

- ✔ **Singapore Permanent portfolio** — We realised that not every investors want outsized returns from their investment. Some investors invest to conserve wealth rather than grow wealth. As such low risks and volatility are their main objectives. To achieve that, permanent portfolio strategy was created. The portfolio is makes up by a combination of stocks, bonds, gold and cash. See performance: Singapore Permanent Portfolio Performance.

Monthly Investment Plans

Monthly Investment Plan or share builder plan is a type of financial product that allows investors to invest in a particular investment periodically (monthly) at a predetermined sum.

It follows an investment strategy known as dollar cost averaging: invest a fixed amount each month; you will buy more shares/units when the prices are going down and less when the prices moving up. Your average prices are based on the period where you accumulate the shares/units. And your returns are measured based on your average accumulated prices against the current price.

In Singapore, we have 4 companies that provides monthly investment plans:

- OCBC Blue Chip Investment Plan (BCIP)
- Maybank Kim Eng Monthly Investment Plan
- POSB Invest Saver
- Phillip Share Builder Plan

This plan is great for individuals who:

- Just started working and have little capital to invest
- Do not want to spend time analysing and picking stocks
- Dislike market volatility and prefer dollar cost averaging to hedge risks

Relevant Resources:

✔ #AskDrwealth: Lump Sum Investing vs Dollar Cost Averaging, which is better?

✔ Investing for my Kids – Why I set up an Invest-Saver Plan for them

✔ STI ETF Monthly Investment Plans Comparison

Singapore Bonds

Bonds are low-risk, stable and predictable investment. When investors invest in bonds, the investors are lending money to an entity i.e corporate companies or government and are expected for full capital repayment at a future date known as maturity.

During the holding period investors will receive interest payment called coupon payment for lending out the money.

Over here, we have:

1. Singapore Government Securities — They are government bonds issued by Monetary Authority of Singapore (MAS) on behalf of the Singapore Government. Their typical interest rate for a 10-year bond is around 2% to 3%.

2. Singapore Savings Bonds — Launched in late 2015 to help Singaporean to save and invest to meet their long-term financial needs. Their interest rate is based on the average of Singapore Government Securities and investors will earn a 'step-up' interest rate every year. Read the guide to find out more.

3. Singapore Corporate & Retail Bonds — Are not as safe as the government bonds as it is backed up by corporation. To compensate for the higher risks, investors can expect far higher returns of around 3% - 6%.

Bonds are suitable to investors who:

- Seek predictable interest payment
- Are risk averse and are good with low returns
- Want principal repayment

Relevant Resources:

✔ ABF Singapore Bond Index Fund ETF Review: 3 Ways Your Portfolio Can Benefit From It

Properties

As you may have picked up somewhere, properties can be a great investment option. This is especially true for those properties that are located in a good place, wherein the value is most likely to appreciate over time.

Furthermore Singapore land scarcity problem and raising population make property investment even more attractive.

Property is unique compared to the likes of shares trading in the stock market as it contains utility value such as one can enjoy using the asset while capturing gains in rising property prices. However, they are not hassle-free as owners have to maintain, manage and lease out to earn rental income.

Of course, managing the property to keep it at its top shape can lead you to incur further costs. This may sound costly right in the moment. However, you may find that this pays off well in its returns as the value of the property increases with it.

Relevant Resources:

✔ Difference Between ROE and ROA for Property Investments
✔ BRRRR Property Investing Strategy

Singapore REITS (Guide & Course)

For those young and new investors, investing in properties may seem far-fetched given your current position. To make up for that, the next best option for you is the Singapore REITs.

REITs, which translate to Real Estate Investment Trusts, are corporate entities that invest primarily in real estate and have various tax benefits.

Often, it is described as instruments that offer investors the opportunity to invest in a professionally managed portfolio of real estate to a stream of passive income.

The returns investors get from REITs are usually provided from the regular dividend income, which comes from rental payments/income of the REIT's properties, and capital gains if the space's value goes up.

A thing you need to know about REITs is that there are actually different types of properties that you can invest. The classes of properties include:

• Office • Retail • Hybrids • Industrial	• Healthcare • Hospitality • Residential

REITS ETFS

	Phillip SGX APAC Dividend Leaders REIT ETF	NikkoAM-StraitsTrading Asia ex Japan REIT ETF	Lion-Phillip S-REIT ETF
Index that ETF Tracks	SGX APAC Ex-Japan Dividend Leaders REIT Index	FTSE EPRA/NAREIT Asia Ex Japan Net Total Return REIT Index	Morningstar Singapore Reit Yield Focus IndexSM
Ticket Quote	BYI	CFA	CLR
No. of REITs	30	23	23
Management Fees	0.30%	0.50%	0.50%
Top 3 constituents	Link REIT (10.98%), Scentre Group (9.16%) & Westfield Corp (7.85%)	Link REIT (9.96%), ASCENDAS REIT (9.7%) & SUNTEC REIT (9.56%)	CapitaLand Mall Trust (10.76%), CapitaLand Commercial Trust (10.25%) & Suntec REIT (9.89%)
Countries	Australia, Hong Kong, Singapore	Hong Kong, Malaysia, Singapore	Singapore
Dividend Yield Range [Net of tax]	4% to 5%	4% to 5%	4% to 5%

For the most up to date comparison, refer to our Singapore REITs ETFs guide.

Relevant Resources:

- ✔ 23 High Dividend REITs in One ETF: Lion-Phillip S-REIT (+Comparison)
- ✔ NikkoAM-Straits Trading ex-Japan REIT ETF Review

CPF Investment

Some investors prefer to invest their CPF monies as they believe they can do better than the interest rate CPF is offering.

Central Provident Fund is a mandatory and comprehensive social security system that enables working Singapore Citizens and Permanent Residents to set aside funds for retirement.

It comes with 4 types of accounts:

- **Ordinary Account (OA)** - for housing, insurance, investment, and education
- **Special Account (SA)** – for old age and investment in retirement-related financial products
- **Medisave Account (MA)** – For hospitalization expenses and other approved healthcare
- **Retirement Account (RA)** – This is made available on your 55th birthday

These accounts also gain varying interest rates, which are as follows:

- Ordinary Account (OA) – 2.5%
- Special Account (SA) – 4%
- Medisave Account (MA) – 4%
- Retirement Account (RA) – 4%

Moreover, you are able to gain one extra percent for the first $60,000 CPF balances, of which limited to $20,000 in your O.A.

On the other hand, the CPF Investment Scheme (CPFIS) is an option given to you to invest your Ordinary Account and Special Account savings in a variety of investments to enhance your retirement nest egg.

In order to avail in this, you must first have to qualify the following requirements:

- Be 18 years old and above
- Not an undischarged bankrupt
- Have more than $20,000 in your OA
- Have more than $40,000 in your SA

However, if you dislike risk taking and don't have the skill to invest on your own, then all is well to leave your money in your CPF accounts and let the government manage for you.

Relevant Resources:

✔ CPF Investment: Everything You Need to Know about Investing Your CPF Money
✔ What Is CPF Special Account? 9 Things Every Singaporean Ought To Know About It.
✔ CPF's Lifetime Retirement Investment Scheme – Good Or Bad
✔ Best Brokers for CPF Stocks Investments

Unit Trusts (Mutual Funds)

Unit trusts, also known as mutual funds, are a popular investment options among investors. This is due the fact that many financial advisers are promoting it though investment-linked policies and the public perception that it’s a profitable and effortless way to invest their money.

Moreover, it makes sense to leave your money to professional fund managers to manage since you are not an expert.

However, we don’t think unit trusts are a good idea.

Here’s why:

- High fund management fees eats into your earnings
- Most actively managed funds cannot beat the benchmark or the index over the long run
- Restrictions of fund managers
- Sales charges

In short, if you want effortless investment and gain reasonable returns you should be looking at STI ETF instead.

Relevant Resources:

- ✔ Why Investing in Mutual Funds or Unit Trusts May Not be a Good Idea
- ✔ How to invest if you have $20k or more – Why we think The Straits Times is Wrong (Unit Trust vs ETF)
- ✔ What Exactly Is Mutual Funds or Units Trust? 5 Things You Must Know

Cryptocurrencies

Cryptocurrency is known as a virtual currency or digital currency. It is a form of payment that can be used to exchange online for goods and services, however it is not widely accepted yet.

The growth of cryptocurrency has amassed a number of companies that create their own thorough Initial Coin Offering (ICO). Often times, these are called tokens, which can be traded specifically for the good or service that the company provides.

As of January, there have been about 1,400 cryptocurrencies that were trading hands and has since continued to increase.

Cryptocurrencies work using a technology called blockchain. This blockchain is a decentralized technology that manages and records transactions for the entire crypto network to see. This makes cryptocurrencies appealing since it has no centralized system.

Probably the most popular of all cryptocurrencies out there is Bitcoin. Just recently, its value shot up at an all-time high. For this reason, more and more people are joining in on this bandwagon.

And if you want to invest, then it may be a good thing to try out this nontraditional option so long you keep the amount small and aware of the associating risks. It may come handy someday due to its value. But you must remember to read up about it first before jumping in.

Relevant Resources:

- ✔ Bitcoin Investing: The Complete Guide
- ✔ What is Cryptocurrency? 3 Things You Need to Know
- ✔ What Is Ethereum? 4 Things You Need To Know

Crowdfunding (Debt-based)

Another alternative that you can gain outsized returns is through crowdfunding.

Crowdfunding is a platform allows retail investors to invest in SME companies in return for high interest coupon and capital repayment at predetermined date.

Small companies, on the other hands, can tap into public capital without needing to comply with expensive administrative fees to fund their business operation or expansion.

Here's are 2 local crowdfunding companies:

- Funding Societies
- MoolahSense

Relevant Resources:

✔ A Simple Guide to Crowdfunding Singapore For Investors

✔ Crowdfunding EpiCentre – How Did They Manage To Raise so Much, so Fast

✔ How You Can Achieve Higher Returns By Tapping Into Debt Based Crowdfunding – Interview with MoolahSense CEO Lawrence Yong

Others

Aside from those two mentioned, there are actually a lot of alternative investment options you available like Angel Investing (investing in startup), Gold, and Robo-Advisor (similar to monthly investment plans).

Relevant Resources:

- ✔ Angel Investing in Singapore and SEA
- ✔ How to Generate Passive Income from Investing
- ✔ How to Buy Gold?
- ✔ 8 Roboadvisors You Should Consider

Where to Learn About Investing

Over the years we have written thousand over articles for readers who are interested to learn and improve their investment skill. Some of the ways you can learn investing is by books, blogs, video, course and of course nothing beats actual hands-on experience.

Shameless plug here: check out our investment courses where we collaborate with trusted professional experts.

Blogs

Useful resources are also provided through financial blogs. These blogs contain notes and summary points from bloggers about the things they learned along their investment journey. It also gives different perspectives about different financial issues.

And if you start stepping up on your investment skills and knowledge, then you might even find those in-depth analyses particularly fascinating.

Case Studies

A great way to improve your investment skill is by reading case studies. These case studies layout our thought processes and investing methodology. And hopefully you get a sense of how analysing stocks is like and whether you are doing it correctly. Below are some stock case studies we have written applying our investment strategies.

- No Signboard IPO vs Jumbo (SGX: 42R) – Which Stock Is More Appetising for Investors?
- [Case Study] Nobody Liked This Boring Stock, So We Bought & Profited 56% In 6 Months
- Read more

Expert Interviews

Believe them when they say trust the experts. And when it comes to learning, there is nothing you could rely on more than advices and inputs from experienced professionals.

Through various interviews that are conducted, you can read, listen and watch various financial experts tackling a number of issues that greatly concerned a particular field you are looking into.

However, this doesn't mean that you should just ACCEPT everything they say. You should also keep in mind to engage your independent thinking skills and try to understand and create your own theories and analysis.

These interviews could only serve as a guide for you to improve.

- How Lee Kian Soon build a multi-million hedge fund with these 5 value investing strategies
- How to Invest Successfully In 4 Steps – Interview with Kim Iskyan, Truewealth Publishing
- Read more

Community Groups

And finally, you can always turn to community groups for a more direct and personal learning.

With these groups, you can engage in discussion while sharing your own experiences and ideas. And it also helps to gain some new connections to add to your expanding list of people in the financial industry.

You can easily find them through various online platforms such as Facebook groups and other forums. Just simply look them up and join in on the conversation. Check out the links below:

- Value Buddies
- HWZ - Stocks, Shares and Indices
- Seedly Personal Finance Community (SG)
- BIGS World - Build Wealth, Live a Good Life

What Others Say About Us

"I liked how they ***explained all the concepts clearly****. And provided us with hands-on and real-life examples to apply and practice what we learnt."*
LWT, Factor-based Investing Course

"Through Dr Wealth, I've quickly acquired all the necessary investing skills that I did not possess prior to the course."
Quek Xiao Tian, Life Planner

"The courses are a great start for beginners, would recommend for complete newbies."
Shaun Toh, Manufacturing Engineer

"I liked the case studies shared in the course, and found the instructors approachable and knowledgeable."
Norman Lau, Sales Executive

"Thank you for kindling in me a great passion to start investing! And for providing such a great support."
Ethan Lim, VFX artist

Learn more:

✔ How to invest to grow your wealth