

## **Vision 2012**

We have now had nearly three weeks rest from the blaring horns belting out election campaign songs and invitations to meet the candidates in what might possibly be a once in a lifetime opportunity. Gone are the constant airing of advertisements on radio and television that had one wondering whether the parties thought the population was ignorant (only because I don't want to use the word stupid) or the candidates themselves were ignorant. The bombardment of advertisements that caused thicker newspapers in the weeks before the November 5<sup>th</sup> election date is no more. The dust is settled; we have a winner.

Now is a good time as any to consider one's goals and contemplate the likelihood of achieving these goals, whether they be the purchase of a new home, securing your child's future or even a comfortable retirement for yourself. Sometimes what we wish to achieve financially may seem a distant dream, but by turning these into actual goals and working with a plan, dreams can be converted into reality. Whatever your ultimate goals, they can be divided into shorter term objectives for which action plans can be developed.

There are several factors that you should consider when setting a financial plan, including; your age, risk tolerance and availability of funds to help meet your objectives. Of course, these three factors do weigh on each other and there may be some serious discomfort in meeting the objectives set out in order to achieve the ultimate goal. For instance, an older person in their late thirties or early forties with not much available funds, but who is now setting plans to meet retirement goals may of necessity be more risk tolerant than one that is in his early twenties with the same available funds and just starting his career.

Whereas age becomes uncontrollable and by extension risk tolerance, there may be some leeway, within limits of course, for an individual to control how much funds are available to put toward meeting established goals. This can be done through the simple task of budgeting. By assessing and securing one's income stream while managing expenditure, an individual can attain reasonable measures for savings and investments. A budget helps you to understand where your cash comes from and where it goes and so allows you to identify areas where a bit more prudence can be exercised in order to free up funds to put toward meeting your goals.

Once an established savings plan (budget) has been derived, investment options can be considered that would be suited to the expected available funds. Depending on how much funds are available and the proximity to meeting the short term objectives, one would have to consider whether the investments strategy should be conservative, aggressive or a position somewhere along the spectrum.

Where a comfortable retirement is the goal, one should not underestimate the benefits to be derived from contributions to an approved annuity or pension plan, which includes a reduction in taxable income of up to \$25,000. Should the anticipated benefits of current contributions be sufficient to meet or approximate the desired standard of living at

retirement, considering inflationary effects, and there is additional money for investing, one may be inclined to be somewhat conservative. Some of the more conservative investment plans include mutual funds, fixed or flexed cash deposits, credit union shares and open market operations or treasury bills. These vehicles can also be used for saving until sufficient funds are accumulated to meet preferred aggressive plans, which should be the focus for individuals with a late start on planning for their goals and those with a higher tolerance for risk. In such cases one may consider entering the Stock Market.

Where the time period for achieving one's goals is short, an aggressive approach may be necessary and especially where inflation is high, the Stock Market is the place to put your investment dollars. The reason for this is that companies tend to do exceptionally well during inflationary periods with higher percentage increases in product and service prices than that of expenses and usually there is a boost in business activity.

Now that we have an election winner we can try to determine the likely impact of this result on the Stock Market over the next five years?

Certainly in the short term at least, the media companies would have benefited from the parties campaigns regardless of who won the elections and this would be reflected in the final quarter financial results. Over the campaigning period The Express Newspaper circulated its largest ever issue as a result of party advertising and although there was no such report from the Guardian Newspaper, its parent company, Trinidad Publishing Company results would still be buoyed by the advertising dollars reaped in by its radio stations.

For the longer term, with one of the more threatening events to the People's National Movement's 20 / 20 vision out of the way, there is no doubt that the Government will be pushing full steam ahead with its plans to lead Trinidad and Tobago to first world status. It is expected that construction will continue to be a priority with a number of projects already in progress and many more to follow. Companies that are expected to reap the benefits of these initiatives would be cement, concrete, concrete blocks and iron and steel providers along with housing construction companies. On the Stock Market these products and activities are provided by companies such as Trinidad Cement Limited, Readymix Limited, Ansa Mc Al Limited and Agostini's Limited.

The above list is not comprehensive with regard to companies expected to perform well over the next few years, but is simply an estimation of the companies that would be affected given Government's proven policy. Having invested in whichever stocks you choose, hopefully with the advice of a stockbroker, it is important to monitor the performance of those stocks to ascertain the likelihood of meeting your objective and take corrective action when circumstances deem necessary. Monitoring performance should not only be on a historic price movement basis, but the environment within which the company operates should also be analyzed so as to ascertain whether such performances would be sustained.

Where circumstances suggest that there is a major adverse effect on the business operating environment that is likely to negatively affect the share price, one may need to rethink and reallocate funds to stocks that are likely to produce better performances.

The important aspects to remember are to turn your financial dreams to goals, which can be broken down into shorter term objectives and make plans to achieve these objectives keeping in mind the time span to achieve your goals, your risk tolerance and by applying budgetary controls. Having made your investment decisions, there should be regular monitoring of its performance to ensure you are on track and reallocate resources where necessary to bring your plan back on track.

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