Taking action
My financial confidence workbook
Amelia Earhart, American aviation pioneer and author (1897 – 1937)

“The most difficult thing is the decision to act, the rest is merely tenacity.”

My name

Why am I doing this?
“There is no elevator to success. You have to take the stairs.”

Zig Ziglar, American author (1926 – 2012)
This book is based on…

35+
research reports to ensure methodological soundness

120+
passionate co-creators who gave us valuable feedback

17
financial specialists who provided expert insights

600+
days of researching, collaborating, writing and designing

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How this workbook came about

Every journey starts with a single step. Ours was to work out what financial confidence really means.

As days of research turned into weeks and months, we realized something: almost everyone we’d spoken to said the same thing:

“I want to get more involved in my finances. Where should I start?”

It’s a good question. Because, too often, financial topics read like they’re written in secret code. Take the jargon, for instance. Deciphering it takes time and effort, and can leave you feeling frustrated and inadequate. What good are financial solutions if you can’t make sense of them?

Fortunately, if you peek behind the curtain, you’ll find everything’s a lot simpler than it seems. And you don’t need to know all the technical stuff to get the most out of your money. The most important thing is to feel confident – confident about acting on what you know, asking questions about what you don’t, and getting expert help if you need it.

That’s why we wanted this workbook to speak a language everyone understands. You’ll find lots of tips on getting started. You’ll also find insights on making the most of your finances for the rest of your life. And if it does get a bit technical in places, you’ll find it’s all clearly explained in relatable ways.

Most of all, we hope this workbook gives you the confidence to dive into your finances, quiz the experts or professional advisors and, ultimately, feel good about your money and what it can do.

What better place to start?
“We hope this workbook inspires you to improve your life and realize your dreams by taking control of your money.”

How to use this workbook

Money brings you the essentials in life like food, shelter, clothing and education. But it can do so much more. It can also buy you the freedom to do what you’ve always wanted. Start a business. Explore the world or change the world. Make a difference.

In short, money is a precious tool. So you need to manage it carefully and confidently.

This workbook will help you do just that. To make things easy, we’ve split it into four parts:

1. Getting started
2. Money matters
3. Let’s go
4. Your financial journey guides

Parts 1 and 2 give you the facts about taking control of your money. In part 3, you can explore how financially confident you are by taking an assessment. And when you’re ready to dive deeper, you’ll find lots of useful information and suggestions in part 4.

Feel free to go through these pages in any order you like. Start from the top. Head to the middle. Or jump straight to the financial facts. Whichever way you go, you’ll emerge more confident about your money – and excited about the opportunities it brings.

So sit back, relax and have fun with this workbook. And when you’ve finished, remember to celebrate. Because you’ve just taken a bold first step towards achieving your goals.

Ready? Let’s go. We’re with you all the way.
Taking control: Why it pays to start early

Getting where you want to go in life usually takes time and money. And it’s never too early to start growing the finances you need to reach your goals. Especially in times of low interest rates, where finding good returns on your savings can be tricky. But the earlier you start investing, the more chance your money has to grow.

That’s down to the power of ‘compounding’, where an investment’s value increases more and more rapidly over time. How does it work? The original investment earns interest – and so does the interest that’s already accumulated. So your wealth grows faster as time passes.

“Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn’t... pays it.”

Albert Einstein, German-born theoretical physicist (1879 – 1955)
What does it take to start your own business? How can you secure the funding it needs? And what if you want to move on to pastures new? Jean Nehme, former surgeon and founder of health technology company, Digital Surgery, explains how becoming an entrepreneur changed his life for the better.

How did it all start?
I had a pretty humble upbringing in a family with four other siblings. Wealth for my parents meant being healthy, intellectually curious and a positive contributor to society. They wanted us to work hard and persevere, no matter what. I observed my father solving problems and working to understand what people needed. That’s something I absorbed over the years growing up.

Working hard at school was a given and my siblings pushed me too. I’ve always been a focused student, seeking the most challenging educational opportunities. For me, that was medicine and, eventually, plastic surgery.

Underlying all this was a sense of responsibility to do the right thing, and a goal to make a difference for others. As a doctor, I discovered I could help people in a one-to-one way – which is one of the most satisfying things you can do.

Why did you become an entrepreneur?
I was doing well professionally and enjoyed my job. I was doing well professionally and enjoyed my job. I also felt I needed to make my skills accessible to more than just one person at a time. So I applied for an ‘accelerator program’ (programs that provide entrepreneurs with funding, advice and support) in the US.

With that, I moved from medicine to business. Eventually, the services I developed with my business partner and friend found their first clients.

It was an exciting experience. We’d gone from building things to building a business. We also had to learn to code the applications we needed, while developing our product.

What were your experiences of securing funding for your business?
At first, we were paranoid that someone – including the venture capitalists we spoke to – would steal our idea. So we would only tell them half of our story.

Over time, we learned from their questions and rejections. Too many business founders aren’t completely convinced of their idea and vision. They face obstacles, hear about other ideas, get rejected by investors – and give up. The trick is to persevere.

We also learned that a big, detailed presentation alone wouldn’t sell our idea. We had to learn to communicate complex ideas clearly to people who weren’t experts. Over time, we became better storytellers.

To others seeking funding for their business, I would say, keep going. Eventually, one investor among a thousand will ‘get it’.

What did you learn as an entrepreneur?
I had to totally adapt my thinking to running my business sustainably. It’s vital to generate cash flow, otherwise it’s a charitable effort.

After raising a lot of funding and debt, we came to a point where we could either raise more money or sell the business.

But selling meant finding a buyer who shared our vision. We also wanted a buyer who could grow the business more significantly and quickly than us. Once we saw this was possible, we decided to sell.

How has your life changed since?
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Why did you decide to sell your business?
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How has your life changed since?
It also allows me to solve more problems for others, in the years I have left. So, working with likeminded partners, I’m focusing on making technologies that improve people’s health.

For me, building things and investing are the same. I’m not planning to just invest and sit passively on company boards. Entrepreneurship is a full-time job – and investing should be the same.

How would you like to be remembered?
I want to keep working to make things better, and help people get more time with their loved ones. It would be great if people said I improved their lives in some way.

Interview with Jean Nehme

Believe in yourself

According to a report by The Lancet, five billion people don’t have access to safe operations; and patient outcomes vary depending on the surgeon’s knowledge. Former surgeon, Dr. Jean Nehme, founded his company – Digital Surgery – to address the problem using virtual reality and artificial intelligence.

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Dr. Nehme has won multiple awards for researching and applying innovative surgical technologies and simulations; and was named by Debrett’s (a professional coaching company) as one of the most influential 500 people in the UK.

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What is financial confidence?

We believe it’s three things:

Awareness

Understanding financial topics – theoretically and practically – to help you decide what’s best for your money.

Expertise

Knowing how your finances, goals, beliefs, decisions and actions can interact and affect your life.

Trust

Trusting financial advisors and companies to have your best interests at heart.

The main question for many people we spoke to was:

“Where do I start?”

Having the confidence to take the first step seems to be the biggest hurdle. This workbook aims to address that.

We asked hundreds of people what they thought it takes to feel financially confident. We discovered it’s not really about knowing all the technical stuff, like the finer details of markets, assets and trading. That’s ‘financial literacy’, not financial confidence.

The feel-good factor of financial confidence comes from knowing ‘enough’ – enough about your financial situation and goals; enough about the experts and professional advisors to approach; and enough to know which questions to ask them. And with that knowledge comes trust – trust that the answers and advice experts and advisors give you are in your best interests.

We might ask around for recommendations. And if you knew you had a particular condition, you could look into how it might affect you.

This would also help you work out some questions to ask the specialist. Then, because you know more about the condition you’re dealing with, you’re more likely to trust the specialist and feel confident in their advice.

Replace the words ‘health’ with ‘money’ and ‘medical specialist’ with ‘financial advisor’. The message still stands.

Take your health, as an example. If you needed to see a medical specialist, you wouldn’t study for a medical degree before booking an appointment.
What inspired you to launch SheEO?
I’ve always been an entrepreneur. I’ve started a number of companies in Canada, the US and Europe, and always been fascinated by new business models that benefit society.

For years, women have been held back in business and struggled to access capital. That hasn’t changed. The figures are so bad, you can’t put it all down to chance. We need to reimagine how we provide capital, especially for women. Because it’s not just about investing money. It’s about everyone showing up to support women entrepreneurs as funders, customers, influencers, network connectors and mentors.

That’s why I launched SheEO in 2015. It’s an ecosystem built on ‘radical generosity’ that finances, supports and celebrates women entrepreneurs and innovators. It’s made up of hundreds of women, called ‘activators’, who contribute money. Every year, we pool the money and loan it out at 0% interest to women-led ventures working to help people and the planet.

Why and how does SheEO want to change the world?
People are waking up to the fact that the world’s systems aren’t working. For too long, we’ve equated business success with monopolizing markets and making profit at any cost.

But that’s out of kilter with the needs of a healthy, balanced society. Businesses shouldn’t need to trample over each other to get to the top. For example, in the 2008 financial crisis, trillions of dollars suddenly materialized to bail out the system – enough to wipe out global poverty. This begs a question: why are people and businesses conditioned to think there isn’t enough to go round, when there clearly is?

At SheEO, we’re exploring new ways of doing business. We don’t want to follow the old paths of greed, self-interest and mistrust. We fund and support women working on the ‘World’s To-Do-List’ – the United Nations’ Sustainable Development Goals. We’re redefining success through a community of radically generous women supporting, trusting and encouraging each other.

Does it work? Absolutely – and we have the data to prove it. It’s amazing how many of our companies have gone from nothing to become big successes. They help people while making money. We’re proving you can have it all.

What are your thoughts on financial confidence? And what role does it play at SheEO when choosing companies to support?
I think people believe financial matters are a lot more complicated than they actually are. The industry seems to have engineered complexity into its operations, with all the jargon and confusing product names. But in reality, it’s all quite simple.

When SheEO launched, many of our women worried they wouldn’t know which companies to invest in. I said, vote for the ventures that excite you. When we go shopping, we shape the economy by picking products that have values we relate to. Choosing investments is no different. In fact, based on traditional financial measures like cashflow, I probably wouldn’t have picked half the companies the others have chosen to support. But when those companies come to SheEO and show what they can do with the right support, we get excited. So it’s all down to women choosing where to invest.

“...It’s amazing how many of our companies have gone from nothing to become big successes. They help people while making money. We’re proving you can have it all.”
Three big takeaways

1. **Pooling resources.** There’s more to investing in entrepreneurs than giving them money. Ensuring success also involves supporting ventures as customers, influencers, network connectors and mentors.

2. **Having it all.** It’s possible to run a successful business that helps people and makes money, when there’s trust and a mutual desire to shape a better world.

3. **Following your values.** Choosing investments doesn’t have to be complicated and based purely on money. You can also choose investments that have values you like and relate to.

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LinkedIn  
www.linkedin.com/company/sheeo-world

Twitter  
twitter.com/sheeo_world

Instagram  
www.instagram.com/sheeo_world

Did you know that...

– women entrepreneurs still receive **less funding** than their male counterparts, according to global studies?¹
– in the US, **only 2%** of investments in start-ups are for women-led ventures, despite the fact that 38% of start-up founders are women?²
– in Europe, **only 2%** of venture capital goes to all-female teams, and 5% to mixed-gender teams?³
– in the UK, all-female founders receive less than 1% of venture capital, all-male founders receive 89%, and mixed-gender teams receive 10%?⁴
– in emerging markets, start-ups with a woman in the founding or leadership team receive **only 11%** of seed funding (early stage) and **just 5%** of later-stage funding?⁵

And yet...

– there’s evidence that women who receive funding build businesses that perform as well as, or even better than, their male counterparts¹
– on average, women generate **78 cents** of revenue per dollar invested, versus 31 cents for men⁶
– investments in companies with at least one female founder **perform 63% better** than investments in all-male teams.⁷
– all this suggests that **funding female entrepreneurs is an attractive opportunity** for investors.

To find out more about the challenges and opportunities facing women entrepreneurs, the funding gap, and how the 2020s will be transformational for women’s wealth, please visit www.ubs.com/women

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¹ The funding gap, UBS, March 2021  
² Fachelmann Surya, De Concini Alessandro, Funding Women entrepreneurs: How to empower growth, European Investment Bank, 2020  
³ Skonieczna Agnieszka, Castellano Letizia, Gender Smart Financing Investing in and with Women: opportunities for Europe, European Commission, 2020 Nordic Startup Funding, Unconventional Ventures (report2020.unconventional.vc)  
⁵ Venture Capital and the Gender Financing Gap: The Role of Accelerators, 2020, International Finance Corporation  
⁶ Why women owned start-ups are a better bet, Boston Consulting Group, 2018 Consulting Group  
⁷ First Round Capital, 10years.firstround.com
Interview with Paul Donovan

Confidence is key. It motivates us to get up and go for our goals, like choosing a career or launching a business. But that’s just the start. Along the way, we may encounter obstacles that seem beyond our control, like bias and prejudice, as the funding gap for women entrepreneurs shows. With confidence, we can challenge and overcome them – knowing that what makes us different makes us stronger…

Profit and prejudice

Why replacing falsehoods with facts profits us all


What inspired you to write the book, ‘Profit and Prejudice’?
I was writing about the effects of prejudice on workforce productivity and economic growth. That initially sparked my interest. Then, one weekend, I was at home listening to a radio debate on the economics of marriage equality. What I heard made me choke on my tea in disbelief.

So I wrote and published an article about the topic, which naturally focused on prejudice. From there, I really got involved in the debate. This exploded into a commitment that saw me spending five years researching the book. I remember a colleague asked me how the book was progressing. I said, “I’ve just spent two weeks researching nineteenth century brick-making techniques, and that’s boiled down to two lines in the book.” But that’s the nature of the topic – it’s vast and covers so many different areas, like society, economics and psychology.

How do you define prejudice?
There are two definitions. First, discrimination in an economic sense, is simply choosing one thing over another. As long as it’s a rational choice, it’s fine. But an economic definition of prejudice is ‘irrational discrimination’. For example, someone might say they don’t want to hire a candidate because they don’t like their religion, gender, sexuality, hair color or whatever. That form of prejudice is economically destructive because it potentially dismisses the right person with the right skills for no rational reason.

More broadly, irrational discrimination sees people treating others as less than themselves – or worse, less than human.

What do you think are the most dangerous forms of prejudice?
A particularly dangerous form is one that creates what economists call an ‘unstable equilibrium’. The ‘equilibrium’ in this sense refers to what society agrees is socially acceptable. While society is at that equilibrium, prejudice is held in check. But if something shifts society away from that equilibrium in the direction of prejudice, it’s very hard to go back.

For example, someone may express prejudice then say, “It’s just a joke, don’t you have a sense of humor?” That kind of acceptance can rapidly descend into outright racism. Once society’s on this slope, it’s very hard to avoid sliding into the abyss.

Another form of prejudice is ‘rule-of-thumb’, which is often based on stereotypes. It’s damaging because it’s so common. In the book, I used the example of the nineteenth century stereotype that Irish people are lazy and shouldn’t be hired as servants. If you’re inundated with applications, being able to eliminate a big chunk of them seems like a simple solution. But I think this type of prejudice can be overcome by pointing out to people that they’re being ridiculous.

How does prejudice harm society economically?
There are two aspects here. The first involves inclusion. In these times of structural change, economists don’t really care about technology. What matters is how people use it. That’s where the economic value comes from. But using technology in a way that brings most economic benefit means hiring the right people for the job. Failing to do that – being irrational when hiring – misses opportunities. For example, had Germany not employed Turkish-born medical researchers (as a result of anti-immigration prejudice) it might have cost the world a new coronavirus vaccine. So that’s an obvious cost.

The second aspect deals with diversity. If a business has just one kind of culture (sometimes called a ‘monoculture’), there’s no diversity of thought, and the company’s decisions will be flawed. Diversity enables companies to consider opportunities, problems and risks – which are more prevalent in times of change – from all possible sides.

But there are dangers in having a superficial tick-box approach to diversity. For example, Norway introduced a gender diversity requirement that increased the number of women on corporate boards. But many of the women sat on multiple boards and shared similar social backgrounds to their male colleagues. So while the boards were diverse on paper, there was not as much diversity of thought in practice.
In your book, you talk about the world’s three previous industrial revolutions — steam, electric and computer. How would you define the ‘fourth industrial revolution’?

It’s primarily about automation in business, involving technologies like artificial intelligence and robotics. Communication is also a big part of it.

The first revolution took self-employed rural homeworking people and put them in an urban factory system. They were no longer relying on local produce. Instead, they depended on complicated supply chains for food and the things they needed.

Now, the fourth industrial revolution is in many ways reversing the social changes of the first. Local production, homeworking and self-employment are becoming more common. People once bought compact discs made in China. But now they stream music direct to their devices. So it’s removed manufacturing and made the ‘production’ of music local.

For communication, there’s something of a democratic revolution. Making media is accessible to almost everyone. Anyone with a YouTube channel can become a film star. The changes are dramatic — and from an economic perspective, very exciting.

What positives and negatives do you see arising from the fourth industrial revolution?

A lot of the positives are to do with efficiency and improving people’s living standards, while doing less damage to the environment. Ultimately, we’ll have a more efficient economy because we’re using resources more efficiently, for example, producing goods locally. And more people working from home will mean fewer offices, less equipment and reduced commuting.

The problem is that we’re talking about considerable economic upheaval. An industrial revolution is what it’s called – a revolution. It turns society upside down. The robots won’t take over. There will be plenty of jobs in the future. But some will lose their jobs; or they’ll keep their jobs and earn less in lower-status roles.

There will also be new roles requiring skills that those who’ve lost jobs lack. Many will struggle to adapt to the new circumstances. All this leads to social, political and economic problems.

Why did you use the term ‘Luddite’ in the book’s title? Are you drawing historical parallels with the Luddites from the nineteenth century – English workers who destroyed machines that threatened their jobs? Or are you referring more generally to prejudiced people who fear change?

Both. In the first industrial revolution, Luddites were trying to destroy a new technology — weaving looms — that were transforming the economy. But they were also attacking minority groups, so they were certainly prejudiced.

In the fourth industrial revolution, I think people — or what economists call ‘human capital’ — will transform the economy. Today’s prejudiced ‘Luddites’ are trying to destroy human capital where once they destroyed physical capital.

Prejudiced people resist change and progress. They have ‘restorative nostalgia’, which involves believing everything was better in the past, and wanting to return to those times.

Do you have any sympathy for ‘Luddite’ fears?

People cling to the simple ideas of prejudice. However, we live in a complex world covered by a thin veneer of simplicity. For example, washing our clothes seems simple. We put them in a machine, add detergent and press a button. But how many can explain in detail how a washing machine actually works? It’s complex.

The forces that cause people to lose their jobs are complex too. The simple veneer manifests as, “It’s not my fault I lost my job — it’s the fault of those people over there. Let’s stop migrants arriving and women working, and everything will go back to the way it was.” None of those opinions are valid but I see why people are drawn to them.

In the book, I tell the story of my great uncles. They were East London dock workers in the 1930s, when complex global forces cost them their jobs. According to family legend, they joined the British Union of Fascists (BUF).

Why? Because the BUF leader was telling them, it’s not your fault — it’s the fault of Jewish immigrants. They’re the ones stealing your jobs, raising rents and increasing prices. When researching accounts from BUF members, I sensed they experienced a strong feeling of community. Because the BUF was telling them they were superior, it bonded the members as a group in a time of upheaval. That’s seductive.

We’re still seeing that kind of mentality today.

Does being an economist make it easier to fight prejudice with facts?

Yes, the fact-based objectivity of economics is one of the profession’s great triumphs. Unfortunately, if I go on social media and present fact-based arguments against, for example, Bitcoin’s potential as a currency, there’s a backlash. Rather than people saying I think you’re wrong and here’s why, the comments are usually things like, you’re a dinosaur, you’re corrupt — it’s knee-jerk emotional stuff.

Posting a chart that shows immigrants are good for the economy isn’t going to convince anyone on Twitter. Economists must get better at telling stories people can relate to — ‘narrative economics’. Facts can prove what’s right. But only by connecting emotionally will we win people over.

“There’s a risk of a disillusioned class emerging that sees its status, income and jobs disappearing. That could lead to social, political and economic problems.”
How can we solve gender prejudice in the workplace?
I think larger companies need to lead the way on this, because they have the resources and opportunities to do so. Female role models in business are important because they inspire others to aspire and progress. Without them, there’s a risk that employees become disillusioned. Mentoring and reverse mentoring (senior staff learning from junior employees) are also useful approaches.

But efforts need to go beyond the workplace. Take the example of a woman who needs to leave a work event early in the evening to relieve the babysitter, then misses out on important discussions later. I think that needs to change. Why is a company conducting business this way, and not more equally?

We also need to challenge social norms. That’s starting to happen. I have female friends who are the main wage earners while their male partners are the principal child carers. But in my generation, that’s the exception, not the norm. We need to think about how we change and adjust.

How can we fight prejudice individually?
Challenge yourself. Stop and think. Recognize that if you’re feeling a little uncomfortable, there’s something you need to consider and correct. And challenge others respectfully, particularly when they express those subtle “it’s-a-joke” kind of prejudices. If you make people feel too uncomfortable, they put up barriers and their prejudice becomes entrenched. But making people feel a bit uncomfortable encourages them to reflect on their prejudices.

We also need to engage. I talk in the book about ‘parasocial contact theory’. The theory proposes that knowing someone from a different group makes it more difficult to be prejudiced against that group. Today’s diverse media can also help. For example, following a YouTuber who happens to be gay may change someone’s views on sexuality. There’s a big opportunity, especially among the younger generations, to better understand others. It helps us realize that other groups aren’t less than us – they’re the same as us.

Sadly, we’ll still have extremist groups dehumanizing people on social media. But generally, every successive generation is becoming less prejudiced. This fact, combined with increased parasocial contact, more diverse social media, and the positive role of large companies, makes me optimistic for the future.

Author royalties for ‘Profit and Prejudice: The Luddites of the Fourth Industrial Revolution’ are being donated to charity.

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Five big takeaways

1. **Economically unsound.** Dismissing potential candidates due to ‘irrational discrimination’ is economically destructive because it means overlooking people with the right skills for jobs.

2. **“It’s just a joke.”** Accepting prejudiced statements as throwaway or amusing comments can see society slip into outright racism. Statements based on rule-of-thumb stereotypes are also damaging but more easily challenged.

3. **Adapting to change.** The fourth industrial revolution should create more jobs and improve people’s living standards, while doing less harm to the environment. But some will lose their jobs, or see their income and status fall. This could lead to social, political and economic challenges.

4. **Putting people first.** Beyond technology, people (or what economists call ‘human capital’) will transform the economy. Today’s prejudiced ‘Luddites’ try to destroy human capital where Luddites from the nineteenth century once tried to destroy the technologies that threatened their jobs.

5. **A bright future?** Younger, less prejudiced generations; engaging more with people from other groups; diverse social media; and the positive role of large companies may lead to a more equal future and stronger global economy.

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Let’s recap

Financial confidence drives us to learn more about money and making it work for us. But more generally, confidence makes us more comfortable in our own skin. The result? We’re better placed to appreciate our individuality, challenge prejudice, and recognize that diversity makes for better societies, economies and businesses.

The next chapter focuses on the building blocks of financial confidence – guiding you on assessing your goals, situation, attitude to money and feelings about risk. It also demystifies investing, exploring the many ways you can put your money to work.
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“Money is your independence, it’s how you can be free to do what you want to do in your life.”

Mona Sutphen
White House Deputy Chief of Staff
2009 to 2011
What are your goals?

Life’s goals come in all shapes, sizes, times and places. For example, to maintain your lifestyle over the short term, you might want to build some savings in case you’re ever out of work. Or in the longer term, you may want to buy a holiday home. And how about empowering your money to do good in the world, beyond your lifetime?

It’s important to work out how much money you need to live comfortably, how much you need to invest towards achieving your lifelong goals, and even what you want to leave your loved ones and the world.

Ask yourself these questions:

1. What do I want to achieve and by when? And how much will my money need to grow to do it?
2. What do I already own (assets) and owe (liabilities)?
3. How much readily available money (liquidity) do I need to put aside for everyday spending, unexpected events and emergencies?
4. How much money do I have left to grow by investing? You can work this out by subtracting your liabilities from your assets.
5. How much might I be able to save and invest in the future?
6. How do I feel about the risk of investing (the chance I might lose money)? And how much risk am I prepared to take to grow my money? See page 40.

“How much can I invest?”

The finances you can use to invest are sometimes called ‘free assets’. They are all the liquid (quickly and easily accessed) assets where you don’t need to pay back a liability (like a mortgage) or use the money for something else in the future.

Example: What’s my free asset ratio (how much do I have available to invest)?

\[
\begin{align*}
\text{Liquid assets} & \quad 100 \\
\text{Current and future liabilities} & \quad 30 \\
\text{Free assets} & \quad 70 \\
\text{Free assets ratio:} & \quad \frac{70}{100} = 70\
\end{align*}
\]

What I own (assets)

1. Liquid assets
   For example, cash in your accounts, or bonds, shares and other assets you can access and sell easily.

2. Current and future liabilities
   For example, mortgage, credit card repayments, or planned expenses like vacations and education.

3. Free assets
   Non-liquid assets
   Assets that are harder to sell, such as real estate, term deposits, or assets held in retirement funds.

   Mortgage that’s not being repaid periodically over time (amortized)
   For example, a mortgage that you’ll pay off with one lump sum in the future.

   Other assets
   For example, cars, art, jewelry and other valuables.

This overview can help you assess your overall financial situation. You can also complement it with a detailed budget plan on page 120.

“‘If you don’t know where you’re going, you’ll probably end up somewhere else.’”

Laurence J. Peter, Canadian educator (1919 – 1990)

“When you know better, you do better.”

Maya Angelou, American civil rights activist (1928 – 2014)
What’s your financial personality?

Are you afraid to take risks even when they might work in your favor? Or are you happy to throw caution to the wind without worrying about things going wrong? Your financial personality can play a big role in the investments you choose.

So, what’s yours? And how might it affect your wealth?

Your financial personality covers your attitude to investing. Some people are financial daredevils, willing and able to risk losing money for the chance of high returns. Others struggle to sleep knowing they’re risking their hard-earned finances. For them, the opportunity to grow their money just a little is a fair price for peace of mind.

You can find lots of financial personality tests online. But perhaps the most accurate way to discover yours is to meet a financial advisor. If they’re reputable, they will have the experience and tools to work it out for you, in fact in most countries, they are obligated to assess your ‘risk profile’.

Here are three aspects that define a financial personality. How do they fit with your feelings about investing?

Make some notes. They might surprise you…

Loss aversion
How willing and able are you to lose money in exchange for the chance of growing it? Someone with a high loss aversion would rather avoid investments that could lose modest amounts of money – even if they might deliver big returns. They may also avoid investments that can fluctuate wildly. At the other end of the spectrum are those with a low loss aversion. They’re keen to receive big returns and don’t mind if there are bumps in the road on the way.

Uncertainty aversion
Are you willing to take plenty of risk when you’re fairly sure about the chances of losing or gaining money? That’s low uncertainty aversion. Or are you less comfortable about investments where you can’t be sure of the outcome? This means your uncertainty aversion is probably at the higher end of the scale.

Investment temperament
While some investors are happy to jump on an investment rollercoaster, others prefer a smoother ride. How willing are you to choose investments where the returns might vary widely? How would you react to an investment losing more money than you’re comfortable with? Would you panic? Or ride it out, hoping it regains its losses in time?

These are just a few aspects of your financial personality. You may also want to think about your ‘liquidity preference’. This is how much you prefer your wealth being readily available to you, rather than tied into longer-term investments. They say good things come to those who wait, and this is often true of investing. You can usually expect to be compensated if you’re prepared to lock up your money for longer. But some don’t like the idea of not being able to quickly access their funds.

The more you understand your financial personality, the better your chance of planning your wealth in the right way.
“Sometimes the riskiest decision you can make is to do nothing.”

Richard Branson
English business magnate
What about risk?

Risk when investing is all about the chance of growing your money – at the risk of losing it.

When investing, there’s no reward without risk. Generally, the more risk you take, the more your money may grow in the long term. But it might also fluctuate strongly in the shorter term.

In the financial world, this link between taking risks and gaining returns is called a ‘risk-return trade-off’. Knowing your goals will help you work out how much risk you’re prepared to take – and how much risk you’ll have to accept to get the return you want.

Different types of investment risks

1. Specific risks – affecting individual investments, such as a shareholding in a single company.

   - **Business risk**
     The risk of losing money because a company you’ve invested in may run into trouble.

   - **Credit risk/counterparty risk**
     The risk of losing money because a counterparty can’t or won’t meet its contractual obligations.

   - **Liquidity risk**
     The risk of losing money when assets become ‘illiquid’ (difficult to access and sell). Remember, some asset classes are less liquid than others, like real estate.

   - **Currency/exchange rate risk**
     The risk of losing money because currencies you’re invested in are devalued.

   - **Sustainability risks**
     Sustainability risks are financial risks that are defined as environmental, social or governance (ESG) events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment.

2. Systematic risks – affecting the whole investment market

   - **Market risk**
     The risk of losing money due to movements in market prices.

   - **Economic risk**
     The risk of losing money due to changes in the macroeconomic environment (major movements in national and global economies).

   - **Political risk**
     The risk of losing money due to changes in the political environment, for example, a government introducing regulations unfavorable to your investment.
What to invest in?

When you invest, you put your money into assets, each with different potential risks and rewards. If you’re looking to invest, you may come across the term ‘asset class’. This refers to a group of investments that are similar to each other and behave in similar ways.

Here are some of the main asset classes.

**Liquid assets**

These are the most liquid (easily and quickly accessed) types of investments. They’re generally considered to be the safest investments. Examples of liquid assets include term deposits, certificates of deposits, government bills, commercial papers and money market instruments.

**Fixed-income investments**

Fixed-income investments are a type of loan that pay you interest periodically and repay you on a future date. A bond is the most common type of fixed-income investment. They generally involve lending your money to a private (company) or public (government-related) organization.

On a future date (maturity), the bond provides you with its value (also called principal, paramount or face value). It also pays you fixed or variable interest payments (also called coupons) while it’s running.

Typically, the more likely it is that the organization issuing the bond will default (can’t repay you the bond’s value or interest), the higher the interest rate you’ll receive.
Equities
Equities are also called stocks and shares. Put simply, they’re individual chunks of a company’s value. Owning them makes you a part owner of that company. So technically, equity/share/stock holders have a claim on a company’s assets and earnings – and they usually have the right to vote on corporate decisions at shareholder meetings. Share values are based on a company’s future expected earnings and the value of its assets.

Commodities
Commodities are basic goods and raw materials that companies typically use to produce other goods. They’re usually categorized in four groups: energy, precious metals, industrial metals and agriculture. Investors generally trade them on stock exchanges using contracts (also called futures). These contracts state that the investor promises to buy or sell the commodity in the future for a specified price.

The contracts allow investors to try to benefit from changes in commodity prices, without even needing to physically see or touch the commodity. However, investors can physically store some commodities – like gold and other precious metals – if they wish. Commodities don’t pay investors income or earnings. Investors only potentially gain from price changes.

Real estate
Real estate investments relate to owning physical property and the rental income from it. They’re usually categorized into commercial and residential properties. To keep things simple, people generally invest in real estate by putting their money into portfolios with money from lots of different investors (commingled or pooled investment vehicles, such as funds, partnerships and trusts). This allows investors to spread their money across several different properties.

Alternative investments
Alternative investments usually sit outside conventional investment categories like equities, fixed income and cash. Their risks and performance depend on the involved managers’ investment skills and expertise, while their liquidity (ease of accessing the money) is generally lower than for conventional investments.

Hedge funds
Hedge funds are pooled investments that invest across different assets, such as equities, commodities, currencies and fixed income. Generally, they give investors the opportunity to grow their money regardless of whether markets rise or fall. Hedge funds managers apply different strategies, and the funds are categorized according to the asset classes they invest in (such as equities and bonds), geographies, investment themes, and strategies.

Private equity (PE)
Private equity (PE) is an actively managed illiquid (not easily converted into cash) investment strategy. Typical PE investments are pooled or direct investments that invest longer term in companies and assets not listed on stock exchanges. Investors commit their money upfront. Fund managers typically invest the money over several years and require the investment to be locked up for about 10 years. This gives fund managers time to choose, manage and grow the underlying holdings. PE investments generally terminate when the underlying investments have been exited and all capital has been paid to investors.

Structured products
Structured products are packaged investments based on conventional financial instruments (underlyings) – such as stocks, bonds, indexes, currencies and commodities – combined with a derivative. Their value depends on how their underlyings perform, and the type and amount of payoff these generate. They enable investors to:

– invest in stocks across diverse regions
– choose from various rates, plus options for protecting their money
– hedge (offset) currency risks and other risks.

Thanks to the various derivative strategies that can be applied to them, structured products constitute flexible investment instruments that can be adapted to any market situation and all market expectations. They can also be tailored to personal investment targets and requirements, creating a spectrum of exploitable market opportunities for different investor types.

Risk-return profile of asset classes

This is an illustration only. Forecasts do not reliably indicate future performance or results.
Mixing it up: The power of diversification

Variety is the spice of life. The same is true when investing. In financial speak, it’s called ‘diversification.’ It involves spreading your money across lots of different asset classes, rather than sticking with one. The great thing about diversifying is that it can reduce risk in your investment portfolio – without reducing the opportunities for your money to grow.

Having a diverse investment portfolio is like packing your suitcase for a British summer holiday. It will probably rain, so you’ll need a thick jumper and raincoat. But the sun might shine. So you’ll want to make room for shorts and T-shirts too.

Financial markets can change like the British weather. That’s why it’s wise to have lots of different investments that react differently to changes in those markets.

How can diversifying reduce risk?
Investors face two types of risk: ‘systematic’ and ‘specific’. Systematic risks are changes in big national matters like interest rates, inflation and politics. You can’t really avoid them because they affect every financial market.

But you can reduce specific risks because they affect specific companies, sectors and industries. That’s where diversifying your investments can help. Because while some of your investments might fall, others might rise to compensate.

Diversifying doesn’t guarantee you won’t lose money. And it’s not a get-rich-quick scheme. But it’s a great way to help reduce risks, and protect and grow your wealth.
How can you diversify your investments?

You can choose different investments with values that typically don’t move alongside each other:

1. Putting your money in different asset classes – such as liquidity or cash, fixed income, equities, commodities, real estate and alternative investments (see table ‘Simulated historic annual returns, from best to worst’ on page 49).

2. Investing in different countries – there’s less risk to you if just one country’s economy falls behind.

3. Buying different assets within an asset class (a group of similar investments). For example, you might buy shares in various companies, instead of one. And you can diversify more by buying shares in companies from different industries. The table on page 49 shows some examples of asset classes.

What if you only have a small amount to invest?

Don’t worry, you can still diversify. For example, you could put your money in a fund. A fund is a pot of money where people come together to invest in different assets.

Or you might choose an ‘index’ fund (also known as ‘passive’ and ‘tracker’ funds). They match or track a market index (a measure of how a market is performing), like the FTSE 100 (which measures how the 100 largest companies on the London Stock Exchange are performing).

Risk-return profile of portfolios

Other terms you might encounter on your financial journey are ‘volatility’ – or ‘standard deviation’. They refer to how much and often your investment’s value might rise and fall, straying from the return you expect it to deliver.

It’s important not to confuse rises and falls in your investment’s value with the chance you might lose money. True, no one likes watching their investment leap around. But if you have a proper investment strategy, you can relax about daily changes and let the strategy do its job.

The graph illustrates this relationship, indicating the goal of achieving the highest possible return for a risk level, or the lowest possible risk level for an expected return. The area where you can’t improve this relationship is known as the ‘efficient frontier’.

Why is it important to diversify?

It’s important to diversify because, historically, no single asset class has performed consistently better than others. And as this table illustrates, neither do market-related indices.

Simulated historic annual returns, from best to worst

30 December 2008 to 29 January 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Best</th>
<th>Worst</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>28.8%</td>
<td>-16.8%</td>
</tr>
<tr>
<td>2010</td>
<td>22.3%</td>
<td>-21.9%</td>
</tr>
<tr>
<td>2011</td>
<td>19.2%</td>
<td>-27.6%</td>
</tr>
<tr>
<td>2012</td>
<td>16.1%</td>
<td>-25.8%</td>
</tr>
<tr>
<td>2013</td>
<td>17.6%</td>
<td>-23.1%</td>
</tr>
<tr>
<td>2014</td>
<td>17.8%</td>
<td>-21.1%</td>
</tr>
<tr>
<td>2015</td>
<td>20.0%</td>
<td>-24.6%</td>
</tr>
<tr>
<td>2016</td>
<td>19.2%</td>
<td>-20.7%</td>
</tr>
<tr>
<td>2017</td>
<td>14.1%</td>
<td>-22.5%</td>
</tr>
<tr>
<td>2018</td>
<td>18.8%</td>
<td>-16.5%</td>
</tr>
<tr>
<td>2019</td>
<td>16.1%</td>
<td>-23.2%</td>
</tr>
<tr>
<td>2020</td>
<td>28.6%</td>
<td>-13.4%</td>
</tr>
<tr>
<td>2021</td>
<td>47.3%</td>
<td>-29.8%</td>
</tr>
</tbody>
</table>

For illustrative purposes only. Markets are subject to change and returns may vary. See the explanation in appendix 4 at the end of this document. Please note that this page should always be read in conjunction with the risk information and explanations of terms appended to this presentation.


An experienced financial advisor can help set up an investment strategy that’s right for you.
We’re all human and we all make mistakes. But there’s a big difference between forgetting an anniversary and picking the wrong place to invest. Here are five common investment errors you’ll want to avoid.

1. Changing your investments too often
   **Market timing**
   People in the investment industry call it ‘timing the market.’ And it’s very easy to get wrong. For example, you might buy or sell investments because you’re following a trend, feeling overconfident when markets rise, or getting unnecessarily scared when they fall.

2. Not checking and maintaining your portfolio regularly
   **Portfolio drift**
   Ignore your portfolio at your peril. Because life goals and circumstances change. And it’s important to make sure your investment portfolio is on track for achieving your goals. To keep it on course, you’ll need to review it regularly and rebalance your investments if necessary.

3. Letting big numbers blind you
   **Obsession with ‘alpha’**
   Some choose ‘star’ fund managers and investments (alpha) because they’re impressed by how they’ve performed recently. Always remember – what goes up can and does come down.

4. Sticking with losers, not winners
   **Disposition effect**
   A strange investor behavior involves selling assets that have grown in value and locked in that growth – and keeping assets that have lost money, hoping they’ll regain their value. This happens because people fear losses more than they enjoy gains.

5. Staying too close to home
   **Home bias**
   This involves only investing in assets from your own country or close to home – despite the chance of growing your money by investing abroad too.
Imagine growing your money while doing good for the world. Imagine no more. With sustainable investing, you can make your investments match your values – while receiving returns comparable to (and sometimes better than) conventional investments.

What’s sustainable investing? And why does it matter?
Sustainable investing is an ethical approach to investing. It aims to grow your money in a comparable way to traditional investments – while putting your money to work for good. For example, your investment might go towards organizations doing anything from making their workplaces more inclusive to tackling climate change.

Many institutions, like pension funds, are already putting billions into sustainable investments. And more organizations than ever are working to solve global environmental and social challenges. For example, the United Nations is focusing on 17 Sustainable Development Goals to solve the world’s most pressing issues.

All this means there have never been more opportunities for people to invest their money in ways that reflect their values. And who knows? Maybe your sustainable investing journey starts right here.


Blended finance
It’s important to know about blended finance. Why? Because blended finance solutions aim to unlock the power of investing for the good of the world. They combine philanthropic money (often from a charity or government organization) with commercial investments. Putting these funds together creates a stronger financial pot that can make a bigger difference, for example, by funding sustainable projects. The results of blended finance solutions are measured carefully, and investors enjoy the potential of receiving returns on their money.
What do investors care about?

Investors care about finding investment opportunities that deliver returns on their money (performance) without risking more than they’re comfortable with (risk management). Sustainable investing can help investors achieve both – and all while benefiting people and the planet.

Performance

You don’t have to sacrifice returns to invest sustainably. In fact, sustainably managed companies can be more:

– resilient and less exposed to some environmental, social and governance (ESG) risks that may affect financial performance
– efficient, leading to long-term cost savings, for example, through energy efficiency
– innovative, building more effective and diverse teams that collaborate and innovate for growth, staff retention and market share
– attractive, enjoying a better reputation, which can make customers more loyal to the brand and attract the right employees to the business.¹

Comparing the historical returns of sustainable investment indices (performance measures) and conventional investment indices suggests that investing sustainably doesn’t limit performance. For example, the chart shows that the MSCI KLD 400 Social Index and the S&P 500 index generated similar returns and volatility (risk).

<table>
<thead>
<tr>
<th>Average annual return</th>
<th>Average annual volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.2%</td>
<td>11.7%</td>
</tr>
<tr>
<td>14.7%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

1 Source: UBS, as of January 2020; Source of graph: Thomson Reuters, as of November 29, 2019. Data from 30 April 1990 to 31 December 2020. Investing involves risks, including the potential of losing money or the decline in value of the investment. KLD (Kinder, Lyndenberg, Domini & Co) Research & Analytics. The MSCI KLD 400 Social Index is a capitalization weighted index of 400 US securities that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts. The parent index is MSCI USA IMI, an equity index of large, mid and small cap companies. The Index is designed for investors seeking a diversified benchmark comprised of companies with strong sustainability profiles while avoiding companies incompatible with values screens. Launched in May 1990 as the Domini 400 Social Index, it is one of the first SRI indexes. Constituent selection is based on data from MSCI ESG Research. (Source: MSCI, 2021). The S&P 500 focuses on the large-cap sector of the market; however, since it includes a significant portion of the total value of the market, it also represents the market. Companies in the S&P 500 are considered leading companies in leading industries. (Source: NASDAQ, 2021). 2 Source: Gunnar Friede, Timo Busch & Alexander Bassen (2015) ESG and financial performance: aggregated evidence from more than 2,000 empirical studies, Journal of Sustainable Finance & Investment

Risk management

When choosing investments, to minimize risk, it’s important to consider them closely. If you were to buy a company, for example, you wouldn’t just look at the accounts. You’d want to know how good its products are and what customers think of them. How attractive is the company to new employees? Has the business suffered a recent accounting scandal? Or worse? You need to know all this because it affects the company’s current and future value. No one wants to throw good money after bad. The same goes for investments. Fortunately, sustainable investing takes factors like these into account.

More than 2,000 academic studies in the past 40 years have sought to identify the corporate and investment consequences of sustainable practices. More than half reported significant positive findings, while only 7.5% suggested a possible negative relationship.

Impact of SI on returns²

- Share of positive findings: 55.2%
- Share of negative findings: 24.7%
How to invest sustainably

Generally, there are three approaches to sustainable investing: exclusion, integration and impact investing. At UBS, we focus on integration and impact investing.

Exclusion
This is the traditional and still most commonly used approach. It involves excluding individual companies or entire industries from your investment portfolio if their activities conflict with your values. The process of doing this is (called exclusionary or negative screening) can follow exclusion criteria or be tailored to your preferences. For example, some investors might wish to exclude companies with 5% of sales or more coming from alcohol, weapons, tobacco, adult entertainment or gambling (so-called ‘sin stocks’).

Integration
This approach involves choosing investments by combining environmental, social and governance (ESG) factors (see box) with traditional financial considerations. The process seeks to understand how companies handle environmental, social and governance risks that could harm their finances and reputations. It also involves assessing whether firms are well placed to capture opportunities arising from major sustainability themes and trends that might give them a competitive edge.

Impact investing
Impact investments intend to measurably improve the environment and societies while seeking attractive financial returns. The link between money invested and positive outcomes is tricky to establish in public markets. So impact investments tend to take place privately. One big exception to this is ‘shareholder engagement’. This involves investors using the power of owning a stake in a publicly listed company to encourage it to do more for the planet and people.

A guide to E(nvironmental), S(ocial) and G(overnance)

<table>
<thead>
<tr>
<th>What kind of topics?</th>
<th>What’s the potential impact?</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>– Companies growing their business based on applying improved sourcing, production and distribution processes.</td>
</tr>
<tr>
<td>– Climate change, pollution and waste, environmental opportunities.</td>
<td>– Companies enjoying increased employee productivity and satisfaction levels thereby beating industry margins and outperforming financially.</td>
</tr>
<tr>
<td>S</td>
<td>– Corruption, tax gaps, anti-competitive behavior, business ethics, board structure.</td>
</tr>
<tr>
<td>– Workplace safety, discrimination and diversity, supply chain, community controversies, human rights.</td>
<td>– Well-run companies implementing long-term strategic decisions that create economic value.</td>
</tr>
</tbody>
</table>

How impact investing can make a difference

Of the three approaches – exclusion, integration and impact investing – at UBS, we believe impact investing is best at doing measurable good for the world while delivering financial returns.

Before we consider offering an impact investment, we first need to satisfy three criteria:

1. **Intent.** Those structuring the investment must have stated that they intend to generate positive social and/or environmental impact, plus sustainable financial performance.

2. **Measurement.** The investment’s outcomes must be tied to specific metrics and measured against a base case or benchmark. Examples of metrics might include the number of jobs created or liters of water purified.

3. **Verification.** There needs to be proof that any money invested – or the investment approach itself – is positively linked to its stated intent. For example, if the stated intent is cleaner drinking water and the metrics include the number of liters of available clean water, there should be data proving that the money invested led to this outcome (such as buying better quality pipes).

“We make the future sustainable when we invest in the poor, not when we insist on their suffering.”

*Bill Gates, business magnate and philanthropist*
Why sustainable investing matters

Interview with Rachel Whittaker

Why sustainable investing matters

UBS has placed sustainable investing at the heart of its investment approach. What’s in it for investors?

Our clients have different reasons for investing. For some, it’s about generating financial returns. For others, it’s about preserving their wealth for the next generation – including their grandchildren – which involves looking at their investments over the long term. But increasingly, investors want to use their wealth to do good in the world and align their investments with their personal values. Our sustainable investing approach enables people to invest in ways that are right for them.

What evidence is there that sustainable investments perform comparably with so-called ‘conventional’ investments?

It’s supported by evidence from past performance of sustainable investment indices. Beyond delivering comparable returns, we also think that, in some cases, sustainable investments can perform better than conventional investments.

For example, 2020 was an unusually volatile year for investing. But it still reflected our long-term view of sustainable investments. We found that sustainable investment strategies performed comparably or better in the first half of 2020 than their conventional equivalents.

In fact, 72% of self-declared sustainable investment funds ranked in the top half of their Morningstar categories for the first half of 2020. Additionally, MSCI environmental, social and governance (ESG) indices across geographies outperformed conventional indices – as did indices focusing on sustainable themes.

What about clients who want to preserve their wealth for the next generation?

We’ve found that such clients generally want to help make the world a better place for younger generations. Investing with a long-term perspective also provides opportunities to get involved in impact investing, which aims to drive measurable change and returns at market rates – or more. For example, clients might invest in sustainable industries, like healthcare or education technology, using private equity or venture capital solutions.

The motivations for investing sustainably are similar to those for giving to charity. Investors can do both at the same time. For example, they can make their charitable gifts work harder by placing them in a donor-advised fund. This means their money is invested for returns and doing good in the world.

Rachel Whittaker

Rachel Whittaker is a Sustainable Investing Strategist, with many years’ experience in conventional and sustainable investments. Rachel has an undergraduate degree from the University of Cambridge and an MSc in Corporate Environmental Strategy from the University of Surrey in the UK. Rachel is also a CFA (Chartered Financial Analyst) charterholder, and sits on the Analyst Advisory Committee of the UK Sustainable Investment & Finance Association (UK SIF).

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How cautious are clients about sustainable investing?

Naturally, investors have questions and want to understand the opportunities. Because until recently, sustainable investing was quite a niche area. Companies and investors are increasingly acknowledging the link between social and environmental topics and financial performance. That’s strengthened the case for including sustainability in investment portfolios.

There are also more social movements than ever focusing on issues like climate change and racial inequality. This has driven changes in corporate behavior, government spending and policies. And financial market regulators are focusing more on sustainable investing. So things have become more comparable and connected.

What about clients who want to preserve their wealth for the next generation?

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Is there a way to invest while supporting gender equality?

Yes. It’s sometimes called ‘gender-lens investing’. It’s an approach to investing focused on empowering women and girls while providing a financial return. There’s also growing evidence that diverse teams and organizations deliver performance-improving outcomes, like better ideas and more satisfied workforces. And treating the genders equally (gender equality) can be a mark of good management.

How can people match their sustainable investments to their personal values?

There are lots of ways. For example, they might like to invest in companies tackling climate change. Or companies with diverse and well-looked-after workforces. Or they could simply avoid investing in anything they don’t like, such as weapons or tobacco. There’s something for everyone.

Changing things for the better requires investors and companies to recognize the lasting benefits of behaving responsibly and sustainably. As more investors see the link between ethical behavior and financial returns, we expect sustainable investing to go from strength to strength.
Innovative solutions for long-term challenges

Three mega trends are driving demand for innovative solutions, goods and services now and in the future.

1. Growing population
Population growth: According to the UN, the world’s population will rise from 7.7 billion in 2019 to approximately 9.7 billion people in 2050. At the end of the century, the world’s population could reach almost 11 billion. Most of this growth will occur in low- and middle-income countries (source: UN World Population Prospects 2019).

2. Urbanization
The UN estimates that 55% of the world’s population live in urban areas compared to just 30% in 1950. By 2050, this number is expected to rise to 68%, with nearly 90% of this growth occurring in Asia and Africa (source: UN World Urbanization Prospects 2018).

3. Aging
In 2019, one in eleven people in the world was aged over 65 (9% of the population). By 2050 this ratio will be one in six (16%). Developed countries will particularly feel the effects of aging populations. In Europe and Northern America, one in four people could be aged 65 or above by 2050 (source: UN World Population Prospects 2019).

Three mega trends
Based on these three mega trends, UBS identified 20 long-term investments themes covering future challenges:

Long-term themes provide opportunities to tackle some of the world’s pressing future challenges by investing.
Talking points

Thoughts to discuss with my financial advisor:

What do I really care about?

And how might I support my passion through investing?

How could I use my wealth to support society and the environment?

And apart from investing, are there any other ways I can give back to the world?

Does my portfolio reflect my values?

For example, should I invest in a business that harms the environment or doesn’t follow good employment practices?

To find out more about how you can do well by doing good, please visit:

UN Principles for Responsible Investment: unpri.org

Global Sustainable Investment Alliance: gsi-alliance.org

Impact Management Project: impactmanagementproject.com

Global Impact Investing Network: thegiin.org

UBS Global Wealth Management Chief Investment Office: ubs.com/si

Gender Smart Investing Summit: gendersmartinvesting.com
Growing wealth to achieve your goals

Did you know that there are differences in how women and men grow their wealth to achieve their lifelong goals? It pays to be aware of these differences when working out how to build up your finances.

When investing, some of the main differences between men and women are:

1. **Life circumstances.** Many common scenarios that arise in women’s lives hinder their ability to grow their wealth. These include pay differences between the genders (‘gender pay gap’), taking career breaks and needing to work flexibly. Women also tend to live longer than men, on average, so need more money to live comfortably. And divorce and widowhood can seriously harm women’s finances.

2. **Values.** Some of the investing differences between men and women boil down to their values. Research suggests that women tend to view wealth more as a source of security. They also tend to be more inclined to place greater value on leaving a legacy to their loved ones. And research indicates that women like to invest in businesses that reflect their values – such as doing good in the world (sustainability) and supporting equal opportunities (gender equality).

3. **Attitude to risk.** Research suggests furthermore that, when choosing investments, women may be more reluctant to take risks. But evidence also suggests that once women start investing, they’re more disciplined than men. Women also tend to deliberate more, seeking the data they need to choose investments confidently, and diversify their investments more across different assets to reduce risk.

Women can benefit from a wealth plan that addresses these differences throughout their lives.

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1 Managing the Next Decade of Women’s Wealth, Boston Consulting Group, April 2020
How do the finances of women and men measure up?

Everyone’s lives and goals are different. But there are moments in life that many people experience, such as starting work, marrying, having a child, retiring and losing a partner. Various scenarios at each stage can affect your wealth and ability to reach your goals. So it’s important to work out how you can shape your wealth to cope with the challenges – and achieve your ambitions.
Key questions to ask for each stage

First job/early source of wealth:
- Are you taking control of your finances and contracts?
- Are you investing for the first time and working out how much risk you can take?
- Are you protecting yourself from risks?

Partnership and marriage:
- Are you prepared for major expenses, like buying a home?
- Have you arranged your joint finances?
- Have you found a suitable way to share your finances, should life not go to plan?

Family and children:
- Have you assessed and prioritized your goals, and made sure they’re in line with other family members’ expenses?
- How will you fund your children’s education?
- How will you finance your home? What are the tax implications?

Career:
- Retirement may seem a long way off. But it’s sensible to prepare early for it. What should you invest in? When and how much? How much control do you want over your investments?
- What happens if your career doesn’t go to plan?
- If you have assets tied up in a company, what might that mean in terms of tax?
- Before buying a property, it’s important to ask some questions: What is its market value? What’s the best way of financing it? How will you maintain your repayments if your circumstances change? What tax and legal matters should you consider?

Stability:
- Now’s the time to keep building your assets so you can achieve your goals. How can you maintain your living standards over the long term? What might derail your plans?
- It’s worth understanding the different kinds of tax that can affect you, like tax on dividends, savings and capital gains. How can you maximize your money after tax?
- Handing over a company can be complex. How can you transfer the company tax-efficiently? What are the legal and procedural obstacles? Who should you pass your business to? Can they raise the finance to take over the company?

Separation/new partner:
- When couples divorce, their joint assets and retirement assets are divided between them. How might this harm your finances?
- How will you unravel and adapt your current finances and contracts to your new circumstances?
- How will you rebuild your financial independence and confidence?

Retirement:
- When would you like to stop working?
- What pensions do you have? What health-related expenses might you need to pay for?
- How will your retirement assets be taxed?
- Are your finances flexible enough to keep pace with your new passions, like traveling, spending time with grandchildren, volunteering, or pursuing a dream or hobby?

Gifting and inheritance:
- You may have already earmarked some or all of your wealth for loved ones. Have you considered involving them in your investment decisions?
- What are you passionate about? People often want to give something back by helping those less fortunate, getting involved in environmental projects or supporting other causes.
- Do you have the right arrangements for the assets you wish to pass on? Remember to check if there are any special tax laws, including foreign rules.
We wanted to show how events and issues in women's lives can affect their finances. So we compared the wealth of an illustrative man and woman (Joe and Jane) during their lifetimes. Here's what we discovered...

Research has examined the differences between women and men when investing. However, research has tended to look separately at other factors, such as pay differences between the genders and lifespans. Only by seeing the big picture can we answer big questions like, how much of a gap do gender differences create in women’s finances? And can women narrow this gap managing their investments wisely?

For the answers, we modeled the financial outcomes of Joe and Jane based on five of the main factors affecting how they create wealth: pay gap, career break, flexible employment, life expectancy, and risk tolerance.

In our model, Jane and Joe are 25, single, have recently started work, and want to:

- preserve and grow their inheritance of one million US dollars for the next generation
- buy a house at the age of 35 by taking out a mortgage
- enjoy a decent standard of living later in life.

To model the effect of gender differences, we assumed that Jane:

- has a starting salary 10% lower than Joe’s, due to the persistent salary gap between genders
- receives a total gross salary less than Joe’s over her lifetime because she takes a career break of one year and works part-time later on
- invests more conservatively than Joe
- lives longer than Joe.

We also assumed that Jane’s expenses will grow less than Joe’s – and that both their real estate and pensions are the same.

The graph shows how Jane’s and Joe’s wealth develop over a lifetime.

For the full story on the model, please see the appendix on page 158.

Throughout her life, Jane’s conservative investment approach may harm the opportunity to grow her money.

This is an illustration only. Forecasts do not reliably indicate future performance or results. Readers should not rely on the assumptions and outcomes above to determine any investment strategy or draw any conclusions on investments. Note: The wealth of Joe and Jane follows a median path of strategy that maximizes the likelihood of meeting objectives.
How can Jane avoid this situation?
Because Jane has less money to start with and accumulates less wealth over her lifetime, she would benefit from investing her funds strategically – and focusing on achieving her lifelong goals.

How might a moderate investment risk strategy help?
Jane could benefit from establishing a level of risk she’s comfortable with that puts her in reach of her goals. She could then set up an investment portfolio for life, and invest in a disciplined way for the long term.

What does this all mean for Jane?
To achieve her goals, it pays for Jane to:

– understand the factors that can harm how she builds her wealth, and how those factors might play out over her life
– understand risk and how taking calculated risks with money can help it grow
– become more financially confident, so she can ask the right questions and feel sure she’s choosing the right investment strategy
– understand how to separate her financial and personal goals when managing her wealth.

“Navigating a more complex world of change will require companies to consider their business from as wide a range of perspectives as possible. A monoculture of thinking will almost certainly miss both risks and opportunities as the world changes… With real diversity, better quality decisions will be taken, and innovation is likely to flourish.”

Paul Donovan, Chief Economist, UBS Global Wealth Management

“Issues like pay disparity, career discontinuity, work flexibility, life expectancy, and risk tolerance can conspire to create meaningful disparities in the financial outcomes of men and women. Awareness is the first step in closing this gender gap.”

Mark Haefele, Chief Investment Officer, Global Wealth Management

This is an illustration only. Forecasts do not reliably indicate future performance or results. Readers should not rely on the assumptions and outcomes above to determine any investment strategy or draw any conclusions on investments. Note: The wealth of Joe and Jane follows a median path of strategy that maximizes the likelihood of meeting objectives.
Talking points

You might want to ask yourself these questions:

Do I know how life events and the gender pay gap might affect my wealth over time?

Am I being too conservative with my investments?

How confident am I with my finances?
Getting involved with wealth – financial participation

At UBS, we set out to discover how women in relationships involve themselves in the long-term finances that can make the biggest difference to their lives. The results made sobering reading...

We found that around 80% to 85% of women took care of everyday family finances, like home essentials, large purchases and bills. But almost 60% of women didn’t get involved in the money matters that can most affect their financial wellbeing, like investments, insurance, retirement solutions and long-term financial planning.

Why? There were four main reasons...

82% Lacking confidence
“My spouse knows more”

68% Complacency
“I like not having to deal with those decisions”

79% Entrenched roles
“I take care of other things”

64% Keeping the peace
“It feels more like my spouse’s money”

The risk of becoming single

On average, women live longer than men. And there’s no guarantee a relationship will last for life. This means that, at some point, women are more likely to be solely responsible for their finances. This can leave women financially vulnerable if they hadn’t previously involved themselves in long-term financial decisions.

Losing a partner can also catch women off-guard.

During an emotionally draining time, they may lack the time, confidence and desire to sort out their finances. Then when they do, some are shocked to discover fewer assets than they expected – or worse, assets that were hidden from them.

With the wisdom of hindsight, 77% of surveyed women who had experienced such situations said they would encourage women to get more involved with financial matters while in relationships.

74% discovered negative financial surprises

76% wished they had been more involved in long-term financial decisions

77% encourage other women to take a more active role in their finances

1 Own your worth. 2019. From September 2017 to January 2019, UBS surveyed 3,652 women. Of these women, 2,251 were married with at least $1 million in investable assets. Others (1,401) were either divorced or widowed. These women had at least $250,000 in investable assets. UBS also conducted in-depth interviews with 71 female respondents. The entire global sample was split across nine markets: Brazil, Germany, Hong Kong, Mexico, Singapore, Switzerland, Italy, the UK and the US. In the UK, 400 women took part in the survey.

2 U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, 2016.

3 National Health Statistics Reports, First Marriages in the United States: Data from the 2006-2010 National Survey of Family Growth.

1. Choose your legal representation wisely. Don’t just pick the first person or company you contact. Speak to, and meet with, various lawyers to find the best fit. And you might consider taking a friend to meetings, to make sure you don’t miss anything.

2. Don’t be afraid to ask ‘stupid’ questions. It’s your life and your future, after all. Understanding exactly what’s happening with your finances will help you move confidently into the next phase of your life.

3. Take your time. Only make big decisions on your finances when following sound advice. Dealing with too many things at once can be overwhelming. Tackle the immediate issues first and call on experts and professional advisors to help you deal with longer-term challenges.

4. Assess your current financial advisors. Do you feel fully confident in them? And if not, why? It’s sometimes best to stay with the current advisors unless you feel strongly that there are good reasons to change.

5. Remember that these tough times will end. It’s easy to imagine that difficult times will last forever. But you will heal and move on in your life.

6. Welcome your new financial responsibility. Recognize that learning about your finances puts you in control of your wellbeing and happiness. Yes, it’s a challenging time. But it’s also a fantastic opportunity to feel empowered about the future.

Suddenly single?

How can you take control of your wealth if you suddenly become single, due to divorce, separation or your partner passing away? Family law expert, Suzanne Kingston, and family wealth mentor, Diana Chambers, provide six tips on taking the financial reins.

“I want to be more involved in making the investment decisions so I can learn, but my partner thinks I’m not that capable.”
Female, 44, Italy

“My regret is that I didn’t learn as much as I should have during my marriage. I was too preoccupied with my work, the house and the children.”
Divorcee in the UK

“My husband is the primary breadwinner in my family, so he takes care of the major financial responsibilities.”
Female, 42, Hong Kong

“Most of the time, I took no interest in financial decisions, which is why we were not equipped for this awful situation.”
Widow in Germany
The benefits of taking control

The value of women getting involved in their long-term finances can’t be overestimated. Because taking control gives you options – not just when a relationship ends – but when you’re planning to achieve your goals, like retiring comfortably or buying a new home. And the women we spoke to agreed...

88% of single younger women want to participate equally, or take the lead, in planning finances for the future

54% of married younger women defer to their spouse

96% of women agreed that participating in long-term finances can help avoid financial surprises

90% of women said that getting involved in long-term finances could empower them to walk away from a bad relationship

96% of women said that participating in long-term finances would enable them to handle things better if something happened to their spouse

It’s good to talk

How can you discuss financial matters constructively with your partner? Family wealth mentor, Diana Chambers, gives six tips on having productive conversations that don’t sour the atmosphere...

1. Prepare. Before having the conversation, identify the exact issue you want to discuss and what money means to you. It’s often about needing security. But this need is so powerful, it can override many other financial values.

2. Reflect. Think about what may have shaped your partner’s relationship with money and the topic you’re discussing. Try to empathize with their feelings and situation.

3. Invite. Ask your partner to have a conversation with you. Don’t force or demand it. For example, you could say, “I have ‘x y z’ on my mind. Are you open to having a conversation about it?”

4. Locate. Choose a place and time that’s most conducive to having a constructive conversation, for example, when the children are out of the house.

5. Respect. Conduct yourselves well in the conversation. Stick to the main issue. Ask questions and reflect on the answers. Don’t assume you already know what your partner thinks.

6. Document. When the conversation is complete, summarize and document the discussion, even if it’s on something as simple as a text or email. In six months, you might need to check what you think you agreed – and you both might remember things differently.

Insights from younger women

In our research, many younger single women said they were keen to get involved in their long-term finances. But when they marry, there’s a 34% difference between what they said and did.

96% of women agreed that participating in long-term finances can help avoid financial surprises

90% of women said that getting involved in long-term finances could empower them to walk away from a bad relationship

96% of women said that participating in long-term finances would enable them to handle things better if something happened to their spouse

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Talking points

As a woman, you might want to ask yourself these questions:

How involved are you in long-term financial matters that can have the biggest impact on your life, like investments, insurance, retirement solutions and financial planning?

How much knowledge do you think you need to get involved in long-term financial solutions like investments?

If you found yourself alone tomorrow, would you know how to make yourself financially secure?

If your partner passed away, how would you feel if you found spending or assets you weren’t previously aware of?

Does your partner take care of those important financial matters? If yes, why aren’t you involved?

How much knowledge do you think you need to get involved in long-term financial solutions like investments?
How women are joining forces to change the world

Entrepreneur, mentor, mother, leader and chief troublemaker. That’s Shelley Zalis, founder and CEO of The Female Quotient: a global women-led collective on a mission to advance equality in business. What heartbeat moments inspired Shelley to tackle inequality? And what will it take to make diversity the new normal?

Interview with Shelley Zalis

In a heartbeat

How women are joining forces to change the world

What key moments have inspired and guided you in your career?
There have been many. I call them heartbeat moments – experiences that inspired me to follow my heart. After graduating in 1987, I worked for a marketing research company. There, my first heartbeat moment was to realize statistics are more than numbers – they’re contextual data that tell stories.

I then worked in a small company where I learned the power of collaboration. We had an ideas jar. After work, we’d have a glass of wine, pull ideas from the jar, and make them happen. I realized that change doesn’t need to take years. It can happen quickly with hard work and passion.

Then, working for a larger company, I went into a review with my boss. I thought I was going to get a rave review but he ripped me to shreds. First it was niceties. The rest was negative. He told me I pushed too hard, said “yes” without confirming first, and took people out of their comfort zones. I thought, should I tell him I’ll toe the line and follow the rules? Instead, I said that business is all about relationships – and you’ve just made the biggest mistake of your life. I stayed in the company a little longer but left later knowing it was never going to work.

In my next role, I became really passionate about the potential of online research, which was just becoming prominent with the rise of the internet. I had an opportunity to present our solutions to a major multinational corporation. But my boss said the time wasn’t right because certain men weren’t available to take the meeting. I thought, why am I waiting for the right time? I need to create the right time.

So I left and started my own company called OTX (Online Testing Exchange). Today, I’m known as the pioneer and mother of online research (sorry, not sorry). I followed my heart and intuition. I was scared out of my wits because everyone was telling me I was going to fail. But OTX ended up being the world’s fastest-growing online research company.

What qualities can a diverse workforce bring to a business?
There are many masculine and feminine traits that are great for business but they’re not really based on gender. For example, many women have masculine qualities, and many men have feminine traits. But I believe the number one quality needed for leadership today is empathy. There’s a big difference between sympathy and empathy. Sympathy is feeling sorry for someone. Empathy is understanding and sharing the experiences of another.

I knew then that our differences are our greatest strengths. As Oscar Wilde said, “Be yourself; everyone else is already taken.” Diversity is good for business. Not just diversity in gender, but race, age, religion and sexuality too. It brings diverse, innovative thinking to the table. That makes sense to me. Why? Because I’ve been there. I’ve experienced the power of diversity, individuality and the collective.

How did you come to be known as the ‘chief troublemaker’?
In one of her movies, Sarah Jessica Parker said, “Trying to be a man is a waste of a woman.”

I subsequently sat on the board of. I was one of two women on a board of 25. And they were women – and those women never spoke up. So they removed five guys and added five more women. The first three women talked more, asking about the “why” rather than the “what” and reframing the conversation in new ways.

I was supposed to follow the masculine traits of leadership, such as linear and analytical thinking, and being aggressive. But that’s not who I am. I’m a mother, community leader, CEO and girlfriend. And I want to be good to myself. How can I do that if the workplace rules don’t work for me? So I became known for breaking nonsensical rules and creating new ones that enabled everyone to thrive and be authentic. I had to start celebrating the ‘soft skills’ that have been dismissed for so long, like empathy, compassion, nurturing, resilience and passion.

I sold my company for $80 million to a business called “Bring emotion to the boardroom”.

What was the reaction?
After my speech, the former CEO of a multinational business pulled me aside. He told me his company had a board of 24 people, of which only three were women – and those women never spoke up. So they removed five guys and added five more women. The first three women talked more, asking about the “why” rather than the “what” and reframing the conversation in new ways.

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act on it – leaders can accommodate different life stages and circumstances. Empathy and intention are vital leadership qualities for companies seeking to attract and retain the best talent.

How did The Female Quotient start?
I was in charge of global innovation within a company, but I’d never even been to a technology conference. I wanted to go to the Consumer Electronics Show (CES) in Las Vegas, but I’d heard that fewer than 3% of attendees were women. That made me nervous and I almost talked myself out of going.

So I invited my girlfriends along, and they invited their friends. Fifty women showed up and we walked the floor together. Every guy’s head turned as if to say, where the hell did all you women come from? That’s where I coined a phrase: a woman alone has power – collectively, we have impact. That day, more deals were being done in my tiny hotel room than I’d ever seen. By day two, we had 150 women. By day three, there were 300 women in a penthouse suite doing business and spending money.

The Girls’ Lounge was born right there. The name was so obvious. It’s the opposite of the ‘Boys’ Club’. It’s a place where women can support each other, share the good, bad and the ugly, and make things happen. It went from a moment to a movement. And we saw that when you add more women to any equation, there’s a return on equality.

The company I worked for wanted to renew my contract. But I said I’d only do that if they funded the Girls’ Lounge. They couldn’t commit, so I decided to leave and start The Female Quotient.

What are The Female Quotient’s goals? And how confident are you of achieving them?
We want to advance equality in the workplace through the power of collaboration. I’d like us to collectively close the pay gap, but I don’t want the world to wait 200 years for that to happen. I think we can do it in five.

We’re aiming for new workplace policies that allow people to bring their whole selves to their roles in ways that accommodate their lives. To create a culture of belonging, I’d like to see new immersive, conscious leadership development and training that’s not in the textbooks.

We also need a new pathway to leadership. Women typically get stuck in middle management, which we call the ‘messy middle’. The only way we’ll overcome that is to collaborate, be conscious, and bring visibility to all the remarkable women that haven’t been recognized.

And we must build multi-generational teams based on respect, caring and sharing. We can’t just instill hierarchies that push power decisions down. To create companies people want to work for, we need inclusive cultures where everyone listens, learns and evolves together.

I’m incredibly hopeful. We’re always moving forward, positively and proactively. And when you look at the next generation, they have equality in their DNA. Companies that aren’t evolving to ensure everyone feels valued, secure and happy in their roles will lose out.

I think we’re entering an era of transformation. But changing the system means we must think differently from the past. We can’t rewrite history, but we can learn from it and do things differently.

What highlights would you pick from The Female Quotient’s history so far?
Soon after The Female Quotient launched, we started staging Girls’ Lounge pop-ups all over the world. Then we were invited to the World Economic Forum in Davos, Switzerland. The organizers said they wanted us to come, but the attendees were mostly men and we might not feel welcome. I hung up the phone and my heart was pounding. So I called five of my girlfriends and said, let’s go and see what happens.

Six years later, we’re the World Economic Forum’s first port of call for equality. The Girls’ Lounge became a global movement, connecting over 35,000 women worldwide. But we realized gender equality isn’t just a female issue – it’s a social and economic issue. So the Girls’ Lounge is now called the Equality Lounge®. We’re focused on advancing equality across the board.

It’s about establishing a new gold standard, using tools that help companies improve. We enable every company to say where they are and where they want to be. Then we help them get there.

What advice would you give companies that want to become more equal and diverse? Don’t be afraid to take some tough steps and try things you haven’t done before. Start with recognizing where you are and making a commitment – not a pledge. So many companies hide behind pledges and petitions. Commit to act and be accountable for getting there. That’s why The Female Quotient is so important because it’s about all of us moving forward together.

Another heartbeat moment for me was witnessing a wildebeest river crossing in Africa. The animals tried to cross many times. But there were so many alligators, they just dipped their toes and stepped back in fear. Then one animal took the plunge, and the others followed. In that moment, I realized progress requires courage, choice and leadership. And everyone at The Female Quotient is a conscious and courageous leader making bold moves.

“Our differences are our greatest strengths. As Oscar Wilde said, ‘Be yourself; everyone else is already taken.’”

Shelley Zalis, founder and CEO of The Female Quotient

“Empowering women remains a common denominator and a global imperative for all those who care about fairness and diversity, but also productivity and growth of societies and economies that are more inclusive. If we can achieve this, we all gain.”

Christine Lagarde, president of the European Central Bank (ECB) and former managing director of the International Monetary Fund (IMF)
What advice would you give a woman stuck in a middle-management position and keen to progress?
Reach out to different people with different experiences for advice on where you are and where you want to go in your career.

I’ve been playing with an idea called ‘proximityship’. I think mentors and sponsors in business are often biased. They tend to support people who look, sound and act just like them. I’d like to give employees the opportunity to choose to see anyone in a senior position. That senior person can give someone fifteen minutes of their time – someone who previously might not have had the chance to be seen, heard and recognized.

Most of all, be confident. If you don’t believe in yourself, no one else will. Know your value and worth. And don’t be afraid to ask for a pay rise or promotion. Otherwise you’ll keep taking what you’re given, not what you deserve. Women and men suffer from imposter syndrome – the voice in your head that doubts your skills, talents and accomplishments. The difference is men ignore it while women let it get louder and louder. Shut that voice up. Own it. Be it. And you’ll soon grow into those shoes.

Five big takeaways

1. **Differences are a strength.** Diversity is good for business because it brings innovative thinking to the table.

2. **Bringing emotion to the boardroom.** Skills like empathy, compassion, nurturing, resilience and passion are vital qualities of great leadership.

3. **Next-generation businesses.** The younger generations have equality in their DNA. To stay in the game, companies need to foster inclusive cultures where everyone feels valued, secure and happy.

4. **Real progress, not empty promises.** Businesses can no longer hide behind equality pledges and petitions. They need to commit to act and be accountable for getting where they want to be.

5. **Know your worth.** Don’t be afraid to ask for a pay rise or promotion. Ignore the voice in your head that doubts your skills, talents and accomplishments.

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  www.instagram.com/FemaleQuotient
Interview with Jane Sun

Stronger together

Why women leaders are good for everyone

Could you set the scene on your journey so far?
I was born in Shanghai and attended Peking University Law School. In my sophomore year, a professor from the US visited the university, and selected me to return with him to study.

At that time, China was very poor. Both my parents were chemistry engineers but only earned an equivalent of around $15 a month. To support myself in the US, I worked in the law school’s library for the minimum wage. But my professor’s family were very kind to me. They took me in and treated me as their own daughter.

I told them that, in China, parents take care of their kids when they’re young – and that the kids look after their parents when they’re older. I said I wanted to take care of them as soon as I could. They said, “Oh, honey, you don’t need to do that. But if you could help international students like we helped you, that would make us very happy.”

This inspired my dream to establish a scholarship named after my professor. And the dream came true when I returned to the school in 2016. The experience changed my life. I feel so much love for my professor’s family, and now, I always want to give more as a leader.

What challenges have you faced as a woman in business?
There were many challenges when I first came into the high-tech sector. For example, when I was Chief Financial Officer, I accompanied two male colleagues on a business trip abroad. Our chairman entered the boardroom, and everyone bowed. The other leader followed and, again, everyone bowed. But when I walked in, everyone turned away, without even greeting me. They thought I was their secretary.

Did those challenges influence your leadership style?
Yes – I make sure our female employees have great opportunities and support. We offer free taxis to pregnant staff members, to take them to and from work. When they give birth, we give the baby a financial gift, and money towards their education. Then when mums return to work, they can work flexible hours. We also give our female employees opportunities to study for PhDs in overseas colleges.

One of my female colleagues and I were scheduled to attend an offsite meeting. She’d just had a baby. I said she could bring her baby and breastfeed during meeting breaks. She was very grateful. But I needed to suggest it to her because employees rarely have the courage to ask their CEOs. That’s why it’s so important to have female leaders. If female employees feel a business isn’t addressing their needs, they’ll leave.

Leading with empathy and understanding is good for employees and their families. And in return, we benefit from loyal employees. Everyone wins.

How does this approach extend to your relationships with customers and business partners?
Our female leaders really understand and empathize with our customers, and always put them first. This has been especially true during the global pandemic. For example, we set up a programme to help mothers and babies during the crisis.

We also established a partnership fund to inject cash into our small and medium-sized business partners, which are often led by women. And we work with banks to offer small business loans to companies that are mostly operated by women in remote areas. It’s helped them weather the storm, so they can get back to work when business returns.

“Single-sex groups aren’t very effective. We need to collaborate and share our complementary skills. It’s the only way to create strong, successful teams.”
How useful do you think networks are for empowering female entrepreneurs and leaders? And should men be part of those networks?

Generally speaking, women have strong team-building skills. We also tend to be empathetic, and good at multitasking and communicating. These are all essential traits for networking successfully. But I think it’s important that men and women work together towards shared goals. Single-sex groups aren’t very effective. We need to collaborate and share our complementary skills. It’s the only way to create strong, successful teams.

What do you think are the prospects for younger women in business?

I hope and believe that the younger generations will have more opportunities to succeed. As someone blessed with many opportunities, I feel a tremendous responsibility to lay the foundations for the success of future female leaders.

Technology is our friend. Millions of years ago, physical strength gave males an advantage. But technology enables women to be just as strong as men in business. As long as we remain optimistic, hardworking and willing to leave our comfort zones, there’s no limit to what we can achieve.

Three big takeaways

1. **Pay it forward.** If others have supported you and given you opportunities in your life and career, try to do the same for others on their journey. Being kind, empathetic and supportive is good for everyone – personally, culturally and economically.

2. **Let challenges make you, not break you.** The business world can be rough and tumble, especially when you’re facing prejudice and bias. Learn from those challenges and commit to behaving differently to others. You’ll be chipping away at bad business practices and demonstrating the benefits of doing the right thing.

3. **Bridge the gender divide.** Teams with people of one sex and similar backgrounds tend to lack the wide-ranging perspectives needed to progress in business. It’s much better to have diverse people working together, sharing their skills and spotting opportunities to get ahead.
Together

Congratulations for getting this far! You’re well on your way to taking control of your finances. And you’re proving you have what it takes to manage your money successfully.

But you don’t have to do it alone.

With UBS, you can access opportunities to connect with others and gain professional insights on financial topics. Just get in touch, and we’ll let you know about events and meetings (online and in person) that can help you get more out of life and your finances.
Part 3: Let’s go

100 Explore your financial confidence
102 Self-assessment
Explore your financial confidence

Want to start a business? Travel the world? Take a break from work and finally write that book?

Gaining financial confidence will help you work out the best way to manage your money and reach your goals.
Self-assessment

How financially confident do you feel? The following self-assessment presents 12 statements that will help you explore where you feel most and least confident. When you’ve finished, you’ll discover which learning nuggets are most helpful for you to work through.

Awareness

When you’ve reached the end of this workbook, why not do the assessment again? It’s a great way to find out whether you’ve become more financially confident. You can also take the assessment online at www.ubs.com/financial-confidence

1. Read the 12 statements and assess your position

2. Determine your financial learning journey

3. Work through your learning nuggets

Assess your level of awareness

Awareness

Knowing how your finances, goals, beliefs, decisions and actions can interact and affect your life.

For each statement, mark with an ‘X’ how much you agree or disagree. All done? Write your results in the boxes on page 105. Your results come down to you assessing honestly how financially confident you feel (it’s not all about scores and numbers).

I know how events in my life – and wider concerns like the economy and stock markets – can affect my finances

I know exactly how much I earn and spend every month

I’m clear about my goals in life and what they might mean to my finances

I know exactly how to invest to grow my money

I understand the opportunities and risks of being an entrepreneur

I think my level of awareness is:

Disagree

Agree

Mark this result on page 105.

Date of self-assessment: __________________________
Assess your level of expertise

Expertise

Understanding financial topics so you can decide what’s best for your money.

We’re not testing your technical knowledge here. This is about knowing what affects your wealth – and which questions to ask.

I know how economic topics like inflation and interest rates can affect my finances

I know what information I need to understand how an investment will affect my finances

I know how savings and debt affect my ability to grow my wealth

I know how to identify the information I need on investments

I think my level of expertise is:

Disagree Agree

Low High

Mark this result on page 105.

Date of self-assessment: ______________________

Assess your level of trust

Trust

Trusting financial advisors and companies to have your best interests at heart.

Some want to get their finances in order but aren’t sure who to turn to for advice. Others might have had bad past experiences, for example, being persuaded to buy financial products they didn’t need.

We believe trust is an essential part of financial confidence. And we believe financial companies can only build trust by giving people the best-possible advice in their best interests.

I have a comprehensive list of criteria to help me assess financial advisors

I know exactly what to ask a financial advisor to ensure a successful meeting with them

I know how to protect my data and ensure I’m secure online

I think my level of trust is:

Disagree Agree

Low High

Mark the result the result below.

Date of self-assessment: ______________________

Summarize the results and determine your financial journey on the next page.

Awareness

Expertise

Trust
Determine your financial journey 1/2

Now check the results of your assessment to see which type of ‘financial traveler’ you are – and the financial learning guides we recommend reading.

**Awareness:** low
**Expertise:** low
**Trust:** low

**Wanderer**
You’re still exploring your options. To get the most from your wealth, it’s worth thinking about your lifelong goals and current situation – and learning how to take control of your finances. You can also call on experts and professional advisors to guide you, should you feel a little lost.

**Your financial journey guides**
1. Taking control
2. Getting your bearings
3. Taking in the landscape
4. Striking the right balance
5. Picking a travel companion
6. Minding your step

**Awareness:** low
**Expertise:** low
**Trust:** high

**Hitchhiker**
You know you can make the most of your money by letting a trusted expert or professional advisor guide you. It’s worth thinking about your goals and how your wealth could help you achieve them. And you might get more from your money by building your financial knowledge.

**Your financial journey guides**
1. Taking control
2. Getting your bearings
3. Taking in the landscape
4. Striking the right balance
5. Asking for directions
6. Navigating the digital landscape

**Awareness:** low
**Expertise:** high
**Trust:** low

**Cartographer**
You know how to grow your wealth over time and have a plan to do it. Now it’s time to think about your life goals and how your wealth can help you reach them. And who knows? You might get there even faster (or avoid bumps on the road) with a financial advisor at your side.

**Your financial journey guides**
1. Taking control
2. Preparing for the ups and downs
3. Reading the terrain
4. Plotting a course
5. Picking a travel companion
6. Minding your step

**Awareness:** high
**Expertise:** low
**Trust:** low

**Scout**
You’ve got a good idea about what you want for your life and finances. You might reach your goals faster by working out the best route. So consider exploring some of the main factors that can affect your wealth. And think about working with an expert or professional advisor to help grow your finances.

**Your financial journey guides**
1. Taking control
2. Choosing your path
3. Taking in the landscape
4. Striking the right balance
5. Picking a travel companion
6. Minding your step

**Note:** You’ll see that the ‘Taking control’ guide appears in all the financial learning journeys. That’s because the facts it contains are vital even for the most financially confident person.
Determine your financial journey 2/2

Awareness: low
Expertise: high
Trust: high

Trailblazer
You’re switched on to your finances and know how to get advice on your money. Just think what might be possible by looking at the bigger picture. For example, what are your goals in life? And how might maximizing your money help you achieve them?

Your financial journey guides
1. Taking control
3. Preparing for the ups and downs
6. Reading the terrain
7. Plotting a course
10. Asking for directions
12. Navigating the digital landscape

Awareness: high
Expertise: low
Trust: high

Nomad
You know where you want your wealth to take you. And you’re comfortable calling on experts or professional advisors for help. But imagine how learning a little more about your finances and some of the technical aspects might help you when discussing with them.

Your financial journey guides
1. Taking control
4. Choosing your path
5. Taking in the landscape
6. Striking the right balance
10. Asking for directions
12. Navigating the digital landscape

Awareness: high
Expertise: high
Trust: low

Lone ranger
You know where you want to go and have a great plan for getting there. But what if you could reach your goals more quickly? Make sure you’re making the most of your wealth by working with financial experts or professional advisors you trust.

Your financial journey guides
1. Taking control
4. Choosing your path
6. Reading the terrain
7. Plotting a course
10. Asking for directions
11. Picking a travel companion
12. Navigating the digital landscape

Awareness: high
Expertise: high
Trust: high

Pioneer
You know exactly where you’re going and how your wealth can help you get there. And you feel comfortable working with financial experts or advisors. Now why not take your knowledge a step further, and learn more about keeping your finances on track to reach your goals?

Your financial journey guides
1. Taking control
4. Choosing your path
6. Reading the terrain
7. Plotting a course
10. Asking for directions
12. Navigating the digital landscape

Note: You’ll see that the “Taking control” guide appears in all the financial learning journeys. That’s because the facts it contains are vital even for the most financially confident person.
Part 4: Your financial journey guides

112 Taking control
118 Getting your bearings
122 Preparing for the ups and downs
124 Choosing your path
126 Taking in the landscape
128 Reading the terrain
130 Plotting a course
134 Striking the right balance
136 Picking a travel companion
142 Asking for directions
146 Minding your step
148 Navigating the digital landscape
1

Taking control

Your life, goals and wealth

If you want to live comfortably and achieve your lifelong goals, it pays to think about your plans for the short, medium and long term.

Your life
You probably know what’s in store for today, tomorrow and even the next few weeks or months. But what about your plans and goals for the years ahead? It can be difficult picturing everything clearly. And big changes in society and technology mean life will probably be very different in five or 10-years’ time.

All this can tempt you to live for today. But you’ll be more likely to reach your goals by thinking about where you’d like to be in three, 10 or 30 years’ time – and starting your journey early.

Your wealth
Just as your life goes through stages, so will your wealth. This is sometimes called a ‘wealth cycle’. It has two phases:

– The accumulation phase
Once you’ve gone through childhood and education, you start the journey of your adult life. As you progress, the money you earn is more likely to exceed your outgoings.

– The decumulation phase
When you stop working and start enjoying the fruits of your labor (retirement for most of us), the chances are you’ll spend more each month than the money you receive.

By the time you reach this decumulation phase, you’ll need enough money set aside to cover your living costs (costs you can’t pay with any guaranteed pension payments). And you might need enough money to sustain you for longer, since we tend to live longer these days.

The essentials

– Working out what your goals are makes it more likely you’ll achieve them.

– It’s never too soon to start working towards your goals. You can reach them more easily by starting early.

– Retiring is generally the most important long-term financial goal you should plan for.

– It can be worth saving a small amount towards your long-term goals, even if you’re still paying off debt.
1. What do I want to accomplish in life?

When planning your finances, try to think beyond the numbers and focus on your goals. For example, in the short term, maybe you’d like to buy a home, pursue a passion or build up an emergency fund. Over the longer term, you might want to purchase a second property or work towards a comfortable retirement. Knowing where you want to go makes it easier to plan how to get there.

2. Who matters most to me?

It’s only natural to want to look after the people you love. But don’t forget to balance their needs and yours. For example, if you have children, you might want to fund their education. However, you’ll also need to protect yourself and your family from financial risks, should things go wrong. So think about safeguarding your finances, for instance, with insurances.

3. What do I want my legacy to be?

There’s more to life than looking out for yourself. What if you could make a lasting positive difference to the world and your loved ones, in your lifetime and beyond? It’s all possible if you manage and protect your wealth properly. So think about the changes you’d like to see in the world. Maybe you’d like to help eliminate poverty. Or even create an art collection that enriches people’s lives. The choices are endless.

4. What are my biggest concerns?

How do you feel about the possible risks of investing? Does the prospect of losing your job, getting divorced or falling ill keep you awake at night? Make a note of the things that play on your mind. And remember, while you can’t eliminate risks completely, you can reduce them by managing your finances properly.

5. How will I plan to achieve my goals?

This is where a financial advisor can really help. They can support you in working out a financial plan reflecting your goals and the money you need to achieve them. For example, calculating what you’ll need when you retire; your options for investing; how your money could grow over time; how to protect your finances; and even how best to pass on your wealth to the people you love.

Don’t forget, what’s important today can change tomorrow. So revisit your plan at least once a year, or whenever your situation has changed significantly (like moving home, getting married or having kids). This will help you stay on track to achieve your goals; avoid problems; and explore more options for growing your money.

The UBS Wealth Way helps you think about your short and long-term investments, and the things you’re passionate about. There are many ways to make an impact – and they can all work together to achieve a bigger result.

*UBS Wealth Way is an approach incorporating Liquidity, Longevity, Legacy. Strategies that UBS Global Wealth Management and our advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability.
Next steps

Things to discuss with a financial advisor:

Short-term goals (liquidity)
What do I want to do or achieve over the next year or two? For example, maintaining your lifestyle, buying a home or building an emergency fund.

Medium-term goals (longevity)
What do I want to achieve four years ahead and beyond? For example, retiring comfortably and buying a second home.

Long-term goals (legacy)
What do I want to achieve further into the future? How might I help leave the world in a better place? Or provide for the next generation in my family?
Getting your bearings
Working out where you are financially

Only when you understand your goals can you work out the money you’ll need to reach them. Getting from A to B involves knowing what you have, the money you need to cover your costs and how much you can save.

Preparing a budget plan
A budget plan is a short-term (usually 12-month) plan that details all your income and expenses. It can help you check your earnings and spending—and plan for the future.

How do you create a budget plan? Start by gathering your recent bank and credit card statements (which should show most of your money coming in and going out); details of your salary; and any other income and expenses.

Next, go online and search for a ‘personal budget template’. There are plenty to pick from. Or you can use the quick budget plan on the next page. Enter your income and expenses. And bear in mind that while your budget plan might be a monthly (or biweekly) plan, you may have income and costs that only arise once a year or every quarter (like an annual bonus or car insurance). Include these as well, by breaking them down into monthly or biweekly figures.

Working out what you can save
Once you’ve entered your income and expenses, your budget plan should give you a clear picture of your finances over the next 12 months. Subtract your regular expenses from your earnings over that time, and you’ll see how much you can save. That’s the money you can use to work towards your goals.

Generally, you shouldn’t spend more than 30% to 40% of your income after taxes on ‘fixed costs’, like your mortgage, rent, and regular costs like energy bills and credit card payments. You should be able to spend a third of your income on ‘variable costs’, like leisure activities, trips and eating out.

If you can stick to this, a third of your income should be available for saving. It might not be the same for everyone. For example, if you live in an expensive city, you might need to spend 50% of your income on fixed costs (so, the split might be 50% for fixed costs, 30% for variable costs, and 20% for saving). Whatever your situation, your budget plan can help you work out if you’re saving enough or spending too much.

Making room for savings
If it turns out you don’t have enough savings to achieve your goals, drill down into your budget plan. Look for ways you can save more by adapting your lifestyle and spending.

Staying one step ahead
As your life, needs and circumstances change, it’s worth revisiting your budget plan as often as you can – at least every 12 months. This will help you make sure your current finances are on track for reaching your goals.

Quick budget plan

<table>
<thead>
<tr>
<th>My income</th>
<th>How much I earn from things like…</th>
</tr>
</thead>
<tbody>
<tr>
<td>– regular paid work</td>
<td>– pension payments</td>
</tr>
<tr>
<td>– interest payments</td>
<td>– other regular sources of income</td>
</tr>
<tr>
<td>– investment income</td>
<td>– business income</td>
</tr>
</tbody>
</table>

| Amount: | 

<table>
<thead>
<tr>
<th>My expenses</th>
<th>How much I spend on…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed costs</strong></td>
<td>Things I need to pay…</td>
</tr>
<tr>
<td>– mortgage/rent</td>
<td>– eating out</td>
</tr>
<tr>
<td>– car payments</td>
<td>– sports and hobbies</td>
</tr>
<tr>
<td>– transportation</td>
<td>– vacations and travel</td>
</tr>
<tr>
<td>– phone/utilities</td>
<td>– groceries</td>
</tr>
<tr>
<td>– repayments</td>
<td>– other regular costs</td>
</tr>
</tbody>
</table>

| Amount: | 

<table>
<thead>
<tr>
<th>My savings</th>
<th>How much I have left to save or do other things with, for example…</th>
</tr>
</thead>
<tbody>
<tr>
<td>– planning for retirement</td>
<td>– charity/philanthropy</td>
</tr>
</tbody>
</table>

| Amount: | 

The essentials
– To help you understand your current finances, create a budget plan.
– From this budget plan, you can work out what you can save and invest to achieve your goals.
– Revisit your budget plan at least once a year, to make sure it still reflects your life and situation.
Quick plan for your financial situation

For a detailed description, please see page 35.

What I own (assets):

Liquid assets

Non-liquid assets

Other assets

What I owe (liabilities):

Current and future liabilities

Free assets

Mortgage not to be amortized
Preparing for the ups and downs

Protecting your finances

Life can be unpredictable. And while nothing should stop you enjoying the journey, it’s good to know you’re ready for obstacles along the way. When it comes to your finances, this means thinking about – and preparing for – whatever’s around the corner.

The highs and lows

You’re likely to experience highs and lows in your career and life. You can usually plan for the highs, like starting a family or buying a home. But the lows can take you by surprise, such as falling ill or losing a loved one. Our human instinct is to focus on how such events affect us emotionally. But to avoid more heartache and uncertainty later, it’s important to address how they might affect us financially.

When illness or disability strikes

If you or a loved one is diagnosed with an illness or disability, it can affect the whole family’s financial wellbeing. There are the potential costs of medical treatment, equipment and care. But it’s only when you realize how it can affect everyone’s earnings and ability to save, that you fully appreciate the harm to your finances.

When you or your partner dies

Losing a partner can be devastating emotionally and financially. Especially if they were the main income provider and still working up until they died. Whatever their role and responsibilities in the home and family, the surviving partner will need to adapt. They’ll still need to earn enough to live on, maintain the home, and pay for additional costs like childcare.

Going your separate ways

When a relationship breaks down, both people – and their children, if they have any – might need to accept a lower standard of living than they’re used to. Even when couples separate later in life, dividing what was once a single nest-egg can be difficult. And many expenses, such as housing and utilities costs, will increase when there are two separate residences to support.

All this can seriously harm your finances. It can reduce your household’s income and see you paying for things you haven’t planned for. And it can stop you saving or even force you to dip into money you’ve set aside for achieving your goals.

Changing goals and priorities

It’s not just the ups and downs that can affect your finances. So will your changing goals and priorities. Even the most independent and adventurous person can reach a point where they feel being financially secure for the long term is more important than living for today. And that’s when they’ll need to start saving for the future.

Hoping for the best, planning for the worst

It can be tricky thinking about and planning for all these possibilities. The truth is, most of us shut our eyes and hope for the best. But failing to plan for the worst (or your changing goals and priorities) can mean you struggle financially later.

So it’s wise to be practical and act early. It also means you can easily change your plans when you need to. The result? You’ll protect yourself and your loved ones financially when life doesn’t go to plan.

Next steps

Things to do and discuss with a financial advisor:

Build up an emergency fund

Would it make sense to regularly put money aside for the unexpected?

Look into insurance

How would your family cope financially if you weren’t around? And what if you, or the main breadwinner in your family, became ill and couldn’t work? Insurance (like life and critical illness cover) can help cushion the blow of losing an income.
4

Choosing your path

Understanding how big decisions can affect your finances

Maybe you think it’s time to start a business or take a break to pursue other goals. They’re all big decisions. And how might they affect your finances now and in the future?

The essentials

– Every big decision you make will affect your finances in the long term.
– It’s great being your own boss – but remember to protect your finances in case things go wrong.
– Taking a break from your career might mean you need to think about investing or working a little longer.

Every big thing you decide to do will affect your finances. Understanding how and why this happens will help you act wisely.

Starting your own business

More and more people are becoming entrepreneurs. However, starting your own business can put your finances at risk. If you’re thinking about launching your own venture – or you’ve already done it – consider how you can protect your finances, should your business not be as successful as you hoped.

The main things to consider are:

1. Protecting your retirement plans
2. Protecting your family’s assets in case of legal or financial problems
3. Not relying on selling your business to pay for your retirement
4. Getting additional financing, such as a loan, can be more difficult if you’re self-employed
5. Speaking to a financial advisor well before you plan to exit or sell your business, to make sure it doesn’t harm your personal finances.

Even if your business is doing well, it can be hard getting a loan when you’re self-employed. So you might find it tricky buying a home if you don’t have another reliable source of income.

Taking a career break

There are many reasons to take a career break. For example, you might want to further your studies, spend more time with your family or help your local community.

Career breaks can be incredibly rewarding. But they can eat into your savings, especially over the long term. You’ll need to find money to pay for your living costs. And you probably won’t be saving for retirement while you’re not working. What’s more, the longer you’re away from work, the less opportunity you’ll have to develop your skills and career. That might harm your future earnings.

So is taking a career break right for you? Think about how important the time is to you and how you might use it. Work out if you’re on track to achieve your retirement goals. And if not, will you be willing and able to work longer than you planned? There may be other ways to avoid harming your finances, for example, by investing.

Next steps

Questions to think about and discuss with a financial advisor:

I’d like to start my own business. But how can I protect my finances if my business fails?

If I take a break from my career, how would I cover my living costs? And what can I do to maintain my earning potential while I’m away?

If I have children or take a career break, how might I give my money the chance to grow, so I can still achieve my goals?
Taking in the landscape
Understanding the big economic factors

Before traveling abroad for a few weeks, you might want to check the long-term weather forecast for that country. The same goes for managing your finances. What’s the forecast for the global economy? And how might it affect your wealth?

The essentials

– Major economic factors like inflation and interest rates can affect your finances significantly.

– A country’s Gross Domestic Product (GDP) is a good sign of economic health.

– A little inflation is natural in a growing economy. But too much can devalue your savings and reduce what your money can buy (spending power).

– Most savings products advertise a ‘nominal’ interest rate. For the ‘real’ rate (which shows how your money’s spending power will grow) you need to subtract inflation.

Seeing the big picture
Macroeconomics is a discipline that forecasts how an economy will perform over the long term. ‘Macro’ comes from the Greek word ‘makro’, meaning ‘large’. So macroeconomics deals with large-scale (think countries and regions) economic factors, like national growth and interest rates. But how can it help you manage your finances? Here’s a quick example.

Say you want to invest in property. The financial markets and your personal finances seem healthy. And it looks like you’ll grow your investments. But maybe things don’t appear so bright in the national economy. Perhaps unemployment is rising? Or optimism is propping up the property market, so there’s a risk the bubble might burst? Knowing this, you might decide to look elsewhere for opportunities. Or you might wait for the market to cool off so you’re not paying too much for the property.

To stay ahead, you don’t need to be a macroeconomics expert. But to decide wisely, it helps to have a general idea of the economic factors that can affect your money.

Knowing what to look for
So what major economic factors should you keep an eye on? And what can you learn from them?

Gross domestic product (GDP) and economic growth
GDP is the total value of all goods and services produced by all the people and companies in a country. Why does it matter? GDP provides a great way of measuring the health and progress of a country’s economy, which in turn affects financial markets. Governments usually calculate GDP every three months. They report quarterly and annual figures, and compare them to the previous period to determine the rate of change.

When people talk about economic growth, they’re usually talking about a percentage increase in GDP over the previous year. Economies can contract when the percentage change is negative. It’s natural to think growth is always a good thing. Experience shows that a healthy rate of economic growth is between 2% to 3% a year. And a country is generally thought to be in recession if its GDP contracts for two consecutive quarters. But if it grows too fast, the price of goods and services can spiral (see ‘inflation’ below), canceling out any increase in spending power.

Inflation
Inflation is the average rate that prices are rising. It’s generally expressed as a percentage and determined by a ‘consumer price index’ (CPI). This index is based on the cost of a typical ‘basket’ of goods and services, which is checked every month. Comparing these figures over time reveals how quickly average prices are rising.

A little inflation is usually seen as a good thing, as it’s a sign of healthy economic growth. But when the economy is growing very quickly, inflation can spiral out of control. That’s bad news for savers, as it devalues their money faster over time, reducing its spending power.

Interest rates
Interest is the price you pay for using someone else’s money or assets (for example, loans, mortgages, or even vehicles and buildings). It’s also the return you earn for lending your money to other people (for example, when you buy a bond). It’s usually expressed as a percentage. If the person or business lending to you trusts you to pay it back on time and without trouble, they consider you ‘low risk’ – and usually charge you a lower interest rate. If they consider you ‘high risk’, you’ll be charged a higher rate. Savings interest is what you earn on your money – because the company you’re saving with can lend it to other people looking to borrow.

It’s important to remember that the interest rate advertised on savings accounts is almost always a ‘nominal’ rate. This means the rate doesn’t necessarily reflect how much your money will grow, because it doesn’t account for inflation.

To work out the ‘real’ interest rate, subtract the rate of inflation from the nominal interest rate. If the result is positive, your money’s spending power will still grow over time. If it’s negative, its spending power will diminish.
Reading the terrain

Understanding how the economy affects your finances

Household costs. Mortgages and loans. Returns on your savings and investments. All this can affect how you manage your money. But other important economic factors are also at play.

The essentials

– Keeping track of the business cycle can help you decide more wisely about your money.

– The policies of governments and national banks can affect your finances significantly.

– ‘Fiscal policy’ is how governments adjust their spending and taxes to achieve their big economic goals.

– ‘Monetary policy’ is how national banks influence interest rates and the supply of money to try and keep the economy healthy.

What’s the ‘business cycle’?

In a relatively stable economy, you might think that the Gross Domestic Product (GDP) would rise steadily. (GDP is the total value of all goods and services produced by all the people and companies in a country). The reality is, in any economy, GDP rises and falls naturally over time. It’s called the ‘business cycle’. These are its phases:

Expansion
In the ‘expansion’ phase, real GDP increases relatively quickly, and a country’s employment figures and profits increase. However, wages and prices can start rising as the unemployment rate falls and the country uses more of its productive capacity. Labor also becomes more expensive with employees demanding higher wages. This can lead to higher prices.

Boom
During the ‘boom’ phase, GDP growth reaches its maximum. Unemployment falls to its lowest point, and consumer spending and business investment rise.

Downturn
After a boom, economic activity might cool down. GDP growth will slow and eventually turn negative. If the period of negative growth lasts for two or more consecutive quarters, it’s called a recession. In a recession, company profits decline, unemployment starts rising quickly, and business investment and consumer spending slows down. The inflation rate usually declines. If things get really bad, a recession can turn into a depression. This happens when real GDP declines more than 10% or when a recession lasts more than three years (like the ‘Great Depression’ in the 1930s).

Trough
The bottom of the business cycle is called a trough. At this point, the unemployment rate peaks and business sentiment (confidence) is at its lowest. This phase marks the shift from a downturn to recovery. The economy picks up speed and the cycle starts again.

What might this mean for your money?

Market forces push the business cycle along. But governments and national banks can do some things to try and stabilize the economy. Their actions can affect your finances, so it’s good to understand a bit more about them.

Fiscal policy
Fiscal policy is essentially how governments adjust their tax rates and spending to achieve their big economic goals (macroeconomic goals). The policies often aim to kick-start a slow-moving economy or slam on the brakes if GDP is growing too fast.

For example, if an economy is in recession, the government might choose to lower taxes. This is called a ‘restrictive fiscal policy’. It’s based on the idea that if people are paying higher taxes, they’ll have less money to spend and invest. This can help reduce competition in the labor market and slow growth until the economy is healthier.

Monetary policy

Monetary policy involves national banks trying to keep the economy strong by controlling the supply of money and influencing interest rates. To ensure growth and prosperity, it’s important to keep prices stable. This is known as ‘price stability’, which is measured as the rate of inflation. Most industrialized countries’ monetary policies aim to stabilize prices in the medium to long term.

For many central banks, price stability means inflation of around 2% a year. If inflation is forecast to rise above this, the central bank might choose to slow down the economy by raising interest rates. This is called ‘restrictive monetary policy’, because it restricts the supply of money by making mortgages and credit cards more expensive. While this can help cool things down, central banks must make sure inflation doesn’t fall too low or even slip into deflation.

If a central bank forecasts deflation (which often happens when an economy is in the contraction phase of the business cycle), it might lower interest rates. This is called an ‘expansionary monetary policy’. It can stimulate the economy in the short term by boosting demand for goods and services, encouraging investment and making exports more competitive. But there’s a risk it will lower the value of the currency (depreciation) – and increase inflation in the longer term.

To balance and benefit from all these factors, it could be worth ‘diversifying’ your investments. For more about this, please see page 46.
Plotting a course
Planning to grow your money with investments

This chapter explains investing in simple terms. But that doesn’t mean investing is simple. Allocating money to assets in the best-possible way requires expert skills and knowledge. So it’s always worth speaking to a financial advisor before deciding how and where to invest.

The essentials
– Risk, return (how much your money might grow) and liquidity (how easily you can access your money) are three characteristics of any investment.
– Your investment portfolio should always reflect your feelings about investing and your long-term goals.
– Spreading your money across different investments (diversifying) can make your investment portfolio more stable and less risky.
– You should understand how much it costs to buy, hold and sell different investments – and only choose investments you really understand.

Exploring your feelings about investing
To invest wisely, first work out how you feel about investing. Generally, three things define an investment: risk, return (how much your money might grow) and liquidity (how easily you can access your money).

How soon might you need to access your money?
Are you happy for your money to be tied up in an investment, making it hard to access straightaway? Will you have enough money to cover you in an emergency? Like most things in life, you don’t get something for nothing. So if you want your money to grow a lot (high returns) when investing, you’ll probably need to accept there will be more risk of losing it. And if you want less risk, you may have to accept lower returns.

Building your investment portfolio
Think about what you want to achieve with your portfolio. For example, would you like to be able to afford a comfortable retirement? Pay for your children’s education? Buy a house? Or have extra money to grow your business?

Structuring your portfolio for the long term
Once you know your goals, the next step is to allocate your money into groups of investments that are similar to each other and behave in similar ways (asset classes).

The most common asset classes are:
– **Equities**: Investments in shares of a company – also known as stocks or shares.
– **Bonds**: Investments that pay you a regular income.
– **Real estate**: Investments in property and vacant land.
– **Commodities**: Investments in basic goods and raw materials, such as precious metals, oil, natural gas, agricultural or mining products.
– **Alternative investments**: Investments – such as hedge funds – that are outside the traditional asset classes. To perform well, they usually need investment specialists to manage them carefully.

For more information on asset classes, see page 42.

You’ll need to decide how you’ll split your money between asset classes. For example, 20% in one, 40% in another, 30% in another and 10% in another.

Next, to make your portfolio more stable and less risky, you may need to diversify your investments so they’re not too similar. You can do this by defining the countries, industries or topics you want to invest in within each asset class.

The industry term for a well-diversified asset class mix is ‘strategic asset allocation’.

Reacting to market changes
Being flexible and adapting your portfolio regularly can help protect your investments – keeping them on track when economies and markets change. For example, at times, you might tweak the asset allocation slightly to benefit from certain situations, then adjust it back to its long-term allocation. The industry calls these short-term changes to your portfolio ‘tactical asset allocation’.

The strategic asset allocation is usually responsible for around 80% of an investment portfolio’s results – while the tactical asset allocation accounts for around 20%.

Deciding on investments
So you’ve decided on the long-term shape of your portfolio. And to keep it on track, you know you can adapt it occasionally to changes in the markets. Your next step is to choose your portfolio’s investments. To help you decide, here are some questions you can ask about each investment.

– How might the worst possible loss in the investment affect my financial situation?
– How much will it cost me to buy, hold and sell the investment?
– How easy is it to buy or sell the investment?

Here’s the main thing. Before choosing an investment, you need to feel comfortable with it. Don’t sign anything if you don’t understand the investment or big parts of it, like the risks and how much it costs.
Ask yourself these questions:

How do I feel about risking my money? (investment preferences)
How much would it affect me if my investment dropped in value? And how long would I be happy to wait for it to go up again?

How important is it to me that my investment grows a lot? (high returns)
How much do I need my money to grow to achieve my goals? Do I want it to grow quickly? Or will I be happy just knowing it’s not losing value?

How soon might I need to access my money? (liquidity)
How do I feel about tying my money up in an investment where I can’t access it quickly? Will I have enough money to cover myself in an emergency?
Striking the right balance
Reducing debt, saving money

Debt can be easy to take on and hard to pay off. The longer you take to clear it, the more it costs. On top of all of this, it's important to save too. But how? Here are some tips.

The essentials
– Your priority should be able to pay the minimum on all your debts.
– You should pay off high-interest debts first.
– Building up savings can help you avoid needing to borrow money if things go wrong.
– The interest you might earn on investments can be greater than the interest you pay on things like mortgages and student loans.
– Sometimes, bringing debts together in one place (consolidating) can make them cheaper and easier to manage.

It’s usually better to pay off debts before you start to save. That’s because the interest you pay on debt is generally higher than the interest you’ll earn when saving. But it’s not always quite that simple.

Good debt, bad debt?
Debt generally comes in two camps: good and bad. Good debt enables you to buy assets that can become more valuable over time, like a house or business. It will generally make you wealthier, because the amount you can earn from the asset will usually be higher than the interest you pay on the debt.

Bad debt? Think credit cards or car loans. They enable you to purchase items that become less valuable over time. In other words, the amount you can earn selling the items will be less than the original cost, plus interest, than you pay on the debt.

So you should generally pay off bad debts first. That’s because the interest rates on bad debts are usually higher than the returns you might get investing on the stock market – and definitely higher than the interest you could earn on typical savings accounts.

When it pays to save
There are some situations where it make sense to save while you’re paying off debt.

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Putting your money to work
It can make sense to invest your spare money. You might consider this when the amount you could make investing over time is higher than the interest on your debt. That’s often the case with mortgages and student loans. But remember that interest rates that aren’t fixed can change rapidly. If they rise, so will the cost of your debt – and the minimum you’ll need to pay to clear it. So before investing, think about how interest rates could change.

Support from the government or employers
Depending on where you live, you might find government or employer schemes that match your savings up to a certain level, or give you tax credits for retirement savings. Saving can be really attractive with these schemes.

Leverage
Remember, some investments have a ‘leverage’ component, which means your money will be much more exposed to an asset than the amount you first invested.

Next steps
Here are some things to think about:

– Which debt has the highest interest rate? You’ll generally want to repay the debt with the highest interest rate first.

– Do I need to pay a minimum amount each month on my debts? You should always pay the minimum amount.

– Is the interest on any of my debts tax-deductible? Your debt is effectively cheaper if the interest is tax-deductible. Depending on where you live, this may be the case for a mortgage or student loan. Assuming the interest rates are the same on your debts, you should first repay debts that aren’t tax-deductible.

– Should I combine my debts into one (consolidation)? You could reduce your debts and make them easier to repay by bringing them together. This often reduces the total interest you pay.
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Picking a travel companion

Getting support from financial experts or advisors

It’s great knowing people are looking out for you. Especially when it comes to your finances. Having a good partner by your side can save you time, give you peace of mind, and help you build the wealth you need to achieve your goals.

The essentials

– Some financial firms specialize in certain areas, while others (often bigger firms) offer a broad range of services.
– Good advisors will have the right qualifications and credentials – check them before you meet.
– Any reputable advisor or investment firm will do some sort of assessment to identify your ‘risk tolerance’ to understand your aversion or appetite for taking risks in the context of investing.
– Financial companies with strong brands generally invest more to protect your data and privacy.
– When comparing the costs of different financial advisors, ask if there are any additional or hidden charges.

Knowing your advisor

A lot comes down to their qualifications, experience, and expertise in different areas. An insurance specialist won’t be able to advise you on investments. And an investment bank can’t help you manage your money. So who does what? Here’s a quick overview to help you work out who to contact first.

Retail banks
They’re usually just called ‘banks’ in everyday conversation. They offer basic advice and services for your daily banking needs, like current and savings accounts, deposits, mortgages, and credit cards. Most offer online banking. But many also have branches that you can visit to meet advisors or perform transactions.

Independent financial advisors
These are qualified financial advisors who advise people and companies without receiving commission for recommending products. This means you can feel sure they’re not steered by financial incentives when they advise you. Many charge a fixed fee or by the hour. And in many countries, independent financial advisors have their own associations, credentials and memberships.

Wealth managers
Banks with wealth managers are often known as private banks. They specialize in advising wealthy people (including those with complex finances) on their money and investments. To help people with every area of their life and finances, they often tackle lots of topics – such as investments, passing on wealth to the next generation, retirement, and charitable work.

Corporate banks
Corporate banks serve businesses with complex needs, such as managing large lines of credit, and dealing with complicated import and export transactions. Businesses often work closely with investment banks to make sure transactions run smoothly.

Investment banks
Investment banks serve businesses, institutions, hedge funds, governments and, in some cases, individuals. They offer advice and research on financial markets, and support on complex transactions like mergers and acquisitions (M&A), initial public offerings (IPO), hedging, and debt financing.

Online banks
These generally give you the services of retail banks – but only online. This means they can often charge lower fees than larger banks that employ advisors and run branches. However, it can mean they’re less able – or unable – to support or advise you. With more and more online banks launching, fraudsters can pose as advisors or even create convincing websites to trick you into trusting them. So do your research before putting your money into any kind of online bank or company.
Things to look for when choosing a financial advisor

Before you approach any financial advisor or company, find out if they’re licensed in your country – or you may not be protected by regulations if something goes wrong. Check their financial strength, history and reputation. And find out if their claims are credible by checking trustworthy sources like associations and government websites.

Qualifications and credentials
Every country has different rules on the qualifications and credentials people need to work as a financial advisor.

To understand the rules in your country, check government or association websites. These sites usually have lists of accredited advisors that may help you find the right person to work with.

To see how advisors work in your location, ask them for documents such as FAQs (frequently asked questions) and codes of conduct.

Good advisors will list their qualifications and credentials on their website, in a brochure, or on a business card. You can also check the quality of an advisor’s company by looking at the grades rating agencies have given them.

Capital strength
A large, established firm is more likely to be able to secure your wealth, because it’s strong enough to handle adverse events and negative market conditions.

In particular, they can protect your money by investing heavily in detecting and stopping fraud. And they have the resources to protect your data and privacy from growing online threats. So when looking at a financial advisor’s company, it’s worth checking their financial ratings, how well they protect data and secure customers’ money. You can do this by checking the firm’s financial ratings from companies like Moody’s, Fitch, and Standard & Poor’s.

Access
Make sure you can easily contact your advisor and that they have people covering for them when they’re away. You’ll want to be able to reach someone if markets take a negative turn while your advisor is on holiday.

Costs
It’s important to find an advisor with the right fees. They might charge you for each transaction they complete, for example, investing in an asset or setting up a service. They may also charge an ongoing fee, such as every month or year. Or they might charge a percentage of the money you want to invest. So ask different financial advisors to let you know their fees. You can then compare their offers.

Financial products and advice have specific prices. They’re usually expressed in ‘basis points’ (bps), where 100 bps equals 1%.

Personality and ethics
Ultimately, a good financial advisor is a professional, who listens to you, understands your needs, and helps find solutions that are best for you. They should also help you become more financially confident, by giving you all the information you need to choose the right solutions.

One bank or more?
Your accounts might be with just one bank. That keeps things simple because there’s only one place to go when you need to do or check anything. But there are times it might pay to put your money in more than one place...

– Thinking twice: If your savings are with another bank, you might think twice about dipping into them – especially if it takes a while to access the money.

– Getting a better deal: Your current account bank might not offer the best rate on your savings. So it’s worth looking around for a better rate.

– Spreading your money: Some schemes protect people’s deposits and savings up to a certain limit, should the bank go out of business. If your savings total more than the limit, to protect all your money, it could be worth spreading it across different accounts.

– Specialized services: You might need specialists to help with certain types of services.
Making sense of investment factsheets

Here are some of the terms you’ll find in an investment factsheet – and what they mean.

- **Fees:** Before investing, you’ll need to know the fees the company will charge you for transactions and managing the investment (if it’s a ‘managed fund’).

- **Risk assessment:** This shows you the risk of losing your money. A fund may be too risky for you depending on your age, feelings about risk and financial situation.

- **Returns:** You can usually see how much or little the investment has grown over the last five to ten years. This can give you an idea of what you might get for your money (but remember, past performance doesn’t indicate future performance).

- **Performance of the current year (or ‘performance overview’):** This can give you a feel for how well an investment is performing. The factsheet will usually show you the results for each month during the year.

- **Performance since inception:** This shows you how the investment performed over a longer time (since it started). The factsheet might also show how it compares with another investment or benchmark.

- **Average yearly return since inception:** This shows an average of how the investment has performed each year since it started.

- **Volatility:** Volatility shows how much an investment’s price has changed over a certain time. Investments are considered less risky if they have low volatility. Double-digit volatility numbers can be a sign of a risky investment.

- **Maximum drawdown:** For an idea of how risky an investment is, this shows you the investment’s biggest loss in one month since it started.

- **Ratings:** It’s worth checking the ratings of official rating agencies. Usually, ratings with multiple letter As or plus (+) signs describe less risky investments. Letters B and below usually describe riskier investments. The most famous rating agencies are Moody’s, Fitch, and Standard & Poor’s.

Next steps

Questions to ask a financial advisor:

**What does your business focus on?**
For example, brokerage, retail banking, corporate banking, wealth management or investment banking?

**How strong is your company, financially?**
What financial ratings have you received from Moody’s, Fitch, and Standard & Poor’s?

**What areas do you specialize in?**
For example, investments, mortgages and insurance?

**How will you charge me for your services?**
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Asking for directions
Getting the best from your financial advisor

A good financial advisor will always take the time to understand your financial situation and goals before recommending what to do. The first step is usually to gather information on your situation, finances, goals, and feelings about investing.

The essentials

– Your financial advisor should fully understand your financial situation.
– They should appreciate how much or little you know about money and investing, and do all they can to ensure you understand.
– They must understand your goals for your investment, capacity for losing money and feelings about risk.
– They should never try to pressure you down a particular path.

Why have a financial advisor?
A financial advisor is a qualified professional who can set up and manage your finances in a way that enables you to achieve your goals. This involves helping you think about your needs and ambitions, and creating a financial plan to meet them.

Doing wealth differently
Research by the Boston Consulting Group found that:

– Women are now a major economic force and the unparalleled growth of women’s wealth looks set to continue.
– Women tend to manage and view their wealth differently from men. For example, when investing, they tend to base their decisions on facts, and diversify their finances across different assets to reduce risk. Wealth for women is a means to various ends, for example, planning for certain life stages and events.

1 Managing the Next Decade of Women’s Wealth, Boston Consulting Group, April 2020
Preparing for your meeting
It’s worth thinking about your financial situation before meeting a financial advisor. It will help make everything clear, and give you an idea of how much you can save and invest.

Completing a budget plan can also help (there are lots online). But for the full picture, ask yourself these questions too:

– What assets do I own? (such as property)
– How much of my money is tied up in things like property, cars and other investments?
– What debts and obligations do I have (liabilities)? For most people, a mortgage is the obvious one. But do you have any more?

To help you get the most out of your meeting, gather this information and perhaps even share it with the financial advisor before you meet.

Questions to ask in the meeting
There might be lots you want to ask as the meeting progresses. Remember, there are no silly questions, so don’t hold back. A good financial advisor will answer all your questions clearly and patiently.

Do they usually look after people like you?
To help you achieve your goals, a financial advisor needs to understand your world and the things that are important to you. They’re more likely to recommend the right things to do if they’re experienced helping people in similar situations to yours. Ask what kinds of client they have experience with. This is particularly important if your family situation covers multiple nationalities and jurisdictions.

What will they charge you?
Before taking you on as a client, a financial advisor should be clear about the fees they charge – whether it’s an hourly rate, a fixed fee or a percentage based on the value of your investment. They may not be able to give you an exact figure upfront. But they should be able to give you an estimate – or at least an upper-limit figure. And once they’ve proposed investments, they should be absolutely clear about their costs. Always ask to see the total costs, not just percentages or basis points (fractions of a percentage).

What influences their recommendations?
Find out whether they’re independent. Some financial advisors are linked to certain companies and will only recommend their products. But an independent financial advisor can offer you many more products from different financial companies. Most big brands also have an ‘open architecture’ approach, which means they can offer products from their own business and other companies.

Do they understand your financial situation?
Any good financial advisor will get the full picture of your financial circumstances. The more open and honest you are about your situation, the better they can advise you.

Do they know what you want to achieve?
You might have a goal for your investments – like saving for retirement or buying a holiday home. Or you might just want to protect and grow your money. Your goals and wishes can affect the way you invest (your investment strategy). So it’s important your advisor knows what you want to do with your investment.

Do they know how much you can afford to lose when investing (personal loss capacity)?
Your financial advisor should be able to work out your personal loss capacity by discussing your financial situation. Your personal loss capacity is your ability to cope with the risk of losing money through falls in financial markets.

Most financial advisors will base your personal loss capacity on the ratio between your ‘free assets’ and your total liquid assets. Your free assets are calculated by deducting foreseeable future financial liabilities from your total liquid assets. This ratio indicates the maximum relative loss you could bear without it directly affecting your current lifestyle.

Do they know your feelings about risk?
They should understand your thoughts about risk when investing. It’s important to work out how much risk you’re willing to take to get the returns you expect. This is called your ‘risk tolerance’. In other words, how much risk are you willing to accept that you might lose money while trying to grow it? To make things easier, some financial advisors use ‘reference portfolios’ that show different levels of risk and match your feelings against them. Any reputable advisor or investment firm will do some sort of assessment to identify your ‘risk tolerance’ to understand your aversion or appetite for taking risks in the context of investing.

Do they account for how much or little you know?
A good financial advisor should work out how much you understand about investing. They should provide you with all the information you need to fully understand a product and its risks.

After the meeting
Remember, you’re in the driving seat. Don’t rush into anything during your meeting. Don’t feel pressured into deciding then and there. Take your time to reflect on the information, and whether you’d be happy following the advisor’s suggestions.

Most importantly, if you feel the meeting didn’t go well, ask for another financial advisor. You need to find someone you trust and feel comfortable with.
Minding your step
Protecting yourself online

Billions of us are spending more time on the internet, using our phones, laptops, tablets, computers and smart TVs. With cyber criminals becoming ever more sophisticated, there’s a growing threat to your personal information and finances.

The essentials

– Shred any printed material you don’t need.
– Update your passwords regularly (such as every three months) – and use strong passwords that mix capital letters, lower-case letters, numbers and symbols.
– Provide companies with alternative contact details, so they can get hold of you if necessary.
– Use two-factor authentication (an online security process that requires two pieces of identifying information) for important accounts.
– Only check your online accounts in a secure setting, not a public place (like a café).

Secure your devices

Cyber criminals love hacking into devices that connect to the internet like laptops, tablets and smartphones. So you need to secure them. You’ll also need to make sure people can’t access your devices if you lose them.

Only install software from trusted sources, and keep the software up to date. The same goes for anti-virus software. Make sure it’s good quality, and look for features such as ‘virus scanners’. To stop dangerous attachments reaching your email inbox, choose software with a feature called ‘spyware detection’.

Always lock your devices when you’re traveling. And to stop important information falling into the wrong hands, avoid doing business on public devices like computers in hotel lobbies and conference centers.

Stay safe

Here’s how to protect yourself on the internet.

– Update your passwords regularly, for example, every three months. Use strong passwords and don’t re-use old ones.
– Create passwords that mix capital letters, lower-case letters, numbers and symbols.
– Use different passwords for different websites, so criminals can’t access all your accounts if they find one of your passwords.
– Consider using ‘password manager’ software to store and manage the passwords on your non-financial accounts.
– Only go to sites that are secure – look for ‘https’ at the start of the website address.
– Use ‘two-factor authentication’ (2FA) if it’s available, for example, on Gmail and iTunes.
– Don’t leave passwords near your computer, for example, on post-it notes.
– Use a secure portal to access and share your financial documents. Their extra layer of security helps protect your identity and information.
– Only check your online accounts in places you know are secure. Avoid checking them in public places.

If in doubt, call

A professional financial advisor will never ask you to email them confidential information or passwords. If this happens, or anything looks suspicious, call them to make sure they sent you the email.

A professional advisor should also provide a ‘call back’. For example, if they receive an email from you instructing them on an investment, they should call to check it came from you.

Don’t give anything away

Criminals can learn a lot about you by looking at your social media, such as Facebook, Twitter and LinkedIn. Because they know so much about you, they can find ways into your accounts. They might also trick you into telling them personal information. For example, you might receive an email asking you to click a link urgently and provide account information. However, at the end of the link is likely to be software that grabs your passwords and passes them onto criminals. Some software can even record which buttons you press.

– Choose the highest privacy settings you can when using social media. For example, choose which people can see your posts and information.
– Watch out for emails asking you to click links and provide information (these are known as ‘phishing’ and ‘social engineering’ attacks).
– Be careful not to discuss personal information in public places – you never know who’s listening.

It’s not online, but it’s still important to remember – shred any printed material you don’t need, especially if it contains personal and financial information.

The essentials

– Shred any printed material you don’t need.
– Update your passwords regularly (such as every three months) – and use strong passwords that mix capital letters, lower-case letters, numbers and symbols.
– Provide companies with alternative contact details, so they can get hold of you if necessary.
Navigating the
digital landscape

Knowing the trends and risks

Shopping, socializing, banking… it’s all in easy reach from your computer and smartphone. There are new ways to manage your money online too. Here’s a snapshot of the big developments in the digital world – and the risks to look out for.

The essentials

– Cryptocurrencies are a form of digital money, like Bitcoin. The technology behind them is called ‘blockchain’.
– Robo advisors are online services that invest people’s money automatically in investment portfolios. Check they’re genuine before using them.
– Crowdfunding is a way of raising money online, for example, to launch products, offer shares in companies, ask for donations to charities, and lend to people and companies.
– Never click on an email link or attachment from a person or address you don’t know or trust.
– Keep an eye out for ‘phishing’ emails, which often have poor formatting and spelling, and come from unusual email addresses.
– Beware of emails that appear to be from bosses in your business, asking you to do things like transfer money.

The trends

New digital technologies, services and currencies are appearing online all the time. What are they? And what should you consider before exploring them?

Cryptocurrencies

Cryptocurrencies are digital currencies (Bitcoin is the most famous) that have attracted much media attention. As people become increasingly attracted to investing in cryptocurrencies, there’s a risk of a ‘bubble’ bursting. This happened in the 2018 cryptocurrency crash, when values grew to unrealistic levels then collapsed soon after.

The technological system that drives them – blockchain – is likely to significantly benefit industries such as finance, manufacturing and healthcare. A blockchain is an enormous digital database of transactions. Instead of each member of the network having their own list of transactions, there’s just one list – the ‘distributed ledger’ – which everyone shares. This makes blockchain systems virtually unhackable and indestructible. Unless every computer in the network is destroyed, there will always be a valid version of the database somewhere to keep the system going.

While it’s almost impossible to commit fraud on blockchain systems, hackers can still break into online ‘wallets’ and exchanges. And mistakes can be made, for example, sending assets to the wrong address. Errors like this can’t be reversed, and stolen or lost assets can’t be recovered.

It’s not clear whether cryptocurrencies will ever become useful or stable forms of storing and exchanging value. While their prices might increase, it’s hard to estimate a fair value for them. There’s also a risk that investors lose everything they’ve invested.

So it pays to be very cautious. If you’re going to invest in them, it’s wise to limit your investment to an affordable amount. And think about how you’ll exit your investment. To make sure you’re secure, just like any financial account, never share your passwords or backup keys with anyone. Plus, with so many cryptocurrency scams doing the rounds, only access information from well-known and trustworthy sources.

Robo advisors

Robo advisors are digital services that invest people’s money automatically into investment portfolios. They can be attractive to new investors, as they can invest a relatively small amount for a low fee, compared to traditional funds. However, unlike a financial advisor, they can’t advise you individually, based on knowing about you, your life and situation.

As robo advisor services are launching all the time, you should check they’re genuine before using them. Find out where the business providing the service is based and whether it’s a certified financial company licensed to operate. Before handing over your money, you should also research the company’s reputation, financial strength and brand.
Crowdfunding
Crowdfunding is a way of raising money online for different goals. It allows people, groups and companies to ask for money from supporters. Usually, the person or company using a crowdfunding service (‘platform’) will set an amount they want to raise and the date they need the money. There are four main types of crowdfunding platform:

– **Rewards-based:** Individuals and groups run campaigns to raise money, for example, for a product (such as a band’s new album or a new digital device). Those asking for donations then offer rewards, for example, a signed copy of the album or, for a higher donation, a house concert.

– **Equity:** Investors can buy equity (shares) in a company. This can help the company fund new ideas. However, investing this way can be risky. So make sure you’re comfortable with everything before going ahead.

– **Donations:** Individuals and groups can ask for donations to charitable causes – such as raising money to build a school for a community or paying the medical expenses of someone who can’t afford them.

– **Lending:** Investors can lend money to people or companies that need it. The borrowers can often repay the loans using the same crowdfunding service.

The risks
What goes online doesn’t always stay online. The data behind everything you do – like online banking and shopping – can end up in the hands of hackers. Here are a couple of the biggest risks around and tips on how to stay safe.

**Held to ransom**
One day, you’re happily using your computer. The next, you can’t access your files. A message pops up saying you can only access them by paying a ransom – usually in a digital currency like Bitcoin, because it can’t be traced. If this happens, you’ve been hit by ‘ransomware’: malicious software that locks data on computers and devices connected to the internet (including phones and smart TVs). They can strike at any time, especially through ‘phishing’ emails (fraudulent emails that trick you into revealing personal information).

If you fall prey to ransomware, there’s software that can help you retrieve your data without paying a fee. However, it can be tricky to do. So it’s best to be careful: never click or open anything you’re unsure of (especially in emails); and always back up your data, for example, to an external hard drive. Phishing emails usually look unprofessional, with poor formatting and spelling. And some arrive from odd-looking email addresses. But not always, so be vigilant.

**The big risk**
‘Whaling’ is another major threat, especially for businesses. It usually involves a hacker pretending to be an executive of a business – and emailing an employee, asking them to transfer money. The hacker either has access to the executive’s inbox or sends emails from a fake domain name. The emails can escape spam filters and reach employees, because they’re written by humans and have no attachments.

You can protect yourself from whaling by installing special software. But as with any online threat, beware. Hackers are always creating new domains for sending emails. So check the email addresses carefully. And only act on email instructions when you’re sure it’s from someone you trust. If in doubt, call back on a number you know is genuine (not the one in the email).
Congratulations

Where next?

It’s time to celebrate – you’ve made it to the end of this workbook…

But your financial journey is just beginning. Now it’s time to start setting up the right plan for your finances. You might also want to choose an advisor to accompany you on your travels. See them as a trusted guide helping you decide where to go and how best to get there.

We hope the facts and ideas in these pages have inspired you to get started. Most of all, we hope your financial confidence continues to grow.

Please keep this book close at hand and feel free to share it with others. Because we’re on this journey together. It’s good to know you’re traveling with friends.

Before you go, ask yourself…

How can I have even more impact with my wealth?
It’s a great feeling when you take control of your wealth. And the more financially confident you become, the more you might consider your purpose.

Your purpose is the reason you get out of bed every morning. It’s the thought that quickens your pulse whenever it crosses your mind. For some, it could be starting a business. For others, buying a dream home. Starting an art collection. Or changing the world for the better. Yours might be unique to you. There are as many reasons as stars in the sky.

So whatever your purpose, how can you achieve yours? By ensuring that everything you do with your wealth and across your various roles – as an individual, family member, entrepreneur, investor, philanthropist and more – focuses on reaching it. With every area of your finances and life aligned towards the same ambition, you can achieve more than you ever thought possible.

That takes careful planning. But you don’t have to do it alone. At UBS, we can join you on your journey, from helping you define your purpose to steering your wealth towards it.

So not only can you make life better for yourself and your loved ones. You can make your purpose a reality. Now that’s really something to be proud of.

“Some people dream of success, while other people get up every morning and make it happen.”

Wayne Huizenga, American business magnate (1937 – 2018)
UBS

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As the one of the world’s largest wealth managers, UBS Global Wealth Management provides comprehensive advice, solutions and services to wealthy families and individuals around the world. Clients who work with UBS benefit from a fully integrated set of wealth management capabilities and expertise, including wealth planning, investment management, capital markets, banking, lending and institutional and corporate financial advice.

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Joe and Jane’s wealth journey

As the following illustration shows, Joe and Jane can both achieve their goals, assuming their investments deliver an average 3% return each year. After buying their homes, and before retiring, their investable assets increase significantly. This is due to compounding (investment earnings are also reinvested), and their net income increasing during their most productive years.

Assumptions:
- Jane’s starting salary is slightly lower than Joe’s due to the gender salary gap.
- Jane’s salary will grow less than Joe’s because she takes a short career break and starts part-time work.
- Jane’s expenses will grow less than Joe’s.
- Our assumptions about their pension and real estate are the same.

Jane’s lower net income diminishes her wealth dramatically

We also assume Jane has a flexible work arrangement where she works part-time. This stalls her career further and results in a 96% decrease in the value of her wealth, as illustrated.

Retirement, age 65
- Pension: 10% salary contribution
- Pension payout versus annuity: 50%
- Pension conversion rate: 6.8%
- Effective tax rate: 15%

Impact of Jane’s longer life expectancy

As expected, Jane’s lower net income harms her wealth significantly over her lifetime.

The following example shows that Jane would not be able to achieve her goal of passing wealth to the next generation.

Even more importantly, because women typically live longer than men, Jane will also struggle to maintain her lifestyle.

4. Life expectancy

5. Risk tolerance

Jane’s conservative investment approach may damage her investment portfolio

Jane’s situation becomes even worse if she invests too conservatively. Women sometimes have a lower risk tolerance. The following illustration shows the effect of Jane’s investment portfolio delivering returns of 1% a year rather than the previously assumed 3%.

For illustrative purposes only. Forecasts do not reliably indicate future performance/results. Readers should not rely on the assumptions and outcomes detailed above to determine any investment strategy or draw any conclusions on investments.
Risk and return in investment portfolios

When investing, it’s important to work out how much risk you’re willing to take to get the returns you expect. This is called your ‘risk tolerance’.

It can be tricky picturing the risks of investments. So the chart should make it clearer. It shows six reference portfolios, from A (very low risk tolerance) to F (very high risk tolerance). And it indicates the level of risk an investor can expect for the returns they want, and vice versa.

Any reputable advisor or investment firm will do some sort of assessment to identify your risk tolerance to understand your aversion or appetite for taking risks in the context of investing.

The figures are based on a long-term analysis of the underlying reference portfolios. While historical data can never predict the future, it intends to indicate risk and return characteristics as accurately as possible. Financial modeling of risks and returns involves considering historical data and market expectations, which UBS investment specialists provide.

Appendix 3

For illustrative purposes only. Forecasts do not reliably indicate future performance/results.
Simulated historic annual returns from best to worst

<table>
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</thead>
<tbody>
<tr>
<td>Worst</td>
<td>8.3%</td>
<td>8.8%</td>
<td>11.1%</td>
<td>7.4%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>7.2%</td>
<td>11.6%</td>
<td>15.9%</td>
<td>13.6%</td>
<td>15.6%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Best</td>
<td>24.2%</td>
<td>37.8%</td>
<td>29.8%</td>
<td>26.6%</td>
<td>32.5%</td>
<td>29.8%</td>
<td>27.1%</td>
<td>20.5%</td>
<td>16.0%</td>
<td>12.0%</td>
<td>7.6%</td>
<td>4.2%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Source: UBS Quantitative Investment Solutions (QIS). Time horizon: 30 December 2008 to 29 January 2021

Simulated Historical Performance

- Historic risk/return simulations are based on the theoretical performance of the standard benchmarks or indices underlying the portfolios over the specific time horizon. The historical performance shown does not reflect your actual performance but, rather, was calculated by the retroactive application of historic index results to the asset allocation(s) analyzed. Because the asset allocations were structured with the benefit of knowing how each asset class performed during the period shown, the hypothetical returns may be higher than the returns of a portfolio that would have been recommended during the time period presented. In addition, backtested performance does not reflect the impact that past economic and market factors might have had on investment decision-making. The results shown reflect realized and unrealized gains and losses and the reinvestment of income, but do not include the impact of transaction costs, taxes and inflation. If these were included, the results shown would be lower. Please note that the historic backtest analysis assumes that the asset allocation was rebalanced at the beginning of each month back to the initial asset allocation. This rebalancing frequency does not necessarily reflect how an actual portfolio would have been managed. There is no guarantee that these backtested results could, or would, have been achieved had this asset allocation been used during the years presented.

- These hypothetical, past performance results are not an indicator of how this strategy will perform in the future. Actual results will differ and may be better or worse than those shown. Market and economic conditions will change over time and these and other future developments will impact the future risks and returns of different asset classes.

- In addition, as noted above, these results are based solely on the historical performance of certain broad-based indices, which are identified and described in this presentation. Client accounts to be managed employing this asset allocation strategy will not be invested in all securities comprising any index or in the same proportions as those securities are represented in the index and a client’s holdings within any asset class will be significantly less diversified than the corresponding index.

- The graphs and charts do not represent the investment performance results of any actual client accounts that were invested employing this asset allocation strategy.
Appendix 4

These are the indices underlying the table:

**FTSE USD Euro Deposits**
Captures short-term cash deposit rates.

**ICE BoFA Euro HY Constrained**
Captures the performance of below investment grade (higher risk) corporate debt, issued in the markets in Euros.

**BBG Barclays Euro$ AA+ 5-7y**
Invests in lower-risk corporate bonds that have a remaining life between five and seven years; and are in US dollars but not held in America.

**BBG Barclays US Intermediate Corp**
Measures the performance of debt from American and non-American industrial, utility, and financial institutions; lasting one to ten years; and issued in US dollars.

**ICE BofA ML US HY Master II Const**
Measures the performance of corporate debt, which is below investment grade (higher risk), and issued in America in US dollars.

**JPM CEMBI Diversified**
Measures the performance of the debt markets across emerging markets worldwide. However, it limits the amounts from single countries to capture performance from a wider sample of emerging market countries.

**JPM EMBI Global Diversified**
Measures the performance of the debt markets across emerging markets worldwide. However, it limits the amounts from single countries to capture performance from a wider sample of emerging market countries.

**MSCI EMU**
Measures the performance of stocks based in the Economic and Monetary Union of the European Union (EMU).

**MSCI Emerging Markets**
Captures large and mid-cap representation across 24 emerging market countries. It covers around 85% of the free float-adjusted market capitalization in each country.

**MSCI Japan**
Measures the performance of the Japanese market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in Japan.

**MSCI Switzerland**
Measures the performance of the Swiss market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in Switzerland.

**MSCI United Kingdom**
Measures the performance of the UK market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in the UK.

**MSCI USA**
Measures the performance of the US market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in the US.

**JPM EMBI Global Diversified**
Measures the performance of the debt markets across emerging markets worldwide. However, it limits the amounts from single countries to capture performance from a wider sample of emerging market countries.

**CAPE US Private Equity Index**
Captures a portfolio of different private equity funds with different strategies and hedge fund managers.

**HFRI Fund of Funds Composite**
Captures a portfolio of different hedge funds with different strategies and hedge fund managers.

**NCREIF Property Index**
Provides returns for institutional grade real estate held in a fiduciary environment in the United States. Institutional investors use it as a benchmark for the performance of real estate.

**MSCI United Kingdom**
Measures the performance of the UK market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in the UK.

**MSCI USA**
Measures the performance of the US market’s large and mid-cap segments. It covers around 85% of the free float-adjusted market capitalization in the US.

**GSCI Commodity Index**
Benchmarks investments in the commodity markets and measures commodity performance overtime. This tradable index is available to market participants of the Chicago Mercantile Exchange. It is a world-production weighted index based on the average quantity of production of each commodity in the index, over the last five years of available data.

**User-defined USD**
Captures short-term cash deposit rates.
## Financial glossary

### Accumulation phase
Your life before you retire when you’re building up assets by saving and investing. The accumulation phase involves gathering enough assets to live comfortably during retirement, when you no longer receive income from working.

### Aggressive strategy
An investment approach that may involve a higher level of risk which, in turn, may result in a higher gain or loss compared to a conservative investment strategy.

### Alpha
A measure of an investment’s performance, adjusted for risk. Alpha tells you how much better or worse an investment did, relative to what it was expected to do based on its level of risk. Higher alpha numbers are better than lower, because a ‘positive alpha’ means the investment exceeded expectations.

### Alternative investments
For example hedge funds and private equity. Their risks and performance are mainly a result of people’s investment skills and expertise rather than being exposed to a certain market. Their liquidity (ease of accessing the money) is generally lower than for traditional investments.

### Anti-virus software
Software that regularly scans your computer and files for security risks like spyware and computer viruses. You need to keep it up to date, so the software can spot new types of risks.

### Asset
Something of value that you own. This could be property, savings accounts, pensions or other investments. You should include these items in your wealth plan.

### Asset allocation
How assets are allocated to make up an investment portfolio. Assets are allocated into different asset classes, geographic areas, currencies and other financial instruments.

### Asset class
Any group of assets that react in a unique way to big factors driving the economy. The most important asset classes include cash, equities and fixed income.

### Bad debt
For an individual, bad debt is money borrowed to buy items that decline in value over time, and reduce wealth rather than building it. To work out whether something is bad debt, ask yourself, will the item I’ve bought increase in value? Or give me an income? If not, it’s usually bad debt.

### Basis points
A unit of measure. One hundred basis points equal 1%.

### Benchmark
This is a reference measurement against which you can compare an investment portfolio’s performance (such as a share index or a portfolio of indices).

### Bonds
Investments mainly exposed to fixed-income markets, such as interest rate and issuer risks. They include convertible bonds and structured products that guarantee to protect the investor.

### Boom
An economic boom is the period in the business cycle when GDP is growing steadily. It’s also known as an upturn or upswing.

### Budget plan
A personal plan of your future income and expenses during a certain period (usually one year).

### Business cycle
All the regular and irregular fluctuations in GDP around a long-term trend level. It comprises these phases: upswing, peak, downturn (or recession) and trough.

### Capital
The amount of money you’ve invested in a particular investment. The money you’ve invested can increase and decrease as markets rise and fall; or as you invest in or withdraw from your investment.

### Commodities
Investments in basic goods and raw materials, such as precious metals, oil, natural gas, agricultural products and mining products.

### Compound interest
The interest you earn on interest you’ve previously earned. Compound interest makes the money you save grow faster, because you’re earning interest on a larger amount of money every time.

### Compounding
The growth of your money that happens when you earn interest or returns – and that new amount of money earns its own returns.

### Conservative strategy
An investment approach that involves less risk – and less opportunity for higher returns, compared to an aggressive investment strategy.

### Consumer price index (CPI)
A comparative measure of the overall level of prices in a country’s economy, weighted for certain typical consumer goods. The CPI tracks changes in the costs of goods and helps identify inflation or deflation. A 1% increase in the CPI corresponds to an inflation level of 1%.

### Cybercrime
A type of crime that involves people using digital devices unlawfully. Cybercrimes are becoming increasingly common, with criminals using computers to steal data, damage systems and break into financial accounts.

### Cyber security (also computer security)
A field of security devoted to protecting digital devices and data from theft and damage.

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**Note:** This glossary is based on the UBS Dictionary of Banking, and adapted by an editor for easier reading. For the full glossary, please visit ubs.com/glossary.
Decumulation phase (retirement)  The time in life when you’re retired and no longer working to earn an income; and you live off your assets, or the income your assets generate.

Deflation (price)  When the overall level of prices in an economy are falling. Deflation can cause a recession. In such times, central banks will usually try to encourage consumers to spend by introducing certain measures.

Derivatives  Types of tradeable assets where the price depends on the value of underlying assets. The most common type of derivative is a futures contract, where the asset’s price depends on the expected future price of a stock, bond or commodity at a specific point in time.

Disposition effect  The tendency for investors to hold on to poorly performing assets longer than they should, and sell positively performing assets too early.

Diversification (risk)  Also known as risk spread or risk spreading. It aims to optimally balance risk in an investment portfolio by diversifying across different geographies, currencies, sectors and companies.

Diversified portfolio  An investment portfolio that’s been carefully diversified to optimize the return you might receive against the level of risk you take (see diversification).

Dividend  A payment made to shareholders as a distribution of the company’s profits. The company’s Board of Directors usually proposes the rate of dividend, which is agreed at a company general meeting. Dividends can take the form of a cash payment, an issue of additional shares, and dividends in kind.

Economic growth  This usually refers to growth in a country’s output from one period to another. People often use the terms ‘GDP growth’ and ‘expansion’ to refer to economic growth.

Emergency fund  An amount of money you’ve put aside (usually in a savings account) to cover unexpected situations and expenses, like unemployment or car repairs. A rule of thumb is to have three to six months’ income in your emergency fund.

Entrepreneurship  The act of starting your own business or pursuing an innovative business opportunity.

Equities  Also called stocks or shares. The value of a share is the total value of the company divided by the number of shares in issue.

Equity risk  A type of financial risk. It refers to the risk you face when holding a certain equity or financial product.

Financial advisor  A professional who helps you manage your money, and protect and grow your assets. Their advice can cover many areas, including savings, investments, insurance, mortgages, legacies and retirement. In most countries, financial advisors are regulated and must be licensed to advise people.

Financial crash/crisis  An event in the financial markets when the market prices of assets – such as stocks – decline significantly. Sometimes, a financial crash affects a specific financial market. Other times, it can affect markets worldwide because they’re so closely connected.

Financial forecast  Provides an estimate of how your money will grow (or decline) over time. To give you a more accurate estimate, the forecast usually accounts for factors like income, interest, investment returns and expenses.

Financial institutions  Organizations that conduct financial transactions such as payments, investments, loans and deposits. Banks, investment banks and insurance companies are typical examples of financial institutions.

Financial market instrument  Any standard tradeable financial product that can be traded on financial markets.

Financial markets  A broad term describing marketplaces where buyers and sellers can exchange financial assets such as stocks, bonds, currencies and commodities.

Financial plan  A combination of a personal budget and financial forecast. The plan takes into account your current assets, income, expenses and savings; and forecasts how your money will grow over time. A good plan also accounts for planned future expenses and your goals, preferences and needs.

Financial situation  The current status of your assets, debts, income and expenses. Understanding your financial situation is a big part of creating a good financial plan.

Fiscal policy  How a government influences its country’s economy, by increasing or reducing government spending and tax rates.

Fixed costs  Expenses in your budget that you have to pay in fixed periods, such as rent, energy bills and debts.

Fixed income  A type of financial asset that pays you a predictable return at regular intervals. Bonds are the most common example.

Free assets  The amount of money you can invest and make work for you. They are the liquid assets that are neither reserved to pay back existing expenses or dedicated to a future purpose.
Appendix 5

Futures (contract) A standardized contract traded on an exchange. The seller promises to sell or buy a quantity or quality of a commodity (commodity future) or a specified amount of a financial instrument (financial future) on a specific date for a specific price.

Gender-lens investing Investing for financial returns while aiming to improve the lives of women and girls. This is an increasingly popular approach to investing.

Goals-based investing This involves deciding on investments based on your goals for the future. Thinking about what you want to spend your money on in the future and being realistic about how much you’ll spend will help you decide when, where and how much to invest.

Good debt Good debt enables you to buy assets that can become more valuable over time, like a house or business. It will generally make you wealthier, because the amount you can earn from the asset will usually be higher than the interest you pay on the debt.

Gross domestic product (GDP) The measure of macroeconomic performance in a domestic economy over a period of time.

Hacker A cybercriminal who uses various techniques to illegally access computer systems and private data. Ethical hackers sometimes use the same practices to highlight weaknesses in companies’ IT systems.

Hedge funds A private collective investment fund. Hedge funds use various investment techniques, are lightly regulated, and often accept only a very limited number of investors to ensure their investment strategy remains flexible. Hedge funds are categorized according to the asset classes they invest in (such as equities and bonds), geographic and thematic orientation, and strategies.

Home bias The tendency of investors to prefer investments from their own country or region, despite the fact that diversifying geographically is typical in well-diversified portfolios.

Identity theft When a criminal or hacker uses illegally obtained personal data to pose as you, and apply for credit and loans.

Impact investing A form of sustainable investing that invests in companies and initiatives that positively and measurably benefit societies and the environment.

Income Inflows of capital from work or investments (such as your salary); income from real estate; or dividends from shares.

Index fund A type of fund where the portfolio follows specific rules. Many index funds track a market index like the Dow Jones or the S&P 500.

Inflation A statistically determined measure of price rises and, in turn, the decline in the value of money. The inflation rate shows the percentage change in price levels over a given period (such as a month or year).

Interest Money an individual or business earns for lending money to a borrower or for holding money as a deposit in a savings account.

Interest rate The rate of interest for a year expressed as a percentage of the capital saved or invested.

Investing Placing money in a property, security or other item of value, or in a venture – generally for the long term.

Investment An asset with a monetary value that you buy and intend to sell for a higher price in future.

Investment advice Advice given to a potential investor regarding transactions in certain products. Good investment advice always considers the investor's goals, situation, preferences and needs.

Investment fees Fees an investor pays to conduct a transaction, or for having their money managed.

Investment fund A place where investors pool their money and invest jointly. A fund management company manages the assets in line with the fund’s investment strategy.

Investment horizon The time period an investor wishes to leave their money invested.

Investment instrument A specific asset, such as a corporate bond, shares in a company, or another investment product.

Investment objectives Also known as ‘Investment preferences’. Investment objectives are the goals you want your finances to achieve in the future – and the portfolios, parameters, currencies, investment horizon, risk tolerance, and service you require to reach those goals.

Investment portfolio A pool of investments owned by an individual or organization. The owner or a professional portfolio manager can manage the portfolio.

Investment risk How exposed you are to losing money – for example, should an investment’s price fall or a creditor become insolvent. Financial market theory measures the risk of an investment by the degree of potential return fluctuations.

Investment strategy Investment strategies define target values and ranges for various portfolio parameters, like asset and currency allocation, expected volatility and returns. The investment strategy should match your tolerance to risk – and be the foundation of how a financial advisor advises you on investments.

Investment temperament How an investor’s emotions affect their decisions and preferences.

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### Appendix 5

<table>
<thead>
<tr>
<th><strong>Key-logging software</strong></th>
<th>A type of software that hackers secretly install on computers to track everything typed, including account information and passwords. Anti-virus software can usually identify and remove this.</th>
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</thead>
<tbody>
<tr>
<td><strong>Legacy planning</strong></td>
<td>A service some financial advisors provide to help people plan for allocating and protecting their assets as they age (or after they have passed away).</td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td>Money borrowed to invest. It increases the amount you can invest and, as such, can increase the potential returns. However, it also increases the downside potential (risk).</td>
</tr>
<tr>
<td><strong>Liability</strong></td>
<td>A financial debt that you owe. It could be a credit card balance, loan, or mortgage for a property. You should include liabilities in your wealth plan.</td>
</tr>
<tr>
<td><strong>Liquid assets</strong></td>
<td>Assets you hold with a bank, such as current and savings accounts, term deposits, and securities that you can sell within two months without losing too much money.</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Pure cash and near-cash investments. Near-cash investments are very short-term deposits or investments, and may provide better rates of interest than pure cash.</td>
</tr>
<tr>
<td><strong>Liquidity preference</strong></td>
<td>How important liquidity is to you as an investor. If you think you may need to access your money very quickly, you’ll have a high preference for liquidity.</td>
</tr>
<tr>
<td><strong>Lombard loan</strong></td>
<td>Also known as securities-based lending, which involves taking a loan that uses securities (for example stocks and bonds) as collateral. These loans typically have lower interest rates.</td>
</tr>
<tr>
<td><strong>Loss aversion</strong></td>
<td>How much you prefer avoiding losses to growing your money.</td>
</tr>
<tr>
<td><strong>Loss capacity</strong></td>
<td>Your ability to cope with the risk of losing money on your investments.</td>
</tr>
<tr>
<td><strong>Macroeconomics</strong></td>
<td>A field of study devoted to the major movements in national and global economies. It deals with topics such as GDP growth, inflation, interest rates and employment.</td>
</tr>
<tr>
<td><strong>Market index</strong></td>
<td>The measure of the value of all components in a stock market compared to a base value from a specific start date.</td>
</tr>
<tr>
<td><strong>Market indicators</strong></td>
<td>Statistics that professional investors use to predict how a financial market index is likely to develop over time.</td>
</tr>
<tr>
<td><strong>Minimum payment</strong></td>
<td>The minimum amount you need to repay regularly on a liability to avoid fees and other penalties.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th><strong>Monetary policy</strong></th>
<th>All the measures a central bank takes to control money supply, interest rates, and the exchange rate against foreign currencies.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money supply</strong></td>
<td>The stock of money that exists in an economy at any time. An important aim of economic policy is to stabilize prices (and inflation) by steering the money supply.</td>
</tr>
<tr>
<td><strong>Mortgage (loan)</strong></td>
<td>A loan secured by a contract on real estate. The rates of interest on mortgages are lower than on many other loan types. That’s because the bank can sell the security (property or land) to cover the unpaid loan (known as a mortgagee sale).</td>
</tr>
<tr>
<td><strong>MSCI</strong></td>
<td>An independent provider of research-driven insights and tools for institutional investors (such as banks, companies and funds). MSCI is most famous for its indexes, for example, MSCI Emerging Markets, which comprises large and mid-capitalization emerging market equities.</td>
</tr>
<tr>
<td><strong>National banks (also known as central banks)</strong></td>
<td>Institutions that control a country’s money supply. Central banks play a major role in stabilizing countries’ economies by regulating and controlling the money supply.</td>
</tr>
<tr>
<td><strong>Nominal interest rate</strong></td>
<td>Interest rates that don’t account for the rate of inflation, so do not reflect real returns. Interest rates listed by financial institutions are almost exclusively nominal interest rates.</td>
</tr>
<tr>
<td><strong>Philanthropy</strong></td>
<td>Donating money, time and services to charitable causes.</td>
</tr>
<tr>
<td><strong>Phishing</strong></td>
<td>A type of cyber attack. To access your account illegally, hackers trick you into entering your account details and passwords on websites that appear genuine.</td>
</tr>
<tr>
<td><strong>Portfolio (see investment portfolio)</strong></td>
<td>A pool of investments owned by an individual or an organization. The individual or a professional portfolio manager can manage the portfolio.</td>
</tr>
<tr>
<td><strong>Privacy settings</strong></td>
<td>Settings you can adjust in your online accounts, such as social media, to protect your personal data.</td>
</tr>
<tr>
<td><strong>Purchasing power</strong></td>
<td>The number of units of one or several types of goods that can be exchanged for one unit of money. It’s the ratio between money and goods, or how much money can buy within a country.</td>
</tr>
<tr>
<td><strong>Ransomware</strong></td>
<td>A type of software that cyber criminals use to lock up data on digital devices, like computers. They then charge the victims a ransom to unlock the data. To avoid ransomware, it’s best to install quality anti-virus software and not open files from unknown sources.</td>
</tr>
<tr>
<td><strong>Rating agency</strong></td>
<td>A company (such as Moody’s, Fitch and Standard &amp; Poor’s) that assesses the creditworthiness of securities and the companies that issue them.</td>
</tr>
<tr>
<td><strong>Real estate</strong></td>
<td>Investments in property and vacant land.</td>
</tr>
</tbody>
</table>
Appendix 5

Real interest rate
An interest rate that’s calculated by subtracting the annual inflation rate from the stated (or nominal) interest rate. If inflation is higher than the interest rate, then real interest rates are negative.

Real return
A nominal return less inflation. This gives you a good idea of the purchasing power of your return.

Recession
The stage in the business cycle when activity declines, characterized by falling GDP.

Return (nominal)
An annualized rate of return on an investment, expressed as a percentage. The return consists of coupon payments plus any capital gains or losses.

Risk appetite (also risk tolerance)
Your feelings about risk when investing. For example, you may be willing to accept financial risks – or not.

Risk-free return
The return on an investment in a first-class treasury bill.

Risk profile
A description of how you view risk relating to your financial assets – and how much risk you’re willing and able to take.

Risk-return profile
Also known as risk-earnings profile and risk/reward ratio. It compares the anticipated risk of an investment against the expected return. If the return is greater, then the investment goes ahead.

Share
Also known as stocks and equities. The value of a share is the total value of the company divided by the number of shares in issue.

Share price
The market price of one share in any company traded on the stock market.

Shareholder
A part owner of a company, who holds one or more shares in it.

Sharp ratio
The amount of income from an investment minus the money you could have earned investing in a risk-free investment (such as US Government Treasury bills) – all divided by the investment’s cost, and usually shown on an annual basis.

Specific risk
The risk an investor is exposed to in an investment or group of investments. It’s also known as diversifiable risk, because the risk can be reduced by diversifying the portfolio to include investments that don’t share the same risks.

Strategic asset allocation (SAA)
The basis of long-term investment thinking. It ensures investment strategies are optimally constructed by buying the right amount of the right investments in the right areas of the world at the right time.

Sustainable investing
An investment philosophy that aims to perform comparably to traditional investments while benefiting the environment and society.

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Further reading

Financial confidence

– A Grand Gender Convergence: Its Last Chapter (C. Goldin, 2014)
– A Profile of Financial Planning For Women Participants: Implications For Education And Advising (J. Lown, 2010)
– As More Women Become Leaders, Financial Literacy Is A Key Ingredient (C. Schwab-Pomerantz, 2017)
– Financial Capability Among Young Adults (C. de Bassa Scheresberg & A. Lusardi, 2014)
– Financial Experience And Behaviors Among Women (Prudential Research, 2016)
– Financial Literacy And Stock Market Participation (M. van Rooij, A. Lusardi, R. Alestie, 2011)
– Financial Literacy Explicated (D. Redmund, 2010)

– Men vs. Women: Investment Decisions (Blackrock, 2014)
– Own your worth (UBS, 2019)
– Reaching And Retaining The Female Investor, Closing The Gender Gap Of Advice (SSGA, 2017)
– Taking Action: How women can best protect and grow their wealth (UBS CIO WM research, 2017)
– Managing the Next Decade of Women’s Wealth, Boston Consulting Group, April 2020
– Women as the next wave of growth in US wealth management, McKinsey & Company, July 2020
– True Wealth: Letters on Money, Life, and Love (Diana Chambers, 2016)

Investment and finance

– The ABCs of investing (UBS, 2016)
– Investing successfully through analysis, strategy and discipline (UBS, 2016)
– The UBS Wealth Way (www.ubs.com/privatemarkets)

Entrepreneurship

– Funding to Female Founders, Crunchbase, 2020
– The Alison Rose Review of Female Entrepreneurship, 2019
– Why are women entrepreneurs missing out on funding?, European Investment Bank, 2020
– Why women owned start-ups are a better bet, Boston Consulting Group, 2018
– Nordic startup funding – the untapped potential in the world’s most equal region, 2020 (Unconventional Ventures, UBS and others)
– Women’s Wealth 2030 – Parity, power and purpose (UBS, March 2021)
– The funding gap – investors and female entrepreneurs (UBS, March 2021)
– Why are women entrepreneurs missing out on funding?, European Investment Bank, 2020
– Why women owned start-ups are a better bet, Boston Consulting Group, 2018

Financial technology

– Cutting through the blockchain hype (UBS, 2017)
– The evolution of artificial intelligence (UBS, 2017)
– Building the trust engine: how the blockchain could transform finance (and the world) (UBS, 2017)
– The funding gap – investors and female entrepreneurs (UBS, March 2021)

Social impact

– Gender-lens wealth (UBS CIO WM Research, 2017)
– Mobilizing private wealth for public good (UBS, 2017)
– Doing well by doing good (UBS, 2016)
– Diversity and Equality – Longer term investments (UBS Chief Investment Office, January 2021)
– The commercial case for diversity and inclusion – Executives & Entrepreneurs (UBS Chief Investment Office, February 2021)
– Sustainable finance – 10 trends for 2021 (UBS Chief Investment Office, January 2021)
– www.gendersmartinvesting.com

Entrepreneurship

– Funding to Female Founders, Crunchbase, 2020
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Appendix 7

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