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Unquestionably, saving is important because it will allow us to achieve our goals in life. However, we have many goals in life, and sometimes, saving alone cannot result in us achieving all of these goals.

Investment is quite different from saving, although they share a similarity. The objectives of saving and investment will enable us to achieve the goals in life we have defined. A difference is that investment focuses on seeking return that is better than that from saving money or from making our savings bigger, without depending on more work or earnings. An advantage of an investment is that it takes a shorter time for us to reach our goals, and it enables us to have more diversity in the goals of life than by saving alone.

Before discussing investment, we should start with having "savings." We should have enough "primary savings" adequately reserved for living for at least six months or a "starter fund" for emergencies, such as unemployment. The money needed for six-months of living should be sufficient for you before you can find a new job. This can be done after you build your "savings." As for surplus "money," you can think about how to manage it to create the utmost benefit through the "investment" process.

Miss Inflation and Mr. Interest

Inflation is another obstacle that makes savings alone inadequate for achieving goals in life. Many of you probably know that inflation will devalue the money we are carrying. This does not mean the number on the bank notes will change, but inflation will weaken our purchasing power for products or services. For example, 20 years ago, we might see that a bowl of noodles cost 5 baht. A few years later, the price of a bowl of noodles became 10 baht and has gradually increased to 30 baht. Many shops are now selling a bowl of noodles for about 40-50 baht. With 100 baht, we gradually will be able to buy fewer and fewer products. In terms of income or earning, they have not increased in line with the inflation rate. It has been witnessed that there is no significant change or increase in salaries. Some people have never received a raise in their salary at all. Despite only a few explanations, you will learn that normally, there is a gradual decrease in the value of money.

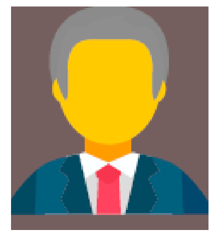
"..because your money does not grow bigger in line with higher prices of things."

It is, therefore, necessary to look for investments to beat inflation to maintain the purchasing power of our savings. Otherwise, we might become "poorer" without being aware of this. This is because your money does not grow bigger in line with higher prices of things. This is why you have to tell yourself why you need to "build savings" and look for an "investment" that yields sufficient returns to offset this inflation."

But if we make savings or investments and receive a "return or interest" that is less than "inflation," which is a factor that affects our wealth, we will suffer from loss continually every year. If we experience a compound loss, we will be no doubt become poorer, whether "intentionally" or "unintentionally."

Starting good investment, yielding "return"

To understand issues related to investment in order to receive return and interest rates that allow our savings to achieve our goals as desired and to make our goals clearer, I will explain this through an example. The example will show the ability and amazingness of compound interest. Supposing that your goal is "1 million baht on retirement" and the retirement age is 60 years.



Goal: You want to have one million baht when you reach 60 years.

Assumption of rate of return on investment		**8%**	**6%**	**4%**	**2%**
Starting age of investment	**Investment period (years)**	**Investment money per month (baht)**			
20	40	308	522	858	1,365
25	35	464	724	1,108	1,649
30	30	705	1,021	1,455	2,032
35	25	1,093	1,471	1,959	2,574
40	20	1,746	2,195	2,739	3,393
45	15	2,943	3,469	4,074	4,767
50	10	5,516	6,125	6,795	7,529
55	5	13,621	14,322	15,061	15,842

Based on the example, there are three key factors that contribute to investors' achieving their goals.

Factors associated with saving

It is evident that if you start to build savings early, e.g. at the age of 20 years, your remaining investment period will be 40 years. At a return rate of 2% per year, you can achieve one million baht at the age of 60 years, by saving only 1,365 baht a month. If you start making savings later, at the age of 55 years, the remaining saving period will be five years. With the same return rate, at 2% per year, you need to save up to 15,842 baht a month to achieve the goal – you have to increase money many times in order to achieve the target.

If you shift the "the return rate" to 8% per year, in the case when the remaining investment period is 40 years, you will need to save only 308 baht a month. If you start to build savings later, e.g. at the age of 55, your remaining investment period will be five years. At a rate of return at 8%, you will need to save 13,621 baht per month. This identifies that if investors can increase the return on investment, this will decrease the principal for investment per time and if the return on investment is high, the principal for investment will become lower.

"Thus, the dimension of "investment" still adheres to the concept of "saving" – making savings earlier, get richer and more savings are better than less savings. More importantly, if we know how to make savings in assets that yield "a better return," this will allow your money to work the most efficiently, in line with the effort we have put to make money.

To this point, many of you may start to see that changing "savings" into "investment" is not as difficult as you have thought. The issue is what asset will give a return of 8%. In the current circumstance, it is not easy to achieve the return, as the annual interest rate of "saving deposits" is about 0.75% and the annual interest rate of "fixed deposits" is 2.0-3.0% only.

If you desire a return that is higher than the "interest from deposits" from commercial banks, you will need to take a higher risk for a chance to achieve a better return. In the real world, there is no investment that provides a high return at low risk. An investment is like a coin with two sides – one is "a return" and the other is "a risk."

If you want a return that is higher than that from bank deposits, it is inevitable to look for other types of investment in assets that may have a higher risk than deposits, but allow you to yield a better "expected return" as well."

The idea of shifting "savings" to "investment money" involves shifting to higher "risks" of investment. However, this is based on what is generally known in finance as high risk, high expected return.