

Section 2

Question 11-20

Section 2 is a Bank Manager talking about money management.

Questions 11-15

Good morning everybody and welcome to one of Hong Kong's bank lectures on money management. I'm John Rogers and I'm the manager here. Money, they say, makes the world go round. Well, it is true that your world can come to a grinding halt if you have no money. We know you all agree, because that is why you have all come here today. Money, what do we want to do with it? Most people want to enjoy the money they earn today but also put some aside for a rainy day. The kids' education, that big house in the country you've always dreamed of and of course, retirement. In other words, they want to invest it. So let's talk for a little while on spending money wisely today and then I'd talk about the various types of investment you can make. The first question is, how much of your income should you enjoy spending today and how much should you save for the future? And the answer is different for different people. It depends on things like age, your health, how many children you have etcetera. Well, my initial answer is, write a budget for the necessities, food, rent, mortgage and loan payments. Clothing, health insurance, things like that. When most people do this, they say to themselves, "I really only need to spend £1500 a month, so how come I always spend nearly £2500". My mother used to tell me, look after the pennies and the pounds will look after themselves. What to do? Discipline. I suggest you take out the cash you need every week from the bank and keep a record of what you buy with a credit card and you must strictly limit what you spend every month to, for example,

your budget for essentials, plus an amount to say, 10% for a bit of entertainment if you want, and the unexpected like house repairs, that birthday present you forgot about. Things like that. If after 3 weeks you find that you have nearly spent your budget for the month, then stay at home for a week, no fancy restaurant or drinking with the boys. As they say, there's no free lunch.

Pause

Okay, so what do you do with the money you don't spend? Oh, one thing I forgot to mention is a good idea to have some money at the bank in case of big surprises. Say a 1000 or so. Don't be tempted to use your credit card unless you absolutely have to and get that safety cushion back in the bank as soon as you can. Right. So what should you invest in? The list is endless. Real Estate, stocks, and shares, equity funds. Did I hear someone say gambling? Well, if you have a crystal ball maybe. The government lottery? Someone once described it as a voluntary tax on fools. But I must admit, I spend a pound or two on it every week, but no more. It brings a little bit of excitement into my life even though I have a better chance of being struck by lightning than winning. Okay, let's start off with a basic principle. In general, the higher the potential of making a fortune by buying shares of a potential company, the one you have been told that will be the next IBM in 3 weeks, the higher the risk. We've all heard about the dot.com bubble of several years ago. Some people made a fortune, but they got out before the market crashed. A majority of investors lost their shares. Another basic principle, a balanced portfolio. A balanced portfolio means you have investment in a variety of things from low risks, but low return things to things like blue-chip stocks that are somewhat less predictable but which will probably provide steady if not spectacular returns for years to the riskiest of all, venture capital where success could increase the value a hundredfold or failure could wipe it out. Well, why don't we break for a coffee now then I will talk about the most common form of share ownership – common stock which makes you become a part owner of the company itself with voting rights and entitlement to dividend distribution if there is one.

Question 11-12

Complete the following sentence with NO MORE THAN TWO WORDS for each answer.

The manager says people want to save money for retirement, children's education, an **11**....., and a **12**.....

Question 13-14

Choose **TWO** letters, A-E

The manager says how much money one should spend and how much one should save
.....

- A. depends on individual tastes
- B. is clearer as one gets older
- C depends entirely on how many children one has
- D. should be decided after writing out a budget for daily necessities
- E. partly depends on one's health

Question 15

Write **NO MORE THAN THREE WORDS** for your answer

15. What does the manager say you should do if you have nearly spent your budget for the month?

Question 16-17

Complete the following sentences.

Write **NO MORE THAN TWO WORDS** for each answer

16. The manager refers to keeping some money in a current account for use in emergencies as a

17. This has been described as a voluntary tax on fools

Question 18-20

Select the correct letter A-F, from the table on the next page which corresponds with each item in the left column below

| Item | Corresponding letter |
|-------------|-----------------------------|
|-------------|-----------------------------|

| | |
|-----------------------------|------------------|
| Blue-chip stocks | 18. |
| Balanced portfolios | 19. |
| Venture capital investments | 20. |

- A. Best spread of risks to meet investors' objectives
- B. Known, guaranteed returns for a fixed period of time
- C. Should be purchased if the buyer is optimistic
- D. High risk, potentially high returns
- E. Always mean investment in new, small companies with excellent technologies
- F. Provide steady returns