

Are bonds safe to invest in?

Description

If you think investing in bonds are safe, think again.

Sometimes when I'm sitting at Macs or Starbucks and there's an insurance agent (meeting their client) nearby my seat I'll eavesdrop.

The most common product I always overhear them selling would be an investment-linked product. #bbinvestments And their pitch will always go somewhat like this:

?: "You know it is very important to invest right? If you only save money, you are actually losing money every year due to inflation."

?: "But I don't know how to invest! And what if I lose money?"

?: "This policy that I'm recommending you is very good. It protects you with insurance, and pools your money into a fund of other investors to buy a mix of investments. If you're worried about money, one of the funds I'll pick for you can be a bond fund. Bonds are very safe, like government bonds, won't lose money one."

I'm always rolling my eyes in the background when I hear stuff like this. But I don't correct them or spoil the sale for them la. Anyway I'm also not a financial advisor, not like I stand to earn money even if I do so right!

I touched a little on bonds on Day268 (eh anyone knows how I can link back old posts?) but seriously there are too many misconceptions about bonds.

I also read a lot about folks saying they invest in corporate bonds and tell their friends to go do the same...really makes me very worried.

Now, bonds are GENERALLY a safe instrument. Government bonds, that is.

You can't measure corporate bonds by the same yardstick, but unfortunately too many people do, because they don't understand finance.

Bond default: Fate of Perisai lies with secured creditors

🕒 PUBLISHED OCT 4, 2016, 5:00 AM SGT



Marissa Lee ✉

Perisai Petroleum Teknologi failed to repay holders of \$125 million of its notes due yesterday, marking the fourth corporate bond default here in 12 months.

There had been no bond default in Singapore since 2009 until the dominos started falling last November, when telecom firm Trikomsel missed payments. Fishing group Pacific Andes Resources Development followed in January, and Swiber collapsed in July.

Perisai, an upstream oil and gas services provider listed in Malaysia, had tried to persuade note holders to grant it a debt extension, but that proposal was shot down yesterday when investors refused to agree to the much looser bond covenants that came with the offer.

Another corporate bond just fell through again yesterday.

Just because bonds have been safe since 2009, does that mean they are ALL safe? No.

If you want to invest in bonds, I recommend Singapore government bonds. They're as risk-free as can be, and there are different types to suit your investment holding period and capital allocation. I've Dayred about this last month as well.

You can't say the same for corporate bonds. You must always ask yourself, why is the company borrowing from small investors like me?

Is it because they can't get a bank loan?

Why did the banks refuse to lend them?

Can they really pay me back the money?

Or will it be another case of the company paying you the high interest rate coupon for a few months, and then default on the entire loan later on?

If you buy \$200,000 of bonds like the Swiber case, even 5% of interest for a few months / years is not enough to make up for your entire capital loss of \$200k later.

I've mostly avoided corporate bonds so far, because a lot of the ones I've seen are dubious.

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Swiber Bond Scandal : Who Should The Retail Investors Blame?

Are you the one to blame?

BY DOLLARSANSENSE.SG ON SEPTEMBER 25, 2016

2-CENT RANT, COLUMNS, INVESTING, INVESTING 101, STREET SMART

*This article was first published by **Budget Babe**.*

Ooh just saw this article that DollarsandSense republished from my blog ?

I really hope more people read these and learn how to protect their hard earned money #dayresavings
#dayreinvestments



Just had a celebratory dinner and decided to buy this for N's mother who loves sweet stuff like me!



I can't wait to try these out! ? bought all these at 6 for \$8 when it is originally \$2.90 for one, crazy good deal because the shops were closing for the day ?

On another note, finally settled my wedding hair and makeup artist, as well as my food menu for the actual day!

I'm quite excited because the food looks and sounds so yummy?!? We are even creating live stations so that our guests can be pampered by the chefs on site.

The dessert table also looks and sounds so amazing! I can't wait to see all the macaroons and the other sweets! Feels a bit sad that as the bride I probably won't get to eat a lot on the actual day but at

least the guests will!



Going with a Korean look and natural feel for our wedding! Can't wait to see how it spans out, but photos will probably only be ready at the end of the year.

Category

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