

Enough Talk, More Action.

Sunday Star (17 July 2016)

By: Ismitz Matthew De Alwis

IT is a fact and longheld belief that if you fail to plan, you plan to fail. Perhaps this sounds familiar, so why have you not yet taken action and left ground zero? While ground zero does have some level of comfort, it gives you a false sense of wellbeing and security – it is time to take charge of



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your personal finances and retirement fund. To have a comfortable and enjoyable retirement, you need to start planning now.

This is because there are many things in life that are beyond control and you would not want to be caught unprepared when things go wrong. Perhaps you are not the do-it-yourself (DIY) type with limited knowledge of the stock market, mutual funds and insurance and number crunching is not your thing.

Meanwhile, you have modest savings in deposit and you are unsure of what you can do with it to generate a higher return.

Seek a financial planner

So who can you go to for help? Who can you trust to confide in and provide you with sound advice regarding your finances? In this case, a financial planner is the perfect person for the job. A financial planner is someone you can trust to advise you on the management of your personal finances. Financial planners are qualified professionals who can advise you on how best to save, invest and grow your money. They can help you with specific financial goals such as preparing to make purchases (such as a house) or give you an overall view of your finances and the relationships between the different asset classes in your portfolio. Some financial planners

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specialise in retirement or estate planning while others operate on a range of financial matters. However, not all financial planners are experts and the concept of financial planning is still at a nascent stage in the country. Over the years, there has been much talk about change and the pioneers of the industry must transform from being product driven to advisory based individuals who are focused on clients' needs and interests.

Take action and move forward

Financial planners are not to be confused with remisiers, who help with trading stocks. Neither are they accountants who assist in your taxes, insurance agents who offer life insurance policies nor are they unit trust consultants who urge you to invest in mutual funds. They are also not will writers who assist you in family trusts and estate planning. While you as the individual must change your mindset and kick into gear to achieve your financial and life goals, the industry and financial planners need to change as well to move forward. They have to move beyond meaningless squabbles and trying to achieve the perfect business model. Times are changing and the only constant in the continuum is change.

Client centric service

Financial planners must decide how to run their business - whether they will choose to be bound by an agency structure where commissions to the product sellers take precedence or whether they will choose to be client-centric, spending quality time with clients to understand their financial and life goals before recommending the best-suited product rather than pushing those that are not applicable to clients' objectives. While it is a tough decision to make, it is a very necessary one.

Many argue that the final decision need not be one or the other but to find the balance between clients' interests and remuneration of financial planners. Whether this becomes the accepted formula in the

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industry will rest on clients' shoulders – their preferences will ultimately determine how financial planners ply their trade. Product-driven financial planners have long maintained that the effort made and time spent with clients to work out a financial plan is too arduous and does not commensurate with the income expected.

To them, it is much easier to just do traditional hardsell, which is perhaps why many people are apprehensive about engaging a financial planner as they do not want products to be pushed down their throats. Meanwhile, proponents of needs-based selling say it is critical for financial planners to understand their business from a client's perspective.

The clearer they explain their services to clients, the easier it is for prospective clients to make critical decisions to engage them. The consultative approach in need-based selling requires financial planners to listen to clients and hold the clients' best interest at heart when recommending products.

As a potential investor and consumer of financial planning services, you must decide if you would like to venture into financial planning independently or seek the services of an expert to help manage your money. For some, taking a DIY approach may be a good idea but for others, it is not plausible as to be skilled and proficient in personal financial planning takes hours of learning and research.

Hence, as you progress in your career and gain greater income, a financial planner can help you save ample time in managing your money. Financial planners also help you focus on financial strategies and planning. Staying disciplined is tough without help and procrastination is often the cause of many financial problems and loss of unrealised potential. Hence, it is advisable to have a financial planner who can help you on your journey and stay on track.

With a myriad of things to do when it comes to organising your personal finances such as capital accumulation for emergencies, family, education and protection against risks of premature death, disabilities, medical and long-term care expenses, unemployment, properties and liability losses as well as your general investment portfolio such as retirement planning and provision for retirement income, tax planning, estate planning and property management, you can be overwhelmed.

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These are complex tasks that would be wise to seek the help of a good financial planner. Financial planners and clients alike need to undergo a mindset change. You as a client need to stop putting off what needs to be done and start planning to secure a more organised financial life and be prepared for retirement.

Financial planners, on the other hand, need to throw out old business models and start looking at financial planning from a different standpoint, one that does not put commissions first but instead has the best interest of clients at heart.

When planning your retirement:

- Account for large purchases you are looking forward to such as a holiday, and everyday living expenses
- Aim for a larger sum for your egg rather than underestimating what you will require
- Consider creating three different budgets for each phase of retirement to account for the variations in spending
- For healthcare expenses, use your own health and family history as a guide
- Keep an emergency fund in retirement in case of unpredictable health problems

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Ismitz Matthew De Alwis is the executive director and chief executive officer of Kenanga Investors Berhad. He is a certified financial planner and also the deputy president of Financial Planning Association of Malaysia.



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While ground zero lives have some level of comfort, it gives you a false sense of well-being and security – it is time to take charge of your personal finances and retirement fund.

To have a comfortable and enjoyable retirement, you need to start planning now. This is because there are many things in life that are beyond control and you would not want to be caught unprepared when things go wrong.

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However, not all financial planners are experts and the concept of financial planning is still at a nascent stage in the country. Over the years, there has been much talk about things and the pioneers of the industry must transition from being product-driven to advisory-based individuals who are focused on clients' needs and interests.

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require expert assistance and it would be wise to seek the help of a good financial planner.

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Financial planners, on the other hand, need to move out of old business models and start looking at financial planning from a different standpoint, one that does not put commissions first but instead has the best interest of clients at heart. – By Francis Matthew De Alencar

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