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- **BANK NEGARA**
  ECONOMIC AND ANNUAL REPORT
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  WHEN BABY MAKES THREE – FINANCIAL PLANNING FOR PARENTS-TO-BE

AKPK FOR A BETTER TOMORROW

AZADDIN NGAH TASIR

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Life Changed or Being Changed, Financial Planning Helps

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Everyone desires a good life, hoping to live happily with their family and with good companionship through life's journey. However, you might find yourself caught in the middle of something not planned for and unexpected like job loss, illness or perhaps other life challenges. However, a comprehensive financial plan can help you prepare for such life events and bring you closer to your financial goals. There are a few areas of financial planning such as cash flow management, risk management, investment planning, retirement planning and estate planning, that warrant our concerns.

Cash Flow Management is the key to financial planning-managing finances by carefully controlling how much money goes in and out of our bank accounts monthly. We must clearly examine our financial condition. One of the biggest challenges for wealth creation and achieving long-term financial security is not spending much more than you earn. Many fall into the trap of overspending and creating unnecessary debts especially via the use of credit cards or personal loans.

According to research conducted by the Statistics Department in 2017, Malaysians have an outstanding balance of RM36.9 billion on credit cards alone. And shockingly, a total of 845 people, aged 30 and above were declared bankrupt due to unpaid credit card bills just in the first half of 2017. It is a painful for consumers to use a long period of productive time in debt repayment. Financial Advisers play a vital role in financial planning by assisting clients in budgeting. We must and have to manage our finances well today before we can set future goals!

It is apparent that during our life's path, our efforts to achieve individual goals are always lined with roadblocks and detours. Risk planning is another major area of concern, which is planning for unforeseen circumstances such as death, disability or severe illness of a breadwinner, a business owner or just about anyone. We have created many financial tools and instruments such as insurance to transfer risks, protecting ourselves from such situations. However, procrastination, hesitation and ignorance are the biggest obstacles, which would ultimately lead to tragic financial consequences. This is where Financial Advisers play an important role in supporting their clients to implement their risk and insurance planning decisions.

A client of mine aged 35, was planning to get married. One month before the joyous occasion, he suddenly had a stroke. His wedding was cancelled as he had to go through few surgeries and prolonged treatment. I clearly remember meeting him 4 months before his wedding, consolidating his coverage and provided advice, stressing his need for income replacement plans which could have helped to pay for commitments and expenses in an unlikely event such as this. Sadly, his procrastination and his over confidence in his own health delayed the important decision of increasing coverage. Though he was compensated with a small amount of existing insurance coverage, he was forced to sell off his house to cover his monthly expenses since he could not work, perhaps never in his lifetime.

Investment planning is another part of financial planning, where wealth accumulation is utilized to achieve financial objectives. This would include but not be limited to funding for children's education, own retirement, purchase of income- producing assets, and ultimately achieving financial freedom. It is important to ensure the investment tools and instruments fit your personal values, concerns, financial goals, time horizon and risk tolerance.

The life expectancy of Malaysians has been steadily increasing over the past 10 years, having risen to 75 years on average. Hence, it is important to plan for retirement by selecting the right instruments to accumulate retirement wealth. One common way which is not commonly known though, is to create retirement income by constructing a portfolio of investments designed for long-term return, allowing the retiree to withdraw money on a monthly basis, month after month, as long as they live! Professional CMSRL licensed financial planners would be able to advise on suitable, widely diversified portfolios across multiple asset classes, fund managers and financial tools.

Lastly, I believe nobody likes to think of death, but it is necessary for everyone to plan for this inevitable event. The biggest worry for most is what will happen to their loved ones and how their wealth will be distributed to them.

The best way to plan for will and trust distribution is to create an estate plan. Wills and trusts are among the important instruments for this. If a will is not drawn up or not properly drawn up, there will be a long and arduous wealth distribution process with a great potential of creating chaos among family members and them having to incur lots of unnecessary expenses!

In a nutshell, financial planning is very important as it will change our life. We can never know what will happen tomorrow but we have choices in whether we choose to live for the worse or the better. Engage a professional and licensed Financial Adviser today to help make your financial dreams come true! Here in Malaysia, Financial Advisers obtain the Financial Adviser's Representative (FAR) licence from Bank Negara Malaysia and the Capital Markets Services Representative Licence (CMSRL-FP) from the Securities Commission Malaysia, to provide regulated, unbiased and holistic financial advice.