

R E : P L E N I S H

The 5C's of STAYING ALIVE FINANCIALY



Continued Employment

The financial storm, which broke out in the USA in September 2008 after one year of brewing and the turmoil it caused worldwide, brings to mind the Bee Gees song 'Staying Alive'.

by David Choo

All of us need to keep our cool and our wits to stay alive financially.

Whatever the cause of the financial storm, the question is whether knowledge of financial planning principles would help us read the warning signals earlier and be better prepared.

But what good is financial planning for the silver generation? Isn't it too late to do anything about your finances when you hit 45 and more? What good financial advice or tips are there for families and singles

who are already in their mid-life and perhaps going through some mid-life crises?

Having been through the 'pressure years' (age 45 to 55), I think the five important concerns can be summed up in 5Cs:

- Continued employment
- Children's education
- Cholesterol (or health issues)
- CPF (investment and retirement issues)
- Credit (loans and debt issue)

In this first article in the series, I will focus on 'continued employment'.

The pressure years

Having managed a financial advising firm for 22 years and provided financial planning for many families and individuals, I can't help but notice that financial planners focus on what to do with clients' money – how to protect it, how to make it work more for you and how to ensure it doesn't run out in the retirement years, etc – but tend to neglect one important aspect – there is no advice on how to earn money.

This is perhaps an area best left to the individual and to perhaps life coaches or mentors. Yet, 'continued employment' is the most important first step to becoming rich. There is no need for financial planning if there is no money (wealth) to begin with. The only thing that could be done for families and singles without any savings is to advise them to do a financial budget and start a savings plan.

What are the concerns of a mid-lifer in the area of continued employment? Allow me to share my experience.

My experience

1994 is not as well-known as George Orwell's 1984. But 1994 was a pivotal year for me – I turned 45 that year

and started greying at my temple, but it wasn't due to age alone. What weighed heavily on me was the parental responsibility I faced as the breadwinner to provide for a wife and four boys aged 17, 15, and 10 and 10 (twins born in 1984).

Alexander Pope may have his reasons to say that ignorance is bliss, but I did not have this option as I faced my family at the dinner table each day. Being in the know of financial planning both as a practitioner and a lecturer, I knew exactly what I needed to do to see my four boys through university.

Firstly, I had to remain healthy and must be very careful not to trade health for wealth as I sought to provide for my family. I needed to be strong to work and bring in the money. I calculated that I needed at least S\$300,000 extra in the next ten years to provide for funds for my sons' education needs.

To reduce my potential commitment, I told all my sons that the cost for a local university degree would be fully funded. However, if they choose to study at other campuses or abroad, the extra expenditure would be treated as a loan to them. This preemptive measure unfortunately worked only on the eldest; it failed to motivate the younger three!

Besides having to keep healthy, I realised that I had to remain sharp and on top of my job to ensure continued employment. It was a good thing that I had already realised this when I was younger, and had obtained several professional qualifications to stay sharp and therefore employable. Should my own business fail, my fallback plan was to join an insurance company or another brokerage, or to lecture and train. As a precautionary step, I decided to lecture on financial planning and insurance to reduce my 'loss of income' risk. This step also paid dividends as it enhanced my reputation and my company's reputation.

I also remember sharing this issue of an alternative career with my tennis *kaki*. He went on to take up a coaching course to qualify as a tennis instructor. He not only qualified, today he is resident part-time coach at his condominium and enjoying it.

Protecting your job?

As it turned out, I did not have to change course. But it gave me some peace of mind to have options. To obtain a greater measure of peace of mind, I looked into the area of 'protection planning' to ensure that if I was dealt a short end, there will be enough life insurance to provide for my wife and kids. The simple formula is to multiply the annual financial needs by the number of years to see my youngest son through college and to insure my life for this.

Since there is no insurance against losing your job, the next best thing to do is to insure against losing your income due to your inability to work, which can be caused either by an accident or sickness. Disability income insurance was already available in the 1990s, but even to date the majority of wage earners have not insured themselves for it. This spells financial disaster in the event of a major accident or illness.

The premium is affordable. For a male aged 45 class one occupation, and purchasing a benefit of S\$1,000 per month with an escalation (inflation) benefit of 3% each year, with benefit payable up to age 65, the annual premium is about S\$400; for a female counterpart, it is S\$613.40. So if you need to have \$5,000 monthly benefit which increases by 3% annually and you want the benefit paid from date of disability to age 65, you have to pay about S\$2,000 if you're male and S\$3,000 if you're female – a small price to pay for peace of mind.

Half-time

Besides ensuring employability

and taking insurance just in case of premature cessation of work, the mid-lifer often has to grapple with more 'spiritual' and psychological issues. Bob Buford in his well-known book *Half-time* presented the idea of dedicating the first half of one's working life to success, and the second half to finding significance. Interestingly, many people begin to experience mid-life crisis of one kind or another as they hit 40. Reinventing oneself, finding one's true passion, embarking on a new journey – these are just a few challenges. The key thing is to take an inventory check of your situation – your job, your health both physical and financial, your industry prospects, your skills, your passion, your dreams. We need to do critical thinking and would benefit from talking to a mentor or counsellor of sorts, who can serve as a sounding board or provide sound advice.

Identifying life and employment skills, and picking up these skills can be important first-steps to keeping and staying on top. An accountant friend found it useful to take up law and add to his effectiveness and employability. An engineer friend picked up a safety officer's certification just in case he is retrenched from his present job in the electronics industry. For those who are interested in finance, obtaining the required examinations to be a Financial Adviser is a passport to a good alternative career which does not require any capital.

However, for businesses which require injection of capital and high set-up cost, the risk must be carefully evaluated. I have seen far too many people with little or no business experience starting ventures in their 40s or 50s, and losing much, if not all, of their hard-earned savings. Staying employed and keeping yourself employable is certainly a surer way.

Conclusion

The best and safest financial plan is to ensure you are employed and

employable or have other good options to keep on earning good regular income.

While working to achieve your financial goals, make sure you are insured in case your time runs out earlier than hoped. Your financial adviser will be able to advise you on what is needed.

Looking back, I am glad that I succeeded to negotiate through those pressure years of 45 to 60 unscathed and unscarred. I wish you a successful and enjoyable journey. **SL**



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