

# Money Talks

People need to talk money and walk the talk for a financially sound future, advocates Mr David Choo.



It may seem ironic but Singaporeans do not talk enough about money, at least not seriously.

Sure, many Singaporeans gripe a lot about money being not enough for a host of things and, definitely for at least two-thirds of retiring Singaporeans, there will not be enough money for their long years of retirement going by CPF statistics. But serious talks about money matters is lacking.

In a Business Times article from Reuters in April 2006, rich families in Geneva, no less, were urged to talk about money. The article advocated regular family meetings like board meetings to discuss bank balances, investment strategies and philanthropic and other goals. These would prevent sibling rivalries and personal disputes from sapping family finances. These family meetings would help buck the trend of family fortunes not surviving a third generation either because of poor

succession planning or relationship problems. “Marriage, divorce, children, jealousies, misunderstandings and simmering tensions could also wreck a family’s finance when there was no clear business-making process. Conflicts have to be taken as normal. Conflict is not a bad thing. Conflict is natural. The family’s ability to manage those conflicts and arrive at good decisions is absolutely essential.” the report added.

## WHAT ABOUT US IN SINGAPORE?

I think there is not enough serious talk about money in our families, schools, companies and social circles. Money is important – that all of us know too well. We are reminded constantly “everything is money”, and the media glorify wealthy men and women, and young people as well, who make good financially. Money brings power, reputation and it looks increasingly, more sex as well. But serious talks about money are left to the financial planning classes, which, however, focus more on theory and textbook stuff.

Financial planning is not new, but has yet to make any inroads into Singapore. Many people still think common sense is all that is needed. For others, the jargon the insurers, banks and stockbrokers like to use make them shy away and do what they feel are easier – fixed deposits and property. Some have been led into structured deposits often unwittingly, while many are put off by their poor unit-linked and unit trust returns. The culprit is too little serious talks about money matters.

The only financial education that many receive is from their agents or financial advisers and the media. Unfortunately, the main media, the press, tend to highlight problems more than the benefits, and make readers rather skeptical and wary. Unfortunately, too, many agents and financial advisers are relatively new to the business, or remain product pushers and take cues and orders from their clients instead of leading their clients. Unfortunately, too, many clients do not want to spend the time going over serious stuff and only solve their immediate needs or crisis.

### WHAT CAN BE DONE?

There are signs that the scene is improving. More people are attending talks conducted by the MoneySENSE programmes, product providers and financial advisers. But the public must discern the difference between the MoneySENSE talks and write-ups which are neutral, and the talks by product providers which are biased towards promoting their companies' products. It is well nigh impossible for a layman to dissect what a company presenter says, and to compare the complex products of different product providers would only serve to confuse him even more. It is interesting to note that a public announcement by the Life Insurance Association about the investment rate of return issue in October 2006 advised against comparing products of different companies since the return of products and their terms differ. Whether this state of affairs is good or bad, the public must decide, but it would serve the public better if products become easier to understand and be more easily compared with others.

Meanwhile, given the complexity and the multiplicity of products and their frequent replacements, consumers should consult those most able to help them sort out the sheep from the goats. Financial advisers who are able to distribute for a large number of product providers are better able to do this than those who are tied to one firm. Everyone doing sales in the financial services industry is called a financial adviser, so the first thing consumers need to do is to know who he is talking to and which product providers the adviser represents.

Another development is the attempts by some product providers to cut out the intermediary like licensed advisers, brokers and their own agents. Cutting out the intermediary may appear to be a simple move to save on the commissions paid to these intermediaries, which purportedly will be passed on to

clients by way of lower premiums. If this is the case, one would expect every firm would have come to this model long ago. The fact is that the client needs advice by a person who is qualified, experienced and motivated, and better still, not biased toward any product or product provider. The fact also is that the client will need to be serviced, and if he deals with an adviser whom he has appointed himself and trust fully, he can be assured of continuing good service. Contrast this with having to call up a person in the financial institution and speak to a stranger who likely will not be there to serve him a few months later.

Disintermediation (getting rid of the intermediary) has been on the agenda of Board Meetings for a long time, but strangely it has not succeeded even with the advent of the internet. On the contrary, in the United Kingdom, a few firms decided to hive off their tied agency system but continue to rely on brokers and independent financial advisers. The reason is that clients know that objective advice is important and this can only be obtained from independent financial advisers.

Coming back to the family meetings, which should be like board meetings, to discuss financial matters – the point, is that, it is attended, and often presided, by a financial adviser who is best able to guide the members along.

Everyone irrespective of his financial background and circumstances will benefit from good financial advice. The have-nots will learn how to budget, save and protect themselves against sliding down. The more well-to-do will learn better how to invest. The rich will learn to stay rich and even move ahead by noting the pitfalls. A good financial adviser can provide the advice, solutions and service for all levels.

My goal in business some 20 years ago was to be more than a salesperson and to provide advice and solutions like a family insurance broker, akin to the family doctor, or lawyer. Today, in keeping with the industry, my goal is wider and extends to being a family and corporate financial adviser and broker to my clients. The key challenge I have found is not just to keep up with the industry – the changes, the new products, new technology, etc. – but to get my clients to talk more about their money and to do something about it. Hopefully, this will spur more people to have more serious money talks and more regularly. **SI**



David Choo, ChFC, CFP, is the Managing Director of PromiseLand Independent Pte Ltd, a licensed Financial Adviser. He can be contacted at email: davidchoo@promiseland.com.sg or telephone no. 62942461.