



▶ The Avengers & Healthcare 1



▶ Fees, Termites in My Plan 2



YAMAN Coach

EMPOWERING YOU

The Avengers & Healthcare

by Coach John Hero A. Salvador, RFP®

When Thanos, the main villain from the Avengers movie, snapped his fingers, half of the population was eliminated. Similarly, in a snap of a finger, life may change.

We like to think of what to do when we receive windfall fortune. However, we tend to avoid the thought of being hospitalized, disabled or dying, which have a significant impact on the finances of a household. We have heard of families being buried in debt and selling properties or investments even at a loss just to cover the medical expenses incurred. Not to fret though as we have the capacity to minimize the financial impact of such medical expenses.

Consider the following to manage potential medical bills:

- Philhealth - Click the link for the details. <https://www.philhealth.gov.ph/benefits/>
- Health Maintenance Organizations (HMOs) – HMO’s defray accommodation costs and some medical procedures. Read carefully the HMO manual to see the coverage details. For individuals without HMO coverage, it is important to look for an HMO company affiliated with their preferred hospital and doctor. Note that some HMO companies require applicants to be active Philhealth members as deductions through Philhealth will be made first on the outstanding bill while the remaining balance will be covered by the HMO. Check out the following link for the latest list of HMOs with Certificate of Authority from the Insurance Commission.

<https://www.insurance.gov.ph/wp-content/uploads/2018/07/List-of-HMOs-with-CA-issued-by-IC-for-LY-2017-2019-as-of-17-July-2018.pdf>.

- Hospital income benefit riders – As an insurance policy rider, hospital income benefit compensates individuals for being hospitalized, whatever the reason and wherever hospital they are admitted.
- Other sources – Medical assistance can be obtained from local governments, the Social Security System (SSS) through sickness benefits or from Philippine Charity Sweepstakes Office PCSO. See the following for further details:
 - <https://www.sss.gov.ph/sss/appmanager/pages.jsp?page=sicknessqualifying>
 - <https://www.pcsso.gov.ph/ProgramsAndServices/CAD/IMAP.aspx>

We often pay little attention to the potential for disability. Yet, disability can deplete our financial resources. Aside from the initial hospitalization, prolonged recovery and loss of income or job are possible. In addition to disability benefit riders attached to insurance policies, the SSS and Government Service Insurance System (GSIS) also provide disability benefits. Click on the following links for the details.

- <https://www.sss.gov.ph/sss/appmanager/pages.jsp?page=disabilitypension>
- <https://www.gsis.gov.ph/active-members/benefits/disability/>

Some employers also provide disability benefits and it would do the employee well to be familiar with such benefits.

The average lifespan of males and females in the Philippines are 69 and 73, respectively (Philippine Journal of Science 147(1), March 2018). Also, around 69% of male population dies below the average lifespan; around 53% of female population does the same (Registered Death in the Philippines for 2017, June 2019). The top causes of death for the Philippine population (Registered Death in the Philippines for 2017, June 2019) are: 1) heart attack, 2) stroke; 3) cancer; 4) Pneumonia. Clearly financial plans need to address the risk of contracting the critical illnesses mentioned above. Critical illness benefits, now commonplace with private sector life insurance policies, help address this need.

Dr. Strange, one of the protagonists in the movie Avengers – Infinity War, saw only one in 14,000,605 scenarios of winning against Thanos. In a similar way, we in the real world have an infinitesimally small chance of not being sick, giving rise to the need to plan for such life events not only for ourselves, but also for people who matter most to us.



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Time is your ally when it comes to investing. The earlier you start, the better. But no matter how early you start, there are still factors to consider in generating better returns on your investment.

I initiated my financial fitness journey with zero knowledge, background or connection. I was juggling my studies as a third-year college student and my obsession to seek relevant information.

During one of my classes, my college professor said that in order to get promoted or receive a salary that can fully support a family, we need to work hard for more than 10 years. I was frightened by that idea, which led me to scout for ways to earn more while I worked earnestly on my future corporate job.

Years ago, I saw an advertisement about making my money grow through an investment fund. I invested all my resources in that fund and added money religiously every payday. But I gave no time to reading the prospectus, which would give me an idea of how much the management fees were. Aside from the management fees, I had to pay for entry fees whenever I would add to my investment.

Albert Einstein famously said, "Compound interest is the 8th wonder of the world. He who understands it, earns it; he who doesn't, pays it." It stands to reason that whenever my investments would grow, so would the management fees. This prospect taught me an invaluable lesson and led me to do in depth research on personal finance.

I found out that both management and entry fees matter, and a lot.

Consider a 30 year-old planning to retire at the age of 60. He wants to invest the Php100,000.00 he saved up and add Php50,000.00 yearly in an equity Fund 1 that charges a 2% p.a. management fee and 2% entry fee plus 12% VAT on the entry fee. On the assumption of a 7.3% p.a. net return (the compounded annual return of the PSEi from 1988 to 2019 as computed by PFA), the 30-year old will have grown his money to Php3.53 million by the time he retires.

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by Coach Rose D. Gases, RFP®

Now consider the same investment parameters for the 30-year old but this time investing in Fund 2 that charges a management fee of only 1% p.a. and no entry fee. Under Fund 2, the 30-year old would have grown his money to Php4.31 million, a difference of around Php780,000.

But we need to clarify some matters. First, many funds offer rights of accumulation. This means that the higher your cumulative investment in a fund is, the lower will be your entry fee for your succeeding investments. Some funds do not even charge entry fees after a high level of cumulative investments. On the other hand, some funds do not charge entry fees but charge high exit fees that diminish through time and eventually end up being zero. If the goal is to invest for the long-term, without any expected withdrawals, most of the investments will have no entry and exit fees.

Management fees are there because you are paying for professionals who are all "SET". These professionals have the "Size" of funds to demand in depth research from the large research teams of brokers as well as command lower investment transaction fees. These professionals have both the "Expertise" and "Experience" in investing. And these professionals have all the "Time" in the world to manage your money.

What you need to find out is if the return they are making for you beats your own benchmark return, which can only be determined through extension financial planning. Moreover, you need to look at how efficient they are in generating returns. This means that you need to look at their risk-adjusted returns, or the returns they generate for the risk they are taking.

Still, the lower the fees, the better.

Editor's Note

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Editor-in-Chief



This is the maiden issue of the **YAMAN Coach** e-Newsletter.

PFA's purpose here is to offer practical solutions to today's concerns on wealth management. Since wealth is a universal topic, this e-Newsletter will deal with the financial issues facing people from baby boomers to Gen Alpha, and whatever else generation comes into after.

The contributors to this e-Newsletter are PFA's **YAMAN Coaches**, professionals who are dedicated to providing the highest standards in financial planning advice. They are trained in the PFA **Masterclass** in Financial Planning and bear global certifications either as Associate Financial Planner (AFP®) or Registered Financial Planner (RFP®). If you want to be a **YAMAN Coach**, please visit

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