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YAMAN Coach

EMPOWERING YOU

Personal Finance is for Losers

by Coach Atty. EnP, Zigfred Diaz, ReA, ReB, CSS, AEPP, RFP®

Personal finance is becoming more and more popular nowadays. Almost all major national newspapers have a section on personal finance. Insurance companies already shifted their marketing strategy from directly selling insurance to helping people realize that life insurance is an integral part of financial plans. Once the economy gets back on track after CoVid-19 and people regain the growth in their disposable incomes, having a personal finance plan will likely become hip once more. And people with three-letter designations in personal finance would naturally be the logical advisers to seek.

So, what is the fuss about personal finance? Don't you know that personal financial planning is for losers? Here are the reasons why that is so.

<u>Having a personal financial plan helps lose worries and stresses</u> – While it is not a guarantee that you will have a stress-free life if you have a personal financial plan, it will certainly help reduce the financial stress in your life. Imagine having to go through the rat race worrying about whether you saved enough for your children's education, retirement, and other dreams and goals that need financial backing. The future is always unpredictable and uncertain. Uncertainty causes us to worry, thereby causing stress.

The way to reduce this stress is to have a financial plan. Retirement planning, as the other article in this newsletter shows, allows you to raise your head above the noise of daily living to see your goals clearly and help you navigate towards it more precisely.

<u>You will lose a lot of wasted time if you have a personal financial plan</u> – We are all limited in the time that we spend on this planet; hence it is very important to make sure that every moment we spend here is worthwhile. Since our goals and dreams need to be backed up financially, if you have a comprehensive financial plan, you will make sure that every second counts to reach that goal. If you do not have a personal financial plan you will just go through the motions of life wasting your time doing things that have no contribution at all to your dreams or goals. Having a financial plan gives you a sense of mission, purpose, and direction.

<u>Having a personal financial plan will help you lose the negative things in your life</u> - Since you will become more concerned about achieving your goals as backed by your personal financial plan, you will end up becoming a better version of yourself as time goes on. Slowly but surely you will start to lose the negative things about yourself and become a more focused individual, concerned more about achieving what you want in life and willing to give up the things that will stop you from or slow you down in achieving your goals.

With all these things you lose from having a personal financial plan, surely you will want to have one. Indeed, having a personal financial plan will make you a loser, a loser for the better. And eventually, you will be able to live life "looser".

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Retirement Planning 101 (part 3)

by Coach John Hero A. Salvador, RFP

When talking about retirement planning imagine the desired retirement lifestyle then know its corresponding costs at the present time rather than thinking of a lump sum retirement nest egg and formulating strategies to stretch it during retirement. Concretizing retirement goals makes it easier to latch on to them.

Concretizing goals goes so far as to estimate detailed expenses in retirement, which is what SMART goals are made of. It would also be helpful to segregate the expenses into nondiscretionary and discretionary costs to facilitate tweaking the budget.

The nondiscretionary expenses are required for the upkeep of household like utilities, transportation, food, and the all-important medical care. On the other hand, discretionary expenses include entertainment, travel, dining out, and hobbies. In addition, there needs to be an allowance for possible unexpected expenses / expenditures. The end result will be a one-year budget, which value can be forecasted at the onset of retirement using an assumed inflation rate.

By way of example, let us assume a 40-year old who wants to retire at 65 and expects to be in retirement for 20 years. If the one-year retirement living budget today is Php600,000, the total future value of the 20-year retirement period is Php67.2 million.

When this total future value of retirement expenses is compared to what a person has already set aside for retirement by the age of 40 and what he plans to periodically add to his retirement fund, he can derive the weighted average investment return he will need to earn. At this point, a person needs to assess whether he is open to facing the level of risk associated with the investment returns he will need to make to realize his retirement goals. Depending on his risk appetite, a person may put his funds in a variety of investments ranging from simple time deposit placements to sophisticated financial securities like derivatives and even in a business. In this regard, a financial planner can help in structuring a diversified portfolio of investments to achieve the target return for lower risk.

At the same time, the financial planner can help the person do simulations on his retirement plan to make it more affordable by varying, wherever possible and to the liking of the person, the levels of retirement cost budget, starting funds, periodic additions to the retirement fund, retirement age and even the length of retirement.

When the final simulation is made and accepted, the person can use the derived weighted return to look for the investment outlets. As mentioned earlier, such investments can be comprised of a portfolio of securities and even businesses. And the person needs to remember that should he decide to do the investing directly, he must be all SET, with "S" standing for sizeable funds, "E" standing for expertise as well as experience in investing in his chosen outlets, and "T" standing for time available to fully manage his investments. If he lacks even just one of these variables, he should just have his funds or business managed by professionals. (To be continued…)

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Editor's Note

Efren Ll. Cruz, RFP®
Editor-in-Chief

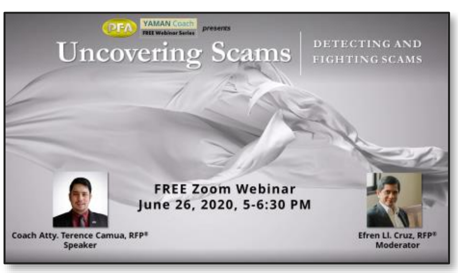
Will Christmas 2020 be cancelled?

Christmas is still more than six months away. But this early, we cannot help thinking that the holiday celebrations might be cancelled due to the ongoing pandemic. Many experts say that people should expect SARS coronavirus II to be around well into 2021 and some even say up to forever. While that may be true, some scientists also say that for viruses to survive, they need to evolve and be more friendly to their hosts.

If indeed the virus will still be around by Christmastime, could it be as deadly and contagious as it was at the start of the year? Only time will tell. Regardless, what SARS coronavirus II cannot cancel is the spirit of Christmas. And if you accept that, then the first few months of 2020 have shown that Christmas is already here. For how can you explain how frontliners braved the pandemic storm to cure and protect others, and how everyone else did their share not only in supporting such frontliners but also in following safety guidelines?

There is something here more powerful than the virus, and that is the spirit of Christmas, the spirit of giving.

PFA EVENTS



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