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YAMAN Coach

EMPOWERING YOU

Record Keeping

by Coach John Hero A. Salvador, RFP®

Imagine we are playing the game "Bring Me". The host says, "Bring me…your pays slip for the last three months!" Will you be able to produce them?

Having documents related to your financial activities stored in safe location is important. A common example of not doing so is the monumental search for the insurance policy of recently deceased family member. Another example is an asset that was not included in the estate because only the deceased knew that it existed. Think of the possibility of missed benefits for the household because of overlooked and mishandled documents.

What then are the important financial documents that a household must file? These are the following (adopted from Kapoor et al., 1997):

- Money management records
- Personal records (birth certificate, marriage certificate (if married), identification cards, passport, SSS/GSIS records, Philhealth records, medical records, etc.)
- Employment contracts/records
- Tax records
- Credit records
- House and car records (ownership titles, amortization contract and payment records, lease contract if renting, etc.)
- Insurance records
- Documents related to big-ticket items such as receipts and warranties
- Estate records, wills, and trusts
- Investment records

It is understandable that you may think that the list is quite long. However, think of the convenience that this will provide once the files are secure and orderly kept!

I remember last 2009 during the typhoon "Ondoy" when our house was flooded. Luckily, my parents were able to keep all important files in rigid plastic cases.

An important thing to note is that there should be two people who know where the records are kept so that the documents will not be overlooked in the future.

How do these documents affect your financial security and your pursuit of goals? Having these documents kept well and on hand facilitates effective review of your financial situation, from reviewing your balance sheet and cash flow statement, updating your social security records and government benefits to keeping stock of your insurance coverage. Updating these documents can be done quarterly or twice a year.

To manage volume of the documents, it is advised that you keep documents within the past three years. And in case you are considering throwing away some of these documents to minimize clutter, consider creating a soft copy first and storing them in a hard drive or secured cloud before you dispose of them. Here are some suggestions to do so:

- Start with the documents most important to you then work your way down
- Start securing documents that are with you already available and easiest to obtain

Seeing the compiled documents stored in an organized manner in a case or binder will be a sight to see and will provide you the psychological impact that you are beginning to have better control of your financial situation (remember, mindset is important!).

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Three Most Important Words in Investing

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

If you were to capsulize investing into three words, what would those be? According to legendary investor, Warren Buffett, these words should be "MARGIN OF SAFETY".

The concept is simple yet powerful. Entire books have been written on it. Any investing seminar, whether directly or indirectly, would involve a discussion on margin of safety.

Warren Buffett was only echoing what his mentor Benjamin Graham said. In Chapter 20 of Graham's seminal work, "The Intelligent Investor" he concludes the book with a chapter on Margin of Safety as a central concept in investing and wrote "In the old legend the wise men finally boiled down the history of mortal affairs into the single phrase, This too will pass. Confronted with a like challenge to distill the secret of sound investment into three words, we venture the motto, MARGIN OF SAFETY. This is the thread that runs through all the preceding discussion of investment policy-often explicitly, sometimes in a less direct fashion."

So, what does "Margin of Safety" mean? It simply means knowing how to minimize your risk by investing at a certain price that would decrease the probability that you would lose money if not eliminate the possibility of such whatever factors might impact your investment.

But how do you actually apply the concept of Margin of Safety in your investing? Let us learn further from Benjamin Graham himself who has this to say: "We greatly doubt whether the man who stakes money on his view that the market is heading up or down can ever be said to be protected by a margin of safety in any useful sense of the phrase… Thus, in sum, we say that to have a true investment there must be present a true margin of safety. And a true margin of safety is one that can be demonstrated by figures, by persuasive reasoning, and by reference to a body of actual experience."

According to Benjamin Graham, first of all, in order to have a true margin of safety, that safety must be "demonstrated by figures." This means that you have to do dig into the financial statements of the company to know what it is truly worth. You only need to look at certain key figures and ratios in the financial statements for investment purposes. It may not be as simple as a walk in the park, but it is definitely not that hard once you know what you are looking for.

Secondly, Graham says that a true margin of safety must be "demonstrated by figures by persuasive reasoning . . ." In other words when you look at the figures you must be persuaded that indeed you are getting into an investment with sufficient margin of safety using reasoning and logic. To do this you need to think like a good businessman. After all, as Benjamin Graham said, investing is most intelligent when it is most business like. You need to find out what the investment is truly worth by using some kind of fundamental analysis valuation tool, then you compare it with how much it is being sold to you. It would be illogical and unreasonable to buy something that is being sold many times over what it is truly worth.

Lastly, according to Graham, a true margin of safety must be "demonstrated by figures … by reference to an actual body of experience" This means simply to relate the figures as reported to how the actual business is doing.

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Editor's Note

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Editor-in-Chief

It is amazing how institutions can still lend at exorbitant rates. On top of that, what is detestable is that these lenders prey on innocent individuals like retirees, teachers, seamen, and people in our armed forces and police.

PFA had an **EnRich**™ GOOD client who was a retiree. The client took out a loan against her SSS pension. The client was not only charged a front-end loan processing fee of 6.61% but was also charged a collection fee of 0.97%. On top of that, her first three months of loan payments were deducted from the loan proceeds.

When all is said and done, the effective interest on the loan of this poor SSS pensioner is a whopping 81% p.a. effective.

The ATM card where the client receives her SSS pension is in the possession of the lender. Nothing is left after the loan deductions because apparently, the loan was structured to fit the SSS pension amount.

Here is the thing. Now that the client wants to prepay her loan, the lender claims she needs to pay the remaining amortizations of more than 12 months' worth.

This has got to stop! And with **EnRich**™ GOOD and **YAMAN** Coach, our goal is first to make borrowers aware of their rights and such detestable lending practices plus provide solutions on how to extricate themselves from such loans.

If you are interested in joining our advocacy, you may reach us through the contact details given below.

www.personalfinance.ph

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