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YAMAN Coach

EMPOWERING YOU

KISS Steps to Making & Executing Financial Plans

by Coach John Hero A. Salvador, RFP®

Creating and implementing financial plans may seem daunting at first. And the more complex the financial plan, the more difficult it will be to execute them. So, let's keep planning simple with KISS steps.

Know your start and end points. The starting point is always a household's SAL-N (statement of assets, liabilities, and net worth). This SAL-N is then pitted against SMART (specific, measurable, achievable, relevant, and time-bound) goals to determine at what return on investment the former, together with periodic fund additions, needs to earn to achieve the latter. The additional funds are determined by the household's income statement.

Identify alternative courses of actions. The commensurate risk of the resulting investment return may not be aligned with the capacity for risk-taking of the household. This is where a household, perhaps with the help of a financial planner, looks for alternatives in achieving goals. Goals may be reduced or delayed. To the extent practicable, periodic fund

additions may be increased in size and/or frequency. There could even be a reallocation of more assets in the SAL-N to a particular goal. The important point is to apply one or a combination of the alternatives to make the execution of the financial plan sustainable.

Study carefully the financial products that can facilitate the execution of the plan. The household simply cannot accept the financial product that comes its way at face value. Not only does the household need to drill into the details of product offerings, it also needs to see the appropriateness of such products for achieving its established goals. This is not to say that there are "bad" products out there. On the contrary, each legitimate product is "good." The household just needs to determine if a particular product fits its needs. To this end, a financial planner worth his salt can help the household analyze and screen financial products.

Stage the implementation of the plan. The important aspect in this step is the discipline to stick to plan – this means

committing to the budget and savings plan, setting aside amount for insurance and regularly investing. This is also where a financial planner can discuss with the household various strategies that take advantage of behaviors that will make the implementation of plans sustainable.

Staging the implementation of financial plans will not be complete without the periodic review. The importance of financial plan reviews arises from the fact that goals and circumstances of the household change, which may require financial plans to be revised accordingly. Households need to accept that financial plans need to be flexible and able to respond to changes in internal and external factors.

As the saying goes, failing to plan is tantamount to planning to fail. Having a financial plan is essential to move towards the future desired.



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Why do we hoard so much stuff when they will only gather dust in our storage rooms, or worse end up in the garbage bin?

Psychologists believe that hoarding is a complex behavioral condition. Hoarding may be developed genetically, through force of habit, or as a cure for depression and anxiety.

The International OCD Foundation enumerated three reasons as to why people hoard. The first reason is sentimentality. Sentimentality is where an object brings back happy moments.

The second reason is aesthetics. Imagine yourself walking on the beach and finding a beautiful seashell. You may want to take it home to remind you of the day. But you may also decide to use it as an ornament that will add an exquisite vibe in your home. Still you may see some useful purpose like as a paperweight even if you already have one. That the seashell may come in handy in the future makes it all the more difficult to dispose of.

While many can identify with the reasons above, hoarders place an inordinately larger value on them. Hoarders experience a shot of dopamine and other feel-good hormones whenever they hoard. Dopamine is a neurotransmitter that mediates pleasure and satisfaction in the brain.

Accumulation of items gets to a point where places in the home can no longer be used for what they were intended (e.g. beds end up being used as shelves, kitchens are filled to the rafters with cooking utensils) because they are filled with “stuff”.

Reasons to Hoarding

by Coach Rose D. Gases, RFP®

Another concept that explains hoarding is loss aversion. People innately hate the feeling of missing out on a good deal or opportunity. When they see something on sale, hormones send signals to the brain that makes it want to take advantage of the item on sale. Once the item is purchased, these hormones send another signal to the brain that the right decision was made due to the cash savings, even if there was really no immediate need for the item. When all the hype dies down, buyer's remorse may then set in.

Sellers take advantage of the hoarding mentality. With women, sellers tap into the former's uncanny ability of perceiving many shades of one color. With men, sellers tickle men's fancy with technology and toys for the big boys.

Hoarding extends to items relating to information like books, magazines, newspapers, and data. No wonder back up drives are now selling in gigabytes.

If you were to ask a person about his or her willingness to discard some of their hoarded items, a fight may ensue. For some, hoarding is also a way to express who they are. In general, it is a source of fulfillment.

How about you? What stuff do you hoard?



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"Strive not to be a success, but rather to be of value."
- Albert Einstein

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Editor's Note

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SRP

Christmas is fast approaching. It is the time to spread good cheer. It is the time for releasing the 13th month pay and bonuses (although these bonuses may be muted to say the least for 2020).

Still, with the economy slowly but surely being reopened, consumer spending will pick up at least for holiday spending, which could very well be a compensation mechanism for a horrible year.

The government has already allowed malls to conduct sales promotions. But buyers beware as there are tricks to make the unsuspecting consumer pay more.

The Consumer Act of the Philippines requires that only one tag price be shown. Particularly for home appliances, this is called the suggested retail price or SRP. And it is on the SRP where zero percent interest promos are based.

However, if a store can offer a cash price that is lower than the SRP, then the zero percent interest promo is not really zero. The effective interest rate according to Philippine Accounting Standards is the rate that exactly discounts estimated future cash flows through the life of the loan to the net amount of loan proceeds, which is the cash price.

SRP is after all, just a suggestion.

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