



- ▶ Putting Numbers in Context.....1
- ▶ The World's Greatest Investment..... 2



YAMAN Coach

EMPOWERING YOU

Putting Numbers in Context

by Coach John Hero A. Salvador, RFP®

Lately, you may have noticed that some posts of financial advisors in social media platforms contain simulations that show how much the investment value would be after some time, say, 30 years assuming a certain market return. Seeing millions in the computations is motivating and encourages people to invest.

While the computations are correct based on the assumptions provided by financial advisors, we should not forget that we need to factor in inflation into account for us to put the numbers in the correct perspective.

Inflation is defined as the “decline of purchasing power of a given currency over time” (Investopedia, 17 June 2021) and we most likely experience this in our daily lives in the gradual increases in the price of goods and services that we are buying.

In relation to the social media posts that I have mentioned earlier, inflation has an impact on the actual value of the investment fund – the millions that we see in the posts will actually buy less in the future than what it can buy now.

Does it mean that the posts of financial advisors are wrong? No, the simulations are correct. However, there should be additional information included for such posts and that

should be the present value of the investment fund. Including such information will align the expectations of the people seeing such posts and will give much more meaning since the values are pegged to a reference that people know well – the value of expenses today. The following table provides the numbers to be used when converting future value to present value based on time horizon and assumed inflation rates:

		Inflation Rate				
		4.00%	4.50%	5.00%	5.50%	6.00%
Number of years	10	1.48	1.55	1.63	1.71	1.79
	15	1.80	1.94	2.08	2.23	2.40
	20	2.19	2.41	2.65	2.92	3.21
	25	2.67	3.01	3.39	3.81	4.29
	30	3.24	3.75	4.32	4.98	5.74
	35	3.95	4.67	5.52	6.51	7.69
	40	4.80	5.82	7.04	8.51	10.29

For example, Php1.00 ten years from now at an assumed annual inflation rate of 4.0% will only correspond to Php 0.68 today (Php1.00 ÷ 1.48). As another example, the projected fund value of Php3 million 30 years from now at an average inflation rate of 5.0% will translate to Php694,444 in today’s value (Php3,000,000 ÷ 4.32). Knowing the present value of a projected fund value will provide insight to the investor as to how long will his funds last and avoids the risk of being caught in paradigm that they have more funds than what is available by then.

A financial advisor should be able to provide inflation adjusted computations to a client when it comes to financial planning especially for retirement and education planning as these are long-term plans that need careful thought and commitment from both client and financial planner. Inflation adjusted computations also ensure that the plan will be more holistic, minimizes the risk of client being blindsided in the future and facilitates more effective utilization of available resources of client. Another benefit of having this kind of computation is that it allows planners to refine what investment vehicles can be explored to meet the client’s needs in the future.

So, next time you see a post regarding future fund value of a certain financial product, you need to ask the question, “How will that fund be worth in today’s value?” And knowing that, the second question will be, “How long will that fund last based on my assessed needs?”



Coach Hero is a Registered Financial Planner with a BS Chemistry degree cum laude from UP Diliman. He may be reached at hero@personalfinance.ph.

Good investors always want to consider the rate of return when talking about investments. They want to know how much they will be earning in a certain period of time. The investment considered is then compared with other investments weighing the risk versus the rewards. A decision is then made based on whether the risk involved is worth the reward that can be obtained.

But what do you suppose is the world's greatest investment? A lot of people say it's an investment in stocks, some say real property while others say investing in start-ups is the way to go. There is no definite answer as each vehicle has its own pros and cons, risk and rewards.

Surprisingly, a book written thousands of years ago gives us a definitive answer. The Holy Scripture in the book of Proverbs chapter 19:7 states that, "He that hath pity upon the poor lendeth unto the LORD; and that which he hath given will he pay him again."

A wonderful paraphrase for the such verse is given by the Living Bible wherein it says, "When you help the poor you are lending to the Lord--and he pays wonderful interest on your loan!"

According to the Bible, the highest yielding investment in the world is to help the poor! Why? Because helping the poor is lending to the Lord. Take note that the verse does not say, "You are 'like' lending to the Lord." However it states a matter of factly that, "You are lending to the Lord." What is wonderful about this is that the poor will not be the one that will pay you back, God will pay you back. Aside from that, God will pay you a "wonderful interest on your loan." Now that is so amazing!

Abraham Lincoln once wisely gave this statement "God must love the poor. Why else would he have made so many of them?"

When Jesus Christ was here on earth, helping those who have less in this life has always been one of his major ministries. In fact he spent a lot of time with

The World's Greatest Investment

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

the common people, the sick, the needy, those who are spiritually in need and those whose lives has been broken not only by emotional and spiritual problems but by physical problems as well. Even though the primary focus of His ministry was to "Seek and to save that which was lost." He nevertheless spent a great amount of time helping the needy.

Jesus speaks of how important His ministry is to the poor in Matthew chapter 25 verse 34 to 40 when He says, "Then shall the King say unto them on his right hand, Come, ye blessed of my Father, inherit the kingdom prepared for you from the foundation of the world: For I was an hungred, and ye gave me meat: I was thirsty, and ye gave me drink: I was a stranger, and ye took me in: Naked, and ye clothed me: I was sick, and ye visited me: I was in prison, and ye came unto me. Then shall the righteous answer him, saying, Lord, when saw we thee an hungred, and fed thee? or thirsty, and gave thee drink? When saw we thee a stranger, and took thee in? or naked, and clothed thee? Or when saw we thee sick, or in prison, and came unto thee? And the King shall answer and say unto them, "Verily I say unto you, inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me."

Take note that not only will God repay you with wonderful interest for helping the poor and the needy, whatever you do for them, you have also done it for Christ.

So this holiday season, Remember our Lord Jesus Christ. Make the world's greatest investment by helping the poor and the needy in whatever way you can because remember that whatever you have done to the least of your brethren, you have also done it also to our Lord and Savior Jesus Christ. Merry Christmas and a Happy New Year to all !



Coach Zig is a Cebu-based RFP® and PSE-Certified Securities Specialist. He is a lawyer and licensed Environmental planner, Real Estate Broker and Appraiser. He may be reached at zig@personalfinance.ph.

give the gift of personal finance knowledge this holiday season

EnRich 365
1 year of daily personal finance lessons via SMS
Php50 per subscriber

for details, SMS +63917 505 0709

PFA Tools-based training in personal finance

Masterclass
in Financial Planning
Global Webinar

leads to global AFP certification

zoom

FIRST RUN FOR 2022
January 11 to 14, 2022
2 to 5 pm daily

Registration details:
masterclass@personalfinance.ph
+63917 505 0709
+632 7218 0141
Promo Code: PFAMC

Editor's Note

Efren LI. Cruz, RFP®
Editor-in-Chief

Tips on Holiday Spending

Everybody wants to give more than just presents from the store during the Christmas season. So, here some tips as to how you can avoid running out of cash for the holidays.

Give a third party some veto power over your spending choices. This veto can be as simple as moving your funds to a passbook account where withdrawing money becomes a chore. Also, take advantage of the service of some banks of periodically transferring your money from your payroll account to an investment account within the bank.

Bring cash to the store and leave your ATM at home. Do less of online shopping as many items are now cheaper when bought in-store and for cash. Do not bite off more than you can chew by borrowing. Be aware of the four kings of pricing, in Christmas, cash, straight charge, installment and suggested retail price. And as a general rule, cash is the true king as it would be the cheapest.

Make it painful to withdraw from investments by choosing those with high exit fees.

Keep your 13th month pay and bonuses in a savings account first for at least half a year. The longer you keep such income saved, the more you will not want to easily part with it.

Buy gifts for the holidays all year round as they are cheaper when there is no seasonal demand. Make a list and check it twice. Keep within your budget by perhaps spending less for the naughty and more for the nice.

Now, if you are a poor boy or girl too then you have no gifts to bring. Learn from those who suffer from abject poverty. They give the only way they know how, from the heart.



To know more about becoming a, **YAMAN Coach**, contact us at: yaman@personalfinance.ph

+63917 505-0709 • +632 7218-0141

www.personalfinance.ph