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## Bouncing back from CoVid-19

Here are a few musically-inspired tips for surviving the investing crisis brought on by CoVid-19:

1. Here, there, everywhere – If you are invested already, take heart in knowing that in cases of systematic risk or risks that affect markets across the board, no investment is immune. Diversification will have minimal positive impact. But it is precisely because of this systematic risk that the fall in the value of your investment portfolio is largely not your fault. It would have been a different situation if the value of your investment portfolio were falling in an environment with no systematic risk to bring markets down.

2. We can work it out - On the flip side, it would be foolish to think that the sky is falling. History has shown that man has survived market crash after market crash, the end-result of avarice, like the Tulip Bulb Craze (1630s), South Sea Bubble (1711), Florida Real Estate Craze (1926), Great Depression (1929), Crash of 1987, Asian Financial Crisis (1997), Dotcom Bubble (2000-2002), and Global Financial Crisis (2007-2009). In between, there had also been flash crashes wherein markets or stocks would fall steeply within a few minutes and then rebound quickly.

While it can be argued that the crisis brought

on by CoVid-19 is different in that the enemy is not the greed from within investors and traders but a non-discriminating virus from outside, history again shows that man eventually bounces back from major sicknesses like the Plague of Justinian (541-570), Black Plague (1346 to 1350), Fifth Cholera Pandemic (1881-1896), Modern Plague (1894-1903), Sixth Cholera Pandemic (1899-1923), 1918 Flu, Asian Flu (1957-1958), and Hong Kong Flu (1968-1969). In more recent times, data from the International Air Transport Association showed that international arrivals quickly rebounded after SARS and H1N1.

3. Long and winding road – Buying in a market when prices are dropping is like catching a falling knife, you just do not do it. You will need to be patient. Jessie Livermore, the world’s greatest trader suggests that you wait not for the pivotal point but for the continuation of the pivotal point that is usually supported by large volumes of trade. Additionally, China, where CoVid-19 originated, needs to first reboot before the rest of the world does.

4. Fool on the hill – Do not believe in a magical recovery in your portfolio. Buckle down and do your homework. Go back to fundamental analysis to see which industries possess the resilience against the financial

onslaught caused by CoVid-19 and the companies within such industries that have the potential to bounce back quickly (i.e. have high betas to the broad market index). Many online business news providers carry enough financial information on companies on which you can conduct your analysis. But focus more on forecasts rather than historical data.

5. Day tripper – When markets move up, no amount of short-term (day-) trading can outperform them. That is why you need to believe that your rebalanced investment portfolio will be best suited not necessarily to outperform the market but to meet your return objectives as tempered by your risk preference.

6. With a little help from my friends – Why not rely on those who have weathered investing crises before. These are professional fund managers who have all the time in the world to manage billions of assets using their portfolio management skills as honed by their long years of experience. You may want to invest new money with fund management houses like pooled funds and investment management accounts.

Follow the foregoing tips to get a ticket to ride the recovery wave.

## Editor's Note

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Editor-in-Chief

### A Call to Action

While walking down the street, we saw an old lady, a "lola" probably in her late 50s to early 60s with a tuft of grey hair on her bangs. She was modest in height for a Filipina but with her back already arched from old age and what we could only guess was also due to poor nutrition. Her skin was dark and a bit wrinkled from being under the sun for most of the day. She was leaning immensely forward to push her heavy cartload of vegetables and fruit for sale while shouting at the top of her lungs to announce her arrival to her usual neighborhood customers.

Closely behind the old lady was a young and healthy guy, probably in his 30s with upright posture and what would pass as OOTD. He was leaning backward to counter the pull of his lively pedigreed and well-groomed dog while chatting in a soft leisurely tone on his mobile phone.

There is nothing wrong with the picture. This is not meant to pass judgement on any individual.

But this is definitely a call to action to help spread the opportunities in society more equitably.

In the Philippines, there is the Financial Rehabilitation and Insolvency Act or FRIA. Under FRIA, the filing for insolvency covering debts of individuals can be made through one of the following ways:

1. Suspension of payments – A restructuring of debt payments is allowed by the court provided that: a) an individual debtor who, possessing sufficient property to cover all his debts foresees the impossibility of meeting debt payments when they respectively fall due; b) the individual debtor presents a feasible restructuring program; and c) in a meeting attended by creditors holding claims amounting to at least three-fifths (3/5) or sixty percent (60%) of the liabilities of the individual debtor, the majority of the creditors approve of the restructuring program.

2. Voluntary liquidation – This covers any individual debtor whose properties are not sufficient to cover his liabilities, and who has debts exceeding Five Hundred Thousand Pesos (Php500,000.00). Should the court find the petition for voluntary liquidation sufficient in form and substance it shall, within five (5) working days issue the Liquidation Order.

3. Involuntary liquidation – “Any creditor or group of creditors with a claim of, or with claims aggregating at least Five Hundred Thousand Pesos (Php500,000.00) may file a verified petition for liquidation with the court of the province or city in which the individual debtor resides.” If the individual debtor shall default or if, after trial, the court finds merit in favor of the petitioning creditors, the court shall issue the Liquidation Order.

Of the three, the first two are initiated by the borrower. And while only involuntary liquidation is the option for creditors under FRIA, creditors may also file civil small claims cases before the Metropolitan Trial Courts, which are non-appealable and where no lawyers are allowed to appear. The small claims cases provide a simpler, more inexpensive, and expeditious means

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of settling disputes on purely money claims up to Php400,000.

Please note that filing for suspension of payments or voluntary insolvency will involve much more details that are too numerous to include in this space. However, the most important thing to note about filing for insolvency on the part of the borrower is that it is an expensive process that does not lead to an instant solution.

The better solution is to follow not the law of man but divine law, which says, “Settle with your opponent quickly while on the way to court with him. Otherwise your opponent will hand you over to the judge, and the judge will hand you over to the guard, and you will be thrown into prison.” (Matthew 5:25) In other words, go for an out of court settlement.

Article 3, Section 20 of the Philippine Constitution does say that, “No person shall be imprisoned for debt or non-payment of a poll tax.” However, a person can still go to jail under B.P. 22, which penalizes the making or drawing and issuance of a check without sufficient funds or credit, and R.A. 8484, which prohibits fraudulent acts committed relative to access devices like credit cards.

Now, if in the process of negotiating with your creditors and the agencies that they hire, they undertake unfair collection practices, you can report them to the Bangko Sentral ng Pilipinas for the traditional lenders in the financial services industry or to the Securities and Exchange Commission for the small lenders.

So, follow the divine law.

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