



# An Interview With A Financial Adviser

We sat down for a chat with **Carol Yip**, a Financial Adviser at the Financial Planning Association of Malaysia (FPAM) in Bukit Damansara. The interview revolved around financial planning as well as money management. Interview by Jasmine Wong.

**Jasmine:** Please introduce yourself to our readers out there.

**Carol:** I am a Financial Coach and my company is Abacus For Money, which provides financial advice and coaching as well as conducting education workshop and training in money skills to individuals. I focused on money skills education because I believe that lack of personal money skills and personal financial literacy when a child is growing up is part and parcel of the financial mistakes made in life.

Our belief in money is influenced very much during our childhood, with our parents and environment that we grew up. As we live through the years, life changes according to our behaviour, emotions and habits, that include influence from the lifestyle, environment, circumstances and situations. Our financial situation will be affected. Financial path that we walk through our life depends on how well we manage our life, and how we deal with our money, that is part of our life!

I teach and help people to understand their behaviour and emotions towards money which will empower them to use money smartly, so that they do not fall into traps that will cause them financially distressed. If we have the right attitude and money skills to use our money smartly, we will be empowered to achieve better things in life.

**Jasmine:** Is there a relationship between finances and moral values?

**Carol:** Both components are closely related. Today's society is riddled with all sorts of social problems like robberies and crime. It's because the people who are involved in such activities need money. Each of us needs money to buy food, to support ourselves and family. Without money, it becomes difficult to survive. Some may take the easy way out: either borrowing money or succumbing to crime to get money. Apart from that, money is also the cause of a person's greed, hunger for power, fame or success and the list goes on. So it's clear that there is a relationship between money and moral or life values.

**Jasmine:** Please give us a piece of advice on how to plan our finances and manage our money.

**Carol:** Before starting a plan, we have to be aware of our status. What is our position in life at this moment? What is our "financial self worth" at the moment? Count how much money you have in your pocket, account, and assets you own. Do this in a properly documented approach, prepare your personal Cash Flow and Balance Sheet by the month, track your spending and carefully analyse the information.

Next ask yourself what do you want in life that can be represented in financial terms. A comfortable and luxurious life? That's when you need to set financial goals. And all these need very careful planning. Our life financial planning depends on our wants and needs in life as well as our life philosophies. Planning seems easy, as it can be a mere fantasy, imagination or just something conjured up in our minds. Are we able to make some of our fantasies and dreams come true? Most of us may not be capable of turning our plans into reality, maybe due to lack of self-discipline, time and so forth. There are just too much temptation, desires and unexpected influences out there in the real world. That's why it is so difficult to realize plans.

Psychologically, we become disappointed when our plans, goals and dreams do not come true. We begin to become despondent and give up. How can we motivate ourselves? Plan something realistic, small and reasonable. Being able to achieve those small goals motivate us.

My advice is to start by getting to know ourselves better, then proceeding to make changes and improvements in

our lives, namely habits and behaviours. How can we change? By our actions, experiences and feelings of a different variety of actions.

Other influences and temptations including conveniences of buying are strong, advertisements, Internet, lifestyles of parents, friends, peers, financial facilities in the form of credit card, debit card, mobile money (using the hand-phone) and loan, creation and innovation of products and services are making us losing focus of saving our money for the future. With credit cards, on-line banking; cheques and all the conveniences of making payments for our purchases, we are losing our grip with physical money like dollar notes and metal coins! Like the saying goes. "Out of sight, out of mind!" We will soon forget that we have money in our bank as we conveniently spend it away!

**Jasmine:** How early should we start a financial plan?

**Carol:** As young as an infant. Take a new business as an analogy. Before starting any business, we have to plan - to incorporate an entity in the form of limited liability company, or a partnership. We need to keep track of company's expenditures and revenues, and then we need to take the initiative to build the business to make more money for us. We can relate this business set up analogy to our personal lives. As parents, we need to teach our kids to chart their financial path. Share with them a financial vision. Let children know how they grow up to be, will have direct impact on their financial worthiness.

**Jasmine:** What actually is an education fund? How can it help our children's future?

**Carol:** The education fund is money that parents set aside to help their children gain knowledge and be educated in the field they are interested in to make money for their own living. In short, education fund is the parents' investment in their children with certain risk (can be high or even a loss) depending on the children's career future. It is a significant risk for the parents if their children spend this education fund in the field or education that will not be their career. Similar, it will be a bad investment if the children get their education but do not grow up as a fine man or woman, create nothing but trouble for the parents.

Think about it. Besides money put aside for education fees, education fund is also money that is already spent or going to spend, right from the day the parent buys

teaching and education aids for their children including toys, story books, video games, play station, computers, cartoon movie tapes and DVD and the list goes on.

As a parent, we must teach and educate our children all the time, right from the time they are little kids, so that they know the values in life, be smart and capable in many disciplines including skills, talent and interest. Is important for the parents to know or understand their children's interest and passion (including intelligence), the children want to pursue as their career.

Parents should "spread this risk with their children" by sharing this topic with them so they can appreciate what their parents are doing for them. To the parents, work with the children (start from young) to build this education fund, let them know how (communicate with them) you have saved the money, and share with them you difficulties of creating this fund for them, ask them for suggestions how the education fund that you have created for them to be put in good use.

**Jasmine:** Can you explain more about insurance and saving?

**Carol:** The purpose of insurance is to protect us and our family if something happen to us. First, we need to know about our policy insurance coverage in details. Not all situations are covered by insurance, for example disease like SARS, bird flu. Insurance is meant for protection, buy only what is required to be protected.

Insurance and savings are two different items. Savings is keeping our money in a safe place and use the money that we have saved for investment, to grow our money. If the investment is not doing well, we can sell and switch our money to a better investment product. Savings is meant to be a life long activity and not depending on the insurable period.

It is advisable to separate both intentions. Use your money smarty buying the right insurance protection and

save the rest in an investment product that is specially designed for investment purpose.

**Jasmine:** Before we end, what is your advice to parents regarding this money management topic?

**Carol:** Ask yourself as a parent, what is your objective of having a child or becoming a parent? Couples must discuss with each other before taking on the responsibility of becoming a parent.

Money management for a family with children must be part of family planning because money is the part of life. Therefore, it is important for a family with children to prioritise family and life values before money, and not to use money to create love and respect. Respect and love from each other comes from the heart and not what money can buy.

The biggest challenge for the parents is the approach of communicating and teaching their children the good values of money and the best practices. Often parents make money mistakes that the child knows. For the parents, it can be difficult to preach (to the children) what they don't practice! ❗

## Editor's note

After one and half hour, I learned a lot about money management and its importance, especially to newlyweds as well as those who are about to have a child soon. Although money management is a small part of life, it plays an important role in our life. Without money management we would perhaps be in a lot of trouble, sooner or later.

The most important thing is to understand our selves. Create a life philosophy (that is practical to live) and set life and financial goals that are achievable. If once we have this concept, nothing is impossible for us to plan our finances better and more effectively.

