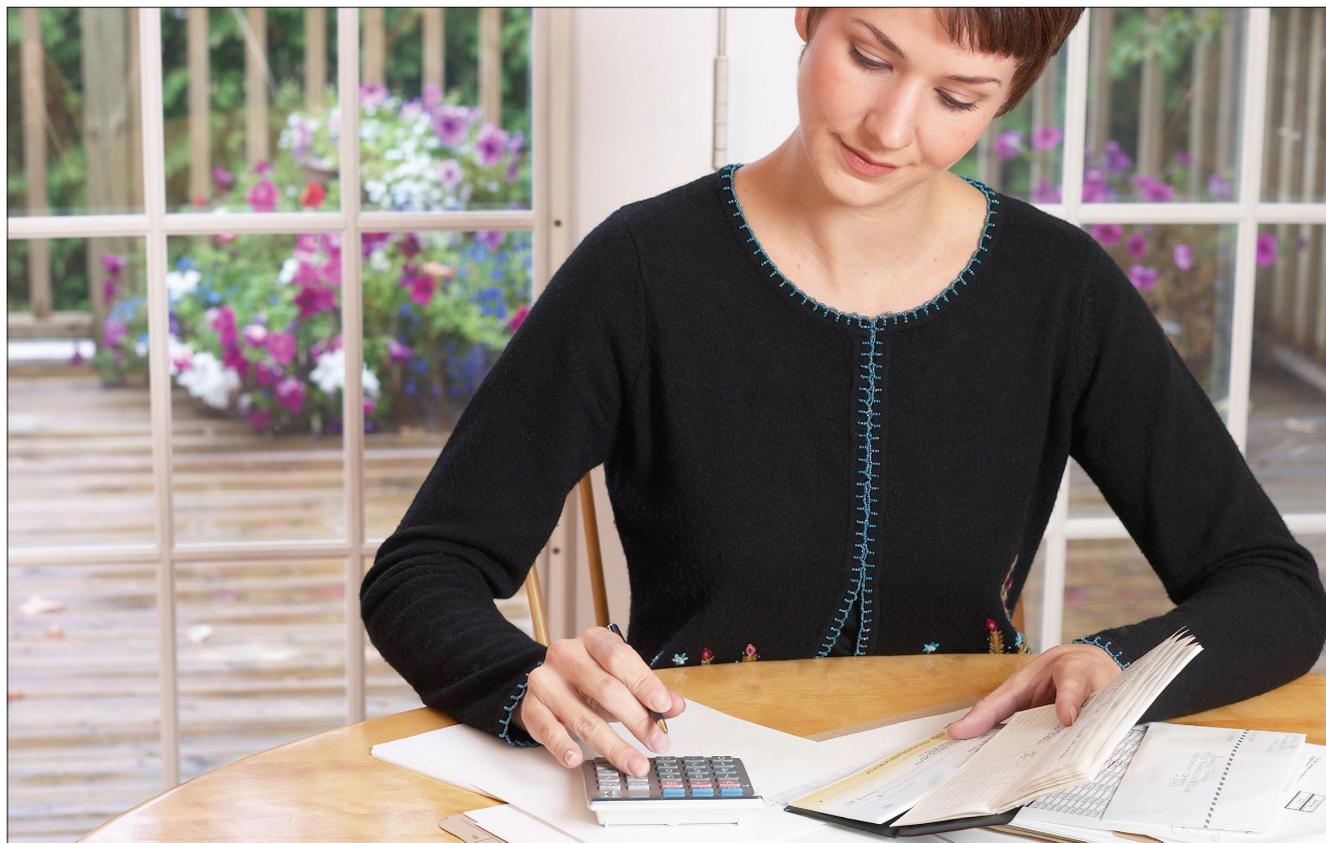


WEALTH MANAGEMENT

→ FINANCIAL PLANNING



Making sense of paradoxes and ironies

The financial services industry in Singapore has its fair share of paradoxes and ironies. A paradox is defined as a statement that seems to contradict itself, for instance more haste, less speed. One meaning of “irony” is that it is a linguistic device or form of humour that takes its effect from stating or implying the opposite of what is the case or what is

intended.

One of the most paradoxical statements I have come across is “Money is not everything but everything is money”. I think a whole sermon can be constructed on this one statement on the dangers of money. On the other hand, it can also be the basis for a talk on the importance of money.

Money is not everything obviously if you do not have good health or relationships, or cannot sleep at night, or you die too soon. But, don’t we all know how important money is and that we cannot survive on “love and fresh air”. The irony is that those who have money often get more money and those who have “money no enough” generally get deeper into debt and trouble. “The rich get richer, the poor get poorer” is humorous but really no joke.

A related irony is that those who most need financial planning cannot afford it, while those who do not need it have private bankers and financial advisers at their beck and call.

Another strange thing is that financial education is so important, yet it is not taught in our schools and business institutions to all. The government is doing its part through the MAS and CPF, and a few educational institutions have included it as an enrichment programme. But in our materialistic and moneytheistic culture, financial quotient (FQ) should rank higher than it now is and should at least be on par with IQ and EQ. How many marriages and families would have avoided disaster if couples had better FQ? How many people would be investors and not speculators? How many would have become successful entrepreneurs and business owners instead of losing their hard-earned savings and CPF retirement funds in failed ventures?

There are many other paradoxes and ironies. While

insurance is regarded as good risk management by some, it is regarded as gambling by others. Interestingly, too, many regard insurance as prudent, while others think that taking insurance shows a lack of faith in God. I have also come across wives who want their husbands to be well insured while others try to dissuade their husbands from purchasing life insurance. And imagine this – there are many who insure their cars and properties but do not insure themselves when clearly their lives are worth more to their families than cars and properties.

We are seeing more and more people putting a lot of money into investing in unit trusts and equities in the hope of doing slightly better than their fixed deposit interest rates while they take a great risk of leaving themselves uninsured or inadequately insured.

As for financial planning, some say it is too simple and want to do it themselves, while others claim it is too complicated and cannot understand it. The financial planning textbook states that risk management or wealth protection is the foundation of a good financial plan. Yet, many choose to put all their resources into wealth accumulation, and, worse, put all their eggs in the same basket. As for retirement planning, we all know the prospect of living at least 20 to 30 years in retirement is very real but how many of us save for it? In the area of estate planning, most of us would know by now the value of having a will but how many of us have actually done one?

“... many regard insurance as prudent, while others think that taking insurance shows a lack of faith in God.”

What can we make of these paradoxes and ironies? Obviously, one reason is that people are different. Another reason is that a lot of people are ill-informed or misinformed and do not see the true picture or the whole picture. Financial planning, investment and insurance are, in truth, not too difficult subjects but not too easy either. But the purveyors of knowledge – the front-line sales people – are often more concerned about promoting their own products or services than giving prospects an objective financial education. With few exceptions, clients do not understand, or remember, what they have bought and why, just a few weeks after the sale.

Anecdotal evidence also seems to show that, in general, bank clients end up committing more into insurance and investment products compared to clients who purchase from other channels. Why? Is it because the prospects have the money in hand and have greater trust in banks? Or does it have to do with the quotas the relationship managers have to meet and the more direct approach used to promote specific products?

Anecdotal evidence also seems to show that there is higher incidence of switching of investments in unit trusts among the clients of exempt FAs than licensed FAs. Why? Is it because individual representatives of exempt FAs (banks, stockbrokers, general insurance brokers) do not require to be licensed and are less worried about losing their “licence”? Is it because of the different compliance culture and procedures?

It is most ironical, too, that from my observation, the FAs who are knowledgeable and experienced are generally not chalking

up as much business as those who do more product pushing and single-need selling. Is it because they spend too much time for each sale in their conscientious efforts to do what is right? Do clients appreciate this?

I have merely highlighted some of the paradoxes and ironies, and cannot unravel them here. But if you string them all up, you can see a common thread through all of them. The key to unravelling them is that prospects and clients must be better informed to make more objective decisions that will be in their interest.

Who, you may ask, is qualified and would truly want to give these prospects and clients the full, objective truths about different product providers, different products and terms, and the fees and charges? The right answer will help unlock the paradoxes and ironies. **SI**



David Choo, ChFC, CFP, is the managing director of PromiseLand Independent Pte Ltd, a licensed Financial Adviser. He can be contacted at davidchoo@promiseland.com.sg or 62942461.