Get Back On Track

It's the New Year – there's no better time to take stock and get in control of your financial health

The cost of living has increased through the years, and many are finding it challenging to juggle their dollars and cents.

While an annual survey by consulting firm Mercer found that Singapore offers the highest quality of life in Asia, a survey by financial comparison site GoBear revealed that 45 per cent of Singaporeans admitted they did not have enough savings to survive for half a year. Of this, 21 per cent said they "couldn't live beyond a month" if they lose their job.

GoBear has also found that 41 per cent of Singaporeans are not optimistic about their financial future. Behavioural finance and market psychology expert Wong Kon How believes this is influenced by "pressure to keep up appearances" and "becoming accustomed to a certain quality of life".

Last year, a survey by investment management firm BlackRock found that money is the top source of stress for most Singaporeans. And those born between 1981 to 1996 are especially overwhelmed by the idea of savings and retirement – researchers suggest this could be due to concerns like providing for ageing parents and improving their immediate quality of life.

Starting Afresh

Any time is a good time to take a closer look at your financial health. Helen Baker, a licensed Australian financial advisor and author of *On Your Own Two Feet: Steady Steps to Women's Financial Independence,* a guide to financially surviving divorce, knows what it's like to summon up the courage to take a good hard look at your finances, and start again after her four-year marriage abruptly ended.

"You can always see an expert to look through your finances, and if they are in good shape, that will give you a peace of mind. If you aren't in a (positive) financial position, you have the opportunity to make changes and to become financially healthy."

You're Married

"The benefit of being married is you get economies of scale – you have one house, one bill, and two incomes. This is the time to accelerate your financial position," Helen says.

John Dasson, associate wealth advisory director at Financial Alliance adds, "This economy of scale can help in ramping up a family's financial position. But there are also costly pitfalls that should be avoided." That said, it is crucial to discuss finances in a transparent manner, with both parties involced in financial decisions – even if one is earning more than the other. John recommends that you look into the following factors:

- **Real Estate.** Having a property in joint names can be easier on the wallet as you can use both incomes to qualify for a loan, says John.

  Also, you can use both spouses' CPF Ordinary Accounts to pay part of the down payment and monthly repayments. But, if you purchase a subsequent investment property, you will incur the Additional Buyer's Stamp Duty fee. Having one property under each spouse can save on that tax, but there are pros and cons, and implications in the event of a separation, he adds.
- **Do up an Estate Plan.** This begins with a will that determines how you want your estate – money, property

and various assets – to be distributed. "This is vital especially if you have young children as it can state who you wish to be the guardian of your children in the event both spouses pass away," says John. Most people don't plan this, and when something happens to them, their remaining families are left to pick up the pieces.

- **Monitor your Net Worth.** What you have set up before you were married should be updated to help you plan for retirement.
- **Get Coverage for Death.** Make sure liabilities like a house mortgage are covered with life insurance. This is important because if the spouse who earns much more dies, the surviving one may not be able to sustain repayments and meet the financial needs of raising children if any.

You're Separated or Divorced

Helen suggests focusing on these 4 Cs during a separation or divorce. "You need Clarity over your financial position," she says.

"From there, you get some Control about how assets will be split up and you need Certainty about what will happen next. Then you chip away at things, re-establish your financial position and get Confidence."

- **Review your Will.** In Singapore, marriage revokes a previously made will, but divorce does not. Also, review any nominations that you have made for insurance policies, says John.
- **Take Control of your Personal Finances.** "It can be very messy at this stage but it is important to stay in control," adds John. Continue to update your statement of net worth.
- **Cover All Bases.** If there is a lump sum settlement, do not spend it all. Plan for retirement and ensure your bases are covered with regards to insurance. "Disability income insurance is very critical. Ensure that you have sufficient Eldershield or Careshield Life cover. It is common for someone to overlook their insurance coverage as they previously had cover from their ex-spouse's corporate policy," John explains.
- **Before You Remarry.** Consider putting mechanisms in place before another marriage, such as a living trust where your children are the beneficiaries.

You're Single

"Being single, you are in complete control of your finances," says Helen. This is the best time to get everything set up, says John. Here's what you could focus on:

- **Create your Statement of Net Worth.** This gives you an overview of your financial situation so you know what you own and owe. It helps you visualise what you have so you can better decide if you need to minimise any unnecessary expenses or loans.
- **Review Insurance Policies.** "Disability income insurance is commonly overlooked," says John. Make sure that you are well-covered for disabilities and critical illnesses.
- **Your First Property.** "Buy a resale HDB at 35, or perhaps a private property? If you buy a HDB property first, you can hold on to it and buy a private property later, but you would incur the Additional Buyer Stamp Duty, which sits at 12 per cent currently," John explains.
- **Take Advantage of Compounding Interest.** This makes a sum of money grow at a faster rate than simple interest (read: simple interest is the interest you earn in regular bank accounts). That's because, in addition to earning returns on the money you had invested, you will also earn returns on those returns at the end of every compounding period.

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