Youâ??re Never Too Young to Seek Financial Knowledge

Description

Last week, a friend of mine alerted me to a feature published by POSB in Today newspaper â?? ***Youâ??re never too young to seek financial advice*****.**

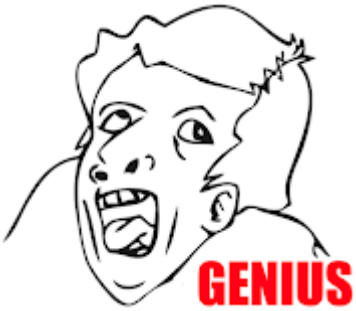


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As I read it, the first thing I thought was, the focus ought to be on **youâ??re never too young to seek financial knowledge**! Thus the idea for this article was born.

POSBâ??s article talks about a 24-year-old woman who initially sets aside 20% of her salary with an aim of accumulating $75,000 that will allow her to retire â??comfortablyâ?•. Most of us donâ??t need to see a financial advisor or a relationship manager to know this sum is hardly enough! Presuming she works until age 67 and lives until 90, thatâ??s only slightly over $3000 a year! If we were to include a CPF sum of $165,000 (which our Manpower Minister spoke about earlier this year), thatâ??s just $700 a month to survive on when youâ??re old and ailing.

And we havenâ??t even factored in inflation rates yetâ?¦



She also mentions about investing in unit trusts if the returns are more than 4% and highly recommended by her friendsâ?¦one canâ??t help but wonder if she bought China or Indonesia funds some time ago where the returns exceeded her criteria? Looking at the yuan devaluation and declining

rupiah now, her investments would have been extremely painful to stomach right now then.

While Iâ??m certainly glad seeing a POSB relationship manager helped her to refine her retirement sum to $1.2 million instead, my eyebrows went up when I read the line on â??buying more savings-related productsâ?•.

Likeâ?¦endowment plans? Check out what my friend Xeo wrote on why endowment plans arenâ??t as great as some financial advisors will have you believe.

Too many question marks for me.

Instead of seeking out financial advice (from your bankâ??s relationship manager, or a financial consultant, or an insurance agent who now calls himself a â??financial advisorâ?•), how about seeking out financial **knowledge** instead?

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With knowledge, youâ??ll be better equipped to make better decisions on your own, instead of relying purely on external advice. While Iâ??m not completely against seeking out financial advice, I still believe that everyone should be adequately skilled in fundamental finance literacy so that we can tell the difference between wise advice and sales talk.

Investing in financial knowledge now will also serve you extremely well in the years to come. You get to avoid making costly insurance mistakes, develop wise money habits to help you grow your wealth, and tap on the magic of compound interest to accumulate your savings (like hitting $100k before youâ??re 30). Furthermore, financial knowledge is a skill that no one can ever take away from you.

I used to be a failing math student, but look at where I am now. It really isnâ??t that difficult. Hereâ??s 3 other reasons why you should start seeking out financial knowledge today.

1. Christopher Ng: Without financial knowledge, you usually end up paying a lot more.

> Mutual funds, unit trusts and hedge funds should be treated as great compensation plans for the fund managers rather than a means of wealth generation for the investor. **Financial knowledge can allow a young investor to compare the expenses made by these managers and select cheap investment instruments which could also meet her**

investment objectives. In this scenario, a good Exchange Traded Fund of ETF would incur lower expenses than the best unit trusts.

Rather than hand over her hard earned money to commissioned advisor, perhaps a young 24-year old is better off buying a set of guides to study for the CFA Level I exam which has a pass rate of only 44%. This is an intellectual hurdle which many financial advisors could not even overcome.

2. La Papillion: Starting young means you get to tap on the power of compounding.

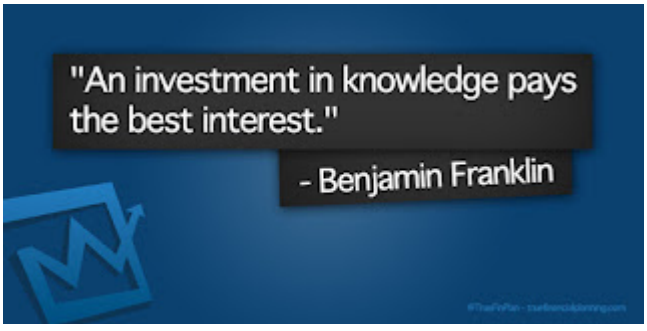
The only good thing about starting young is because of compounding â?? but that of compounding of knowledge and not always about the compounding of interest. If you start early, you have plenty of chances to correct some of the knowledge that youâ??ve acquired from others, and learn to adapt the same general advice dished out to everyone for your own unique circumstances. An example would be to find out exactly how much you need to retire based on your own expenses and your projection, relying on data collected by yourself and not how an â??averageâ?? person would need. Instead of a general rule-of-thumb guide given by product sellers to further benefit their own agendas instead of yours, **an early start to personal finance will also inculcate good financial habits that will steer you in the right direction, in a way that no product can ever do for you.** Truly, itâ??s never too young to learn personal finance, but never too old to stop seeking financial advice. You can probably do better yourself.

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3. Alvin from BigFatPurse: Financial knowledgeâ?¦its value only grows over time

Human capital has an expiry and it happens before we are even dead. We would be less desired in the job market when we are old and less energetic than the young and driven ones. This is the hard truth we have to accept at some point in our lives.

Hence, we should build up our financial capital as early as possible to prevent our over-reliance on the salary. Besides saving enough money, **learning how to deploy our financial capital to fund our living is an utmost skill to have. One that does not wither with time, but instead grow with it.**



I know starting out may seem challenging, because that was what I encountered too. Even now, I am still learning something new every day. If you go through my old blog posts, youâ??ll probably find a wealth of knowledge that will be more than enough to get you started.

I made a decision in 2014 to channel my Facebook time to picking up financial knowledge instead, and while the journey certainly hasnâ??t been easy, it definitely has been rewarding.

Thatâ??s what I did. What will you do?

With love,

Budget Babe
Category

1. Savings

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