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INVESTMENT STRATEGIES TO SHIELD YOU FROM BLACK SWANS

.....

BEWARE THE COMING COLLAPSE OF US DOLLAR

.....

SILVER LINING FOR ALTERNATIVE INVESTMENTS

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Employees' Provident Fund (EPF) statistics indicate 70% of Malaysians outlive their retirement savings – those who withdrew their funds at age 55 use up their savings less than a decade after retiring.

Even those well set up for retirement should not be complacent. This year has shown that even the best laid plans can be thrown out the window. The Covid-19 pandemic is now seen as a 'Black Swan' event that has crippled the global economy and plunged equity markets into chaos.

For those not prepared or nimble enough take necessary action to protect their investment portfolios, the ramifications of the pandemic can negatively impact their nest egg for years to come.

Our Special Focus on Retirement tackles these difficult issues head-on. Experts share their strategies on how you can safely navigate past economic headwinds and Black Swans, to protect and grow your nest egg.

*Lee Min Keong*  
Executive Editor

# smartinvestor

PRESIDENT  
Chong Chye Wan

**EDITORIAL**  
EXECUTIVE EDITOR  
Lee Min Keong  
(lee.minkeong@inovatif.com.my)

WRITER  
Bernie Yeo  
(bernie.yeo@inovatif.com.my)

**ADVERTISING SALES & MARKETING**  
SENIOR MANAGER  
S. Thirushalvan (thiru.subra@inovatif.com.my)

SENIOR EXECUTIVE  
Shawn Ngan (shawn.ngan@inovatif.com.my)

**CONTACT INFORMATION**  
Tel: +603-7803 9892 (Advertising Enquiries)  
Fax: +603-7803 9807 (Subscription Enquiries)  
E-Mail: my-circulation@inovatif.com.my

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Tel: (603) 7803 9892 Fax: (603) 7803 9807  
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Kampong Lambak, Bandar Seri Begawan, Brunei  
Darussalam BB 1714

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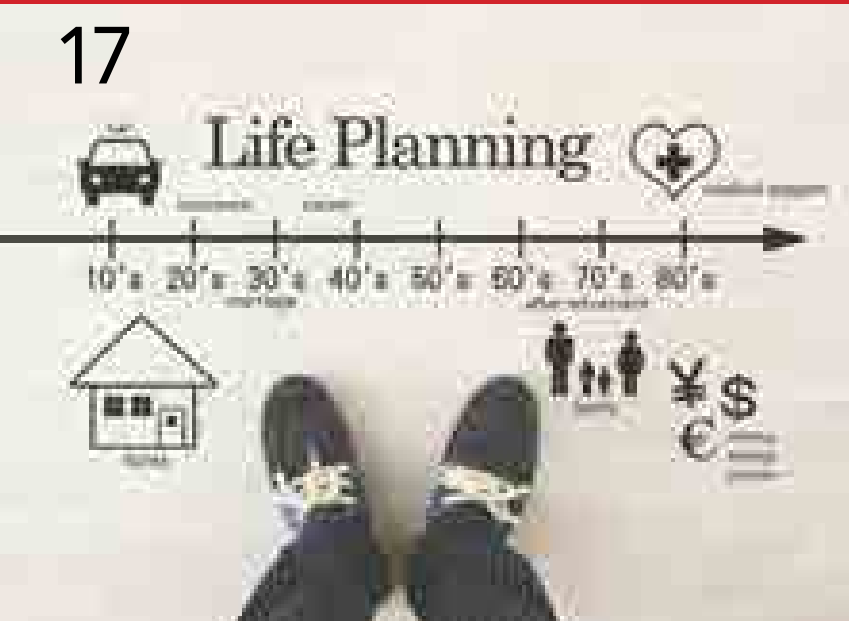
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*Teng Chee Wai, Affin Hwang Asset Management Berhad (2nd consecutive year)*

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*David Ng, Affin Hwang Asset Management Berhad*
-  ETF Sponsor of the Year, Malaysia  
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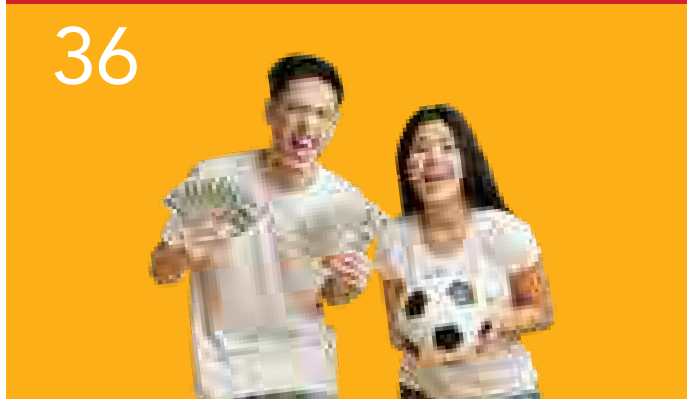
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# SILVER LINING FOR ALTERNATIVE INVESTMENTS

## DESPITE PANDEMIC

As traditional financing tighten credit lines, digital financing platforms like P2P and ECF are reaching out to more SMEs



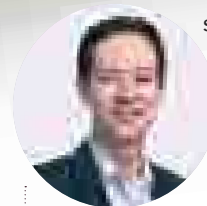
Since the first peer-to-peer (P2P) financing platform was launched in 2016, the industry has witnessed healthy growth under the watch of the Securities Commission Malaysia (SC). The Covid-19 pandemic has, suffice to say, thrown the industry off course.

"The Covid-19 pandemic has negatively impacted businesses across most industries, especially businesses

that operate predominantly offline or rely on physical touch," Funding Societies Malaysia co-founder and CEO Wong Kah Meng tells *Smart Investor*.

In this case, P2P financing platforms play an important role in balancing the needs of both SMEs and investors, and this remains true especially during the current unprecedented economic situation.

On the outlook for the P2P financing sector, Wong foresees the



Wong Kah Meng

sector will become more appealing to the investment community given the low interest rate environment, coupled with the volatile capital markets globally.

"Over the medium and longer term, we are hopeful the pandemic could even serve as a catalyst to spur the next wave of digitalisation of businesses across the economy as well as the emergence of new digital business models, which will benefit the P2P financing industry given its digital



# Investments

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focus," he opines.

However, equity crowdfunding (ECF) platform Ata Plus co-founders Elain Lockman and Kyri Andreou say it would be naïve to assume it is business as usual for the economy.

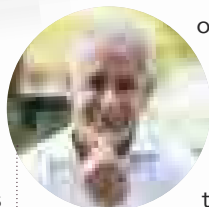
"People's behaviour, spending, and

investment patterns have changed and the medium- and long-term impact on businesses have yet to be ascertained with any level of accuracy," they say.

For players in the ECF and P2P financing space, they observe there has been a considerable increase in interest for raising funds by SMEs via these two methods.

"The improved terms for the Malaysian Co-Investment Fund (MyCIF)

introduced at the onset of the pandemic can then be said to have succeeded to an extent, though in the end it still requires the participation of the wider investor market."



*Kyri Andreou*

### Challenge to meet loan obligations

As cashflow becomes tight and businesses see substantial declines in revenue during the coronavirus outbreak, it is inevitable many MSMEs find it a challenge to meet their loan obligations to P2P lenders.

"Throughout the MCO, Fundaztic has never stopped MSMEs from having a chance to apply for funding with us. From a credit standpoint, however, we did take a more prudent and careful approach to ensure that all approved applicants are viable and creditworthy businesses," explains

We are hopeful the pandemic could even serve as a catalyst to spur the next wave of digitalisation of businesses across the economy as well as the emergence of new digital business models, which will benefit the P2P financing industry given its digital focus.

Calvin Foo, acting CEO of Peoplender Sdn Bhd (which operates P2P platform Fundaztic).

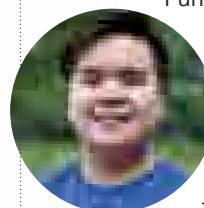
Bearing in mind that most businesses were not able to operate during the MCO and CMCO period,

Fundaztic has also taken a proactive approach to offer restructuring and rescheduling (R&R) to their issuers as a solution to get them through these tough times.

"This approach has eased our issuers' financial burden over this short-term period and therefore, we are not seeing any huge spikes in our default rate," adds Foo.

The situation, he continues, did improve mid-June onwards, and the number of notes and investments have started to gradually increase since then. This indicates a majority of businesses are starting to become operational once more.

"As more businesses are adapting to the 'new normal', I foresee the P2P financing sector will continue to



*Calvin Foo*

grow and assist more MSMEs in the country. In fact, I believe there will be more opportunities for the sector as businesses are starting to shift their businesses online."



**Tunku Danny Nasaifuddin Mudzaffar**

microLEAP founder and CEO Tunku Danny Nasaifuddin Mudzaffar concurs. "The ability to restructure their loans allows issuers to extend the tenor of their financing so that they can pay less than what they usually pay in a month. Doing so will also give P2P investors higher interest/profit at maturity.

"It's a win-win situation for all parties rather than allowing the Investment Note to default."

On Funding Societies Malaysia's part, Wong shares that with the slower economic activity during MCO, they anticipated deferment and restructuring requests from their SMEs.

"Deferment and restructuring options can help SMEs alleviate their immediate repayment obligations of up to three months so that they were able to meet other financial commitments such as salary payments to their employees, thereby helping to save jobs.

"In return, investors are able to earn additional interests during the deferment period as compensation," Wong reveals.

**Growth opportunities abound**

Despite the predicament brought about by the pandemic, growth opportunities for the P2P industry are still available.

Wong says one of their active efforts during the MCO was identifying SMEs with growth opportunities, particularly those within the defensive and counter-cyclical industries.



P2P financing operators, on the other hand, need to encourage diversification of investments on their platform while being more selective in terms of the issuers they host on their platforms.

These industries include healthcare, e-commerce, wholesale and retail of perishable goods, FMCG (fast-moving consumer goods), telecommunications and utilities, and transportation and logistics, among others, which they believe will remain strong or thrive during the current macroeconomic situation.

"As traditional financing avenues are tightening up their credit lines, this gives the opportunity for digital financing platforms such as P2P financing to reach out to more unserved and underserved SMEs in Malaysia that would benefit from the additional financing assistance," he adds.

After all, over 98% of businesses

in the country are MSMEs and as the whole industry has only served over 2,200 MSMEs as of June 2020, P2P financing is barely scratching the surface of the funding gap.

**Mitigating risks for investors**

The P2P financing industry is far from matured and although the Covid-19 pandemic may have slowed down the growth of the industry, this is believed to be just temporary.

There will be many businesses still being underserved by financial institutions, and these are the target segments P2P financing platforms are working hard on closing the financing gap for.

At the end of the day, says

microLEAP's Tunku Danny, MSMEs still need financing and P2P investors still have funds to deploy. However, the question is this: how do P2P investors know that their investment comes with the least risks possible?

"P2P investors need to look at which type of businesses will survive and which won't. Businesses that have pivoted or have an online presence are doing well, while those that are only brick-and-mortar will find it hard to make money due to lower footfall.

"P2P financing operators, on the other hand, need to encourage diversification of investments on their platform while being more selective in terms of the issuers they host on their platforms."

### Interest in early technology investments

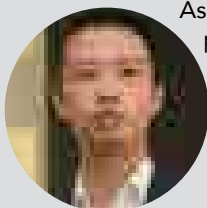
The pandemic, according to Ata Plus's Lockman and Andreou, has clearly shown technology played a crucial role in keeping our society functional during periods of lockdown and quarantines.

"These technologies coupled with the application of 'new' business concepts and/or models may prove to have a long-lasting impact beyond this pandemic. In terms of how we do business, how we trade, how we work, how we produce goods, how we buy goods, how we learn, how we seek medical services and how we entertain ourselves.

"Business concepts/models such as the sharing economy, co-creation, crowdsourcing, customer to customer (C2C), freemiums, gamification, Big Data, software as a service (SAAS), community driven, democratisation and Open Source are now more readily accepted and relevant than ever before.

"It is not a surprise there is a renewed interest in technology  
(continued on page 11)

## DIVERSIFIED STRATEGIES BUOY ROBO-ADVISORY PLATFORMS



Wong  
Wai Ken

As global financial markets reeled from the impact of the pandemic, robo-advisory platforms saw their investments impacted initially but has since benefitted from the tide of recovery in equity markets.

Robo-advisory platform StashAway says its portfolios performed well in the depths of the crisis and the subsequent recovery based on its diversified asset allocation strategy.

Year-to-date (ending 31 July 2020), its 12 portfolios have performed anywhere between 6.6% to 13.7% depending on the risk level. In the same period, the KLCI declined 2.3% while the S&P 500 rose 7.7%.

"The key message here is that diversified portfolios really do protect your investments in volatile times, and that the pandemic is not a reason to remain on the sidelines.

"We advocate investing according to your own risk appetite, and averaging in gradually into the market, so that you eliminate timing risk," says StashAway country manager Wong Wai Ken.

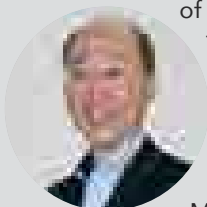
Long-term investing is never easy, especially given the occasional correction and bear markets, which can be emotional for investors. "To make the investing journey easier on our clients, our portfolios are constructed in a diversified manner so that investors can enjoy decent returns over time with limited volatility."

On how its investment approach differs from other robo-advisor players, he points out StashAway combines the best of both worlds when it comes to passive and active investing.

"StashAway is a passive investor when it comes to securities selection, in that we focus our resources on asset allocation and invest through ETF combinations in the international equity and bond markets.

"However, our asset allocation is dynamic, in that we determine the mix of asset classes in a portfolio, by continuously monitoring macro and market data using a system," he says, adding this approach works in their clients favour.

In the case of MYTHEO, the robo-advisory platform utilises a series of passive strategies to help investors achieve long-term financial objectives.



Ronnie Tan

"MYTHEO is managed using a model built on quantitative analysis. Quantitative investment management does not depend on the predictions or decisions of fund managers," says Ronnie Tan, CEO and MD of GAX MD Sdn Bhd, which operates the MYTHEO platform.

"It is always difficult to predict and forecast the direction of economic cycles. There will be dips and peaks. Hence, such predictions or trying to time the market offer little benefit to the long-term investment decision-making process."

He says MYTHEO also reduced the need for human intervention to minimise the negative impact of human emotion in the decision-making process.

"In addition, our algorithms are also programmed to ignore all sorts of market 'noises', which include economic prediction and forecast," says Tan, who points out Malaysia suffered its largest gross domestic product (GDP) contraction of 17.1% in Q2 from a year ago.



## CRYPTOCURRENCY INVESTMENT GAINS TRACTION FOLLOWING COVID-19

Interest in cryptocurrency investing among Malaysians has spiked in the aftermath of the Covid-19 pandemic.

Much of this new demand for cryptocurrency such as Bitcoin has been driven by concerns over the unprecedented money printing by central banks around the world and the subsequent debasement of currencies.

With economies mired in recession and equity markets

in danger of rolling over, ordinary investors are increasingly flocking to Bitcoin and other cryptos as a safe haven asset.

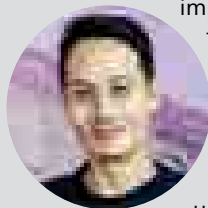
Aaron Tang, country manager of Luno Malaysia, the first cryptocurrency exchange recognised by the Securities Commission of Malaysia (SC), says interest in cryptocurrency investing has continued to show strong growth since its platform was relaunched in Malaysia in October 2019.

He adds one of the key reasons why interest in cryptocurrencies continues to grow is because of concerns on quantitative easing stimulus programmes around the world, leading to monetary inflation and currency debasement.

"Many investors are moving their cash to assets which are perceived as better stores-of-value like gold and Bitcoin," he adds.

### INSTITUTIONAL INTEREST ON THE RISE

He notes that institutional interest in cryptocurrencies continues to



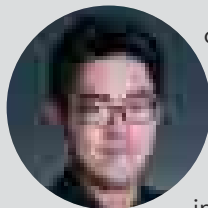
Aaron Tang

impress. For example, the Grayscale Bitcoin Trust (often regarded as a barometer of institutional interest into Bitcoin) reported its assets under management increased by US\$1.6 bil (RM6.6 bil) in the first

six months of 2020.

Tang also attributes the increasing popularity of cryptocurrencies to the rise of a concept known as De-Fi or “decentralised finance”. This is taking traditional finance concepts such as lending, borrowing and derivatives, but using Blockchain and cryptocurrencies to achieve the same effect, without the need for a traditional entity like a bank, he explains.

“There has been a huge surge of interest in recent months for De-Fi, attracting billions of dollars.”



Hong Qi Yu

Hong Qi Yu, CEO of digital assets platform Tokenize XChange, confirms that interest in investing in cryptocurrency has progressively increased on its platform in the aftermath of the Covid-19 pandemic.

He attributes it to several factors including that people are now more conscious of building their secondary income and managing their own personal finance amidst the pandemic crisis.

He says Malaysians are also looking to diversify their portfolio investment as they are worried about the prolonged quantitative easing by the US Federal Reserve which indirectly affects most nations.

“Cryptocurrencies, like Bitcoin, will slowly correlate with precious metals like gold and become one of the assets to hedge against inflation and market uncertainty. In my opinion, investors are increasingly viewing Bitcoin as a safe haven asset and a form of digital gold.”

### MANAGING THE RISKS

Both Tang and Hong acknowledge that investing in cryptocurrencies can be risky especially for new investors given its price volatility. What advice do they have for investors on managing such risks?

Tang says to always begin with a small amount that an investor is comfortable to “experiment” with.

“Not many realise this, but people can get started investing in Bitcoin from as low as RM 3. Consider this as a small price to pay to start learning about the amazing world of digital assets.

“The investor’s risk is limited to the small amount they’ve started with, but the potential benefits of learning about digital assets are far greater.”

He also recommends that new investors only invest in regulated digital asset exchanges and digital assets approved by SC.

“Trading of digital assets does happen on unregulated and overseas platforms as well. However, if anything goes wrong, local investors will find it difficult to get assistance or help from the authorities. Local investors have no legal recourse, thus the risks here are much higher.

“It can also be difficult for new investors to tell which cryptocurrencies and platforms are legitimate or if they are illegal.”

He adds a list of regulated platforms can be found at the SC’s website: <https://www.sc.com.my/regulation/guidelines/recognizedmarkets/list-of-registered-digital-asset-exchanges>

Tokenize’s Hong agrees that cryptocurrency is still considered one of the riskier investment assets. “I would advise investors to only invest the amount of money they can afford to lose.”




investments due to the pandemic.

Technology or tech-driven businesses that are agile, scalable and have high degree of automation or digitalisation capabilities with new business concepts/models will be the ones that will be on the watch list,” they say.

As an ECF platform, Lockman and Andreou believe that Ata Plus, like other platforms, want to give investors access to new investment opportunities that would previously only have been available to angel investors, venture capitalists, or private equity firms.

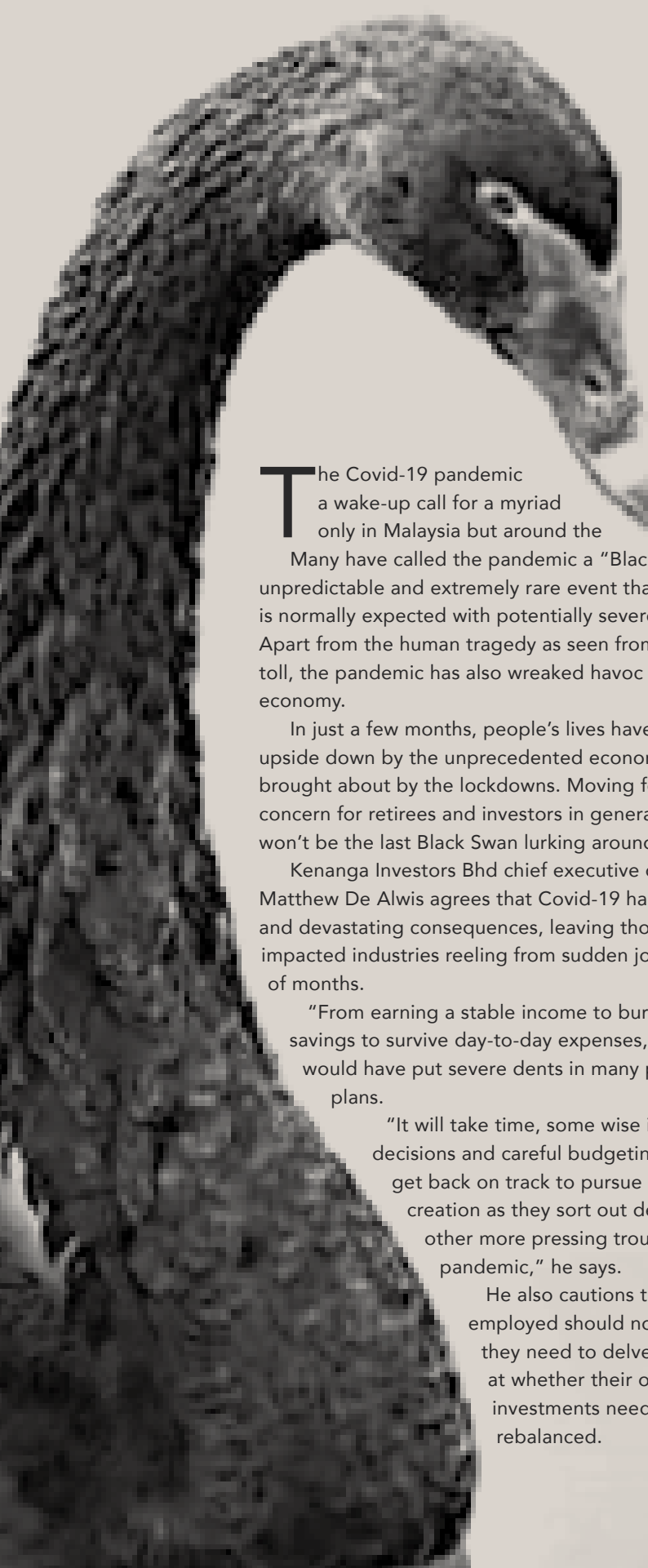
“We are here to connect investors who have the funds and businesses that need growth capital. Through ECF, sophisticated and retail investors can now access these investment opportunities with a much lower investment entry point into these exciting businesses. In Malaysia, the smallest investment that has been accepted by an issuer was RM10.

“While this is a medium-longer term investment asset class with potential high returns, investors need to be aware of the risks and limits of their total crowdfunding investments.

The investors may lose all their money and most start-ups will fail. The trick is to always diversify your investment and not to put all your eggs in one basket,” they conclude. 

# INVESTMENT STRATEGIES TO SHIELD YOUR RETIREMENT FROM BLACK SWANS

With the right strategies, you can secure your retirement fund and grow it during economic crises and market crashes



The Covid-19 pandemic has served as a wake-up call for a myriad of people not only in Malaysia but around the world.

Many have called the pandemic a “Black Swan” – an unpredictable and extremely rare event that is beyond what is normally expected with potentially severe consequences. Apart from the human tragedy as seen from the huge death toll, the pandemic has also wreaked havoc on the global economy.

In just a few months, people’s lives have been turned upside down by the unprecedented economic damage brought about by the lockdowns. Moving forward, the major concern for retirees and investors in general is that Covid-19 won’t be the last Black Swan lurking around the corner.

Kenanga Investors Bhd chief executive officer Ismitz Matthew De Alwis agrees that Covid-19 has had far reaching and devastating consequences, leaving those in heavily impacted industries reeling from sudden job losses in a matter of months.

“From earning a stable income to burning through savings to survive day-to-day expenses, the pandemic would have put severe dents in many people’s retirement plans.

“It will take time, some wise investment decisions and careful budgeting before they can get back on track to pursue proper wealth creation as they sort out debt and various other more pressing troubles caused by the pandemic,” he says.

He also cautions that those still employed should not rest easy as they need to delve deep and look at whether their own savings or investments need to be reinforced or rebalanced.

### A silver lining

The plus factor to this scenario, De Alwis says, is it has made many to reconsider their financial situation and circumstances, allowing them to start focusing on their own financial planning rather than stalling.

He says having a sound financial plan in place is crucial for individuals to protect their investment portfolio from Black Swan events, economic recessions and market crashes.

“This is usually accomplished with the help of professional financial planners who could assess their current situation and assist to map out investors’ risks and goals to develop a plan (possibly consisting of a diversified portfolio of various asset classes) that would eventually achieve what the investor wants to achieve.

“Even then, investors would need to keep periodic



Ismitz  
Matthew  
De Alwis

tabs on their overall portfolio to ensure they are on the right track and to make adjustments where necessary.

“It is very important for the investor to stay diversified so that the various assets in the portfolio can take advantage of different economic conditions, leading to the investor achieving best possible outcomes during crashes,” says De Alwis, who is also president of the Financial Planning Association of Malaysia.

### Avoid following the herd

He says it’s also very critical for an investor to avoid following a herd mentality especially when they are caught in times of crises. “It is easy to follow where the crowd goes because many believe there is safety in numbers.

“But when it comes to personal



## OPPORTUNITY TO GENERATE WEALTH DURING DOWNTURNS

While deep economic recessions and Black Swan events typically have the effect of eroding wealth, on the flipside it also presents rare opportunities for investors to generate wealth.

This is because the ensuing economic disruptions causes the prices of assets to fall drastically. And savvy investors who know where to snap up high quality assets at low prices will reap the rewards when markets rebound.

Kenanga Investors Bhd chief executive officer Ismitz Matthew De Alwis says there is no doubt that the Covid-19 pandemic has caused certain companies or investors to “amass considerable wealth in 2020”.

“Investors would do well with investing in companies which have strong balance sheets, a stable management, a healthy debt-equity ratio, and are in industries that are known to perform even during recessions.

“Even with market dips, there will always be corrections or opportunities for recoveries especially if you have the time frame to ride out volatilities.”

Nevertheless, De Alwis says that to forever be on the lookout for profit or instances of opportunity is not a viable long-term goal for an average investor.

“Instead, the best option is for an investor to find the right balance of short and long-term investments, and be as aggressive as their risk tolerance allows,” he says, adding that the rule of thumb generally states that the younger you are, the more risk you can shoulder.

Affin Hwang Asset Management chief learning officer Steve Lim concurs, citing the age-old adage that “Danger provides opportunities”.

“As part of their tactical allocation, investors can maintain a certain percentage of their assets in liquid cash to cherry pick companies with strong fundamentals and growth potential whose prices have been irrationally punished in a market rout due to Black Swan events such as the Covid-19 pandemic,” he adds.

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By objectively reviewing your portfolio, you can ensure that your retirement ship is well fuelled, travelling on course, with leaks sealed, and its growing cargo protected. Even if strong winds emerge, you can adjust your sails to your advantage.

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financials, one person’s risk appetite and goals can differ to the next person’s. This is why it is better to assess your own current situation before selling in haste and finding out at later that you would have recovered or profited had you stayed the course,” he adds.

In a recessionary environment, he says it would be unwise for average investors to dabble in “high risk and highly speculative assets” as they may not be able to recover immediately if disaster strikes.

“Once again, investors would do well to stick to defensive sectors where companies are less impacted by economic changes. Above all, stay diversified and focused on your personal financial goals.”

It would also be beneficial to have supplementary savings such as Private Retirement Schemes (PRS) which can help cushion inflation or unexpected emergencies such as today’s situation, he adds.

Though retirement savings are often referred to as nests, De Alwis prefers to liken it to a ship.

“By objectively reviewing your portfolio, you can ensure that your retirement ship is well fuelled, travelling on course, with leaks sealed, and its growing cargo protected. Even if strong winds emerge, you can adjust your sails to your advantage.”

### The scourge of low interest rates

Retirees around the world, including in Malaysia, are grappling with the reality that the money they have saved up over the years is generating less and less returns over time and this has serious implications for their golden years.

And events like the Covid-19 pandemic only exacerbates the problem. Affin Hwang Asset Management chief learning officer Steve Lim agrees that Black Swan events can have long term repercussions on an individual's journey of wealth accumulation.

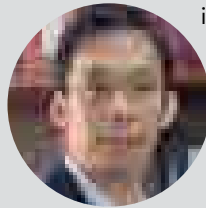
He notes that central bankers the world over are implementing quantitative easing in one form or another to arrest the downturn of their economies in the wake of the pandemic, driving interest rates lower and in some cases mulling the possibility of negative interest rates. And policy makers have indicated that this very easy monetary condition would persist till economies recover, he says.

“This would inadvertently impact savers with low risk tolerance who previously lived on higher returns from deposits,” he adds.

Just this year alone, Bank Negara Malaysia has cut the overnight policy rate (OPR) four times to a record low of 1.75% to contain the economic fallout from the pandemic.

Lim says proper asset allocations according to one's returns expectation and risk profile is crucial

## ALTERNATIVE INVESTMENTS TO PROTECT YOUR PORTFOLIO



YH Wong

In times of economic distress, opting for alternative investments may well enable you to not only protect your retirement funds but also to grow your wealth as well.

This approach is advocated by YH Wong, principal of Noble Hills Partners Ltd, who counts high-net-worth investors and boutique institutions among his clients.

“When it comes to protecting an investment portfolio especially in times of distress, it is sensible to allocate some percentages to alternative investment strategies that are designed to achieve absolute returns irrespective of the direction of the broader markets. Go beyond traditional diversification or mainstream solutions.”

Wong listed managed futures, private equity, venture capital, real estate, commodities, and hedge funds as various types of alternative investments.

Noting that the Covid-19 led meltdown back in March was frightening in its speed and breadth, he says that risk means different things to different investors. “You have a choice about how risk is managed or protected in your portfolio.”

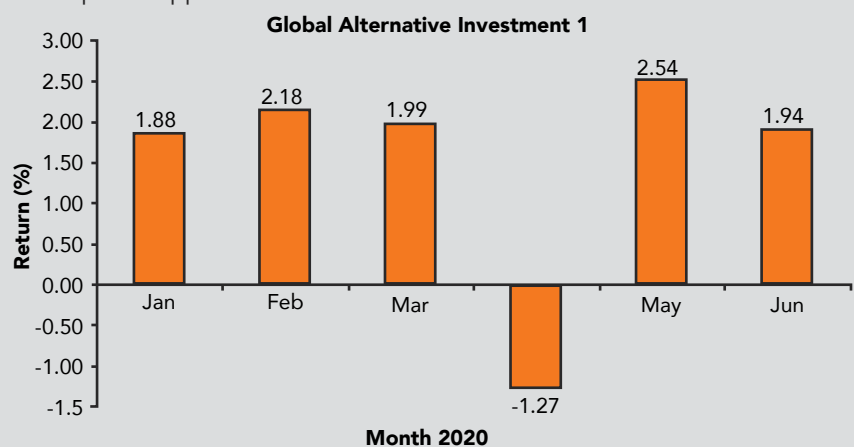
The reality, he points out, is that the stock market moves up and down all the time. “The question is not whether there will be another bear market or crisis, but when. Diversified portfolios should include both traditional and alternative investment strategies.

“It makes a lot of sense to look at alternative investing strategies that deliver superior, non-correlated returns making it a perfect complement to other total return strategies as the markets move forward into uncharted territory.”

Wong says there is no shortage for complexity in the alternative investment space. “I have a penchant for smaller and not so well-known names. A number of them on my radar screen invest systematically in a broad portfolio of financial instruments across all asset classes, including equities, fixed income, commodities, and currencies,” he explains.

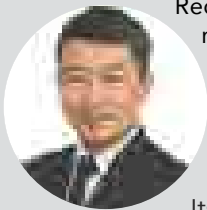
“I'm pleased that so far in 2020, not only have all of my alternative investments been profitable, their correlations to equities have been negative to low (see table). Indeed, there are many other alternative investment managers who done well if you know where to find them.

He says volatility is likely to bring about many more surprises ahead. “This will likely provide opportunities for any investors with a disciplined approach.”





## GOLD AND BONDS MAY SAVE YOUR RETIREMENT FUND



Sani Ahmad

Recessions and equity market downturns can have massive impact on the portfolios of investors. It is especially devastating if the devaluation hits the investments of those approaching or in retirement.

Ordinary investors often have no idea how to deal with a market crash. For example, the emergence of Covid-19 led to markets crashing around the world. Its severity led many investors to dump their stocks near the lows in March. And many were left on the sidelines when markets rebounded in the months following.

However, if you have a proven investment roadmap to safely navigate such deep downturns, you can be confident of securing your investment portfolio for a comfortable retirement.

Given the uncertainty in the global economy, Sani Hamid, director of Wealth Management at FA Advisory, a member of Financial Alliance Group, does not rule out the possibility that the market may revisit the March lows in the next couple of months.

In such a scenario, he advocates an investment portfolio comprising of high-quality bonds and gold. "Gold and bonds are safe haven assets which will do well during a recession," he adds.

Elaborating further, Sani says the yellow metal will do well over the next 12-24 months because central banks around the world are 'printing money' in the aftermath of the Covid-19 pandemic, causing their currencies to lose value.

"Because of this, gold – which is a store of value – has reached all-time highs in many currencies," he adds. Gold breached its previous all-time high of US\$1,920 end of July.

"We like gold miners because they have the leverage effect. You'll find that if the price of gold moves up 10%, the share price of gold miners can rise two or three times more because of the leverage effect.

"On the flip side, if the gold price falls by 10%, gold miners can fall by 20-30%. In Malaysia, if you want to invest in gold miners, there are several unit trusts that specialise in gold miners."

He says the proportion allocated to bonds and gold would depend on the individual's risk appetite. "If you think you can take more volatility, then you can allocate say 60-70% of your portfolio to gold and 30% to bonds.

"If you can't take the volatility [of gold], you can flip it around with 60-70% in bonds and 30% in gold. So this is the way that you can manage the volatility," says Sani.

A well-functioning stock market and stocks with strong fundamental and growth potential would trend upward in the long term. For instance, the S&P500 returned a yearly average of about 11%. Risk is mitigated by spreading the hundreds of entry points into the financial markets over 10-30 years without bothering to time the market.

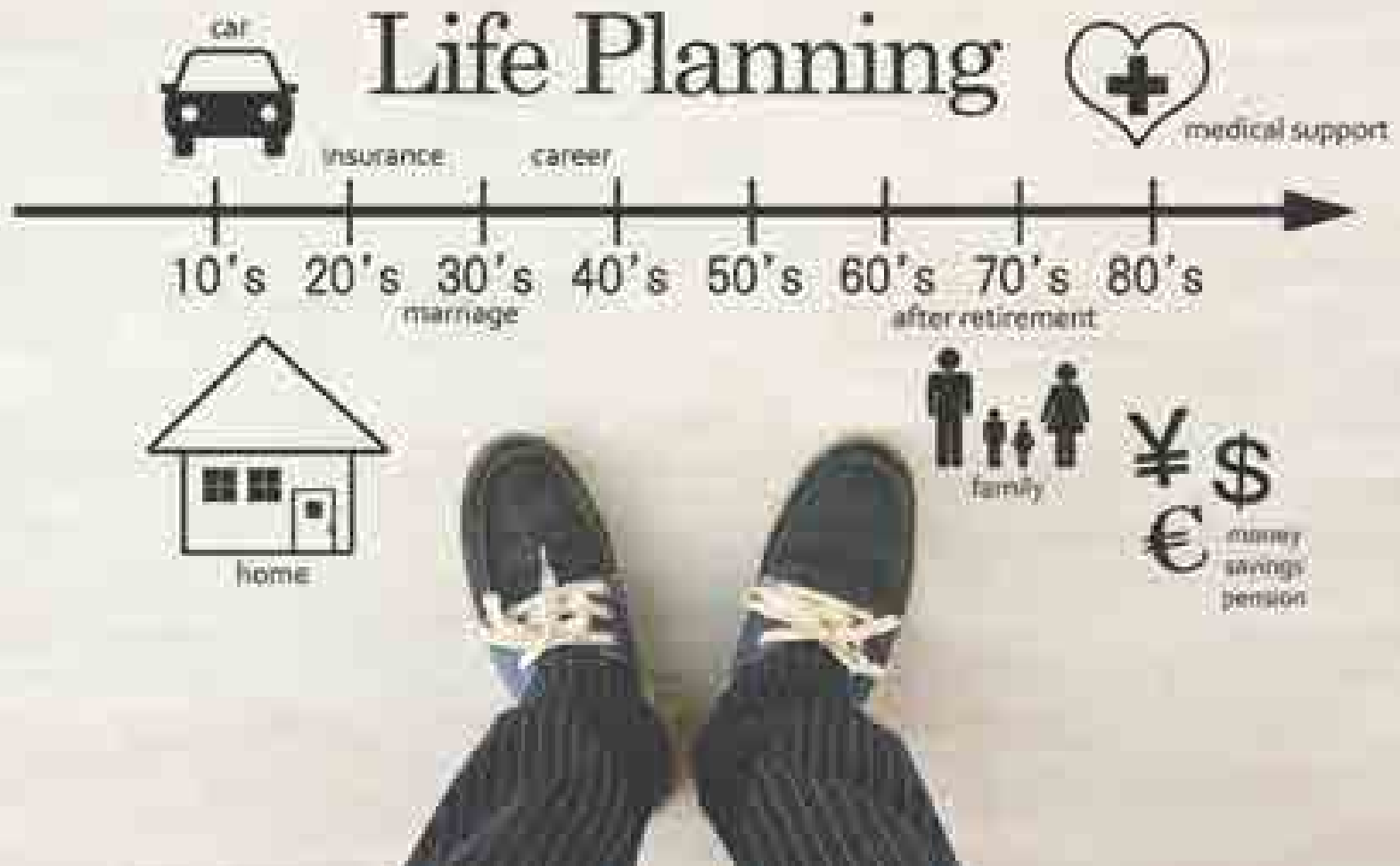
to avoid getting caught in Black Swan events.

"Although this is not a fool-proof method, investors with low risk tolerance could avoid shocks from volatile price movements of riskier assets such as equities, high-yield fixed income securities or derivatives."

To minimise impacts from Black Swan events, he says investors should invest over a very long term using the dollar-cost averaging method.

"A well-functioning stock market and stocks with strong fundamental and growth potential would trend upward in the long term. For instance, the S&P500 returned a yearly average of about 11%.

"Risk is mitigated by spreading the hundreds of entry points into the financial markets over 10-30 years without bothering to time the market," he explains. **SI**



## WHAT TO DO WHEN YOUR RETIREMENT FUNDS ARE INSUFFICIENT

Malaysians are facing challenges saving for their retirement, so what can be done about it?

Most working-age Malaysians have certain ideas of how they want to live their retirement years, but more often than not, the stark reality of retirement paints a picture that is far from rosy.

Challenges such as the lack of adequate savings and rising medical costs are knocking well-made retirement plans off kilter, and thus reducing the value of one's nest

egg. Throw the Covid-19 pandemic into the fray and Malaysians are suddenly discovering that their retirement funds are insufficient.

For context, according to Employees' Provident Fund (EPF), current EPF savings for most Malaysians are barely enough for a decent life after retirement. In fact, statistics indicate that 70% of Malaysians outlive their retirement savings – those who withdrew their

funds at age 55 use up their savings less than a decade after retiring.

Equally troubling is the fact that more than two-thirds (68%) of EPF members aged 54 had less than RM50,000 in EPF savings, and with the household poverty line income at RM930 monthly, the RM50,000 in savings will only last approximately 4½ years. The bottom fifth of EPF members, meanwhile, have average savings of only RM6,909.

One should not make the mistake of thinking that time is on his side and that he still has many more years ahead of him to plan for his retirement.



## DOING THE MATH FOR YOUR GOLDEN YEARS

**Q If you are a young adult today (say, in your late 20s or early 30s) and taking into account the fluctuating global markets, how much would you need to retire comfortably?**

**Private Pension Administrator Malaysia CEO Husaini Hussin:** How much one needs for retirement will depend on their current lifestyle. Studies have indicated that we will need 2/3 of our last drawn salary as replacement income to maintain our current lifestyle in retirement.

This is because work-related expenses such as commuting would no longer be incurred and long-term loans such as mortgages would most likely have been settled. In order to achieve this, we should aim to save 1/3 of our salary today.

The good news is, if you are currently employed, you are probably already contributing 11% of your salary into a mandatory scheme each month. Your employer also contributes at least a further 12%, which brings the total contribution to 23%.

Therefore, you just need to top up an additional 10% to achieve the 1/3 minimum. I say 'minimum' because one should first aim for 10%, and then plan to save more as our earnings increase.

As the amount each person needs for retirement differs, we have created a retirement calculator on PPA's website for those interested to simulate different projections and scenarios. You can use it as a guide to design an accumulation plan to reach your retirement savings goal.

This begs the question: is having insufficient retirement funds beyond one's control given the worsening global crisis, or could this be due to poor financial management?

### Managing priorities and habits

Retirement planning can be daunting, but the beauty of the process is that it allows you to think about your retirement goals, how long you have to meet them, and most importantly, it allows you to work out how much you would need to comfortably enjoy your golden years.

"Retirement planning can be planned, but at the end of the day, it all comes down to one's priorities and habits," opines Harveston Wealth Management financial adviser Annie Hor.

"If you are in your 50s and have nothing prepared for retirement, you are in a lot of trouble. You may not be able to stop working immediately and would need to start relooking at your expenses and trim as much as possible while saving most of your nett income," she says.

Hor goes on to share that she once advised a client in his late 50s to immediately cut back on his lifestyle and spend no more than half of his income.

"The client is single, has a house that has been paid up, and other loans. However, he has no one to depend on and has less than RM150,000 in his savings and EPF account. While he has a medical insurance, he also has a medical condition that requires regular treatment which is not covered by his medical insurance.

"At the moment, he can still claim employee benefits, but because of his age and low

resources, he is unable to maximise his investments and would need to be mindful about his money management," Hor recalls.

Hor cautions that despite not being in a similar situation, one should not make the mistake of thinking that time is on his side and that he still has many more years ahead of him to plan for retirement.

"We don't have much time to plan for retirement as there will always be distractions and setbacks in life, chief among them being getting married and starting a family, worrying about your children's school fees, having to take care of your ageing parents, and even the Covid-19 pandemic," she reveals, adding the earlier one sets his retirement plan in motion, the better.

Ensuring you have medical insurance is the basic foundation of financial planning. If you do not have one, falling ill can potentially affect your wealth, she adds.

"Medical insurance can secure your coverage for today and for the future. This is because when you are much older and possibly less healthy, it would be difficult to get adequate insurance coverage even if you are willing to pay for it."

### **Bridging the growing gap in one's retirement fund**

While EPF does its best to support one's post-retirement life, simply relying on it alone is not enough, as indicated in the revision of the minimum savings target in 2017, which saw the EPF raising the minimum savings target by age 55 from RM196,800 to RM228,000.

Suffice to say, active contribution to one's EPF account alone may be insufficient for achieving one's retirement goals, and Malaysians would need to explore other



## **HANDY TIPS FOR RETIREMENT PLANNING**

When it comes to ensuring sufficient retirement funds, good financial planning is paramount. Harveston Wealth Management financial adviser Annie Hor shares some important tips on saving and investing for one's retirement.

- 1.** Never underestimate the importance of having your own personal medical insurance. That way, in the event of a medical emergency, you can rest assured knowing that you can file a claim with the insurance company rather than tapping into your retirement funds;
- 2.** It is not too early to plan for your retirement. You can always start early, and even if you do not have children, you can always start investing early for your children's education. The sooner that you start, the better;
- 3.** Take a bit of risk when it comes to retirement planning. You need to look at investing to grow your monies to beat inflation and not depend only on your savings to retire. Have a licensed financial adviser review your investments and help make sure that your investments grow according to your desired returns;
- 4.** If your resources are limited, do not try to look at settling your mortgage and car loans and forgo investing. You might be asset rich but cash poor when you retire.
- 5.** Always make sure that your children's education plan and your retirement planning are done separately. If you do not plan for your children's education, you might end up using your EPF to fund your children's education. If you cannot afford to do both education and retirement planning, remember that you can borrow money for education but not for retirement so make a wise decision.

Annie Hor



avenues to give their nest eggs a boost. And a useful tool that one can consider is private retirement schemes (PRS).

"PRS was introduced especially for Malaysians to save for their retirement in a structured and regulated scheme. It complements the mandatory contribution scheme to bridge the retirement savings gap.

"If you are self-employed and do not contribute into a mandatory scheme, PRS is a great avenue to start building your savings as it provides diversification into various asset classes in multiple regions to grow your retirement nest," Private Pension Administrator (PPA) Malaysia CEO Husaini Hussin tells *Smart Investor*.

According to PPA's survey last year, 67% of the respondents want to save more for their retirement.

"However, as we go about our

If you are self-employed and do not contribute into a mandatory scheme, PRS is a great avenue to start building your savings as it provides diversification into various asset classes in multiple regions to grow your retirement nest.

lives balancing various commitments, perhaps at one point it became inconvenient to find the time to set up an account. Or maybe we procrastinated a little in another instance and forgot to follow up later on. One way or another, this intention of wanting to save did not translate into action."

As such, with the PRS Online service developed by PPA, the user experience of opening a PRS account is now made easy, convenient and secure. A seamless process, Husaini stresses, will be one less barrier for Malaysians to enrol and continually top up their PRS accounts.

"It is never too late to start. In fact, the government encourages you to save with a PRS Tax Relief of up to RM3,000 each year.

This means that when

you start saving in PRS, not only are you saving for your future, you also get to enjoy immediate benefits through the tax incentive.

"For example, if your tax bracket is 24%, then just by setting aside RM250 per month into your PRS account each month for one year will earn you a tax savings of RM720."

Husaini  
Hussin





"Reinvesting the tax savings on a yearly basis will further compound the growth of your retirement fund," he explains.

Husaini urges those who just entered the workforce should start saving too. "It's a myth when people tell you that it's too early to plan for retirement. Young Malaysians aged 30 and below get to enjoy 0% sales charge when they enrol for a PRS account with PPA's PRS Online service.

"Get into the habit of setting aside a fixed sum into a retirement fund each month as saving regularly is more important than how much you actually put away, because even small amounts add up over time," he advises.

### **Weathering unexpected setbacks**

Unexpected setbacks like the Covid-19 pandemic are oftentimes inevitable and can put a glitch

in one's retirement plans, and temporary as they are, they can negatively affect your existing retirement plans.

"You may need to tap into your savings meant for retirement in such situations, but if you have done proper planning, your retirement planning is in fact not even your savings. You should have emergency funds at hand to weather these unexpected setbacks, and this will ensure that your retirement planning will still be untouched and intact," Harveston Wealth Management's Hor explains.

While the pandemic is unavoidable, she believes the situation can be rectified with proper planning. "Make sure that you have sufficient emergency funds to last you about three to six months should something like this happen again.

"On top of that, review your household expenses and try to use less than what you are currently earning. If you keep your lifestyle just within your average means and do not maximise your borrowings, you would have less to be worried about," Hor suggests.

On what Malaysians can do if their retirement funds are insufficient, here's her advice: "First, find out what kind of retirement you would like to have. Then, look at your current resources and identify which basket of assets is meant for your retirement. Your next step is to identify the shortfalls and gaps, and ways that you can fulfil these realistically."

"Start trimming down unnecessary wants and expenses and start investing for the future. You don't only work to spend today. You work to spend today and save – or invest – for tomorrow." **SI**



# PROTECTING YOUR NEST EGG FROM HEALTH AND INCOME SHOCKS

Early planning and a healthy lifestyle can mitigate the risk of exhausting your retirement funds because of healthcare shocks

For many Malaysians approaching retirement or already retired, one of their biggest fears is having a massive hole blown through their nest egg which they have painstakingly built up over the decades to see them through their golden years.

For many people, the situation becomes even more tenuous as their retirement funds are barely sufficient to provide a comfortable level of living or last till end of life.

Two of the major risk factors that can reduce individual retirement

savings are health and income shocks, says Mohd Sedek Jantan, head of Investment & Financial Planning / Investment Unit at UOB Kay Hian Wealth Advisors Sdn Bhd.

Health shocks are defined as unpredictable illnesses that diminish health status, he says. "Individuals facing health shocks are often affected by significant out-of-pocket (OOP) healthcare expenditures incurred to obtain healthcare and the income loss from an inability to work.

"The OOP spending has particularly serious effects on poor



Mohd Sedek Jantan

households, who tend to spend more on healthcare as a share of their income compared to their richer counterparts," he says.

On the other hand, income shocks are referenced by how many significant drops in income a person has suffered over their working career, says Mohd Sedek.

"For example, the current Covid-19 pandemic has caused the unemployment of large numbers of

people, while others are facing pay cuts. The income shock during the pandemic is more severe among young adults.

“Income shocks are strongly associated with an expected spending reduction and, at a certain level, the individual will liquidate their savings in order to put food on the table.”

He cites the i-Lestari withdrawal facility from the Employees Provident Fund (EPF), which is intended to ease the financial burden on the contributor to enable them to meet their basic monthly financial needs during the Covid-19 pandemic. (See sidebar on Income shocks)

### Mitigating against the risk factors

Mohd Sedek says like other expenses in retirement, planning can make a difference in managing such risks. He says healthcare costs influence retirement income planning, and as such, the impact of rising healthcare costs should be a priority consideration.

“The most economical way to absorb the health shock is by changing lifestyle,” he adds.

He says research studies on people’s behaviour have shown a causal relationship between unhealthy lifestyles and healthcare expenditure, where individuals who practise unhealthy lifestyles need more healthcare services, forcing them to spend more on healthcare expenditure.

Taking steps to improve health can reduce annual medical expenses, he adds. In the case of Malaysia, hypertension stands as an important area of worry for economic evaluations because of the wide range of issues involved for the individual and for society.

“It is one of the most expensive

## RISK MANAGEMENT NEEDED TO ABSORB INCOME SHOCKS

To mitigate against income shocks, individuals should do planning that includes matching up income streams, including guaranteed income, to fund recurring healthcare expenses such as insurance premiums.

Individuals may also plan on maintaining an emergency health savings fund for non-recurring health expenses, says Mohd Sedek Jantan, head of Investment & Financial Planning / Investment Unit at UOB Kay Hian Wealth Advisors Sdn Bhd.

Also, delaying withdrawal from the EPF can create a larger monthly benefit. “Hence, personal budgeting is important to achieve a clearer vision of personal finances so you can begin to plan your spending and saving and take control of your money.

“In short, budgeting helps you to ensure you have the right amount of money at the right time.”

And when doing budgeting, both regular events and extremely uncertain events must be dealt with. It is advisable for individuals to set aside at least six to nine months of living expenses in a money market account, one that offers liquidity and the safety of the principal.

“An emergency savings fund should be established so you don’t have to consider tapping your retirement savings,” he adds.



Individuals facing health shocks are often affected by significant out-of-pocket (OOP) healthcare expenditures incurred to obtain healthcare and the income loss from an inability to work. The OOP spending has particularly serious effects on poor households, who tend to spend more on healthcare as a share of their income compared to their richer counterparts.

diseases as far as treatment is concerned, as it generates higher healthcare expenses than those produced by individuals with normal blood pressure.”

However, he notes there is a reduction in total direct costs of

the hypertension population if each patient’s blood pressure becomes controlled.

“This reduction in direct costs can be achieved by changing lifestyle habits, for example: reducing dietary sodium intake, decreasing

## DEALING WITH THE MEDICAL INSURANCE CONUNDRUM

If they can afford it, it is prudent for senior citizens to have medical insurance as it can help offset the medical expenses that they'll incur as they age.

However, the flipside is that medical insurance premiums increase dramatically as we grow older, ironically at a time when we are no longer generating income.

So, is there a way out of this predicament?

Mohd Sedek Jantan, head of Investment & Financial Planning / Investment Unit at UOB Kay Hian Wealth Advisors Sdn Bhd, notes that age is one of the prime elements in the health insurance premium calculation because it impacts the medical support a policyholder may require.

It is significant to understand that an elderly insured individual will possess medical conditions quite different from those of a young or adult insured individual, he says.

"Typically, the premium amount increases on average about 5% to 8% for every year of age; it can be as low as 5% annually if you're in your 40s, and as high as 12% annually if you are over age 50," he says, adding that high-risk health status also has the potential to greatly increase costs.

As such, Sedek says it is advisable to buy health insurance "at a young age to avoid high insurance premiums", as the policyholder is able to lock in lower premiums and reduce the total amount they will spend on life insurance over the course of a lifetime.



R. Sathia

have been built by individuals," he adds.

To reduce the risk of this happening, Sathia says that apart from investing in

maintaining one's own health by way of exercise, diets, etc, another supplementary and important mitigant would be investment in the appropriate health or medical insurance plans.

"By procuring such a plan early in life, individuals can ensure they are covered for unforeseen circumstances later in life," he advises.

For the individual there is little they can do to prevent the rising healthcare cost across the board in the market. "However, on a personal level, everyone can work towards limiting their exposure to such costs by living a healthy lifestyle from early in their life," he says, adding this would include proper healthy diets and exercise.

Sathia notes that exercise is a particularly interesting topic when it comes to health/medical insurance.

"More and more insurance and Takaful companies are investing in health and exercise related insurances that track the lifestyle and exercise habits of customers through the use of electronic gadgets and apps.

"By availing oneself to such an insurance early and leading a healthy lifestyle, not only would the average person be able to improve on their overall health but they can also potentially reduce their own premiums as a result of their healthy lifestyle.

He also says there have been efforts across the world to factor in lifestyles and exercise behaviours through electronic monitoring as inputs in pricing health and medical insurance by technology driven



body weight, quitting smoking, and reducing alcohol intake. In addition, anti-hypertensive medications can lower the risk of cardiovascular mortality in hypertensive individuals," he adds.

### High cost of medical insurance

R. Sathia, co-founder and CEO of GFlex40, a Malaysian insurance technology company, concurs the highest risk factors that would lead to reduction of wealth for a majority

of Malaysians are health issues, either for themselves or their closest family members.

"As it has been well researched, the cost of medical insurance in Malaysia is among the highest in Asia and continues to rise," he adds.

He points out that Malaysia also suffers from among the highest obesity rates in Asia. "The risk factors increase chances of individuals falling ill, and when combined with the cost of healthcare can quickly result in depletion of any savings that

insurance companies.

"These efforts coupled with efforts to optimise operations of third party administrators and hospitals would eventually be able to lead to a reduction of pricing," he adds.

### Wealth protection measures

So, what can we do to prevent rising healthcare costs from eroding our retirement nest egg?

UOB Kay Hian Wealth Advisors' Mohd Sedek says reviewing one's current insurance plan is vital to ensure it does not eat up the retirement saving.

"As healthcare costs continue rising, it is important for each individual to have life and medical insurance. According to the Employee Benefit Research Institute (EBRI), healthcare expenses are the second largest component, and these expenses steadily increase with age."

Further, it is important for the policyholder to review their insurance policy from time to time, to ensure having adequate protection for the future and safeguard the income-earning abilities.

Sound financial advice also plays an important role when it comes to retirement planning.

"Individuals, regardless of their income level, should engage with a certified financial planner to ensure the retirement saving is not just sufficient but also sustainable, to hedge it against healthcare cost," advises Mohd Sedek.

A financial adviser, he says, will review the individual's overall financial situation and address the solution based on their needs. From the analysis, the financial planner will help the individual to address the challenges by:

a. Estimating their expected out-of-

More and more insurance and Takaful companies are investing in health and exercise related insurances that track the lifestyle and exercise habits of customers through the use of electronic gadgets and apps.



- b. Creating contingency plans for unexpected expenses such as long-term care; and
- c. Working closely with the client to help protect their wealth by integrating healthcare costs into the overall retirement plan. He adds there are a number of

insurance types and riders that can help to hedge the rise in healthcare costs, such as investment-linked products, medical card, critical illness coverage and specific elderly insurance.

In addition, the financial planner can explain the cost-benefit for each insurance plan, creating trust funds and other advanced planning strategies. **SI**

# SELECTING THE RIGHT INVESTMENT FUNDS FOR YOUR RETIREMENT PORTFOLIO

Investing for your retirement is not about finding the best product to invest in but the right product that suits your retirement needs

Investing for retirement is undoubtedly an investor's biggest goal. After all, a successful retirement is not a birthright but something one must earn through hard work and proper – if not cautious – planning.

However, those approaching retirement have found themselves in a unique position today, with the Covid-19 pandemic giving way to market volatility. Businesses across almost all industries are affected, as are share prices, and the concern about losing money is one that equity investors know better than to take lightly.

Similarly, non-investors, too, find

themselves in a fix as their retirement savings are eroded by inflation. In July 2020, Bank Negara Malaysia (BNM) cut its overnight policy rate (OPR) by 25 basis points (bps) to a record low of 1.75%.

## Upping your nest egg game plan

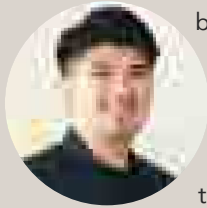
According to the central bank, the impact of the pandemic on the global economy is severe and Malaysia's economic activity contracted sharply in the second quarter of the year due to measures that were introduced to contain the pandemic. In a recent statement, BNM said that Malaysia's inflationary pressures are expected to

be muted in 2020.

"In addition to the OPR adjustment to what is considered to be the decade's lowest, the fixed deposit interest is now at a maximum of 2%, with the inflation rate projected to around 2.8% in 2021, according to Statista.

"Therefore, by not investing, you are losing your purchasing power by almost 1% each year," Alpine Advisory director Gor Sheau Shuenn tells *Smart Investor*.

As a result, most of the soon-to-be-retirees hesitate to retire and suffer from the 'one-more-year' syndrome, which sees them staying in the current job for one more year



**Gor Sheau Shuenn**

before they retire.

“For those who do not have the luxury of delaying their retirement, they will worry for their slowly-depleting life savings and thus,

defeating the objective of retiring in the first place, which is to have a rewarding and worry-free life,” he adds.

Gor’s suggestion for those whose retirement is on the horizon?

“Start looking into your personal finances. You will need to understand how your retirement life is going to look like, and what are the possible hurdles and hassles that may affect your nest egg.

“Most of the time, retirees do not actually deplete their money by spending it on themselves but rather, to sponsor their children’s dreams or their parents’ medical expenses, or even dealing with the aftermath of a wrong investment decision.”

Therefore, he continues, every pre-retiree should have their financial plan on the table at least five years before they plan to retire. This enables them to adjust to their lifestyle, settle unwanted loan commitments and prepare adequate funds to sponsor their loved ones’ dreams, which will then prevent any premature withdrawals from their retirement fund.

### Where to put your money

In general, as a person approaches their retirement (say less than three years), the less risk they are able to take.

“Given that today’s investment environment can be said to be uncertain with interest rates at a multi-year low, stock market valuation above their long-run fair valuation and an economic outlook that remains weak,

Most of the time, retirees do not actually deplete their money by spending it on themselves but rather, to sponsor their children’s dreams or their parents’ medical expenses, or even dealing with the aftermath of a wrong investment decision.



it is only prudent to err on the side of caution,” Maybank Asset Management Sdn Bhd Head of Investments, Unit Trust Chen Fan Fai explains.

Having said this, the main chunk of a person’s capital should be allocated to low-risk assets like fixed income so that the income generated from coupons can at least match their minimum cashflow requirements without having to dip into capital.

Balancing the need for yield in these low-interest rates environment and the possibility of rates moving higher in the coming years, a duration of five to seven years may be considered.

“Should there be a surplus capital after the exercise, the balance can

be invested into higher-risk assets such as REITs, equities and precious metals depending on one’s appetite for risk and desire for capital growth,” Chen adds.

### Rethinking financial and retirement strategies

The current market conditions and the pandemic should force you to rethink your financial and investment strategy for retirement.

“Again, time to retirement is an important factor to take into account,” Chen opines, adding that in situations where the time to retirement is relatively short, uncertainties like an on-going pandemic take on added importance.

## HELPING CLIENTS ACHIEVE THEIR RETIREMENT GOALS

Before deciding on any form of investment, Alpine Advisory director Gor Sheau Shuenn believes one must have a clear understanding of their current financial position. And based on that, the next thing that needs to be done is to determine the gap between what one has now and their retirement goal.

Why is this important?

“Look at it this way. You see a doctor for pain in one of your knees, telling the doctor, ‘My knee hurts’ and stopping at that. What do you think the doctor will do? Surely, he will ask ‘Which knee, what kind of pain, when did it start, was it a result from a fall?’

“The doctor will then proceed to examine your knee to determine whether there is a fracture or is the knee just inflamed. Only then will the doctor prescribe the necessary medication.

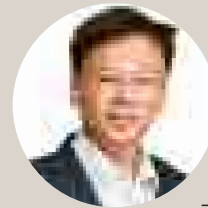
“Investment is like that. In order for you to decide how and where to invest, you need to have a clear idea of how much you have, how much you need and how much time you have to achieve it.

“Investing without a purpose is like sailing out into the seas without a sail, rudder and compass – you will most probably get swept away by the undercurrent, or worse still, capsize during a storm,” he explains.

Once you have determined all these, the next step is to allocate the right proportion into bank saving accounts, fixed deposits, bonds, shares, mutual funds, properties, lands, antiques and other alternative investment products.

Your investment journey is not about finding the best product to invest in but about finding the right product that meets and suits your retirement needs, he adds.

“The most important thing you need to remember is to never invest in something you do not understand, especially when it comes to how the product is managed. Cliched as it is, when something sounds too good to be true, it normally is,” says Gor.



*Chen Fan Fai*

“However, assuming that time to retirement is far longer – 10 to 20 years, for instance – then it may not be that critical and investors should place

more emphasis on an asset with long-term return to enable them to achieve their retirement nest egg.

“In this case, we are talking about a riskier asset with higher long-term return potential.”

The underlying assumption made here, says Chen, is that all asset classes undergo periods of under- and over-performance as they go through different economic cycles and event risks. “However, when given enough time, they will revert to their long-run returns.”

For Alpine Advisory’s Gor, the investment objective during retirement would primarily be capital preservation while your retirement income strategy would encompass the timeline and the amount that you would receive in dividend income, fixed deposit, and/or business dividend pay-out, etc.

As such, a full roadmap of a retiree’s or soon-to-be-retiree’s monthly cashflow statement (which includes large annual expenses such as insurance premiums, car insurance renewals, road tax renewals and assessment tax, for example) is crucial.

At the same time, they will also need to consider incoming cashflows from multiple investment portfolios that will continue to generate passive investment income, and also the capital appreciation to generate enough income to fund the living expenses as laid out in their financial plan.

“Despite retiring soon, you shouldn’t forget that you could possibly live on for another 20 to 30 years, and should therefore diversify your

To do this well, you and/or your financial adviser will need to have a good understanding of the financial markets. In general, I find mixed asset funds and absolute return funds to be very useful building blocks for a retirement plan.



investment into different time horizons – short, medium and long term.

“The advantages of having separate portfolios is to serve as an indicator as to how disciplined a retiree is in terms of his expenditure during retirement.

“This way, you wouldn’t have to panic sell during an economic downturn (if the underlying investment asset is solid) and become stressed out when there is no monthly income credited to your bank account

in the first few months of your retirement,” Gor explains.

### Building a resilient retirement portfolio

One of the most important factors to take into consideration when building a resilient and growing retirement portfolio is diversification, says Maybank Asset Management’s Chen.

This is in addition to time to retirement, the required rate of return to reach retirement sum, the ability to

take on risk and the long-run return, and risk of different asset classes.

“We are talking about diversification of not just asset class but also investment style or diversification of fund managers as history has shown time and again that even the best plan can go wrong,” he explains.


With a plethora of investment products in the market with different characteristics that investors can consider, Chen further points out there are many ways to invest for one’s retirement, and everyone has their own personal circumstances.

That being said, there is no standard solution, and the important thing is to keep in mind the aforesaid factors as you go about planning for your retirement.

“One seemingly obvious solution is to buy a fund (or a few of these funds to diversify across fund managers) that are specifically tailored for retirement needs. These funds are commonly known as lifestyle or life cycle funds and they will normally specify the year when retirement is expected.

“An investor will then choose the fund that matches their retirement year. Essentially what the fund does is gradually rebalance the investor’s asset mix to reduce risk as the retirement year edges closer. However, the results have been mixed,” he reveals.

The second option is to construct a portfolio of funds yourself or with your financial advisers taking into consideration the previously-mentioned factors.

“To do this well, you and/or your financial adviser will need to have a good understanding of the financial markets. In general, I find mixed asset funds and absolute return funds to be very useful building blocks for a retirement plan,” says Chen. 



# A MULTI-GENERATIONAL WEALTH MANAGER FOR HNWIS

Affin Hwang Asset Management is helping high-net-worth individuals navigate through economic headwinds and build their pillars of wealth

For many high-net-worth individuals (HNWIs) in the region, managing and growing their wealth has become ever more complex with the heightened uncertainties and volatility of recent times.

This is especially so given the Covid-19-induced global economic shock, US-China trade tensions, rising geo-political risks and prospect of Black Swan events. This is where the value of family offices and private wealth managers come to the fore in helping these HNWIs strengthen the pillars of their wealth.

And this is a business segment that Affin Hwang Asset Management has seen growth in recent years. In fact, the wealth segment will be a key business focus

over the next five years for the asset management firm, which has total assets under administration of RM60 bil as of 30 June 2020.

“With more focus and resources, we can continue to grow this segment in line with Affin Hwang AM’s aspirations to be a distinguished wealth manager in Malaysia and the region,” says Shawn Kong, senior director, Institution, Corporate & High-net-worth individuals (HNWI) Business.

It also sees a transfer of wealth across generations with more millennials becoming high-net-worth individuals in the coming years. In reaching out to this group, Kong says Affin Hwang AM will continue adapting to become “a multi-generational wealth manager” by listening to their needs and growing

together with its clients.

Here are excerpts of our interview with Kong on the company’s fast-growing private wealth business.

**Smart Investor:** Wealth structuring whether it’s wealth creation, capital preservation or intergenerational planning has become more complex in light of heightened volatility and black swan events like Covid-19. What is your take on this and how do you think the private wealth landscape has evolved in the new normal?

**Shawn Kong:** Investments and markets today have evolved. Market cycles are a lot shorter and more volatile, as we saw this year with the pandemic. Interest rates are low and

overall economic growth is slow. As such, investment and wealth management has become more complex and challenging.

In a world of complexity, the team at Affin Hwang AM is all for simplifying wealth management to our clients. It is crucial to first understand the objective of the wealth structuring for a person or a family before putting in wealth planning tools or products. Upon understanding the investment objective and risk tolerance, we can then craft a suitable diversified portfolio for our clients.

With heightened volatility, it is essential for clients to first understand the risks of their investment to ensure they are comfortable with the risk they are taking. A litmus test question that I always find helpful would be to ask clients if they are able to sleep at night with the level of risk or volatility that they are taking.

### **What have your conversations been with private wealth clients and their main concerns today?**

As we enter a historically low interest rate environment, our recent conversations with clients have centred around the search for yield. There is renewed interest in fixed income and dividend yielders as investors seek to enhance portfolio yields to beat long-term inflation.

On the other end of the risk spectrum, another common conversation would revolve around the sharp equity recovery since the rout in March due to Covid-19. Many would have felt that they might have missed out on the strong rebound in markets.

A divergence between how well global and regional equity markets have performed due



Shawn Kong

Our key proposition as a wealth manager is that we are investment-led, given our roots in asset management as well as client-focus, where we strive to live up to our mantra to always put our client's interests first.

to ample liquidity versus poor economic fundamentals on the ground presents a dilemma for equity investors. Is it too late? Is the rally sustainable? Those are the questions that keep cropping up.

Eventually, our client engagements would lead to crafting a well-diversified core portfolio that would provide long-term exposure to a broad range of asset classes, investment strategies and regions. We would overlay that portfolio with some tactical ideas or strategies to

capture shorter-term opportunities. It is also crucial to have an on-going portfolio monitoring and review with clients regularly.

### **Is there strong appetite for risk including alternative asset classes? How are you guiding asset allocation for your private wealth clients?**

Alternative asset classes like private equity, private debt/ mezzanine funding or private real estate can be very attractive diversification opportunities aside from public equity and fixed income.

Private equity will provide clients with the opportunity to participate in the growth of a business in the earlier stage before it goes public, thus enhancing the long-term returns.

On the other hand, private debt or mezzanine funding, which behaves more debt-like instruments, will give recurring income via coupons (typically higher than tradable bonds in the market). The trade-off for these asset classes would be liquidity and usually a longer investment horizon, compared to the public markets.

We would guide our clients to invest into these asset class according to their risk profile and investment horizon. A more aggressive client may have a higher allocation to private equity while a more conservative client would be more suitable to private debt.

It is key to know what the underlying investment is and to understand the risks as well as how the returns are generated. In the case of investing into private funds, it is also important to understand the style of the manager and their track record.

We have recently provided clients with access to private real estate

As we enter a historically low interest rate environment, our recent conversations with clients have centred around the search for yield. There is renewed interest in fixed income and dividend yielders as investors seek to enhance portfolio yields to beat long-term inflation.

related deals, from asset-backed securities (ABS) to private REITs; whereby the listing of the asset 3-5 years down the road would give investors a decent total return.

All these alternative options provide ways for investors to gain further diversification especially from traditionally listed equities or fixed income that are publicly traded.

**We are seeing a massive transfer of wealth across generations with a larger number of millennials becoming high-net-worth individuals. How is Affin Hwang AM adapting to this demographic shift and catering to the needs of a new generation of wealthy investors?**

The millennial generation has access to infinite amount of information via technology. How Affin Hwang AM can add value is to make sense



of all that information or data to help clients translate them into investment decisions. Digitalisation is also important to enhance their investing experience whether it is portfolio monitoring or smoother execution of transactions.

We have also been running various “future leaders” programmes which include seminars, workshops, study visits and networking sessions to create value for the younger generation of our investor base. Seminar topics range from investment and market updates, wealth preservation concerns as well as leadership and business innovation.

We are mindful of the large transfer of wealth that is going to take place across Asia (Malaysia included) over the next 20 years. Thus, it is imperative that Affin Hwang AM continues to adapt to be a multi-generational wealth manager over time by listening to their needs and growing together with our clients.

**What further plans does Affin Hwang AM have to grow its private wealth segment?**


This wealth segment is one of our key business focus over the next

five years. We have made some encouraging initial progress and growth over the past five years. With more focus and resources, we can continue to grow this segment in line with Affin Hwang AM’s aspirations to be a distinguished wealth manager in Malaysia and the region.

Among our plans is to continually expand our investment offerings and solutions (e.g. asset classes, strategies, regions and currencies) to help our clients achieve optimal diversification in their portfolios.

Within the wider wealth management ecosystem, we can then also build other pillars of our client’s wealth including wealth preservation and distribution. We are also continuously upskilling our people and talents as we grow the team.

Our key proposition as a wealth manager is that we are investment-led, given our roots in asset management as well as client-focus, where we strive to live up to our mantra to always put our client’s interests first.

Our long-term growth and success has been anchored by this singular trust that we have built with our clients over the years. 



# VITAL ROLE OF INSURANCE IN WEALTH PRESERVATION

Insurance is a low risk tool that is absolutely essential in protecting your wealth

Simply defined, wealth preservation is about managing your assets in such a way to make sure that it does not decrease in value. And after a lifetime of hard work, you want to ensure that as much of your wealth is protected.

Of course, optimising and growing your existing wealth is also a key task unless you plan to work for money all the time.

Wealth, just like your health, must be carefully preserved, and successful planning will help

make your wealth last for you and your future generations – in case the unexpected happens.

One of the means that we can ensure our wealth is preserved in case something happens to us is insurance.

Demand for insurance as a low risk wealth management tool has seen a spike in recent years. The approach to insurance is also changing, with people from the middle-income group to wealthy families shifting perceptions on the need to protect their potential future income, as well as preserving their wealth for their next of kin.

When you read that insurance is a good instrument to preserve wealth, what exactly can it help you preserve?

### Preserving your current and future income

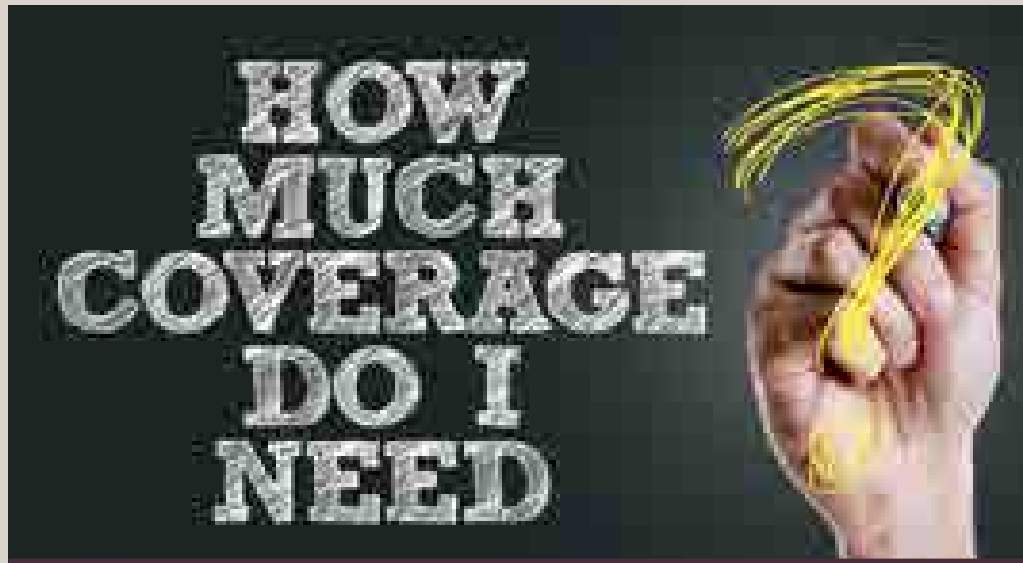
The on-going Covid-19 pandemic has made a strong case on the notion that nobody really knows what is coming around the corner.

Just imagine that if you pass away during your good earning years, your family could suffer a severe economic loss as a result of losing your current and future income to support them. In this unfortunate 'fictional scenario', your family would still have to pay their regular bills, including mortgage(s) and your outstanding debts.

They will also still have to continue accumulating funds for your family life goals, such as children's education and retirement funds for your spouse. If you did not insure against this, you may leave your spouse or children in a very tight spot.

### Preserving your dreams / Life goals

For some people, this is also as good as preserving your family dreams. In this instance, insurance acts as a financial safety net that helps you



Wealth, just like your health, must be carefully preserved, and successful planning will help make your wealth last for you and your future generations – in case the unexpected happens.

financially protect your loved ones.

It also enables them to continue living with minimal worry, especially when large financial burdens like medical bills, mortgage, debts and others would easily change the financial status of your family.

### Preserve lifestyle during difficult times

We never know what life has in store for us especially while we are still feeling fit and healthy. No one likes to think that something bad will happen to us, and when something bad does happen, the first thing we usually say is "Oh no, he / she is so young".

Illnesses and accidents are not

age-specific. These are random events that could affect anyone.

But if you could not work due to a serious illness or accident, how would you manage financially? If the worst does happen, insurance helps you to minimise the financial impact on you and your family.

For example, if you need to give up work to recover from illness or if you are permanent disabled, the insurance could be used to help pay the household bills, mortgage, or even supplements, giving you and your family a peace of mind when you need it the most.

### Recovery takes time

In a good ending, a person who is seriously ill may triumph in the fight against the illness, but, this person may not be able to return to work immediately. All of these could incur many costs.

It is kind of heart-breaking to contemplate a situation where you survive a serious illness but fail to survive the financial hardship. This may be a time this person might have hoped he or she did not conquer the illness.

Obviously, you do not want an unexpected event that could easily

change the financial status of you and your family. Preparing for the worst is not something we want to think about when we are feeling fit and healthy.

However, you will not suffer for thinking about it and preparing for it first. It is much better to be prepared, than to be in despair.

### Preserve your legacy and wealth

People are also promoting insurance as a tool to 'create' wealth, not just preserving it. Having adequate insurance that can help to repay your debt the moment you kick the bucket, can help ensure your assets get to pass down to the rightful beneficiaries.

Your family do not have to lose the assets such as your house due to their inability to redeem the loan from the financier. In time when the estate of the deceased is frozen pending the estate administration procedure, the proceed from insurance can help ensure life goes on for the surviving family.

If you are concerned your family may mis-handled the insurance claim, you can also have a proper legal structure to preserve this wealth. Through an insurance trust, you can decide the way how and when you distribute your wealth without actually physically transferring to your next of kin in a lump sum payment.

The trust assets are actually placed under trust to avoid your next of kin spending all of your wealth in few years when it took a lifetime to accumulate it.

### Insurance and your life stage

As you move on to different stages or wealth status in your life, the need for insurance will inevitably change.

One of the common questions people usually ask is "How much insurance I need?"



It is kind of heart-breaking to contemplate a situation where you survive a serious illness but fail to survive the financial hardship. This may be a time this person might have hoped he or she did not conquer the illness.

It really depends on your circumstances. There is no one size fits all solution and the amount of cover and how long it lasts for, all these will vary from person to person.

There are some events when you should consider reviewing your insurance needs:

- Buying new house with your partner;
- Building a family;
- Having children;
- Change of lifestyle i.e. salary increases;

- Covering loans;
- Reaching retirement;
- Starting a new business;
- Entering into a civil partnership;
- Changes in business ownership;
- Creating wealth to next generation;
- Transferring wealth; and
- Others

### Clarify what insurance you need

Safeguard and preserve your wealth and then look at what types of insurance that you need to preserve your financial status.

It is important to manage your wealth and ensure you set aside a portion of your income to buy insurance, but don't overcommit too.

It is advisable to seek for advice on how to optimally insure yourself and preserve your wealth against all the possible events that could disrupt your life. **SI**



Keah Eewen is a licensed financial planner with VKA Wealth Planners Sdn Bhd

# HOW MILLENNIALS CAN SAFELY NAVIGATE JOURNEY OF WEALTH ACCUMULATION

Tips for millennials on how they can avoid being derailed from accumulating wealth



For many millennials striving for success in their careers, starting their own family and seeking to build up a nest egg for a comfortable retirement, the journey of wealth accumulation can often be fraught with challenges and pitfalls.

Many think that wealth accumulation is just having lots of money. In fact, “having money” and “wealth accumulation” are two different things.

Having money allows you to pay for your expenses but it is typically spent shortly after it comes in. The latter goes a step further – it is taking disciplined steps over a period of time to achieve wealth accumulation. Here are some tips for the millennial on how they can accumulate wealth.

**1. Saving, Saving, Saving!** For wealth accumulation, you need cashflow. The very first step is to set a financial goal and stick to it! Once you are clear about your objective, the next step is to be disciplined enough to achieve your money goal.

A good suggestion is to use “automation”. Automation adds built-in discipline to your financial life and reduces the likelihood that you will forget your objective or spend money on things you do not need.

You can set up automatic deductions from your paycheck bank account to send money directly to another savings account, unit trust or investment account. By automating these payments, you are making sure that you are paying yourself first.

**2. Cut expenses** Cutting unnecessary expenses is the key to living below your means, so you can reach your financial dreams. Challenge yourself by resisting expenses that are most tempting. For example, you might:

- Cook at home every day for a month instead of eating out;
- Refrain yourself from buying any new clothes or handbags for six months;
- Avoid window shopping as that will cause unnecessary spending;
- Say no to cinema and other entertainment places for six months; and
- Cancel or delay your annual trip to another year.

Imagine how much money you could save if you are successful in

overcoming the above challenges. You could easily have an additional RM10,000 to RM20,000 to add up to your savings.

### 3. Multiple streams of income

You need cashflow to build wealth, and the best way to generate that extra cashflow is to earn more money. In Robert Kiyosaki's book 'Rich Dad, Poor Dad', he mentions four types of income streams: Employee, Self-employed, Business Owner and Investor.

For the first three sources of income, you are exchanging your time for money. It is a form of active income whereby you need to be "actively" working for money.

However, please do not underestimate these sources of income, as it can be useful when you want to utilise this as a leverage power to accumulate your wealth.

You may buy your first property with this financial leverage. And if your investment is a positive cashflow, you would probably end up owning the property for free as your rental income is able to pay down your mortgage loan.

The last source of income – Investor – is the status that people most closely associate with wealth. This is where "money works for you". As an investor, you earn the best kind of income possible – passive income – by investing in assets such as stocks and properties.

Why is it the best? Because you earn money while you were sleeping! If you can generate enough passive income, you may never need to work again in your life. In short, you can retire early.

### 4. Get rid of your bad debt

In the journey of wealth accumulation, we also want to identify the obstacles preventing us from

For wealth accumulation, you need cashflow. The very first step is to set a financial goal and stick to it! Once you are clear about your objective, the next step is to be disciplined enough to achieve your money goal.



achieving our financial goals. One big obstacle could be having too much debt. However, not all debts are bad – there are good debts and bad debts.


Good debt is money you borrow at a low interest, with which you could make a higher rate of return, such as your mortgage rate. Bad debt, in contrast, is consumer debt. For example, money you borrow at a high interest rate to buy things that do not produce income or grow in value such as cars, electrical appliances, furniture and even luxury trips.

The price of bad debt is the impact of compounding rates of return working against you instead of for you. If you have credit cards or bank loans costing you 18% or more a year, that's 18% compounding against your retirement.

#### The bottom line

In summary, wealth accumulation does not happen overnight, it is a gradual

and a disciplined process that requires proper planning and execution.

Nevertheless, It is always good to have a licensed financial planner to guide you in setting up a blue print for your financial journey. They are generally able to help you to make better investment decisions and make sure your money is being deployed in the best manner. 



Pauline Yong is the CEO of Sigma Wealth Sdn Bhd. She is a CFP® (Certified Financial Planner), a licensed financial planner with a Securities Commission license (CMSRL) and a Financial Advisor

Representative (FAR) licensed by Bank Negara.

She has published five investment and financial planning books and writes regularly for various publications. Pauline is also a regular commentator on stock market outlook for City Plus FM radio station.



# SHOULD I NOMINATE MY WIFE AS SOLE BENEFICIARY OF MY LIFE INSURANCE POLICY?

Having a life insurance policy does not guarantee your dependents will have access to the money paid out on your demise when they need it

Most people, especially family breadwinners, have life insurance policies. They assume that on their passing or if they are permanently disabled, the policy will pay out the sum insured that will take care of the financial needs of his family.

However, depending on the circumstances, things may not pan out as the policy holder intends. The following story about Sam highlights the different scenarios that may lead to unintended consequences, and offers the solutions to deal with it.

## Question:

Hi, I'm Sam and I'm 43 years old. I'm happily married to Jenny, a 40-year old housewife and together, we are

blessed with two children namely, Jim and Gina aged 6 and 3.

As I write, I wish to continue to provide for my family's living expenses and pay for Jim and Gina's tertiary education fees if I pass on prematurely. In view of this, I intend to buy a new life insurance policy where the sum assured is RM1 mil and nominate Jenny to be the sole beneficiary of my new policy.

With that being said, I have a few concerns. My question is: 'Who would receive and manage the RM1 mil in sum assured if:

- I become comatose or mentally disabled?
- After my passing, my wife passes on before my children reach adulthood? Or,

- I pass on simultaneously with my wife due to an accident?

## Answer:

In Sam's case, having a life insurance policy or a handful of them is a good start. The sum assured is helpful to his loved ones if he passes on prematurely as the money will be paid to his wife Jenny in a couple of weeks after Sam's passing.

It is unlike Sam's estate which may consist of cash, shares, and properties which will be frozen upon his death. It could take 1-5 years to unlock Sam's estate and have them distributed to his beneficiaries, depending on his testacy status.

Here, I'll list down possibilities of how his sum assured of RM1 mil could be received and used in the three scenarios above. More importantly, I'll share a simple solution that Sam could use to be assured that his life insurance policy will be able to serve his intended objective.

## Scenario 1: Sam becomes comatose or permanently disabled

For a start, most, if not all, life insurance policies will cover both death and total permanent disability (TPD). If Sam becomes comatose or mentally disabled due to an accident, his insurer will pay out the RM1 mil in sum assured to him.

But, is this RM1 mil collected helpful to his loved ones?

Well, it depends on the type of bank account his RM1 mil will be deposited into. First, if the RM1 mil is transferred into Sam's personal savings account by his life insurer, who can have the access to his RM1 mil if Sam is the only person who has the username and password to his bank account?

Thus, his RM1 mil will be stuck and is of no immediate help to his

family members.

Second, if the RM1 mil is banked into Sam's joint account with Jenny, she will have full access to the money. So, is this problem solved? Well, I don't think so because Jenny could be prone to mismanaging the money.

This could be due to a variety of factors ranging from overspending, to being conned by swindlers and failures in business ventures and investments. But then, Sam could place great confidence in Jenny's ability to manage his finances.

If that's the case, will it solve the issue? In a way, the answer is yes but it's only if Jenny remains alive on planet earth. If not, this would lead us to:

### Scenario 2: Jenny passes on before Jim and Gina reach adulthood

It is possible for Jenny to pass on before their children reach adulthood, and this is after Sam's demise. In this scenario, Jenny's balance sum from the RM1 mil given would form a part of her estate and be distributed based on her testacy status.

If she has a written will, the balance sum would then be distributed to her beneficiaries accordingly by her executor.

Otherwise, without a will, the sum shall be allocated based on the ratio of 2/3 to Jim and Gina and the remaining 1/3 to Jenny's surviving parents as mentioned in the Distribution Act 1958. If Jenny has no surviving parents, then, the sum shall be allocated to her children in full.

Here is a question. How will Jim and Gina collect their sum allocated, if they are below 18 years old?

**The answer:** Jim and Gina must have a trustee to help them collect the money and manage it on their behalf until they reach, at least, 18 years old.

This leads us to another question: 'Who shall be their trustee?'



Hence, having a life insurance policy alone is insufficient to offer assurance that the money provided for will eventually fulfill Sam's intended purposes. As such, what then is his solution?

Will it be one of Jim and Gina's uncles or aunts from either their paternal or maternal side or both? This could potentially result in conflict and strife among Jim and Gina's relatives, which leads to more financial uncertainties to them.

### Scenario 3: Sam and Jenny pass on simultaneously

The RM1 mil in sum assured will form part of Sam's estate. Thus, the sum is to be distributed based on Sam's testacy status, which is similar to what we had discussed above in Scenario 2. But here, it is common for a husband like Sam to have elected Jenny to be the sole executor of his will.

Hence, in the absence of a written will or a will without an appointed substitute executor, the question of 'Who shall be their trustee?' remains.

The siblings' relatives (both paternal and maternal) may contest to be their trustee, which can result in financial uncertainties for both Jim and Gina as mentioned earlier.

What if there is no trustee for Jim and Gina?

First, the RM1 mil in sum assured shall be kept with Sam's insurer for a period of 12 months until a trustee to Jim and Gina has been appointed.

Let's say, Jim and Gina's relatives could not come into consensus on who should be their trustee after 12 months of their parents' passing. In this case, the RM1 mil in sum assured will then be transferred from Sam's insurer to a public trustee, namely Amanahraya Trustees Bhd.

The money shall be kept until Jim and Gina reach 18 years old, the age when both of them are eligible to receive their rightful inheritance.

However, this would lead to three common issues for both Jim and Gina as listed below:

- a. Who shall fund Jim and Gina’s daily living expenses before they hit 18?
- b. Would Jim and Gina be aware of their inheritance when they hit 18?
- c. If they do, how will they manage their inheritance after receiving theirs?

**How to futureproof your family’s financial future with an insurance trust**

Hence, having a life insurance policy alone is insufficient to offer assurance that the money provided for will eventually fulfill Sam’s intended purposes. As such, what then is his solution?

The answer is for Sam to set up an insurance trust.

So, what is it?

For a start, it is the use of both a life insurance policy and a trust to manage the sum assured based on Sam’s intentions upon occurrence of events stipulated in his trust document. Here is how it works:

- a. Sam buys a life insurance policy where his sum assured is RM1 mil.
- b. He assigns his policy to his trust instead of nominating Jenny as a beneficiary.
- c. Then, Sam may elect Jenny, Jim and Gina to be beneficiaries of his trust.
- d. Sam may dictate how and when the RM1 mil would be distributed to his beneficiaries. For instance, he may instruct the trustee to distribute the sum in the event of his passing on or him becoming permanently disabled according to the proportions as in the above table.

How does it solve issues arising from the scenarios above?

First, if Sam becomes permanently

**Distribution under an insurance trust.**

No.	Purpose	Pay to:	When:	Amount
1	Immediate financial needs	Jenny	Immediately after Trust is operational	RM100,000
2	Future daily living expenses		From Year 2 of Trust till the exhaustion of this sum	
	@ RM5,000 per month	Jenny		RM400,000
3	Jim’s university fees	Jim	Jim enrolls college	RM250,000
4	Gina’s university fees	Gina	Gina enrolls college	RM250,000
Sum assured of Sam’s life insurance policy				RM1,000,000

Hence, having a life insurance policy alone is insufficient to offer assurance that the money provided for will eventually fulfill Sam’s intended purposes. As such, what then is his solution?

disabled, his insurer will pay RM1 mil to his trustee. Thus, the sum will not be stuck in his personal savings account.

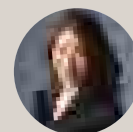
Second, the trustee is to manage the sum based on Sam’s intentions with professionalism and integrity. Thus, the trustee is not permitted to use the sum to invest in stocks, real estate, or new business ventures if it is not instructed by Sam beforehand. This helps to reduce the risk of his funds being mismanaged.

Third, if Jenny passes on prematurely, Sam may include one additional clause in his trust where it allows his trustee to distribute the money directly to both Jim and Gina. As such, this would assure Sam that his children will be taken care of financially if he and his wife pass on prematurely.

**Conclusion**

In short, an insurance trust is a useful vehicle to ensure that the sum assured of an insurance policy is being managed based on the life insured’s purposes. Thus, it offers a more comprehensive assurance to the policyholder.

Perhaps your situation is uniquely different and thus requires assistance from a qualified estate planner. **SI**



Jocelline Chee is the founder of WG Legacy, a leading professional estate planning firm. You can download a Strategy Report at [wglegacy.com/report](http://wglegacy.com/report) to find out how she preserved her family’s financial future via a combination of insurance, will and trust and how you can do the same for your loved ones too.



# A GLOBAL GUIDE TO STRATEGIC-BETA EXCHANGE-TRADED PRODUCTS

Asia-Pacific region records another year of strong growth in collective assets under management

In this year's guide, we provide an update on the state of the global strategic-beta Exchange-Traded Product (ETP) landscape.

Over the past decade-plus, the strategic-beta space has grown more rapidly than the broader ETP market. Strategic-beta ETPs' growth has been driven by new cash flows, new launches, and the entrance of new players.

However, more recently, these products' market-share gains have stalled. This market segment is showing signs of maturity. New product launches have dwindled, and

fees have come under pressure.

The coronavirus crisis has roiled markets. This episode reinforced important lessons about strategic beta approaches to portfolio construction and taught some new ones about how these products perform in stressed markets.

Strategic beta is an active approach to portfolio construction. Strategic-beta ETPs' performance through recent market volatility underscores the fact that – like discretionary active portfolios – no two of these products are created equal.

Our analysis of their performance during the first five months of 2020 reveals the differences between them and emphasises the importance of thorough due diligence when selecting from the strategic-beta ETP menu.

## Key takeaways

- As of Dec 31, 2019, there were 1,422 strategic-beta ETPs worldwide, with collective assets under management of approximately US\$1.09 trillion;
- Assets in these products grew

“ Strategic beta is an active approach to portfolio construction. Strategic-beta ETPs’ performance through recent market volatility underscores the fact that – like discretionary active portfolios – no two of these products are created equal. ”



36.1% in 2019. Top-line growth was buoyed by rallying equity markets, as the Morningstar Global Markets Index gained nearly 27%;

- Strategic-beta ETPs amassed US\$93.2 bil in net new cash flows, translating into organic growth of 11.6%;
- The slowing pace of new product launches and intensifying fee competition are signs that the space is maturing;
- The number of strategic-beta ETPs increased just 1.2% in 2019. In the US, the number of new product launches was the lowest since 2010 and, for the first time ever, was eclipsed by the number of strategic-beta ETPs that were shuttered. This is clear evidence that the menu has been oversaturated;
- A crowded and competitive landscape will continue to put downward pressure on fees;
- Exchange-traded products belonging to Morningstar’s Dividend strategic-beta group continue to rank at the top of the list of the most popular strategic-beta ETPs. This should come as

Product	Assets Under Management (AUM)	Net New Cash Flows (US\$ bil)	Organic Growth (%)
Strategic Beta ETPs	US\$93.2	US\$93.2	11.6%
Discretionary Active Portfolios	US\$100.0	US\$100.0	10.0%
Low-Volatility ETPs	US\$24.8	US\$24.8	12.0%
Broad-based Market-cap-weighted Exposures	US\$15.0	US\$15.0	8.0%
Single-factor ETPs	US\$10.0	US\$10.0	5.0%
Multifactor ETPs	US\$5.0	US\$5.0	3.0%
Factor-timing Products	US\$2.0	US\$2.0	1.0%
Single-factor Exposures	US\$1.0	US\$1.0	0.5%

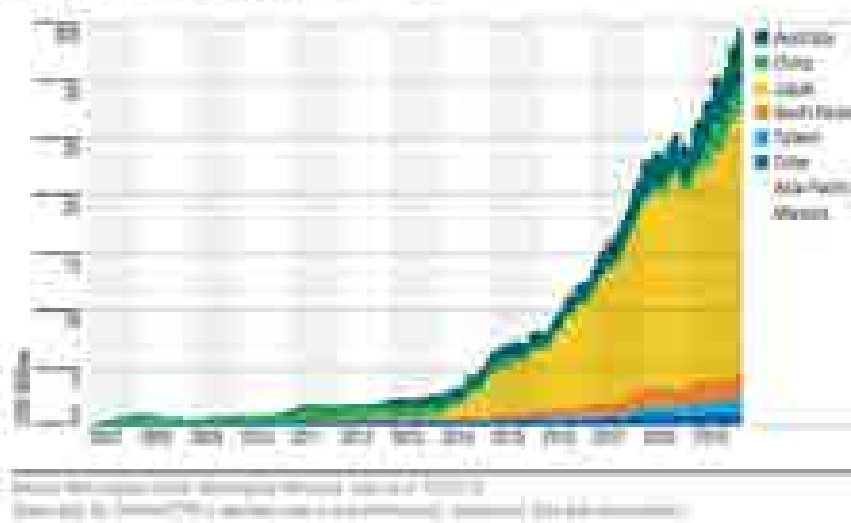
little surprise when considered in the context of the prevailing low interest-rate environment and secular growth in the demand for income;

- Low-volatility ETPs continued to gain market share in the US, Europe, and Canada in 2019. Across these three geographies, funds belonging to Morningstar’s Risk-Oriented strategic-beta group brought in nearly US\$24.8 bil in

net new cash flows—double the amount they raked in during 2018;

- The benchmarks underlying new strategic-beta ETPs keep getting more complex. As more traditional, broad-based market-cap-weighted exposures and single-factor ETPs have proliferated, ETP providers have introduced more multifactor ETPs, factor-timing products, and new variants of single-factor exposures;

Exhibit 3 Strategic Beta ETP Assets



- As these strategies become more complicated, the due-diligence burden on investors increases;
- Strategic-beta ETPs' performance through the first five months of 2020 was generally lacklustre. The bets many of them tend to make on smaller companies with lower valuations weren't rewarded during this period; and
- Looking at the performance of some of the best- and worst-performing strategic-beta ETPs through the lens of the Morningstar Factor Profile reveals important differences in the makeup of funds that are often similarly labelled and underscores the importance of thorough due diligence.

### Strategic Beta ETPs in Asia-Pacific

In 2019, strategic-beta ETPs in the Asia-Pacific region recorded another year of strong growth in collective assets under management (AUM). Assets in strategic-beta ETPs grew 43% to US\$34.5 bil.

This was driven by a combination of double-digit market gains and net flows into new and existing products. Many markets within the region

“ In 2019, strategic-beta ETPs in the Asia-Pacific region recorded another year of strong growth in collective assets under management (AUM). Assets in strategic-beta ETPs grew 43% to US\$34.5 bil. This was driven by a combination of double-digit market gains and net flows into new and existing products. ”

recorded growth in strategic-beta ETP assets in excess of 50%.

These include Australia, China, India, New Zealand, and Taiwan. The number of strategic-beta ETPs grew to 218 from 190 a year earlier. Most new launches came from China and South Korea.

The Asia-Pacific strategic-beta ETP league table didn't change much in

2019, aside from the fact that assets ballooned. Though their pace has slowed, The Bank of Japan's ongoing ETF purchases served to cement Japan's leading position, with US\$22.8 bil in strategic-beta ETP assets as of the end of 2019. Australia was a distant second with US\$4.9 bil in assets.

China overtook South Korea to finish 2019 in third place with US\$2.5 bil invested in strategic-beta ETPs. China's strategic-beta ETP lineup almost doubled in number and more than doubled in assets.

Strategic-beta ETPs' penetration varies widely across the region. Market shares range from 0.1% to 11.4%.


Australia has seen the greatest adoption, where strategic-beta ETPs account for 11.4% of local ETP assets. Singapore has the next-highest level of strategic-beta ETP market share in the region at 8.6%.

### Quality stays on top

Exchange-traded products belonging to the Quality strategic-beta group retained the top position in the asset rankings in 2019. These ETPs had a 62% share of the Asia-Pacific strategic-beta ETP market. The 31 ETPs that belong to this group hold US\$21.5 bil, up 49% from a year earlier.

The lion's share of these assets (91%) are held in the seven ETPs tracking the JPX-Nikkei Index 400. Six of these seven ETPs rank as the six largest strategic-beta ETPs in the region and together account for 57% of the region's total strategic-beta ETP assets.

The Dividend strategic-beta group was again the second-largest in the region, with a market share of 23%. The 75 ETPs from the Dividend strategic-beta group collectively held US\$8.1 bil at the end of 2019, up 36% from 2018.

Most of the new additions to the strategic-beta ETP menu in 2019 belonged to the Dividend group. 



# BRINGING WEALTH ADVISORY TO A HIGHER PLANE

The coming together of a securities firm with the nation’s leading financial advisory firm bring huge benefits to clients

**U**OB Kay Hian Wealth Advisors Sdn Bhd (UOBKHW) marked a milestone in Malaysia’s financial planning sector as the first institutionally-owned financial advisory firm and first Corporate Unit Trust Advisor (CUTA).

The new entity came about following the acquisition of leading advisory firm Standard Financial Adviser Sdn Bhd (StandardFA) by UOB Kay Hian Securities (M) Sdn Bhd (UOBKH Securities) in May this year.

“As an institutionally owned CUTA, this allows independence without having to be tied to a particular

service provider. This way, we are more customer-centric and can represent our customers better,” UOBKHW chief executive officer Alvin Tan tells *Smart Investor* in an interview.

The coming together of the two companies brings immediate benefit to clients. Rather than having a client purchase stocks from a securities firm, UTs from another firm, and insurance from an insurance company, they can get all these products from UOBKHW instead, he adds.

UOB Kay Hian Securities is an associate company of the Singapore SGX-listed UOB Kay Hian Holding Ltd.

Being part of the UOB Kay Hian group, UOBKHW clients can get assistance in matters of corporate finance such as initial public offerings, mergers, and acquisitions exercises.

Here are excerpts of our recent interview with Tan.

**Smart Investor:** Can you share why UOBKH Securities acquired StandardFA to form UOBKHW? Why was this an ideal match?

**Alvin Tan:** The acquisition was a good fit for both parties. For UOBKH Securities, they were looking to expand their business, and found wealth

advisory to be something worth exploring.

Meanwhile, from StandardFA's perspective, we ultimately arrived at a reflection point and came to the realisation that for StandardFA, we were in need of more resources to move forward. UOBKH Securities predominantly sells equities, while StandardFA manages unit trusts (UTs), insurance and legacy planning. With this in mind, we think that it was timely that both companies came together to form UOBKHWA.

Rather than having a client purchase stocks from a securities firm, UTs from another firm, and insurance from an insurance company, they can get all these products from UOBKHWA instead. Put simply, UOBKHWA is like a one-stop centre that offers all these products and services.

**Share with us the uniqueness of UOBKHWA, especially its institutional ownership structure. What benefits does this synergy bring to your customers?**

The establishment of UOBKHWA makes us the first institutionally owned financial advisory firm as well as the first Corporate Unit Trust Advisor (CUTA) in the industry.

As an institutionally owned CUTA, this allows independence without having to be tied to a particular service provider. This way, we are more customer-centric and can represent our customers better.

“Rather than having a client purchase stocks from a securities firm, UTs from another firm, and insurance from an insurance company, they can get all these products from UOBKHWA instead. Put simply, UOBKHWA is like a one-stop centre that offers all these products and services.”



Compared to most financial advisory firms, which are mostly owned by individuals, this new setup which includes participation from institutional players adds more “flavour” to the wealth/financial planning industry.

We offer UT products, along with life insurance, general insurance, and will and trust planning, as well as onshore and offshore investment products. And now, we can also provide equities investments, including investment research reports, adding more value for our clients.

Being part of the UOB Kay Hian group, our clients can seek our assistance in matters of corporate finance such as initial public offerings, mergers, and acquisitions exercises.

In addition, we have a moneylending licence which allows our clients to collateralise their UTs (or even their life insurance with cash value) to take out some spare cash for their use.

However, our approach is more holistic, so to speak. We would take into account our customers' needs and objectives before recommending the best products for them.

**Tell us a bit about the people who make up UOBKHWA. How big is your network and workforce?**

Behind the name of UOBKHWA, there is a strong team with 20 years of experience each in wealth management who keeps the engine running. Before UOBKHWA, this team successfully elevated StandardFA to be the Best Financial Advisory brand in Malaysia for five consecutive years.

It is driven by a team with a successfully proven business model. We have more than 340 financial advisers and associates nationwide, around 15 staff and management supporting the network.

## Let us know more about your new investment platform UWEALTH?

UWEALTH is our business-to-business (B2B) investment platform that functions as a tool for financial advisers to assist their customers in planning their wealth. In the past, you would need to fill up multiple forms when purchasing a unit trust product. With UWEALTH, this can be done digitally, including buying, selling, or even switching UT products online.

The platform allows clients to view and monitor their portfolios, but any changes to portfolios can only be done by advisers.

We are moving towards an alignment of client interest. Rather than just churning and switching funds to earn commissions, the objective now is to help the clients grow their asset value.

At UOBKHW, we have this model for advisers called the “wrap account”, where we “wrap” all our customers’ existing funds under one portfolio. Advisers utilise the wrap account to structure their customers’ portfolios, monitor market performance and rebalance portfolios when necessary.

We only charge an advisory fee (about 1% to 1.5%) based on the total asset value of a customer’s portfolio. Thus, as the customer’s asset value increases, the financial planner’s/ adviser’s income grows as well. Customers can also perform unlimited switches to their portfolios in a year without incurring further costs.

Looking at what is happening in Singapore and Hong Kong, UT upfront fees there are much lower, with a maximum of only 2%. We may not be able to continue relying on the traditional upfront commission charges in Malaysia, and this could be challenging for the industry moving forward.



“We are moving towards an alignment of client interest. Rather than just churning and switching funds to earn commissions, the objective now is to help the clients grow their asset value.”

### What are the company’s longer-term goals, and plans for expansion?

Further expansion is definitely part of the plan. Currently we have 16 offices nationwide on the Securities side, with financial planners/advisers being stationed in those offices, and we are planning to add more.

We are also open to M&A opportunities – if there are firms that are interested about coming together as a bigger group, they are welcome to talk to us.

We also have a new programme called the Advisor Entrepreneur Start-up Programme (AES). This is where we help entrepreneurs who are interested in pursuing a career in the financial planning industry but don’t know how or where to start yet, and still need fixed income (for example, those from banks).

The AES facilitates transitions for these entrepreneurs, with up to 12 months of funding to enable them to get onboard to being 100% commission based. Those enrolled in the AES would have to follow our training programme and be mentored

by our Practice Directors, who are licensed financial planners.

At the same time, we have our own competency and training centre, UAcademy.

An area of potential growth for us is the Islamic wealth sector. While Islamic wealth management has been growing rapidly on a global scale, it is a relatively untapped market in Malaysia.

Malaysian Muslim investors primarily invest in Tabung Haji and Amanah Saham Nasional Bhd (ASNB). Therefore, we have every intention of further exploring this market because there are so many products that we can offer to Muslim investors.

There is a shortage of Islamic financial planners to serve the vast Muslim population in Malaysia. It would be good to further develop this sector and increase the number of Islamic financial planners.

The UAcademy will come in handy as we very much focus on competency and training, and these will help aspiring Islamic financial planners acquire the knowledge and skills befitting professionals in the field. <sup>SI</sup>

# BUILDING YOUR FINANCIAL FREEDOM FUND

MY GOALS :  
FINANCIAL FREEDOM

You can fund your financial freedom by adopting eight tried and tested financial habits

As our lives gradually regain some normalcy after months of restrictions, many businesses too are starting to get back on their feet and (hopefully) make up for lost time.

Most of us, whether salaried employees or business owners, were likely to have our income streams affected to a certain extent during the Movement Control Order (MCO) period of limited operation and closures.

At the same time, we are also concerned with the state of our financial situation especially if we have dependents, fixed commitments and stacks of bills to pay at the end of every month.

During trying times like these it is natural for us to imagine a future where we do not have to deal with the daily stress and pressure of depending on continuous monthly income just to ensure that household expenses are covered.

If only we could be free of financial burdens, then our lives could be better spent with our loved ones, sans the worries and sleepless nights thinking of bills and more bills.

Many may wonder how would it be remotely possible to one day achieve financial freedom when there are countless other pressing financial issues on the table that need to be dealt with, particularly in the aftermath of the MCO.

One thing is for sure; financial freedom is not an overnight transformation, neither is it going to happen by chance such as striking a winning lottery ticket.

It will take time and there are no guarantees that the process is going to be a bed of roses without sacrifices along the way. But with the right mindset and attitude, financial freedom is an attainable goal for more people than you would imagine.

However, before you attempt to dive headlong into it and say "Tell me the 5 things I need to do to achieve financial freedom", I have to be upfront that there is no standard magical formula because financial freedom means different things to



“ One thing is for sure; financial freedom is not an overnight transformation, neither is it going to happen by chance such as striking a winning lottery ticket. It will take time and there are no guarantees that the process is going to be a bed of roses without sacrifices along the way. ”

different people.

Therefore, you need to first understand what financial freedom means to YOU, then and only then can you chart your financial path towards that goal by implementing good long-term financial habits.

While financial freedom may have varied definitions for every individual, there are a few common ones that many of us share, such as:

1. **Having sufficient assets or income to support your expenses and financial goals;**
2. **Having assets that generate sufficient income to cover expenses;**
3. **Not being dependent on active income generation; and**
4. **Doing what you love (for passion) rather than working for money.**

You may find that more than one definition of financial freedom relates to you which you wish to achieve, and that is perfectly fine as these goals are not mutually exclusive. Many individuals have a combination of financial freedom goals to aspire towards, sometimes at different stages in their lives.

Having identified what your financial freedom goals are, the next critical step is to determine your financial freedom number. This refers to your targeted financial freedom fund amount that you require in order to achieve your set goals.

Knowing what number is right for you and why it is so is important because the number is, by all accounts, a goal in itself and should be one that is specific, measurable,

achievable, realistic and time-bound (SMART).

The way to go about determining your financial freedom number is by asking yourself these few questions:

a) *What kind of retirement lifestyle do you aspire to have?*

While typical idyllic responses tend to be “travel the world”, “play golf daily” or “look forward to grandchildren”, don’t forget the potential scenarios that are closer to home such as:

- Any outstanding loan commitments? You may want to replace your executive sedan with a more fuel-efficient vehicle, so don’t forget to factor in a car loan if any.
- Will your children have completed their university education by then and be able to start working? Best be prepared that fresh graduates may not be able to find a suitable job immediately and you may be required to help support them for a little while longer.
- Any plans for home renovations or modifications to make it more senior friendly?
- Additional health-related expenses that you may not be spending on now but are likely to do so in future, such as comprehensive medical check-ups or procedures that may crop up eventually like cataract operations or joint replacements.

b) *What is the cost of that retirement lifestyle in today’s value?*

c) *What will it cost in the future, after factoring in inflation?*

Once you have a financial freedom number with a big red bullseye painted on which may be cause for concern because as far as you are aware, all the money you currently have in your savings, EPF, insurance and retirement fund is not even close to that amount.

“ The key to achieving your target financial freedom fund is to start by incorporating the right behavioural changes when it comes to making financial decisions. You will soon see that it is not an impossible dream to achieve that target number after all. ”



But you still have an advantage in terms of time which is why the sooner one determines his/her financial freedom goal, the better.

With more time ahead of you, funding your financial freedom is doable and the best part is that you will be in better control of how you want to achieve it. You will not have to subscribe to any “Secret tips for financial freedom” by a glorified money guru telling you to invest X amount in this, buy Y worth of that, etc.

A viable way to fund your financial freedom is by adopting the following 8 healthy financial habits and values that have been tried and tested:

**#1** Automate your savings and invest in diversified investments

instead of going for the ‘hot’ market investment ideas;

**#2** Aim to increase your savings rate every year to correspond with your salary increment;

**#3** Be mindful of personal lifestyle inflation where there is a tendency to upgrade your lifestyle at the expense of savings which should be the priority;

**#4** Avoid falling for the herd mentality when societal and peer pressure influence your spending decisions. Financial matters are personal and should not be a reason to keep up with the Joneses due to fear of missing out;

**#5** Pay attention to good debt vs bad debt when making investments to identify which has the potential to appreciate, for example taking a car loan vs an education loan to upgrade your skills;

**#6** Diversify your income streams so that you do not become over reliant on any single source;

**#7** Optimise your time well to maximise productivity. This means consider monetising your free time whilst in pursuit of your interest. For example, if you love to paint as a hobby, why not put your works of art up for sale?

**#8** Leverage on the expertise of others. If you find yourself too busy or lacking sufficient technical know-how to manage your financial affairs, it is good to seek advice from the professionals. Just make sure that you select the right person to speak to, one who is knowledgeable, trustworthy and reliable.

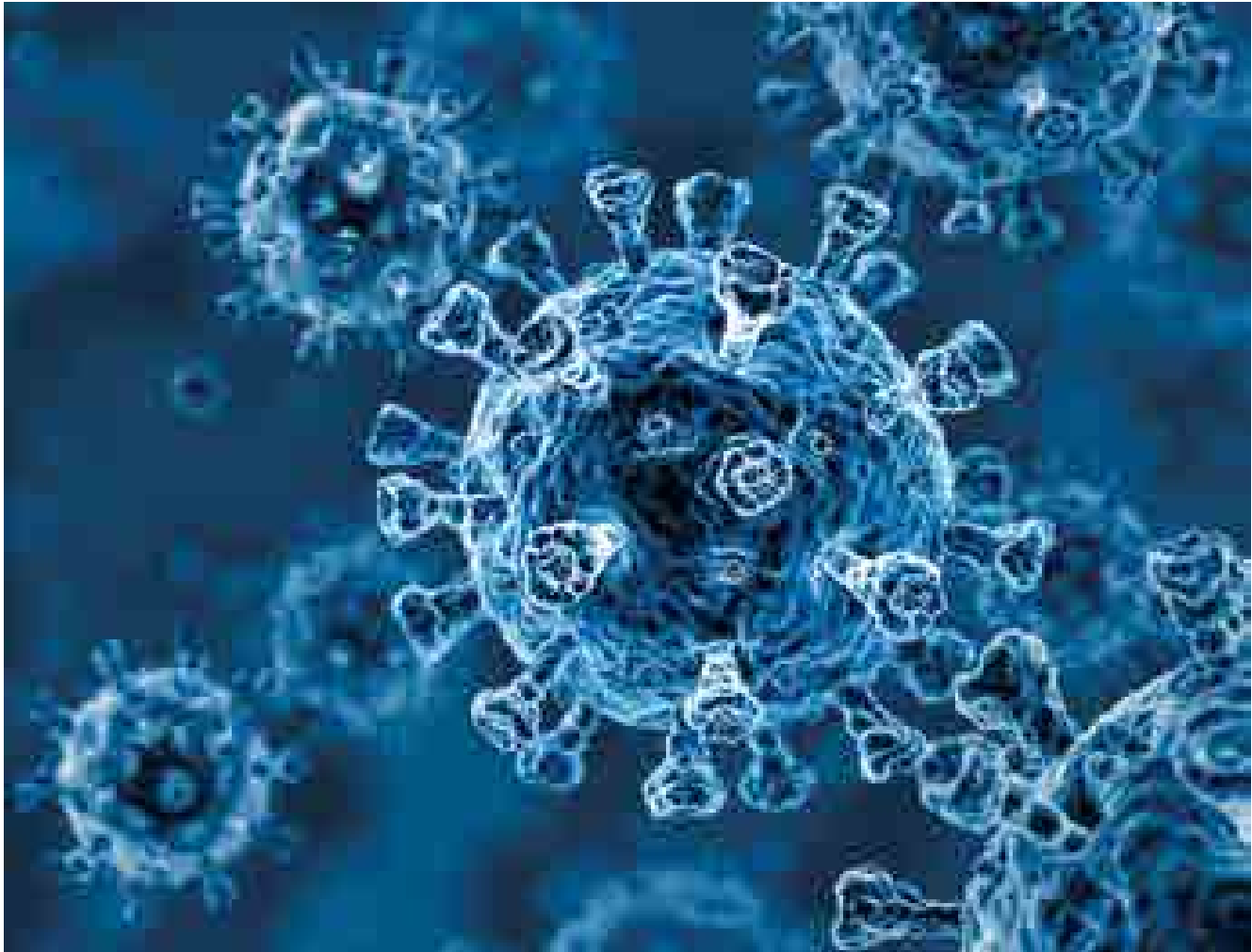
The key to achieving your target financial freedom fund (which also translates into meeting your financial freedom goals) is to start by incorporating the right behavioural changes when it comes to making financial decisions. You will soon see that it is not an impossible dream to achieve that target number after all.

In fact, you may even discover that by consistently practicing these 8 healthy financial values in the long run, the finish line of your financial freedom marathon can be nearer than you think. **SD**

This is part of a series of articles in *Smart Investor* initiated by the Financial Planning Association Malaysia (FPAM) in conjunction with its 20th anniversary and its initiative, Malaysia Financial Literacy Year 2020 (MFLY 2020).



Felix Neoh CFP<sup>CERT</sup>™ is director of Financial Planning at Finwealth Management Sdn Bhd and is a Certified Member of FPAM. He can be contacted at enquiry@finwealth.com.my



# COVID-19, MONEY AND LIFE

We need to identify what is of most value to us, and strive to live the life we aspire to have

Obviously, we are still not clear of Covid-19. Collectively, we could be better off staying at home until there are zero infections for a prolonged period of time.

As we contemplate between staying home and be safe, and to continue our life as it was before Covid-19, we know we have to let our life be the centre stage.

How do we really take control of our life? We got to ensure we are the person standing on this stage because it is our life, it is our stage.

## 'Life is fragile, and is not a rehearsal'

If this pandemic has any lessons for us, it would be this – our time on earth is limited. In fact, none of us know when is the final moment.

For those victims who had contracted the virus, their immediate reaction might have been this question: WHY ME?

In fact, whenever anyone we know passes away, we tend to say "So sudden".

Today, if you are someone who has

people depending on you, you need to ask yourself what would you do for them. What would you do to ensure your sudden, unplanned departure will not hurt them more than it will emotionally?

How can your children continue to have food on the table? Will they still have the kind of education you would have provided them if you had never left them "suddenly"?

And since life is not a rehearsal, what are the things that you would like to do for yourself?

### How would you feel if you are Covid-19 positive?

Imagine this, if you are told you've tested positive for Covid-19, and that the chances of you not making out of this alive is high.

If this happens, what regrets would you have? What are the things that you wanted to do, should have done, but have not done? What are those things that you have been delaying or putting off because you thought you still have lots of time left?

Will you be worried about the movement of the stock market? I bet this will be the last thing on your mind.

### Start with WHY

Try to use the time you have while staying at home to ponder these questions. What are the things that are important to you?

If you think its money, let me tell you this. Money is important to help you do what you want to do in life, but it is not the ultimate thing you want to strive for.

Think deeper. Money, is just the "What". We use it to buy something, to do something, to accomplish something.

The more important question is "Why?". Why do you want to do this? Why is it important to you? Why do you want to accomplish this so badly?

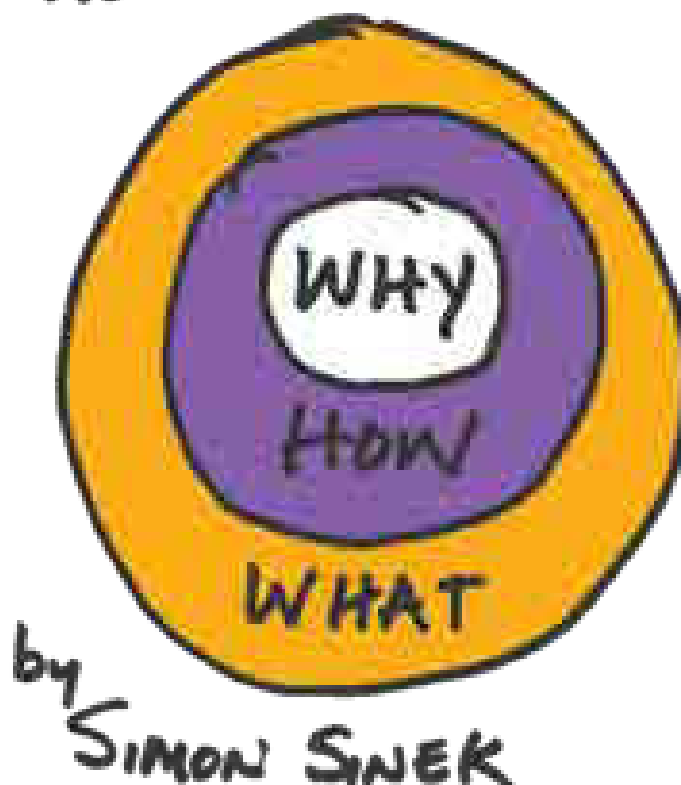
After understanding the Why, only then will you have the courage to stick to the plan, and unleash your creativity to find out the "How".

### Have a conversation on financial life planning

In my work, I wear three hats. The first is the hat of a life planner. This is the part of my job that requires me to understand, and help clients discover what's important to them. This is about identifying the value of the client, their principles, etc.

“Life is not a spreadsheet. It is fragile, and is not a rehearsal. Why not do something for yourself that you know you will not regret tomorrow?”

## THE GOLDEN CIRCLE



*The Golden Circle, Start with Why, Simon Sinek.*

This is about helping them to understand why they place value on relationships and health, and not money, etc. I think it only makes sense when we based it on the WHYs, and allocate and manage our resources (e.g. time, money) to design the life that we want to have. Not the other way around.

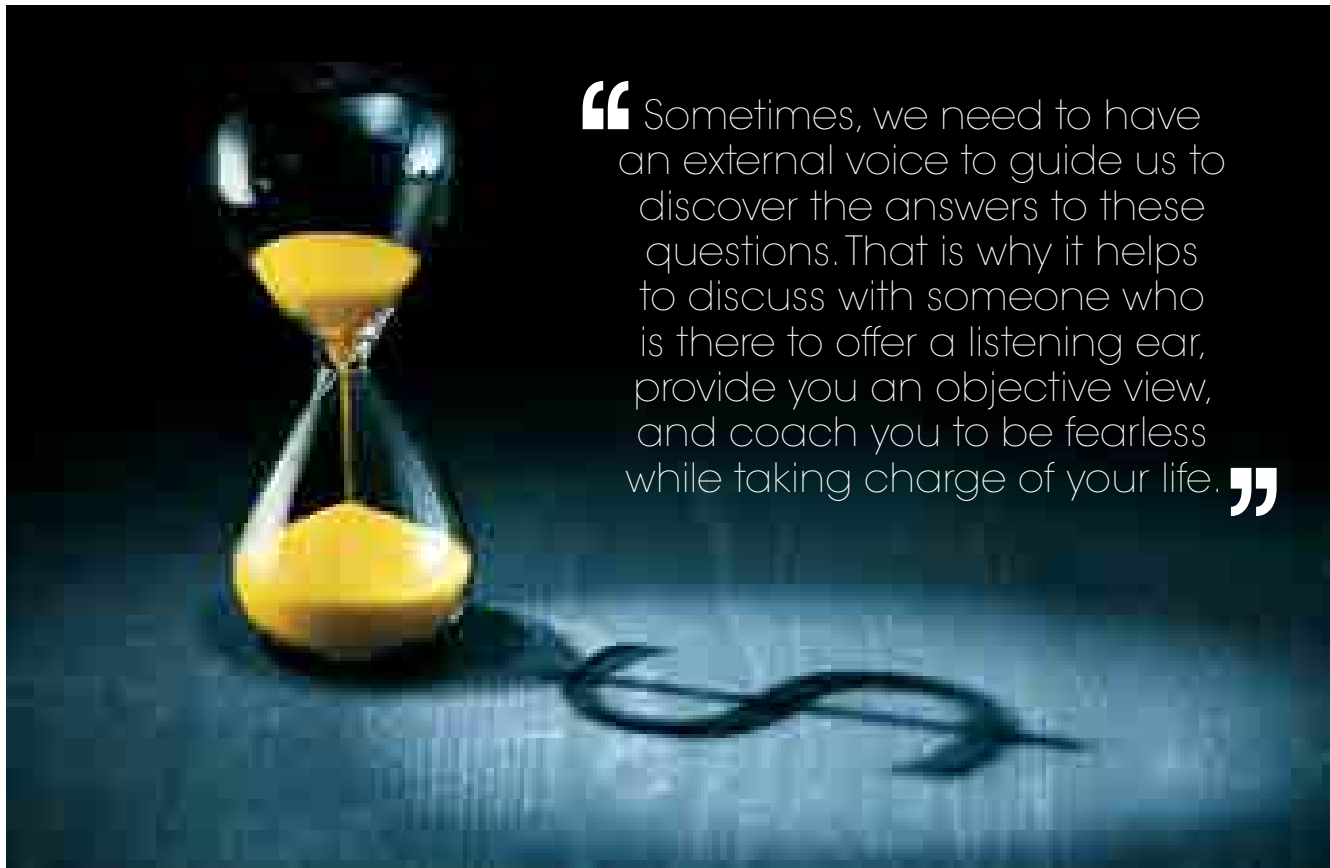
The second is the hat of a financial planner. The financial planner's work is to understand the client's income, lifestyle, assets, and the liabilities. I will be making projections on their future cashflow, and understanding

how their current financial behaviour and lifestyle is affecting their ability to realise all the important life goals.

I will be doing scenario-based planning to understand the impact of certain unexpected events such as early illnesses, retrenchment or change of career will have on their ability to pursue all their life goals.

This also helps us to find answers such as if it is okay to upgrade to a bigger house. We can find out the answer to many conflicting decisions, and make the smarter trade-offs.

More importantly, this is where



“ Sometimes, we need to have an external voice to guide us to discover the answers to these questions. That is why it helps to discuss with someone who is there to offer a listening ear, provide you an objective view, and coach you to be fearless while taking charge of your life. ”

I can help clients to find out if they will have enough to live the life they want. So that they don't have to compromise in living a life they have to accept.

The third hat is the least important one – a financial adviser. This is where I provide recommendations to clients on what products that are suitable to their financial life planning needs. Traditionally, most will think that products are the most important, but I will advocate that the first two roles are more important.

Focusing on products is just like deciding what vehicle to take to travel from point A to point B. But the most important thing should be defining what is point B, and when to make it happen, etc.

It's about making sure we have enough fuel to last us through the journey no matter what happens, so the journey will remain intact. That's

why, I always say products are the least important.

**Life is not a spreadsheet**

The above is just a summary of what you can expect by having a conversation with a financial life planner. Evidently, it is more than just about money or numbers. It is not just about investment returns or stock market movements.


We cannot put our life into an Excel spreadsheet and say "I have done my financial planning".

Life is not a spreadsheet. It is fragile, and is not a rehearsal. **Why not do something for yourself that you know you will not regret tomorrow?**

Sometimes, we need to have an external voice to guide us to discover the answers to these questions. That is why it helps to discuss with someone who is there to offer a listening ear,

provide you an objective view, and coach you to be fearless while taking charge of your life.

If you feel that having a conversation about money and life at this point in time is a good thing to do, I urge you to talk about it today, and not put it off till tomorrow. Take proactive action to make your life happen. Don't let life happen on you.

One more thing. Stay safe. Wear your mask, and put the RM1,000 into an investment that will grow in value over time. 



Kevin K.M. Neoh CFP is a licensed financial planner with VKA Wealth Planners Sdn Bhd. He is a certified member of the Financial Planning Association of Malaysia (FPAM) and was awarded the Malaysian Financial Planner of The Year Award (MFPYA) in 2016 and 2017. He can be contacted at [kevinneoh@vka.com.my](mailto:kevinneoh@vka.com.my).



## HOW BEST TO FINANCE A CAR

How do you finance a car purchase without it affecting your finances and investment opportunities?

For many people, there's nothing quite like taking delivery of your brand new car. However, taking on long-term loan to buy a car can have serious repercussions on your financial health.

We'll take a look at the key issues and the ramifications of buying a car.

### Question:

Hi, I'm Denise. Some people say the one single monthly commitment which can make or break your wealth building

is payment of car loans. Is every car loan an upside-down loan as most cars depreciate much faster than we can settle them off, especially if we take a 7 or 9-year loan? In your opinion, how best to finance a car purchase? Is it in cash or a car loan?

First, what does Denise mean with "upside-down loan"?

If your car value depreciates faster than you pay off your loan, you will need to come up with extra money out of your pocket to repay the bank.

For example, when you sell your car at RM20,000, but your outstanding loan is higher, say RM25,000, you will need to fork out that difference of RM5,000.

In other words, it is negative equity. That might happen in any of these situations:

- If you have a long tenure hire-purchase loan like nine years;
- You buy a car that depreciates too fast i.e. depreciates 50% in two years, versus some brands that only

- go down 50% after five years; and
- You finance the vehicle up to a maximum of 90%, 100% or even more after the mark-up price. Or any combination of the above situations, you might end up with an upside-down loan.

Back to the question:

So, what is the best way to finance a car purchase? Should people only buy with cash, and only if they can afford to pay for the car in full?

To understand this issue, you must separate the subjects into two parts:

### The car and its value

Let's get this straight. The value of a car falls over time. It doesn't matter if you finance it with cash or with a car loan.

The higher price you pay for it, the more you lose. Whether you pay cash, or pay with a short three-year loan, or a long-term nine-year loan, or you only borrow 50%, regardless how you pay for the car, the car still goes down in value at the same rate.

It doesn't matter.

The buyer of your used car won't bother whether it the loan has been settled. They don't pay you more because you don't have a car loan. They might pay you more if the used car is well-maintained and looks good.

So, can we agree with these?

If you want to lose less money, just buy a cheaper car. Buy a better brand that depreciates less comparatively. Or the best choice, don't get a car if you don't need to. Buy the car that fits your needs now.

Don't make the mistake I made. I used to own a 12-seater Hyundai Starex, and it was too big for my small family.

So, if you wish to be prudent about it, you may consider having a lower-priced car that serves your daily needs, or not get one for a car is a liability and its value depreciates in the long run.



“ If you want to lose less money, just buy a cheaper car. Buy a better brand that depreciates less comparatively. Or the best choice, don't get a car if you don't need to. Buy the car that fits your needs now. ”

### How to finance the purchase

Now the second part is the one you want to consider – how to finance the purchase?

Short answer: That depends on the rate of return on your fund.

After you decide what specific brand, model and specification of vehicle you are going to get, the next step is to find out the cost of financing the purchase.

If you have RM30,000 in a fixed deposit earning 2-3%, you might as well use that cash to pay for a car loan which will cost ~4%-5%.

On the other hand, if you have a stock holding that yields 8% a year, you should take a very long term car loan (nine years). So you keep your stocks... and earn the difference (8% stock yields – 5% car loan interest)

Does that make sense?

In summary, if you are a good investor, and you make an investment return that is way better than 4-5% you pay the bank, it is no-brainer to decide. Take the most extended loan that can offer the cheapest financing cost.

### Debt service ratio (DSR)

So, let's say you made that car purchase and your car loan installment amounts to RM1,100 a month. If you earn RM5,500 a month, the car loan installment is equivalent to 20% of your monthly income. This works out to be a DSR of 20%, that is if you have no other outstanding debt.

If you have other debt commitments such as a student loan (PTPTN), credit card debts, personal loans... etc, you may want to assess what your DSR is after you buy your car. For instance, if you are paying RM440 a month in PTPTN loan

installments, you would increase your DSR from 8% to 28%.

#### Before buying your car

$$\begin{aligned} &= (\text{Existing loan commitment} / \\ &\text{Monthly income}) \times 100\% \\ &= (\text{RM}440 / \text{RM}5,500) \times 100\% \\ &= 8\% \end{aligned}$$

#### After buying your car

$$\begin{aligned} &= (\text{Existing loan commitment} + \text{Car} \\ &\text{loan installment}) / \text{Monthly Income}) \times \\ &100\% \\ &= (\text{RM}440 + \text{RM}1,100) / \text{RM}5,500) \times \\ &100\% \\ &= 28\% \end{aligned}$$

#### So, what's the significance?

First, calculating your DSR will help you to determine if you can really afford the car purchase with a car loan. For instance, if you find that your DSR after buying the car is above 40%, you may want to reconsider because you could be over gearing. You could put yourself in financial distress if you lose your job, business or your sources of income.

Second, do you plan to buy yourself a home or an investment property some two to three years down the road?

Here is the thing. Little do people realise that the same RM1,100 monthly installment for a RM90,000 car loan is worth as much as RM220,000 in property mortgage.

Essentially, you are committing RM1,100 a month to get a RM90,000 car loan to buy a car that depreciates in value over time while forgoing your opportunity to acquire a property worth RM240,000 that could generate rental income and appreciates in value over time.

So, if you're looking to buy a property in the near future, it would be helpful for you to refrain from getting a car loan and use your loan eligibility or quota for a piece of real estate.



“Don't buy something you don't need, with the money you don't have, to impress the people you don't like. That's plain stupidity.”

#### The final piece of advice: Don't do the following!

The above discussion is based on the assumption that you already have the money to buy the car. I strongly suggest that you put yourself in this position before considering to upgrade.

A car loan can only break your finances if you are spending your future money to buy it. That means you don't have the money ready for the car.

So, you take up a loan to buy a car that is not affordable to you, perhaps to impress your colleague who just showed off his latest vehicle.

That's a big NO-NO. Please refrain from doing that.

Don't buy something you don't

need, with the money you don't have, to impress the people you don't like. That's plain stupidity. ❌

This article is co-written by KC Lau and Ian Tai



KCLau is a financial educator. He had published 6 books and co-created a dozen online financial courses. After conducting more than 400+ hours of free webinar and 2000 articles published online,

he gives away his popular Money Tips ebook volumes absolutely free at his website: <https://KCLau.com>



Ian Tai is the co-founder of Dividend Vault, an online educational membership site that empowers retail investors to build a stock portfolio that pays rising dividends year after year.



# BEWARE THE COMING COLLAPSE OF AMERICA AND US DOLLAR

The US dollar appears to be on the edge of a precipice but a collapse is unlikely to happen anytime soon

As I move around the country meeting with so many people, I hear a crying that has become all too familiar.

America has lots of economic problems and for a country where the world's wealthy and well-connected have long sent their children to US universities, this country or rather the US dollar is doomed.

As I write this missive, the US dollar is sitting on the edge of a steep Norwegian fjord, looking ever more likely to slip and tumble over the icy crags into the waiting sea below.

An increasing number of investors are speculating that the Covid-19 shock will mark the end of an eight-year bullish trend on the dollar amid massive liquidity injections from the US Federal Reserve.

Earlier in July, global investment bank Goldman Sachs warned of a real danger of the US dollar losing its status as a reserve currency in the global economy and where gold prices are expanding further and further.

## Any more bad news for the greenback?

As we move towards the November Presidential election in the US, some respected financial commentators believe that the uncertainty over the future path of US policy is likely to create concerns that could continue to weigh on the value of the dollar.

The US dollar's strength is based on its use as the global reserve currency. The dollar became the reserve currency in 1971 when President Richard Nixon abandoned the gold standard. Investors trust the US government will back its currency.

As a global reserve currency, the US dollar is used for half of all cross-border transactions. That requires central banks to hold the greenback in their reserves to pay for these transactions. As a result, 61% of these foreign currency reserves are in dollars.

Wall Street remains the force to reckon with in banking and finance, thanks to the reserve currency status of the dollar.

Our investors have significant

dollar holdings in our global portfolios. During periods of a strong dollar, times are always good because of the additional forex gain from our US-denominated investments.

During periods of a weak dollar, the returns from the underlying investments are more than enough to offset the short-term forex volatility and continue to generate long-term wealth. As 'cheapskates', it is also time to pound more capital into dollar assets as we get "more" for our local money.

## US dollar to remain dominant

Forex developments play a minor role. It is more important to make sure we are able to achieve total returns from our portfolios which are well-diversified in terms of different strategies covering a range of asset classes.

Once you start speculating on how a base currency will move your investment, you are basically gambling. This can lead to counterproductive views and strategies.

The view here has been that for any serious local investors who are



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diversified around the world, an exposure to US dollar is necessary.

The reality is that the world is dependent on the US dollar. I am going to upset some of you out there. I do not see another currency becoming dominant. The greenback is unlikely to lose the reserve currency status in the coming years.

That will probably change in the coming decade but it will not be easy. However, there will be a gradual erosion of the dollar as countries increasingly use currencies other than the dollar for trade.

What about China you may ask? I am a fan of the Chinese long-term growth story. The country will almost certainly continue to gain wealth and influence in the coming years.

It is an open secret that China has been actively attempting to dedollarize pan-emerging-markets trade.

To cut a long story short in this limited space, as it becomes increasingly obvious that the US-China divorce will be messy in an increasingly complicated world, the harsh reality is that to replace the greenback, Beijing must overcome many hurdles.

### Beware of chasing gold prices

Next comes gold, everyone's favorite investment blow-up doll and the talk of the town at the moment. My own view of the precious metals has been changing for several months now.

Gold will likely move higher in the long-term but not as much as the gold bugs would think. Beware of chasing gold prices higher.

The politically-oriented central banks will continue to create uncovered money in the future to finance the excessive spending programmes of the respective governments. Gold can be a form of protection or insurance against the loss of value of fiat money, but no more.

Be careful what you wish for. Given



“ Earlier in July, global investment bank Goldman Sachs warned of a real danger of the US dollar losing its status as a reserve currency in the global economy and where gold prices are expanding further and further. ”

the degree of interconnection between the worldwide financial systems, a drastic shift in dollar valuation has massive implications on the global economy and markets.

Central banks typically manage forex moves to provide a stable environment for the global financial system. They often cooperate and participate in coordinated intervention to avoid excessive price variance.


You can bet that the European Central Bank and Bank of Japan will do whatever they can to prevent their currencies from appreciating against the dollar too drastically.

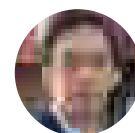
The US dollar cannot depreciate unless another currency appreciates and some export driven economies (especially export driven Asian economies) often do not want their currencies to appreciate. So, nobody likes a strong currency. The last thing that any country wants is for their currency to soar against dollar.

Yogi Berra said, "It is hard to make

predictions, especially about the future". The jury is still out on whether the US dollar's long run as the global reserve currency will be sustained in the coming years. The bulls and bears can argue till they are blue in the face. Time will tell how this all plays out.

I am sticking with my long-term bullish position on the US dollar especially from the point of view of a ringgit holder. I do not share the extreme pessimism on the US dollar.

Who needs that free dollar collapse guide with the rest of the world in trouble too? I am always eager to learn something new after 25 years in this show business. 



YH Wong has over two decades of experience in the financial services industry. He is currently principle of Noble Hills Partners Ltd and is also senior partner of a licensed offshore investment platform. His clients include high net worth investors and boutique institutions such as family offices and investment partnerships. He can be reached at [yhwong@noblehillspartners.com](mailto:yhwong@noblehillspartners.com)

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# WHY THE BEST INVESTMENT ON EARTH IS EARTH?

Land is a scarce resource and developers are constantly seeking to increase their land banks



**R**aw land is a “hands-off” investment. In fact, land is the ‘raw material’ for just about every property development. As a budding investor, you need to know just what kind of land is needed for an upcoming project:

Is it the *right size*? The project may not be big enough to meet demand around the area. The individual unit size may or may not meet the demands of the demographic it is attempting to serve.

Is it the *right type*? Is the land fit for agricultural projects, or is it better suited for industrial ones? Are there any environmental factors that may hinder project growth? If it’s a residential project, does it connect well with surrounding facilities (public

transport, hospitals, etc)?

Buying land is usually significantly cheaper while it is underdeveloped than land that has a useable structure constructed on it. It is clear that land is the raw material of any property development. Thus, the saying “the best investment on earth is earth (land)”.

Land is always a scarce resource as it is non-produceable. Hence, developers are constantly on the lookout to increase their land banks.

Acquiring the right type of land (agriculture, industrial, residential, commercial, etc) and the right size (density, plot ratio, type of usage and development, individual unit size, etc) will ultimately help decide the potential value of the land.

Is it at the right location? The area could already be matured, which could lead to a steady interest. If it’s an upcoming developing location, there may be a spike in valuation over time.

Our strategy includes land acquisition for property development in Hong Kong (HK), probably one of the most challenging markets in the world. Population density, land scarcity, and off-the-charts growth make it an extremely complex one.

However, we have managed to gain a foothold with a strategy of land bank acquisition, i.e., acquiring small tracts of land with an eye to future development, taking into consideration the political, social, environmental and cultural realities of HK.

When we were first introduced to land acquisition opportunity in HK, we felt excited to explore more and eventually got involved due to HK properties which are ranked among the most expensive in the world. And with land scarcity, it all boils down to capitalising on demand and supply.

Below are some key indicators that will be used to decide if the stipulated land will be suitable for this strategy.

As a rule of thumb: **Islands with scarce build-able land and high population density with high PPP or FDI will never go wrong.**

Please keep in mind the information below is an example to help you understand details on a new level and I would like to remind you that every opportunity is different. You must always do your own research before you commit anything.

### Location, political system and economy

With a landmass of 1,104km<sup>2</sup> and a population of over seven million people, HK is one of the most densely populated areas in the world. As of 2018, HK's gross national income (GNI) per capita is US\$67,810 Purchasing Power Parity (PPP) dollars and its gross domestic product (GDP) per capita is US\$64,597 PPP, according to the World Bank.

Under the principle of "One Country, Two Systems", HK has a different political system from mainland China. The law of HK is based on the rule of law and the independence of the judiciary where the constitutional framework is provided by the HK Basic Law.

The Lands Department in HK is practicing the British system, which is common law and familiar to us when we invest.

Hong Kong has a free market economy and it is highly dependent on

“Buying land is usually significantly cheaper while it is underdeveloped than land that has a useable structure constructed on it. It is clear that land is the raw material of any property development. Thus, the saying “the best investment on earth is earth (land)”. ”

international trade and finance.

Alternative to land acquisition

One of the alternative proposals to land acquisition is leasing the land from landowners for a certain lease period. Leasing land may also support sustainable project development since the lands need to be returned to the landowners at the end of the lease period in a condition similar to its original form without considerable environmental degradation.

When the land is leased then anybody who has to otherwise give up land or livelihood will be compensated for its growing valuation over time. In this model, the landowner lends her land to the government for a steadily-increasing rent, or through an annuity-based system.

In any case, how do we contrast this with what we are doing in Malaysia?

Despite having already established viable businesses in more than 10 countries, and being able to show healthy profits in most of them, I am still bullish about the place I call home.

I believe there are many areas where both local and foreign investors can invest their funds for very healthy returns on investment.

We tend to believe that we need a lot of money to invest, but it's not always true. But it can be done.

You have to be able to make different kinds of investment, like investing time in doing proper research and learning about markets, that will help you make well-informed decisions and taking a calculated risk. Be consistent. Your attitude towards small things should be the same as your attitude towards big ones.

Some “good” and “bad” qualities vary from one community to another. If the investor knows the local community, they could know better which parts of the land or town are less or more desirable.

It is always smart to rent in a new community before committing to purchase a land for investment. Sometimes, renting allows the investor to become familiar with the location.

**“Location, Location, Location”** it makes all the difference.

*“If you are avalanched by adversity, hold on.*

*Don't give up; rebuild.*

*Make decisions and stick to them.”*



Maxshangkar is group CEO of Max Capital Management Holding Ltd and an expert in global project management consultancy. He is also the author of the best-selling book *Investment Strategies*

for Global Real Estate. Shangkar propounded the market-proven investment strategies of *Property Investment Life Cycle* and *Business Investment Life Cycle* that educated over 6,000 Global Investment Community members to invest in property projects and businesses in over 10 countries.

# 5 SIGNS OF RESILIENCE IN LEADERSHIP

Resilient leaders exhibit key traits that enable them to not only to survive but thrive in adverse circumstances



In my 30-year career as a finance professional, multinational corporate chieftain and entrepreneur, I have experienced countless nerve-wracking challenges but Covid-19 is a battle of epic proportions.

This pandemic has brought the world to a standstill and has even given crisis management experts a run for their money.

Time and again, the traits of agility and innovation resurface in expert discussions and SMEs have begun asking how best to survive the recent upheaval as the world tries to settle itself into the demands of the new reality.

As it stands, the Conditional Movement Control Order (CMCO) and Recovery MCO have begun engaging businesses in stages, ending on 31 August. All eyes thus revert back to businesses and how they will pick themselves up, from whatever stage each one is in, as we continue to navigate the new post-Covid terrain.

## Resilience throughout the recovery period

The Malaysian Digital Economy Corporation (MDEC) has a vantage point to experience the inner-mental workings of prolific Malaysian entrepreneurs in the digital space, who have all had humble beginnings and inexpressible hardships.

Not only did every challenge sharpen these entrepreneurs' business acumen, tenacity and perseverance, but also bestowed them with what I regard as the ultimate entrepreneurial trait: Resilience.

Below are five signs, visible in resilient leaders in our digital business community, which can ease or shorten recovery of their business as the nation works through the Recovery phase to overcome the challenges brought on by the Covid-19 onslaught:

### #1. Eyes on True North

Resilient leaders will never waiver from their quest to be a successful entrepreneur and will remain resolute

to the purpose of their business. When confronted by a crisis, they swiftly shut non-critical functions of their business and channel all resources to stabilise the organisation.

As operations come to a halt and movement is restricted, resilient leaders dedicate time and genuine effort on online networking to forge closer ties with their talent pool and stakeholders (customers, partners, funders, mentors, authorities, etc). They also have a keen eye on business opportunities that are lurking amid the chaos, which is promptly tapped if deemed suitable.

### #2. Pace over perfection

Resilient leaders are sprinters in decision-making and execution. Speed is an indication of an organisation's ability to adapt to change and is crucial to the financial health and sustenance of a business. When push comes to shove, there is no need for pomp and splendour – this is specific to the context

of communication.

Resilient leaders are able to rapidly devise and convey the 'next-steps' to their employees and leverage on all communication channels to ensure their stakeholders are brought up to speed on the organisation's approach to the crisis.

### #3. Reinvent and pivot

In volatile economic conditions, resilient leaders look for open doors rather than fixating on what has closed. They contemplate on what can be done instead of adopting a 'wait and see' attitude.

At an opportune moment, a resilient leader will unleash his/her survival prowess and muster the courage to make a fundamental change to the business model despite having insufficient market data. The ability to be agile and nimble allows for erroneous decisions to be quickly corrected. This is the essence of entrepreneurialism.

### #4. Empathetic and compassionate

Resilient leaders are able to sense the emotional pulse of their people and stakeholders. They have a high level of awareness on the impact of their actions and potential consequences on the business and society.

With their calm and collected demeanour, resilient leaders welcome conversations from the heart and engage on a personal level with those in need of emotional support and encouragement during trying times. Naturally, what is promoted internally will radiate externally – your employees, customers, communities and ecosystem will know that you have their best interests at heart.

### #5. Physical and mental health

To operate optimally under difficult circumstances, resilient leaders rarely crack under pressure. They religiously incorporate the 3Rs in their daily routine



“ At an opportune moment, a resilient leader will unleash his/her survival prowess and muster the courage to make a fundamental change to the business model despite having insufficient market data. The ability to be agile and nimble allows for erroneous decisions to be quickly corrected. This is the essence of entrepreneurialism. ”

– refuel, rest and recover before firing-up again to ensure their business is in order.

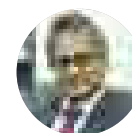
An entrepreneur that does not observe good self-care will experience a decline in cognitive skills and the ability to make sound decisions and judgements. This can have an adverse effect on the business, jeopardising their reputation and risk losing all that they have built over the years. Health should never be compromised.

These five signs or observations which mark resilient leadership in entrepreneurship, are what I've witnessed over time, across a multitude of businesses over my life's work, and in MDEC, I've the opportunity to witness this among digital entrepreneurs.

Malaysia as a nation, has to take a Digital Leap now, in the era of the

Fourth IR (Industrial Revolution), to achieve shared prosperity (Malaysia 5.0), reinforcing the country's role as the Heart of Digital Asean. Entrepreneurs who are resilient leaders may well be trailblazers in manifesting this leap.

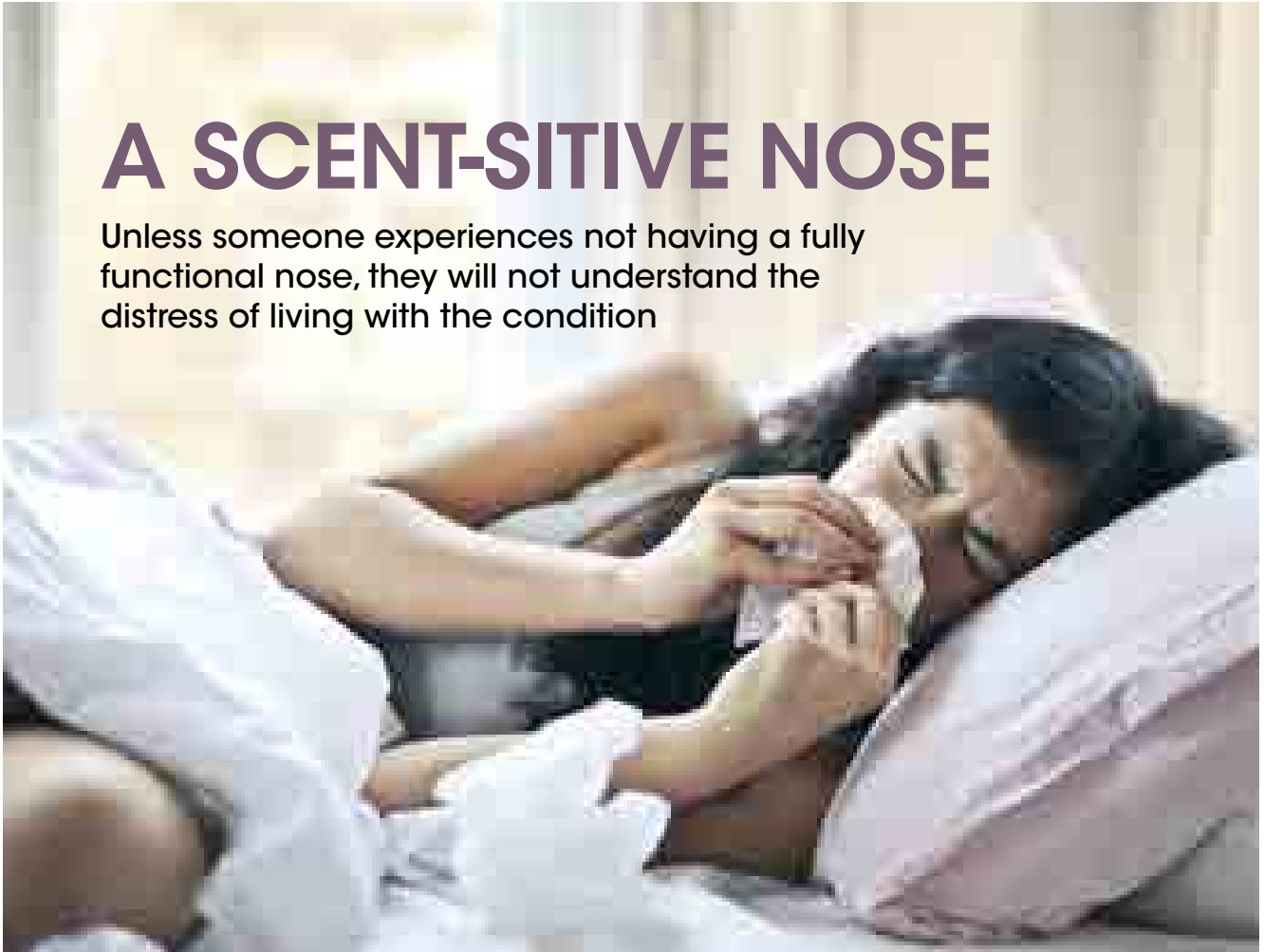
Early in this Recovery phase, I urge entrepreneurs to visit [mdec.my](http://mdec.my) for info on how they can accelerate their digital journey. Consider this my call to all entrepreneurs who are striving and are showing resilience, and to those who seek the digital advantage that is here for the taking. <sup>SI</sup>



Gopi Ganesalingam is MDEC's vice president of the Global Growth Acceleration Division, empowering tech companies to rapidly expand and soar globally.

# A SCENT-SITIVE NOSE

Unless someone experiences not having a fully functional nose, they will not understand the distress of living with the condition



**D**oes your nose itch and tingle when you smell something old or dusty? Or do you have sneezing spells first thing in the morning? If this sums up your symptoms, you could be experiencing a sensitive nose or “sinus” as most Malaysians would call it.

This condition is known medically as allergic rhinitis, a chronic nasal inflammatory state characterised by sneezing spells, a runny or blocked nose and itching of the nose, eyes and throat.

## No need to fret, it's only my sinus!

“Allergic rhinitis refers to the inflammation of the nasal membranes that is characterised by sneezing,

nasal congestion, nasal itching, and a runny nose, in any combination,” says Dr Azida Zainal Anuar, a Consultant Otorhinolaryngologist – Head and Neck Surgeon.

“Sinusitis on the other hand, refers to an inflammation of the sinus mucosa. Our sinuses are located in our cheek bones, at the back of our noses, in our forehead and between our eyes. Sinusitis lends additional symptoms such as headaches and facial pain to an inflamed nose.

“Sinusitis almost always happens as a result of inflammation starting in the nose. As both the conditions are so closely related, doctors now use the term ‘rhinosinusitis’ to describe someone having both an inflamed nose (rhinitis) and inflamed sinuses (sinusitis).”

Although most people believe that allergic rhinitis and sinusitis are caused by allergens present in the environment such as dust mites, pet dander, mould and pollen, the root cause is actually the person’s immune system which has somehow been tuned to ‘hypersensitive mode’, strongly influenced by genetics.

Every day, the mucosa of our nose and sinuses produce approximately one litre of mucous which is moved to the back of the nose by beating cilia and then swallowed subconsciously.

“When inflammation occurs in the nose and sinuses, the cilia stop beating and fail to transport the mucous, which then builds up in the nose and sinuses. At the same time, the mucosal lining swells up and blocks up the ostia

(opening) of the sinuses.

"If an infection sets in, the mucous then changes from a colourless fluid to a greenish pus in the affected sinuses," adds Dr Azida, who points out that up to 51% of chronic sinusitis are associated with allergies and result when the inflammation is triggered by allergens or viruses such as the common cold.

Although allergic rhinitis itself is not life-threatening (unless accompanied by severe asthma), this condition is not only expensive to manage but also significantly impairs the patient's quality of life. She says it is important that the public understands how to deal with this problem and the burdens it brings.

### Symptoms, associated ailments and diagnosis

The four cardinal symptoms of allergic rhinitis comprise sneezing, a runny nose (rhinorrhea), nasal itchiness and/or a blocked nose. Some people with allergic rhinitis may also suffer from wheezing, red, watery eyes, sore throats and a chronic dry cough. In addition, sinus headaches and "plugged" ears are common if nasal inflammation extends to the sinuses as well.

"Most people with allergic rhinitis or sinusitis can diagnose the problem themselves simply by recognising typical symptoms. Both allergic rhinitis and sinusitis can cause anosmia or loss of smell due to a blocked nose or an obstructive lesion like a polyp in their nose.

"In these cases, removal of the obstructive factor may lead to return of the sense of smell. Sometimes, it may not," Dr Azida cautions.

### Natural therapy research

Scientists at the Ruder Boskovic Centre in Zagreb, Croatia have successfully formulated a natural, activated

## Quick tips to manage allergic rhinitis and avoid sinusitis

- Minimise exposure to allergens by closing windows and running air conditioners.
- Reduce exposure to allergens such as dust mites and molds, by covering pillows and mattresses with pillow protectors and removing dust-collecting household items, such as carpets, heavy drapes and bedspreads.
- Although air purifiers and dust filters can be costly, they may help reduce the amount of allergens in the air. Saline nasal sprays and humidifiers can help clear congestion.

“ Although allergic rhinitis itself is not life-threatening (unless accompanied by severe asthma), this condition is not only expensive to manage but also significantly impairs the patient's quality of life. ”


Astragalus root extract known as Lectranal®. This herbal medicine has been rigorously trialled and tested and found to be able to calm hypersensitive noses and sinusitis.

Published in the journal *Phytotherapy Research* in 2010, treatment with Lectranal® resulted in 70% of sensitive noses becoming desensitised after two months of treatment. Unlike other general, non-specific therapies, it aims precisely

at the hypersensitive nature of the immune system which triggers nasal symptoms to appear in the first place.

With Lectranal®, the immune system is guided to normal functioning instead of being in a hypersensitive mode each time it meets an allergen such as dust, pollen or temperature changes.

The allergen type is not important as herbal medicine deals with the root of the hypersensitive immune system, by influencing the way in which the system processes these allergens.

When people have suffered from allergic rhinitis and sinusitis for so long, it is only too easy for them to believe that nothing more can be done. Value your nose, your little noticed ability to breathe, your awesome sense of smell and taste. It is possible to live life in a better way. 

*This article is brought to you by the Nuvance Division of Nuvanta Sdn Bhd.*

# ACHIEVING FINANCIAL SUCCESS IN A COVID-19 WORLD

Financial advisers share the Secrets of Financial Success in a webinar series organised by Smart Investor and FA Advisory.



Retirement

In a Covid-19 world where the pandemic has ignited a global recession and rattled financial markets, the ordinary investor is understandably concerned about how to preserve and growth his wealth in such uncertain times.

To deal with such times, Sani Hamid, director of Wealth Management at FA Advisory, recommends three "Covid-19 portfolios" to his clients – the Bond+Gold Portfolio, Market Recovery Portfolio, and Non-Market Correlated Investment Portfolio.

"We are not ruling out the possibility the market could move past the lows in March in the next couple of months, when the reality becomes much worse than what the market expects," he says, adding he sees a market that is ripe for a recession.

In such a situation, he says a portfolio that will do well is one with a combination of bonds and gold. He explained that gold – a store of value – and bonds are safe haven assets which perform well during a recession.

Sani shared this during his presentation on 'Investment Strategies to adopt in a Covid-19 world'.

He adds the ratio of investment funds allocated to bonds and gold could vary, depending on the individual's risk appetite.

He believes gold will perform well over the next

12-24 months because central banks around the world are "printing money" in the aftermath of the pandemic, causing their currencies to lose value.

Apart from buying gold bullion or coins, he favours investing in gold mining companies because of their leverage effect. "If the price of gold moves up 10%, the share price of gold miners can rise two or three times more because of the leverage effect.

For Malaysians wanting to invest in gold miners which are based overseas, he says there are several unit trusts that specialise in gold miners.

## Capitalising on a market recovery

On the Market Recovery Portfolio which entails investment in equities, Sani says: "We are also advising our clients to start preparing for a rebound in the market in the months ahead."

He recommends a dollar cost averaging approach to investing into equities over the next 18 to 24 months. "You'd invest in monthly tranches over the next 18-24 months. You'll never be able to get the bottom but you'll get a nice average, which we hope is near to the bottom.

"So as the market recovers over the next 18 months you will be fully invested, and then you will be able to reap the rewards as the market moves higher," he adds.

The Non-Market Correlated Investment portfolio is private equity investment via a wholesale feeder fund only for sophisticated investors.

In the webinar 'Financial Success: The 5 Pillars of Wealth', Tang Khan Loon, a director of FA Advisory, discussed the hidden secrets to plan your financial roadmap using the 5 Pillars of Wealth financial advisory model.

Comprising Wealth Protection, Maintenance, Accumulation, Enhancement and Distribution, Tang spoke about how, stemming from this particular model, FA Advisory's consulting services are designed to take every aspect of financial planning into consideration and provide their clients with comprehensive advice.

### New approach to insurance

Meanwhile, the 'Post-Covid: The Need for a New Insurance Approach' webinar saw Clarence Lim, a licensed financial planner at FA Advisory, share about the impact of the Covid-19 pandemic on one's insurance policy in terms of health and also financially.

Lim outlined the changes to the insurance industry, chief among them the fact that all life insurance and takaful operators in the country are providing hospitalisation and treatment coverage to policyholders who are affected by the pandemic.

"This is despite the fact that a majority of the medical policies carry an exclusion on communicable diseases requiring quarantine by law."

Lim also discussed the most important component of the 5 Pillars of Wealth – Wealth protection. Outlining

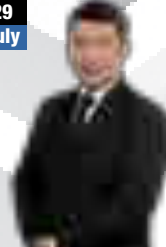
### Investment Strategies to adopt in a COVID-19 World

In view of the current market volatility, how do you craft a Recovery Portfolio?



29 July

**Sani Hamid**  
Over 30 years of experience in the financial market. He was an analyst in S&P Ratings, senior economist at BNP Paribas and a highly sought after speaker at international events on financial matters.



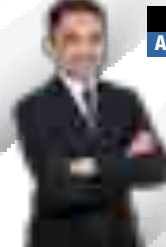
### Financial Success: The 5 Pillars of Wealth

Discover the hidden secrets to plan your financial roadmap.

5 Aug



**Tang Khan Loon**  
25 years in financial industry (Singapore & Malaysia)



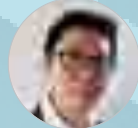
### Post-COVID: The Need for a New Insurance Approach

While adjusting to changes of the new norm, how do you adapt while picking insurance coverage for the short, mid and long-term?



12 Aug

**Clarence Lim**  
15 years of experience in the industry with deep insight of the insurance market



### Strategies to Stay Financially Healthy

How to stress-test your finances and putting together a game plan in both good times and tough times

19 Aug



**Marshall Wong**  
A well-known financial blogger who has been featured on various media on financial planning matters



“ You'd invest in monthly tranches over the next 18-24 months. You'll never be able to get the bottom but you'll get a nice average, which we hope is near to the bottom. So as the market recovers over the next 18 months you will be fully invested, and then you will be able to reap the rewards as the market moves higher. ”

one's lifeline journey at different stages from when one is single to starting a family to approaching retirement age, he reveals varying levels of commitment and disposable wealth at different stages.


"When you're single, your disposable wealth is higher than your commitment, but when you start a family, your commitment and disposable wealth increases, thanks to various loans and children's education, for example. And then, as you approach retirement age, issues like elderly care will arise," he explained.

Lim was quick to caution against opting for the cheapest insurance product in the market. "Sometimes cheap does not mean good. The rule of thumb in determining your coverage is 5-10 times of

your annual income or annual expenses.

"As for your monthly income, adhere to the 6112 rule – 60% for your expenses, 10% for your savings or emergency fund, 10% for insurance and 20% for investment."

As to what and which insurance plan, he suggested: "Go for a Term Plan for short term (less than 15 years), an Investment-linked Plan (ILP) for medium term (15-25 years), and Whole Life Participating Plan (WLP) for long term or whole life."

In the final webinar of the series, financial blogger Marshall Wong presented on 'Strategies to Stay Financially Healthy'. A licensed financial planner, he highlighted the need to stress-test one's finances and develop a financial game plan for both the good times and the tough times. 

## HAP SENG TRUCKS INTRODUCES THE BRAND-NEW ACTROS



**From left: Roland Schneider with Hap Seng Trucks Distribution Commercial Vehicle Operations director Albert Yee.**



Hap Seng Trucks Distribution Sdn Bhd (HSTD), the general distributor of Daimler Trucks in Malaysia, has just launched Actros, a multi-award-winning truck.

The flagship of Mercedes-Benz Trucks has won numerous awards worldwide including the widely respected "International Truck of the Year 2020".

Voted by a jury of international commercial vehicles journalists from 24 countries, this is the fifth year that an Actros has been awarded the prestigious award which underscores its leadership in setting standards for reliability, efficiency and comfort.

With the introduction of the new Actros, HSTD has brought a refined truck onto the roads in Malaysia to fulfil the requirement of the ever-demanding transport

industry.

Assembled at the Pekan plant facilities, the new Actros is built to the highest Daimler quality standards backed by Mercedes-Benz Truck's brand promise "Trucks you can trust".

"We are proud to inform that with the introduction of the new Mercedes-Benz Actros we will be raising the bar further in the heavy-duty truck market to shape the future of transportation in Malaysia better than ever before," said Roland Schneider, chief executive of Hap Seng Trucks Distribution Sdn Bhd.

For more information about Hap Seng Trucks Distribution and the new Actros, visit <https://www.hapseng.com.my/>

## VERSA PARTNERS AFFIN HWANG AM TO OFFER DIGITAL CASH MANAGEMENT

Versa Asia Sdn Bhd, a KL-based financial technology company, has teamed up with Affin Hwang Asset Management to launch a new digital cash management platform (via a mobile app).

This new digital cash management service will allow Malaysians to earn returns on their savings through money market funds that are professionally managed while enjoying the flexibility of accessing their money anytime.

"The relevance of such products is wholly in line with the government's promotion of a cashless society. This new solution will help simplify investment products for every Malaysian to grow their wealth while providing

sufficient liquidity to access their cash investments," said Affin Hwang AM chief innovation officer Allen Woo.

"Cash management solutions were traditionally only accessible to sophisticated investors and not readily available to all Malaysians. We are democratising access to such products together with Affin Hwang AM to bring these solutions to every Malaysian regardless of wealth status," said Versa CEO Teoh Wei-Xiang.

Meanwhile, Versa and Affin Hwang AM have secured a memorandum of understanding (MoU) with a leading global payment network with over 50 million global touchpoints to work towards a real-time balance card linked to Affin Hwang AM's money market funds.

## KENANGA GROUP BAGS 7 BURSA EXCELLENCE AWARDS



(From left) Datuk Muhamad Umar Swift, Datuk Chay Wai Leong, and Tan Sri Abdul Wahid Omar.

“These awards are an incredible testimony of our hard work and commitment towards excellence.

“We look forward to continue working closely with the regulators and industry players to further progress the capital markets, especially in the area of innovation and digitisation,” said Datuk Chay Wai Leong, group managing director of Kenanga Group.

The awards ceremony was graced by Bursa Malaysia chairman Tan Sri

Kenanga Investment Bank Bhd was awarded seven accolades out of the 21 categories at the coveted annual Bursa Excellence Awards 2019 recently.

Kenanga Group was awarded the Best Trading Participant Equity & Financial Derivatives (champion); Best Institutional Derivatives Trading Participant – Investment Bank (2nd runner up); Best Overall Equities Participating Organisation (2nd runner up); Best Retail Equities Participating Organisation – Investment Bank (1st runner up); Best Institutional Equities Participating Organisation – Investment Bank (2nd runner up); and Best Remisier (champion) and (2nd runner up).

Abdul Wahid Omar and Bursa Malaysia CEO Datuk Muhammad Umar Swift.

The event was themed “Rising to the Challenge” to mark the difficult times brought by the pandemic and how industry players rose to the challenge to navigate through the volatile market cycles and emerge triumphant.

The awards recognise industry players across 21 categories, including participating organisations and select individuals who have played their part in shaping the capital market across three segments, namely equities, derivatives and the Islamic capital market.

## U MOBILE ANNOUNCES PARTNERSHIP WITH FUNDING SOCIETIES

U Mobile is partnering with P2P financing platform Funding Societies to offer business financing solutions for small businesses via its digital payment acceptance solution GoBiz.

By collaborating with Funding Societies, U Mobile aims to empower local micro, SMEs, as well as small office/home office (SOHO) business owners to address a common need of growing businesses, which is the lack of working capital to expand the business.

By accessing the GoBiz website, U Mobile as well as GoBiz customers will be able to access Funding Societies’ P2P financing assistance platform which will enable them

to increase their revenue growth, bridge short-term liquidity gaps as well as overcome seasonal revenue fluctuations.

Eligible businesses that submit their applications via the GoBiz platform will be able to enjoy benefits from Funding Societies that include financing amount of up to RM100,000 for Micro Financing and up to RM1 mil for Business Term Financing; flexible tenure of between 3-18 months; and competitive interest rates.

To apply or learn more about the GoBiz platform, visit <http://gobiz.com.my/p2p>

## FPAM PROVIDES COMPLIMENTARY FINANCIAL CONSULTATION



Do you know any friends or relations who are in financial difficulty when the loan moratorium ends in September? Please tell them not to despair.

Financial Planning Association of Malaysia (FPAM)'s

Licensed Financial Planner members are offering complimentary consultancy of 45 minutes through its Complimentary Financial Consultancy programme. Find out more to receive a non-obligatory advice.



### PROGRAMME DURATION :

**15 Aug to 25 Sept 2020**

(Every Friday, Saturday & Sunday)

Click to register <https://bit.ly/121ParticipantsV2>

Find out more at: <https://www.facebook.com/FinancialPlanningAssociationofMalaysia>

Book now, for a complimentary financial consultancy session with a Licensed Financial Planner so that you:

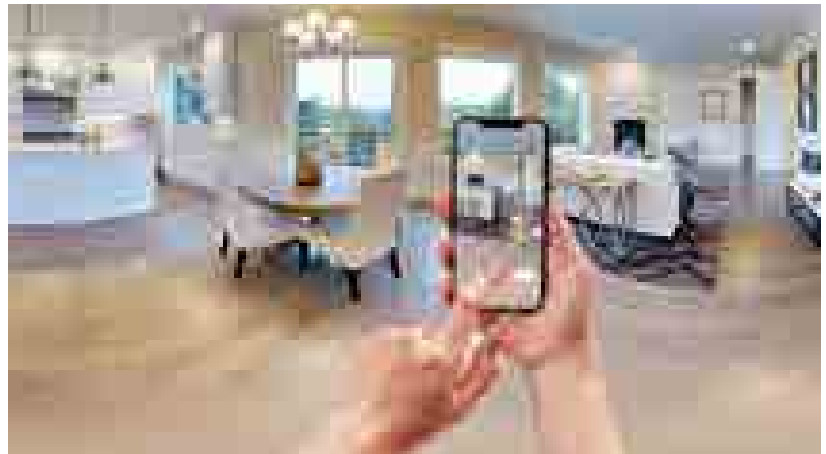
- Will be more confident with your financial situation.
- Commit to action.
- Have sense of hope to move forward post moratorium.

## iPROPERTY.COM.MY INTRODUCES i360 AND GREAT PROPERTY DEALS

iProperty.com.my recently unveiled i360, a virtual showroom platform for new property launches by prominent property developers. The aim of i360 is to provide an immersive virtual tour for property seekers to view their preferred properties at their own convenience.

Due to the unprecedented situation caused by Covid-19, i360 provides a great opportunity for property seekers to view properties from the comfort of their own homes.

This innovation provides a panoramic virtual walk-through for property seekers to view their dream homes. Featured property types include service residence, condominium, terrace/link house,



residential land, bungalow and villa.

At the same time, iProperty.com.my also announced Great Property Deals, a special campaign for property seekers to discover new property deals and find their preferred property offer and submit

enquiries in one convenient place.

The featured properties on Great Property Deals include discounts on various new projects starting from RM266,000 in diverse locations including Puchong, KL City, Subang Jaya and Kota Kemuning.

# HEALTHCARE ANYWHERE

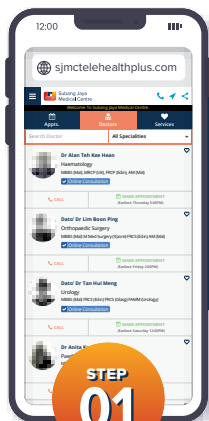


People caring for people

FOR FOLLOW UP PATIENTS ONLY

## teleHEALTH PLUS

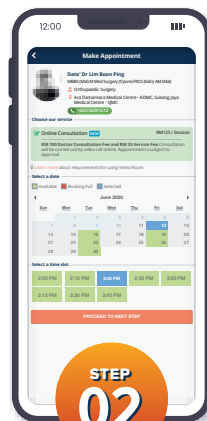
Easy steps for convenient and safe consultations online



### REGISTER

Log on to [www.sjmctelehealthplus.com](http://www.sjmctelehealthplus.com), [www.admctelehealthplus.com](http://www.admctelehealthplus.com) or [www.pmctelehealthplus.com](http://www.pmctelehealthplus.com) and register

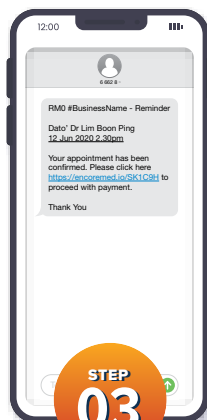
STEP 01



### BOOK

Select your preferred healthcare practitioner and set the appointment date and time

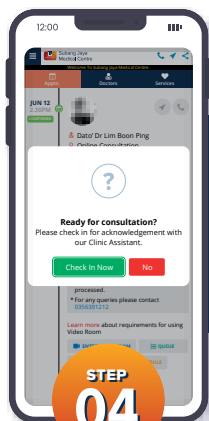
STEP 02



### CONFIRM

Appointment will be verified via SMS. Proceed with payment to confirm your video consultation

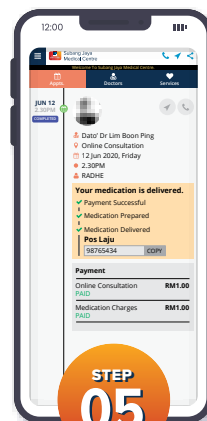
STEP 03



### START CONSULTATION

Enter the video room 15 mins prior to your appointment time and prepare for your video consultation with your healthcare practitioner

STEP 04



### MEDICATION ORDERS

If medications are indicated post-consultation, choose your preferred collection method. Once payment is made, your medication will be ready for either self-pickup or it will be delivered to your doorstep

STEP 05



## ALLIANZ GENERAL'S SMART HOME COVER IS NOW SMARTER



Allianz General Insurance Company (Malaysia) Bhd is reintroducing Smart Home Cover, its modular home insurance enhancements to the HomeFix component.

The insurer has sold over 130,000 policies since its launch in July 2017. The enhanced HomeFix component allows policyholders to seek services using Allianz Partners such as Recommend.my and Kaodim.com to have a contractor on site to carry out immediate fixes including plumbing works and air conditioner servicing, once a year.

On top of that, policyholders can also use the home care service via Allianz Partners, once a year,

for pest control services for termites or bed bugs treatment, and more importantly, home disinfection service if a member of the household gets diagnosed with the Covid-19 virus.

Allianz Malaysia Bhd CEO Zakri Khir said the newly enhanced Smart Home Cover not only provides protection for home from damages, but now offers elements of utilisation that will be beneficial to homeowners.

“Our Smart Home Cover policy is now more flexible and equipped with tangible components that allows our customers to experience the benefits of having a home insurance policy.

“The enhanced HomeFix component make it easy for our customers to get repairs or services done without having to fork out any cash and its hassle-free and quick,” added Zakri.

To learn more about Smart Home Cover, visit [www.allianz.com.my/smart-home-cover](http://www.allianz.com.my/smart-home-cover)

## APHM PARTNERS DOCTOR SHIELD, AN INDEMNITY INSURANCE PLATFORM



**Datuk Dr Kuljit Singh**

The Association of Private Hospitals of Malaysia (APHM) is partnering JA Assure, a multi-

national niche market insurtech firm, to offer Doctor Shield, an online professional indemnity insurance platform to all its medical professional members. Doctor Shield policies are underwritten by Chubb Insurance Malaysia Berhad, an established general insurance company in Malaysia.

Developed to help medical professionals de-risk their medical practice so they can focus on patients' care with confidence, Doctor Shield is a complete online enrollment process, with features like instant online rate quotations, immediate online policy issuance, and instant online policy renewal.

According to APHM President Datuk Dr Kuljit Singh, the APHM

elected to join the partnership and endorse Doctor Shield in recognition of its forward-facing and pro-digital approach to the indemnity insurance process combined with innovative product features.

“It is also an opportunity for medical professionals in APHM's member hospitals to save valuable time through improved efficiency,” he said.

He added that this collaboration will provide price reductions and savings on indemnity coverage for the industry professionals as well as promote a better alternative to traditional litigation with Doctor Shield's 'pro-mediation' approach to disputes.

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## A Global Sustainability Standard for Funds

Interest in sustainable investing is growing, and assets under management in sustainable portfolios are rising to match. In response, Morningstar has created the industry's first global standard for measuring sustainability: the Morningstar Sustainability Rating™ for funds. We designed our rating to help you find investments that score high on a variety of environmental, social and governance factors. Now you can use these ratings to align a portfolio with your personal ethics or incorporate sustainability into your long-term investment strategy.

### Morningstar Sustainability Rating™



Above Average

Percentage Rank in Category: 23  
Sustainability Score: 48

To learn more visit: [global.morningstar.com/SustainableInvesting](https://global.morningstar.com/SustainableInvesting)  
or email [AsiaMarcom@morningstar.com](mailto:AsiaMarcom@morningstar.com)

