

Managing Your Wealth the Right Way

Special Focus - Smart Investor (November 2019)

Having a professional financial planner or wealth manager can make all the difference in the world.



As you map out your financial future based on your short- and long-term goals, you'll find there are a variety of money-managing vehicles and also come across terms such as 'wealth management' and 'financial planning', among others. But what do these mean, and how do they make a difference in the lives of Malaysians? More importantly, when will be a good time to start your investment journey and work with a wealth manager to grow your wealth? Smart Investor sits down with Kenanga Investors Bhd executive director and chief executive officer Ismitz Matthew De Alwis to discuss these, and more.

Smart Investor: When it comes to investment, people are often confused by terms like 'financial planning' and 'wealth management'. Can you clear the air on this?

Ismitz Matthew De Alwis: We understand how people often believe that financial planning and wealth management is one and the same. At the end of the day, both are concerned with the management of money, and are intertwined. Essentially, wealth management is a subset of financial planning that is typically utilised by more affluent individuals. Knowing this difference will allow an investor to get the most out of their funds when they need some solid financial advice.

Financial Planning – This involves lifestyle planning and means that financial planners look at all aspects of their client's finances which include savings, taxes, retirement, and inheritance. If a client has debt, the financial planner will help plan out

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strategies and action steps to reduce and ultimately pay off all debts. The main goal is to ensure the client is financially healthy and has a long-term plan to become independent.

Wealth Management – Wealth managers are usually involved with managing larger amounts of income and assets. Examples of standard wealth management services are estate planning, risk management or capital gains planning. The goal of a wealth manager is wealth preservation; sustaining the large sum of wealth they are handed for management and ensuring it continues to grow far into the future in the most efficient way possible. In this way, it is akin to acting as a custodian to their client's money. Wealth management clients benefit from a single platform that is able to cater to their current and future needs. The average Malaysian may not think they need either one even if they know the difference. But even if you are highly in debt, and saving for the future is farthest thing you can think of, having a professional financial planner get you back on your feet can make all the difference in the world. Though it may seem like an additional expense, we believe this investment for your long-term financial health will truly pay off.

When you're in your 20s and 30s, it's easy to think you still have time and thus put off investing. Can you clarify this misconception?

The term 'saving when you are young' is obviously significant. Saving earlier produces much more substantial results as you will be able to accumulate more funds as opposed to someone who started in their 30s or 40s. On top of that, with compounding interest, you would be able to take advantage of the interest earned over time if left untouched for a long period. Instead of being a misconception, we believe that many people inherently know that this is true.

But they often allow lifestyle wants or milestones to overcome the more critical parts of being financially responsible. There will never be a right time to save or invest. Instead of saving a large amount whenever you can, slow and steady annual investments that begin at an early age is the key. As the market will always experience fluctuations, we recommend investing long-term in stable investment counters that will be able to take advantage of uptrends and stay defensive during the downs.

When is it a good time to work with wealth managers?

This is akin to asking when is the best time to have a health check or visit a doctor. It is never too early to start planning; ultimately, the most important aspect of any financial advisory service would be the end goal. Whether it is to continue providing for future generations or for retirement planning, the end goal determines the strategies, products and services employed that will dictate the entirety of the relationship between the relationship manager and their client.

Once a client comes on-board, our relationship managers would begin with determining the client's current financial status and future funds required to achieve their goals. This allows all parties to understand the gap between the client's existing financial state and what is required to reach their ideal state. Their risk tolerance is also computed via a detailed questionnaire.

Based on all the information gathered, the relationship manager would then put together an asset allocation that is aligned with the client's risk tolerance. Financial reports would be generated that states the client's financial status, risk profile, asset allocation, goals, current investment portfolio, investment strategy and recommendations.

As to when is a good time to work with wealth managers, the answer would be: as soon as you are able to. Traditionally, wealth management as an advisory service is more applicable to high net-worth individuals

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(HNWI) but we are seeing more of the mass affluent segment seeking these services. This segment of the market would typically need a diverse set of services that include (besides financial and investment advice), legal, estate planning, accounting and tax services. If an investor falls within this bracket, they have the option to choose a wealth manager who is able to cater to their needs. A qualified Certified Financial Planner (CFP) will be able to guide you.

What role does Kenanga Investors Bhd play in helping individuals manage their wealth?

At Kenanga, we are a multi-distribution, multi-segment and multi-products firm. Besides being an asset and investment manager and providing investment advisory services to our clients, we are also a Financial Planning and Financial advisory firm licensed by the Securities Commission (SC) and Bank Negara Malaysia (BNM). We work with independent firms and planners and also have a team of employed Relationship Managers (RM) with a majority of them being Certified Financial Planners (CFP). On our platform, there is an assigned RM for each client, and each has on average 30 to 40 clients to ensure they receive sufficient attention and regular reviews of their portfolios.

Services include education planning, investment planning, insurance planning, estate planning, retirement planning, succession planning and tax planning, all of which are supported by over 25 trusted and established product partners in the market from insurance, wills and trust to asset management firms. But if we are talking about wealth figuratively, we have always been advocates of sound financial planning for all of our investors. We also believe that by practicing a financial planning approach, we can offer product accessibility and convenience to a higher degree by having all products on a centralised platform without needing the investor to source for each product separately.

This approach also helps an investor avoid making investment decisions based purely on the information provided by a specific product's financial agent caused by product pushing. It would not be in the best interest of the client and would merely be benefitting the sales agent in the long run. We have conducted nationwide roadshows and seminars to spread awareness and to emphasise the importance of financial literacy and planning. Earlier this year, we were pleased to receive the Best Wealth Management Platform award by the Best of the Best Awards by Hong Kong's Asia Asset Management. At Kenanga we want to be the top-of-mind solutions provider and wealth partner to our clients. Irrespective of a client's age and financial status, we want to walk hand-in-hand on their life journey with them.

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