

Getting through the tough times

The Star (27 July 2021)

THE year 2020 came as a complete surprise to everyone. Many goals, from educational plans to personal ambitions, were placed on hold. This year has shown that even if you are the best planner, there are some things you cannot account for. Workplaces ranging from commercial to retail were required to restructure their business models. Most restaurants were only able to offer delivery services, but very few establishments were not able to adapt their business models to go online.

These “quarantimes” have emphasised the importance of effective but realistic planning. Some may argue that there is no need to plan, particularly considering the year we had, which came unexpectedly. Planning has become more challenging than ever before, with people living longer lives requiring increased forethought. This pandemic has only made it increasingly challenging for people to assess and plan for their finances.

With the majority of people affected by the sudden lockdowns, disruptions to products and services have had an immediate impact on cash flow, and many operations were stretched for cash, resulting in countless job losses over the previous year. Financial worries have impacted the spending pattern of many, from grocery bills, housing, utilities, and other essentials as unemployment increased in the past year. Many people’s cash flows and expenditures have been drastically impacted, as a result of pay cuts. Most have had to modify their budgets and review their financial situation.

Investors should consider their pandemic experience over the last year and use it to reassess their financial goals, whether long-term or short-term. We know that financial planning is an ever-changing process, but we also recognise that the pandemic may have sped these changes for some.

Everyone should review their financials comprehensively. Take a step back and consider whether your present goals are the same as they were at the start of 2020, or whether they have changed.

While being negatively affected seems to have been the major shared consequence of the pandemic, some may have found that they saved money due to having to stay at home. Travel cutbacks, in particular, kept substantial amounts of cash in people's accounts. As if to combat this, the accelerated technological developments have birthed new apps and services for a variety of purposes; such as meditation and weight-loss programmes designed for people with plenty of time at home. The consequence is an increase in consumers adopting costly new habits, like frequent online shopping, monthly app memberships or ordering takeout with the click of a button. Everyone should be mindful of their spending and not overspend during these trying times.

This would also be a great time for investors to reassess their investment risk tolerance. Examine how you reacted to market changes during the year. Did you leave the market? Did you decide to stay? These questions will help you to determine whether your risk tolerance was incorrect. When it comes to market volatility, your

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portfolio should match your degree of comfort. If you are hesitant or unsure of where you stand exactly, speak to a financial professional to help you.

We have observed many taking precautions to protect their financial health (after the first MCO), with many what-if scenarios playing in the background. It was once advised to have three to six months of income saved in an emergency fund. The pandemic has changed the paradigm, shifting the benchmarks from six months to a year. Another way to protect yourself is through purchasing insurance-backed goods that can assist in times of need, such as medical emergencies. It is important to highlight that when it comes to insurance, there are many types out there. Determine what it is you need protected; whether it is yourself, parents, partner or children, have priorities in place in order to choose the right product for your needs.



Ismitz Matthew De Alwis, *Executive Director & Chief Executive Officer of Kenanga Investors Berhad*

There is also a higher awareness of the fragility of life as a result of the thousands of unfortunate cases during the pandemic. With death comes the discussion of end-of-life planning. It is no longer just about preparing for retirement; it is also about what happens after you are no longer around to care for your loved ones. Making a will or establishing a trust would help ensure that they are looked after in the way you intended. Once again, a financial professional would be able to assist you in this area.

Normalcy will hopefully return soon, since vaccine distribution is being accelerated nationwide. As the situation gradually improves, many people will be eager to leave their homes after being cooped up for more than a year. Normalcy brings additional financial stress. Consider what

you'll be paying for after the pandemic, such as additional tuition or extracurricular activities for your children, or your own interests. It is important to assess these expenses. You don't want to leave the pandemic with debt. Begin making adjustments to this budget as soon as you can.

If you feel overwhelmed or need a guiding hand to start your financial journey, speak to us at Kenanga Investors. From unit trusts and treasury products to insurance, you can rest assured that we have what it takes to help you navigate the challenges of life's financial complexities whilst making sure that you reach your goals within your determined timeframe. – By Ismitz Matthew De Alwis, executive director and chief executive officer of Kenanga Investors Berhad.

Kenanga Investors Berhad is one of Malaysia's top asset and wealth management firms. De Alwis is a strong proponent of professional financial planning and financial literacy.

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Izzatir Matthew De Alwis

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