

# Five Essential Money Habits You Should Cultivate This Year



Perhaps you didn't exactly get off to the right start in 2012 with your finances. Thanks to all those countless shopping trips over the past few months that has taken a toll in your savings. And if you have a resolution to get your monies back on track, you definitely need to have a plan. No more empty promises.

You may not have realised this, but with a little planning, you can actually grow and safeguard your hard earned money. And most importantly, if an unforeseen and unfortunate circumstance befalls on you or your loved ones, you will not be burdened with undue financial stress.

To get your finances back on track, we'll explore some tips to help you save and grow your funds for your future. And needless to say, to protect yourself against the uncertainties in life.

### 1. Set financial objectives

Firstly, you should take charge of your finances by setting some financial objectives. This helps to put your plan in action, and gives you a goal to work towards by the end of the stipulated period of time. But you should always set S.M.A.R.T. goals to ensure a high success rate. \*S.M.A.R.T = Specific, Measurable, Attainable, Realistic, Time-bound.

### 2. Adopt a long-term view for investments

Essentially, this means you should probably start investing now! Time horizon determines the number of years you have

to invest, to achieve your financial goals. Of course, if you have more time to invest, you will definitely have more options to choose from. Your time horizon will impact your risk appetite, the type of assets you can invest in and even the amount your savings can accumulate. But as everyone's risk profile, financial objectives and time horizons differ, it's best to speak to a financial adviser who has both the expertise and experience to guide you through this process.

### 3. Make use of life insurance

A useful instrument to consider for the benefit of your financial well-being is life insurance. As a cornerstone of sound financial planning, life insurance offers solutions that can help you protect, save and even invest for your future.

You will be able to find a huge stable of life insurance products available in the market today and they can be tailored to suit individual needs and means. Depending on which policy you choose, you can use these benefits in a variety of ways to achieve your financial goals.

The best part about life insurance plans – the benefits come with the much needed coverage for life's unforeseen events.

#### • Endowment policy

An endowment policy serves as a disciplined method of saving regularly over a fixed period of time. It may potentially offer higher returns than bank deposit interest rates. This means that you may be able to build a larger fund in a shorter period of time.

In addition to the savings component, an endowment policy offers a protection element through a death benefit, should you pass on unexpectedly or become totally and permanently disabled.

### • **Investment-Linked Insurance Plan (ILP)**

If you can afford to take on a higher risk and wish to make investments whilst protecting you and your family against financial loss in the event of an unfortunate disability or injury, consider purchasing an ILP.

An ILP allows you to decide how your premiums are invested, in which funds, and also has the flexibility to switch between different funds during the life of the policy. The price of your units depends on how the investments in the fund perform. The pay-out depends on the price of the units at the time you cash it in or when you pass on.

### • **Health insurance policy**

With rising healthcare costs, a huge medical expense can easily wipe out a large portion of your savings if you do not have adequate health insurance coverage. And as a result, it causes you not only to experience emotional stress but also financial loss.

This is why it is prudent for us to purchase an appropriate and adequate health insurance plan to guard against financial loss as a result of an accident, illness or even disability. The benefits you can receive from health insurance policies can help to reduce your financial burden

by covering the cost of your medical treatment or nursing care, or even provide you some income during hospitalisation or in an event of disability.

### **4. Maintain a regular dialogue with your financial adviser**

By keeping in contact with your financial adviser, you can ensure that you are on track to achieving your financial goals as you can monitor and review your policies on a regular basis. In addition, occurrence of significant life events such as marriage, new job or the birth of your child can potentially impact your financial needs and goals. Hence, your financial adviser should be informed so that he or she can enhance your financial portfolio, ensuring that you continue to meet your financial needs and goals.

### **5. Think ahead for retirement plans**

Retirement may seem relatively far away for now, but it is never too early to plan for! In fact, you should be starting to plan and save for your retirement right now. This can ensure you an active and quality lifestyle that you desire in your golden years. It is a general rule of thumb that you will require about 50 to 70 per cent of your last drawn annual income to sustain a similar standard of living thereafter. You may require more due to the impact of rising inflation. Thus, it is important for you to start saving early to ensure that you can live a lifestyle that you want when you retire.



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