

FINANCIAL PLANNING RELEVANT TO COVID 19

BY TAN SENG CHUAN

The coronavirus or COVID-19 has kept people contained in their homes and caused the unprecedented shutdown of international borders. This has led to the curtailment of economic activities, which resulted in severe financial and economic impacts for both individuals and businesses. With this, it is important for one to have a sound and comprehensive financial plan to guide them in making financial decisions while staying focus on their financial goals. This article hopes to share the “C.O.V.I.D” pointers as some financial planning tips & suggestions that one can take reference to hopefully “COVID-proof” their personal financial planning, especially in this difficult and unprecedented times.

C – Cashflow planning & management

Cashflow is often reference to blood in the human body and we can see the importance of cashflow in our personal finance. With the COVID-19 situation affecting jobs and livelihood, it is important for individual to look at their budgeting, to find ways to increase their cash inflow, and reduce their expenses to minimize outflow. In Singapore, the government has announced three budgets with schemes and packages to respond to the impact of COVID-19 pandemic. These grants, rebates and subsidy can help in the cashflow for individual and families (*Details of these schemes and programs can be found at references 1 and 2 below*).

Apart from government grants and schemes, one can look at ways to increase their income. This can be through part time jobs and side hustle like food delivery, security jobs and etc., which are in demand during this period. In addition to this, individual may consider monetizing their skills and talents (e.g. writing, web design, translating and etc.) with projects from platforms like Fiverr (<https://www.fiverr.com/>) and Upwork (<https://www.upwork.com/>) as well. It is also important for one to keep a six to twelve months of worth of living expenses as emergency cash, and debt management which is covered in one of the points below.

O- Opportunities in investment?

We have seen the impact of COVID-19 causing huge volatility and drop in the financial market. It was reported in a Channel NewsAsia article (3) that *“it took just 15 days for the US stock market to plummet into bear territory (a 20 per cent decline from its peak) – the fastest such decline ever. Now, markets are down 35 per cent, credit markets have seized up, and credit spreads (like those for junk bonds) have spiked to 2008 levels”*. With this, asset classes may appear more attractive and cheaper as compared to the earlier peak, which may present opportunities for investment.

It is beyond the scope of this article to cover on investment and investment opportunities. However, before one invest, it will be good that one ensures to have “enough money for daily expenses and other expected expenditure;” “enough cash for emergencies;” “basic health and life insurance policies in place;” and “necessary investing knowledge and information” according to MoneySense (4). It will also be good that one can have an investment plan/guide, practice diversification and have regular reviews for their investment too.

V- Visiting Retirement Planning

According to a Channel NewsAsia article (5), it was reported that *“many others have lost their jobs due to the economic crisis caused by the global spread of COVID-19”* and *“the pandemic has resulted in other employment issues cropping up, such as furloughs, salary reductions and rescinded job offers.”* With this, it appears that “retirement has come earlier” for these groups of people as their income stops or get affected with expenses still go on. In some other cases, people’s retirement plan may be affected with market and investment dropping, and some may be tempted to hold cash on hand instead of continuing in their retirement planning.

Therefore, it is important to visit the topic of retirement planning as soon as possible and take some retirement-related action. This can be done by practising good money management habits and budgeting; beginning with an end in mind for their retirement nest and start saving & investing prudently. For those who have started their planning, it will be good to review their planning to ensure the plan is in line with their objectives.



I – Insurance planning

As a global pandemic, the coronavirus or COVID-19 has affected millions and claimed thousands of lives. This has led to more people being concerned with their coverage, especially protecting themselves against COVID-19. In Singapore, various insurance companies have launched different schemes to serve their policy holder in response of COVID-19, and some of these measures are being published in Asia Advisor Network article (6). It will be good for one to check with their financial practitioner or insurance companies’ customer service to find out more about such coverage for them as policy holder.

COVID-19 or not, insurance as a tool for risk management and wealth protection is very important in personal financial planning. One should review their insurance planning to ensure that they have sufficient plans put in place for the wealth protection, income replacement, debt cancellation or medical expense payment/reimbursement in the event of risk events (premature death, disability, diseases) happening to them.

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D – Debt Management, Distribution of assets

Related to the first point of cash flow management, debt management is something important for one to look at in their personal financial planning process as well. Some of these debt management measures includes: proper budgeting and cash flow planning to make sure that one does not overexpose him or herself with debt; debt consolidation plan (DCP) to consolidate their unsecured debts into fixed regular monthly repayment for better management; refinancing for lower interest rate; and credit counselling by Credit Counselling Singapore (CCS) for those with debt problem.

With people being financially affected by the coronavirus outbreak, the government has also announced “relief in loan repayment” as reported in a Today’s article (7). This measure includes: deferment of either principal payment, or both the principal and interest payments, until 31 Dec 2020 for residential property loans; conversion of outstanding balances from 06 April till 31 Dec 2020 from unsecured credit facilities to term loans at a reduced interest rate capped at 8 per cent per annum, compared with the 26 per cent typically charged. These measures will be helpful to provide some relief for individuals on their debt and financial obligations. Although having debt is a fact of life for most people, it is important to ensure that one is not overwhelmed with debts and have steps to reduce debts and be debt free as soon as possible.

Notes:

- 1- https://www.singaporebudget.gov.sg/budget_2020/budget-measures/budget-booklet/budgets-of-2020
- 2- <https://www.supportgowhere.gov.sg/?fbclid=IwAR1UVNlQCYDlV02cGvPC3lAexgDdLm7OYJFBosHyQBvF6c-tl1RxKHUyQ64>
- 3- <https://www.channelnewsasia.com/news/commentary/covid-19-coronavirus-economy-impact-recession-stock-fed-bail-12582976>
- 4- <https://www.moneysense.gov.sg/articles/2018/10/what-is-investing>
- 5- <https://www.channelnewsasia.com/news/business/covid19-strain-labour-market-retrenchments-rescinded-job-offers-12665732>
- 6- <https://www.asiaadvisersnetwork.com/Article/aid/50046/Novel-Coronavirus-Insurance-coverage-and-measures-by-insurance-industry>
- 7- <https://www.todayonline.com/singapore/covid-19-individuals-smes-get-relief-loan-repayments-debt-and-insurance-premiums>
- 8- https://drive.google.com/file/d/1lmflxAQITD0a0e14SpLk6uSYc_NqKBVM/view

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Apart from debt management, the “D” here also stands for distribution of one’s asset via estate planning, which is part of the financial planning process. Though death is sometimes a taboo word in Singapore and in Asia, we have seen unexpected cases of COVID-19 claiming lives. As such, it is important for one to do their estate planning to ensure their estate is distributed according to their wishes; so as to minimize the financial impacts and other implications that may arise for their families and loved ones, as well to prevent delays, dispute and going into intestacy should one demise happen. One can refer to the “Success to Significance with Estate planning via “L.E.G.A.C.Y” principle” article (8) as a guide for this.

In conclusion, I hope the “C.O.V.I.D” pointers provide a useful guide for you to understand personal financial planning. However, financial planning is an extensive and broad topic which entails more details that is beyond the scope of this article. Therefore, it will be good that one can look for and work with a trusted and competent practitioner on this financial planning process and journey to achieve their financial goals & peace of mind. As the sayings goes “This too, shall pass.” Let us stay safe and strong and look forward to better days ahead when this COVID-19 situation is over!



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