

ENOUGH, AND THEN SOME



A Financial Playbook for Living on
Your Own Terms

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The Mini-Retirement Life

Retiring isn't always all it's cracked up to be. It's still pretty awesome though.



Some time in 2015, I decided I would try retiring, and that 2016 will be the year of my retirement, at the ripe age of 29.

Back in the day (and still more or less true to this day), retirement was what you got at the end of a very long career, typically when you are in your 50s or 60s. That's when you finally have the time (and if you've done it right, the money as well) to do all the things you've been wanting to do, go to places you've always wanted to go, or devote time to areas in your life you've thus far neglected because of your career.

Nowadays, however, people no longer wait around for old age to experience what retirement is like. Gap years, sabbaticals and career breaks are becoming more common and acceptable. Author Tim Ferris even coined a term for it - "mini retirement" - and argues that instead of postponing retirement to the near end of your life (loosely speaking, as nobody really knows when one's life will end), you should break it into smaller chunks and distribute it throughout the duration of your time on this planet.

So instead of waiting until you're 65 for the big payout (assuming you actually manage to reach that age, and still be in relatively good health), you should start on your bucket list *now*, while you still have youth, energy and the stupidity to bravely try new things on your side.

That made a lot of sense to me. So I decided to give it a try.



Making It Happen

I didn't wake up one day and 'retired' just like that. A lot of planning and execution took place to position all the right things in the right places, and some took years to complete.

The most obvious issue when trying to retire is your finances. Retiring means not working, and not working means no income, so you either need to have substantial savings, or a source of alternative passive income, or both. You also need to be able to reasonably predict the amount of money you require to survive for a period of time, say a year, and then discipline yourself to stick with that budget for that duration.

In my case, I decided on the kind of lifestyle I wanted, and calculated how much money I would need to live it. Then I set up various systems to automatically save money, grow the money, manage the money...etc, and let the systems run in the background while I continued working and earning income for years, until I got to the point where I no longer needed to.

Altogether, it took me a little under a decade to get to the point where I could look at my excel sheets, and say: "Hey, I think I'm ready!" (and yes, if you're doing the math, I did plan this since I was in my late teens). I was finally able to 'retire' because of the following:

1. My lifestyle is fairly simple, inexpensive, and low-maintenance (if you ignore all the traveling I do, but I have a separate, dedicated piggy bank for that)
2. I have no debts that force me to keep working just to pay them off
3. I have no dependents who rely on me for food, shelter or diapers
4. I have been saving more than a third of my income ever since I started working back in college, and have a decent amount saved up
5. What I saved, I then invested, and I now earn dividends from them
6. Because I am a geek, I have been tracking my daily spending for almost a decade, and am able to tell you how much I paid for a haircut in 2010 and list down all the things I bought in February 2012, no joke. Because of this habit, I can predict with accuracy the amount of money I will need to be able to take off an entire year from work

Of course, this could all change in a blink of an eye - a sudden change in my lifestyle that increases my living costs, unexpected ballooning of inflation rates, a sudden market crash and a drop in my investment portfolio – all can send me scurrying back into the working world, but for the time being, the numbers work out just fine.

In case this experiment flops and all else fails, I also prepared an Emergency Escape Plan: job offers lined up, as well as a list of people who will take my broke ass into their homes and feed me if necessary.



The Retirement Experience

Though I say 2016 was my mini-retirement year, in truth, it actually started in mid-2015, when I stopped working to travel the world and hit all 7 continents. But I only came home and settled into a 'normal' lifestyle in the beginning of 2016, so for all intents and purposes, my mini-retirement clock started then.

And it has been amazing. But also scary.

Like anything else in life, there are the pros and the cons. Here are some that I experienced in the past year or so:

Pro: Time! Freedom! I'mma take back my life!

As you can probably imagine, it's really nice not having to go to work. I could wake up when I wanted, go anywhere I wanted anytime I wanted at a moment's notice, and say 'yes' to a lot of things I otherwise wouldn't have time for. A sudden impromptu trip to a waterfall in the middle of a Wednesday? Sure! Join some friends in Thailand for two weeks so we could stay in bed and watch Korean dramas together? On my way!

I no longer had to endure heavy traffic every day or big crowds on weekends, and my schedule was not crammed with endless meetings that I never liked attending anyway. I wasn't obligated to spend 8 hours or more sitting at my desk, I had full control and discretion over how I spend my time, and there was no one telling me to be places I didn't want to be at or to do things I didn't want to be doing.

Con: But also too much time?

I did not anticipate this at all, but removing work from my life left a gaping emptiness that I actually struggled with. Being a workaholic, suddenly not having work can be a shock to the system, even though it is voluntary. I did have personal projects, tasks and trips planned to occupy me during my retired days, but I didn't quite realise just *how much time* would be freed up!

Work is where I bitterly contemplate all of the productive things I could be doing at home.



Home is where I watch tv and get on the internet.

All the hours I spent preparing to go to work, commuting to and from work, and to and from one meeting to another meeting... all the time I spent on presentations and excel sheets on the computer... I no longer needed to do them, and I suddenly had all these hours in a day that I didn't know what to do with!

Removing myself from the workplace also meant removing myself from structure. Before, my daily schedule was set by other people wanting to meet with me or who were setting deadlines for me. Entire weeks and months of my time were scheduled in advance, and all I

had to do was follow it and make sure I showed up at the right place and delivered results at the right time.

Now, however, I had a completely blank slate, with no one directing me on how to use it. Like a baby newly weaned from its mother, the sudden independence took some adjusting.

Pro: Every day is a fun day!

Freed from the constraints of a work schedule and the need for a paycheque, it was time to cram my days with lots and lots of fun stuff that I used to only daydream about! Not being a fan of monotony and routine, I made sure that every day was different from the ones before - new places, new people, new things, new activities.

I did whatever tickled my fancy, and explored whatever caught my interest - architecture, family history, painting, website design, business accounting, photography, gardening, interior design, woodworking, as well as the Japanese art of flower arranging called ikebana, because why not?

Rather than living a life motivated solely by the need to earn more money, I was instead motivated by curiosity and creativity, as well as a sincere desire to use my skills for issues I cared very deeply about without really worrying whether it would be profitable or not.

Con: But also too much fun?

For all the fun I was having, and for all the novelty I was putting into my days, there was a constant underlying anxiety that haunted me. For someone who has been working and earning a paycheque since the age of 18, suddenly not having a steady paycheque coming into my bank account on a monthly basis, and not vying for coveted projects or positions got a bit weird, especially when the rest of my peers were boasting about their promotions and generous salary increments.

“Am I being irresponsible and wasting my education? Shouldn’t I be out there climbing some corporate ladder? Shouldn’t I be a 'productive' adult citizen and work like everybody else?”. I definitely went through a few ‘WTF am I doing’ moments, as well as several FOMO attacks.

The human body is 90% water
so we’re basically just
cucumbers with anxiety

It was also harder to socialise and share the fun. When I worked, I was constantly meeting new people and spending time with people (whether I wanted to or not) - there were lunches with colleagues, work events with bosses and impromptu weekend plans made together by the water cooler. Now that I wasn’t working, I had to make the extra conscious effort to put on pants and go outside to see people.

In addition, while I certainly had time and could go running off to the sunset on a Tuesday, my family and friends couldn’t, and after a while, running to the sunset by yourself gets a little old. Not many people can join me for karaoke on a Monday morning, and even less can join me for a month-long trip in India. So for all the time that I had, there were very few people to spend it with because they were all following a schedule that I was no longer part of.

Pro: I’m different from everybody else!

One of my favourite things about retiring and taking back my time is the ability to move to a different beat, or at least a different schedule, than most people. Little things like going shopping on a weekday so I don’t have to deal with the crowds, or getting on the road when everybody else is safely tucked away in their cubicles.

Then there were also the big things, like not having to worry about the stuff most people worry about, like office politics or promotions or shrinking departmental budgets. I didn’t fret about layoffs, because there was no one to fire me.

Work was no longer obligatory, but optional - when I did feel like working, I could afford to be picky about what I chose to work on. If I found the project interesting, I’d say yes, and do my best. If it didn’t fit my priorities or travel schedule, I’d say no, and it was perfectly fine to do so. Nobody died, and I could still pay my bills the next day.

Con: But also too different?

Moving to a different beat meant you had to explain your 'weird' song to others, and they may not fully understand or even agree with it. "Retiring before the age of 30?? What nonsense!" "Are you just going to bum around the house then? Is that it?" "What a shame, you could've really gone high up the food chain and become a young CEO." (To be fair, I had a lot of positive, encouraging reactions too from people who were more curious than judgmental.)

In a world where your value is tied to your job, not having one renders you worthless - something stay-at-home mothers have been struggling with for decades. Your job makes up a significant part of your identity and self worth, and I only realised just how much when I no longer had one. When people introduce themselves to me by their jobs - "Hi I'm X, and I'm a lawyer/ manager / vice president" - I'm never quite sure how to respond. "Hi, I'm Atiqah... that's it."

Having removed myself from the corporate structure, the normal societal markers of success no longer applied to me. There were no quarterly performance reviews to tell me if I was on the right track, no bosses or colleagues to tell me if I'm doing something wrong, no 'titles' to help me compare my status to others, and no promotions to assure me that I am moving up the ladder in a 'satisfactory' pace. I am on my own, and I had to develop my own (arguably more authentic) judgment of my value, as well as my own standards and measures of what success means to me and how far along I am in achieving it. And honestly, I don't always know all the answers.

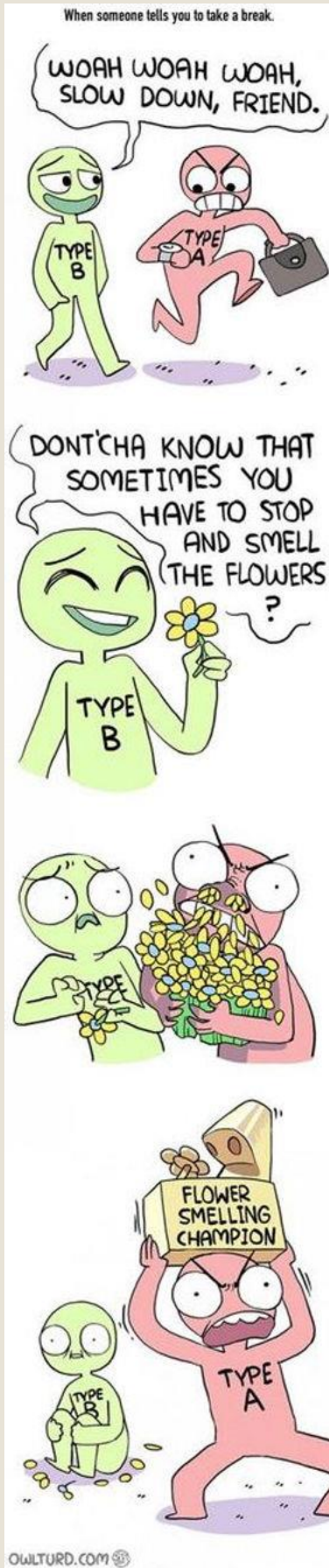


In conclusion...

I did the experiment just to see if I would like the experience - would I have a blast? or would I get bored and run out of money? does all that freedom suit me or will I be dying to get back to work? can I self-direct? or do I still need other people telling me what to do with my life and my time?

All in all, I liked being in 'retirement', with the occasional foray into short work-projects to keep my professional skills sharp. I managed to do a lot of things I've been wanting to do, and I developed new skills, dreamed up new dreams, and learned a lot about myself along the way that gave me more clarity on the kind of person I wanted to be.

Still, the workaholic in me keeps screaming for more, and is completely anxious at the lack of structure, and the absence of competition and professional challenges (I'm a Type A, I can't help it!)



That being said, all of the cons I mentioned above are solvable, with some effort, better planning, a dose of discipline and just a bit more confidence to unapologetically live by my choices.

The real trick here is to find that balance, that elusive point of having:

“enough challenge to be interesting, enough ease to be enjoyable, enough camaraderie to be nourishing, enough solitude to be productive, enough hours at work to get the job done, enough leisure to feel refreshed, enough service to feel needed, [and] enough silliness to have fun...”

[Vicki Robin, Joe Dominguez, Monique Tilford, authors of Your Money or Your Life]

Easier said than done, naturally, but not entirely impossible. This mini-retirement is simply another attempt in a long list of attempts to attain that sweet spot of having “enough”. Like all lifestyle changes, this too takes some getting used to, which I have no doubt I will after several more of these mini-retirements in the future!

Part I

The Fundamental Five

Getting the Fundamentals Right

If you want to get your financial act together.



Ever since people found out about my mini-retirement, they were naturally curious as to how one can go about doing the same, especially since I very obviously did not sell off my non-existent start-up for millions, or win the lottery, or obtained a sudden inheritance from a random relative like they do in those classic English novels.

No, it was much more boring than that, involving mostly common sense and lots of cultivated habits. But for me, boring is good.

Boring means anyone can do it.



Now, in case the older Gen X bosses and heads of departments are freaking out, let me clarify that I am not advocating for my peers to all drop out from the workforce. Your work is a large part of who you are and is a gateway for you to contribute meaningfully to society, so it is not something to be shunned or trivialised. The world *needs* people to make the trains run and to do surgeries and to bake delicious cakes. The world needs YOU, so this is *not* a call to stop working. (This is why I call it my 'mini-retirement' - I fully expect to be part of the workforce again every now and then).

What I *am* advocating is having the freedom to do the work you want to do, and to stop treating your work as just a means to pay the bills (because that too would be a sad waste of your potential). The point is not necessarily to retire per se, but to be financially secure, enough that you can choose to stop and do something else, or still continue to work because you *want* to, and not because you *have* to.

How? By giving yourself a huge security blanket in the form of a financial safety-net. In fact, whether you want to work or not is irrelevant. *Everybody*, in my opinion, should strive for financial independence, even if you never want to retire and fully intend to work till your last, gasping breath.

Being able to fend for yourself without being dependent on a paycheque can only be a good thing, and it does not in any way prevent you from continuing to bust your butt up the career ladder, if that's what you want.



Taboo

The thing with talking about money is that it is typically a taboo subject. Nobody wants to discuss how much money they have (or don't have) or how much they're earning (or not earning), because that's just really *awkward*.

The topic also triggers all sorts of emotions, both positive and negative, depending on your beliefs regarding money:

"Money is evil!"

"Money is everything!"

"The rich get richer and the poor get poorer!"

"It's not about the money, money money. We don't need your money, money, money..."
etc.

It all depends on your experiences with money - whether you grew up with money or without money, how well your parents handled their finances, what attitudes they passed down to you, whether your friends were poorer or richer than you and how that affected you, and so on.

To make matters worse, very few of us receive adequate education on how to handle our money. We spend years learning calculus and engineering, and we can solve mathematical equations or design bridges with our eyes closed, yet we don't even know the difference between a checking and a savings account. Therefore, whatever misguided notions about money we developed in childhood, we continue to hold well into adulthood.



My Money Experiences

In my case, I grew up in a middle class family. Though we had our share of lean periods when things went bad and money wasn't enough, we never starved. My father was the disciplinarian who made us earn our pocket money (one white hair plucked from his greying head would net us a grand ten cents - pluck ten and that's one buck!) (this was back when one buck was still a big deal and could still get you a bunch of candy). He also instituted an allowance system of \$15 a week - if you ran out of money before the week ended, well, sucks to be you. From him, I learned the value and importance of earning your keep, and the effort it takes to do so. My mother, on the other hand, was more carefree about these things, so we'd always run to her for extra money behind our father's back.

Other than that, money matters, especially serious ones, were never discussed within the family. Up till then, I had only encountered cash - I knew nothing about loans, mortgages, or credit cards, and was unaware that the house we lived in was paid for by the bank, or that credit card debt was a thing that existed. I thought my parents paid for our shelter the same way they paid for pizza - with cash (not sure why... did I seriously think pizza and houses fell within the same price range??).

I remained ignorant until I left home to study abroad on my own. By then, I was receiving a scholarship stipend and a steady paycheque from my part-time jobs, and for the first time in my teenage life, I had complete freedom! Yaaaasss! The money was *mine*, I *earned* it myself, so I had every right to do whatever I wanted! Yaaaasss!

I quickly discovered that I was absolutely terrible at managing my money. Twice, I ran out of cash and had to sheepishly resort back to my parents, which really hurt my 18-year-old pride at the time. How could I be a legal adult, also an income-earning adult, and still rely on my parents for money???

To recover my dignity, I quickly enrolled in a basic personal finance class that happened to be offered by the university, and that was the start of my education on how to *not* screw myself up financially. And luckily for me, I got educated just early enough before the credit card companies and banks descended on clueless, gullible college students like me, with their irresistible "low interest", "no-brainer", "practically free" money and plastic cards.



Your Experience?

Your story will be different - take the time to reflect on your historical relationship with money. If you haven't been paying much attention to your finances, or you're not accustomed to discussing money, this may be a little uncomfortable for you, but the benefit will be immense. After all, money issues are often the main causes of stress, arguments and divorce, so it is definitely worth your time and effort to get this right.

Some questions to ask yourself:

- 1) What did your parents or guardians teach you about money?
- 2) As a kid, how did you interact with money? Was there a system (like the one my father instituted), or was it ad-hoc (like my asking my mom for money whenever)?
- 3) Was your experience with money mostly positive, or mostly negative? Why?
- 4) How did popular culture influence your views about money? (rap music videos and reality TV shows definitely have a lot of funky messages about money...)
- 5) Were money issues openly discussed in your family? Why, or why not?



The Fundamental Five

A lot of people are more interested in 'tactics' (what stocks do I buy? which bank offers the best rates? ...etc), and are eager to find out what to do ("how did you build up your savings? what kind of apps do you use? did you invest in the Chinese market, and if yes, how much?"). However, that's like skipping straight to the last chapter of a book - you've missed several key plot twists, and even though you know the ending, you don't really get it.

So instead of telling you what I did, let me first tell you about what I learned that changed my beliefs about money, and set the stage for all the things that I ended up doing to get me where I am today. Like it or not, it is the underlying, often invisible, beliefs you have about money that are holding you back. Not your parents, not your stingy boss, not your stingier company, and not your evil government (even though we all like to think so). It's all you.

I've put together five of what I think are super important things to understand about money. These will set you up with the right mindset and the right motivation to put your finances in order.

A quick note: if you're expecting some get-rich-quick method that will help you retire next year, I'm afraid you're going to be sorely disappointed. You can stop reading the series right here. Earning your financial independence takes time and effort - it is a long-term game, but a worthwhile one. If there is indeed a magical, instant secret to this, then I'm the wrong person to ask, because I don't know it.



Another quick note: Some of you may misunderstand this as an obscene call to obsess about money. Let me clarify that I am not in any way saying money is the ultimate goal. However, some things make up the support systems that determine the quality of your life (for example: good relationships, worthwhile goals, continuous learning... and enough money). Get these few things right, and your life will more or less be trouble-free. Get them wrong, and things go downhill really quickly, and often badly. The point is not to get sublimely rich (though if that happens, then good for you!). All I'm saying is: let's learn to manage what little (or substantial) money you have and do it well.

Income is What You Earn, Wealth is What You Keep

Why the amount you save matters more than the amount you earn.



At one of the many jobs I've held, I had a head of department who liked to talk about the good old days.

"When I was your age," he would say, "I saw how much my boss was earning, and it seemed like *a lot of money!* I imagined all the things I would buy if I had that kind of paycheque! But now that I'm at the rank (of the boss) and earning what he earned, it's somehow still not enough."

No surprises there. He was already planning on how to spend the money years before he even moved up to the rank and to the bigger salary. Like most people, every time he got a salary increment, his spending would swell to the same size, if not bigger.

(Some people are even worse: their spending swells *before* they even move up the payscale.)

Often, like my afore-mentioned boss, people assume the answer to all their problems is to get more money. If they could just earn enough...

- “I’ll start saving money once I’m promoted to manager.”
- “I don’t have enough money to put away for a rainy day now, but maybe if I get a salary increment, I can finally do it.”
- “I literally have no money to spare - after the bills, the food, the rent, the student loan, I’ve got zilch! Maybe when I get a higher-paying job...”

Then, when the money or the salary increment finally comes, they head out to purchase a new car, or take on a new loan with their new eligibility, or get some lifestyle upgrade, and in no time at all, they are back to the same place.

“I still have no money to spare! After the bills, the food, the rent, the student loan, this *new car loan*, and this *new apartment downpayment*, I’ve got zilch! Maybe when I get the next higher-paying job...”



It doesn't matter what you earn

While you should always strive to earn as much as you deserve to, it is crucial to understand that the amount you're earning (or lack thereof) isn't the only issue here.

I've had numerous bosses and senior colleagues tell me wistfully that they wish they could do what I did and be a little more financially stable. But in the grand scheme of things, I've only been working for a short amount of time compared to them. They have had *years* of income generation ahead of me, and are likely earning 5x or 10x as much as I do at this very moment. Theoretically, shouldn't they have way more money than I do? Shouldn't they also be able to retire or take time off work even more than I do?

It depends. You see, it's not about how much they earned, it's about how much they managed to keep.



We all have this perverse inclination to confuse the size of someone's paycheque (or someone's house, or someone's car) as an accurate representation of how rich they are, but that is not necessarily the case.

INCOME
is what you earn

WEALTH
is what you keep

KNOW THE DIFFERENCE

I have known people earning tens of thousands a month, but whose net worth come out negative because they were spending (or borrowing) in the hundreds of thousands. They have no savings, but a lot of debt. While they do enjoy a great lifestyle, the truth is that the car, the clothes and the house don't actually belong to them, but to the Bank.

In contrast, I have also known people who earn in the low thousands, but whose net worth is positive and growing. What they have is completely theirs, and instead of increasing the amount of debt they are in, they increase the amount of dividends they receive, slowly but surely increasing their nest egg and diversifying their income (as opposed to diversifying their expenses).

So if you're thinking that you can never be financially secure because you are not 'earning enough', I'm here to tell you that you're looking at it all wrong.

It's not about how much you make, it's about how much you keep.



Let's make it more concrete with examples...

Example 1: You're earning \$50,000 each month. Sounds awesome, right? But you're also spending \$49,000 a month. While you may think you're doing great, you're actually no different from the guy earning \$5,000 and spending \$4,000 a month. The two of you are exactly the same, even if your paycheque says differently. You both truly only have \$1,000.



If the \$5,000-guy managed to find a way to spend just \$500 less, he's already ahead of you.

Example 2: You have a million-dollar house - it's the glitziest one in the neighbourhood. You got it with a mortgage of \$900,000. Though you can technically (but inaccurately) call yourself a millionaire and have the fancy mansion to show for it, you are no different from the guy who fully owns a \$100,000 boring terrace house. You two are worth exactly the same. In fact, he's better off because he has no loans to pay and is not at risk of repossession should he fail to meet his monthly instalments.



High Income ≠ Wealth

Hopefully, the above has convinced you to not equate having a high income with having wealth, or to think that you need a lot of income to become wealthy. Those two don't always go together.

If you don't know how to keep what comes into your pocket, then no amount of income is ever going to be enough. You could be earning a CEO's salary and still be broke.

(Also, nice clothes/cars/houses are not automatically signs of wealth. While wealthy people can be very fancy, the truth is not-so-wealthy people can also be very fancy, thanks to credit card debt. It's very easy to confuse the two. Try not to be deceived by people's incomes and outward show of wealth - they actually don't mean much, especially if supported by loans and liabilities)

my piggy bank be like



Low Income ≠ No Wealth

If high income doesn't necessarily make you wealthy, the opposite is also true: low income doesn't necessarily make you poor. And this is good news.

Even if you don't earn much, but you know how to keep most of what you earn in your pocket, you have more than enough. And if you go on to grow what you managed to keep, you're well on your way to wealth, which is more than what most people can say.



I can't reiterate this enough: It's not about how much you make, it's about how much you keep. So, for a start, take a look at what you're managing to keep.

THINGS FOR YOU TO DO RIGHT NOW:

1. Take a look at your savings. Given your work history and level of compensation, is the amount acceptable?
(As a convenient-but-not-so-accurate yardstick, if you are in your late 20s or early 30s, you should have at *minimum* a year's worth of salary in your savings. Obviously, the more you have in savings, the better.)
2. From the amount that comes into your bank account, how much goes back out, and how much stays?
3. While it is good to look for ways to increase your earning ability, can you also think of ways to increase your 'keeping' ability?
4. Increase your savings rate. If you're not saving money at all, shoot for 5% of your current income. Then increase it by 5% every couple of months. At minimum, aim to save 10% of all money you earn. If you're really up for the challenge, aim for 50%.

The Price of Your Life

Your Life-Energy is worth something. Figure out your price.



In college, I worked several part time jobs. About a quarter of my waking moments were spent on these jobs, and in all honesty, often times I wish I didn't have to. Being young and free, I had plenty of other options on how to spend my time - things that were actually *fun* too, like hanging out with friends or watching a movie or going to the beach or eating chocolate Nutella strawberry crepes at the local cafe. I certainly didn't envision spending my youth in the basement of libraries and laboratories...

...and yet there I was, 20 hours a week, tired from classes, group projects, assignments and exams, wishing I was out playing in the sun, and yet steeling myself for another few hours of work before I could go back to the dorm and maybe get some sleep.

All that sacrifice, all that effort... for what?

For money, naturally.

Money that I then immediately blew on the stupidest things.



At the time, 19-year-old Atiqah thought the hot pink, designer-made, plastic money box (that reminded her so much of Dragon Ball Z's fat Majin Boo) was the funniest thing ever, and she happily handed over a chunk of her hard-earned money to the clerk in the chic boutique in San Francisco, all for a few giggles.

A few hours later, she would realise that she actually had no use for it, and not knowing what to do with it, she would put the thing in the back of the closet and forget all about it.

She would then go work some more, wishing she didn't have to, and then use the earnings to go on another impulsive shopping spree, buy a lot of useless things, chuck them away, realise she didn't have money, so she would go work some more, wishing she didn't have to...and the cycle repeated itself over again.



The cycle I mentioned above is unfortunately a very common one, and one that I was stuck in for years and years.

At some level, I vaguely knew my spending habits were out of whack and not at all aligned with what I *really* wanted to do with my money, and in a larger sense, with my life. I mean, I was sure there was a reason why I was working so hard and for so many hours, and I was also pretty sure the reason was not just so I could own a hot pink plastic thing...

I then came upon a book titled *Your Money or Your Life*. The book taught me a lot of things, but one particular concept changed how I viewed money, how I earned money and how I spent my money. It also cured my awful habit of impulsive shopping. Reading the original book will give you a better understanding, but I will attempt to summarise it here:

LIFE ENERGY

We all have a certain amount of time allocated to us on this planet. One day you will die - your allocation will be used up. We will call this 'Life Energy': a limited resource you have at your disposal.



When we go to our jobs, or whatever it is we do to earn a living, we are basically trading our Life Energy for money. For a lot of us, work takes up a significant amount of our time, and thus our Life Energy. In return, we get some money that we then spend to make our lives better.

The question you need to ask yourself is this: Is what you're spending on worth the amount of Life Energy you've given up for it?



Crunching the numbers

Let's use some of the math skills we learned in school and bring this concept to life. If you hate Math, just glaze over the numbers and focus on the point I'm trying to make. Say I work as an executive, and I earn \$5,000 a month in exchange for the standard 8-hour workday, 5 days a week.

That's \$5,000 for 160 hours of my time each month. So theoretically, this is how much my time is worth:

\$5,000 divided by 160 hours = \$31 per hour
For every hour I spend at work, I am getting \$31.

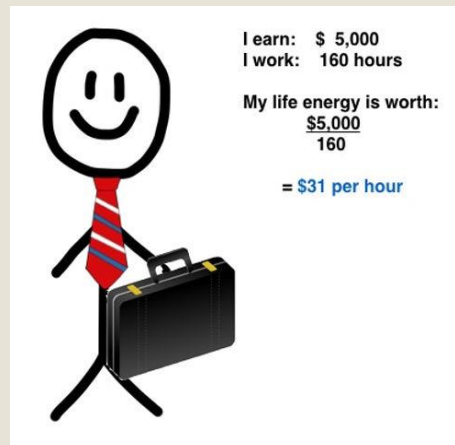
However, the picture is still incomplete, because that number doesn't take into account the additional costs of having a job:

- Time spent getting ready to work in the morning = 0.5 hour/day, or 2.5 hours/week
- Time spent stuck in traffic to get to work and to get home from work = 3 hours/day, or 15 hours/week
- Time spent de-stressing from work by watching TV like a zombie = 1 hour/day, or 5 hours/week
- Costumes needed to look acceptable at work = \$300 a month
- Vacations or toys needed to escape from work = \$3,000 per year, or \$250 a month

Altogether, I spend an additional 22.5 hours a week, or 90 hours a month, with work-related tasks. Since an hour of my time is worth \$31, then those 90 hours I spend are worth around \$2,790 a month. The costumes and vacations are another \$550 a month. So, out of my salary of \$5,000 a month, I am actually only truly earning \$1,660.

$$\$5,000 - \$2,790 - \$550 = \$1,660$$

My new and accurate hourly price is now:
\$1,660 divided by 160 hours = \$10 per hour





But wait!!!

To work, I have to do a lot of things I otherwise wouldn't:

Getting ready in the morning
Endure heavy traffic TWICE
De-stress from work by vegging out in front of the TV

Cost: 90 hours, worth \$2,790

I also have to buy things I otherwise wouldn't have to:

Fancy clothes
Fancy shoes
Vacations to escape my cubicle

Cost: \$550

Now, My life energy is worth:

$$\frac{\$5,000 - \$2,790 - \$550}{160}$$

= \$10 per hour

This is the price of my Life-Energy, a grand \$10 per hour. For all the work that I do, I am actually making only \$10 per hour.



Now what?

What's the point of knowing the price of your Life-Energy? The benefit of knowing the price of your Life Energy is the ability to evaluate what is worth spending it on.

For example, I am thinking of buying an expensive watch costing \$10,000. Since I know that my Life Energy is worth \$10 an hour, I can calculate that I am trading 1,000 hours of my Life Energy for it. That's a lot of hours. That's more than a month of my life!



I want to buy an expensive watch that's \$10,000

My Life Energy is \$10 per hour

Cost of watch:
\$10,000
\$10

= 1000 hours of my Life Energy
= 1.3 months of my life

Is the watch worth more than a month of my life?

For some of us, 1,000 hours of Life Energy for a nice watch is totally worth it. Because we love and appreciate watches, and because the watch brings a lot of happiness to us, we have no issue exchanging that many of our Life Energy for it.

For the rest of us, it may be a bit shocking to realise just how much we're giving up of our limited time on earth for a watch. Maybe we realise we could have used those 1,000 hours spent at our jobs just to afford this watch by doing something else instead.



Apply it to your life

You need to evaluate whether what you spend on is worth what you're giving up for it. Is the premium cheese at the supermarket worth 1 hour of your Life Energy? Is that \$800,000 house worth 80,000 hours (9 years) of your time on Earth?

The important thing here is that YOU get to decide if it's worth it. Each of us has different quirks and preferences. For example, I would balk at spending \$50 (5 hours of Life Energy) on a nice meal, because fancy food doesn't interest me. However I will happily spend \$500 (50 hours of Life Energy) for a 30-second thrilling sky-diving jump, because that's what I like, and what I value. You may think I'm crazy, but you don't get to have a say.

So if you like nice houses, and premium cheese, and you deem those worthy of giving up your Life Energy for, then by all means, do so.

However, you may find that you are spending too much of your Life Energy on things you don't actually care about, or that don't even make you all that happy. Maybe you're paying with 200 hours of your Life Energy for rent, but you hardly ever spend time in the house, or you barely even use all that space. Maybe it's time to downsize so you no longer need to work so hard and for so many hours just to be able to afford it...



Remember...

We all have a limited amount of time to enjoy our lives - maybe 80 years or so, on average. Majority of those years are spent on our jobs. While some of us are lucky enough to enjoy the work we do and find a lot of meaning in it, the rest of us often wish we could do something else with that time and with our Life Energy. But we stay on because we need the money to pay for all the things we buy.

Sometimes, we overcompensate for our unhappiness by buying too much stuff and taking on way too many loans that we think will make us happy, except they don't and are not worth the trouble. But we don't know this, because we've never really been able to measure what we're giving up in exchange for them.

But now that you actually have a way to measure it using the price of your Life Energy, you can actually evaluate whether the things you spend on are worth the amount of Life Energy you give them.

And if you find that they are not worth it, then stop spending the money. Instead, keep the money. Even better, grow the money.



THINGS FOR YOU TO DO RIGHT NOW:

1. Calculate how much you're getting paid per hour by dividing your monthly salary (plus bonuses, if relevant) to the number of hours you work each month.
2. Then tabulate all of the extra costs to holding that job that you wouldn't have to pay for if you didn't have to go to work: the clothes, the commute, the de-stressors, etc. Subtract that from your salary, and calculate how much you're actually getting paid per hour. That is the price of your Life Energy.
3. Look at all of the things you pay for, and calculate how much Life Energy they are costing you. Decide if they are worth it.
 - If they are worth it, by all means, keep throwing your money at them.
 - If they are not worth it, then eliminate that expense and keep that money instead.

What Doesn't Get Measured Won't Get Fixed

Know where your money goes by tracking it.



I was a scientist during my college days - I studied Biological Sciences and spent a few years working in a research lab. One of the crucial things I learned during that period is the importance of measuring.

You see, if you don't measure whatever it is you're experimenting on, how will you know if it got bigger or smaller or better or worse? How will you prove or disprove your hypothesis? How will you know if the experiment is a success or a failure? More importantly, what on earth are you going to cook up for your thesis paper that's due tomorrow???

I didn't end up becoming a professional scientist, but I did walk away with some ingrained habits that spilled into other non-scientific areas of my life, one of them being: finances.



Disappearing act

I didn't always have a handle on my money and what was happening to it. When I first started earning and managing my own money, they would disappear without a trace. One day I would have \$100, and the next day I would be left with \$5, and I was always confused. Where did it all go? Why is there never enough??

Only when I started tracking what I was spending on did the picture become clearer. I saw how much I was spending on X, and on Y, and on Z. I noticed that I was spending way too much on things I then ended up not using, or that brought me a lot less pleasure than I thought they would. At the same time, I had thought of myself as a rather charitable person, but realised, through tracking, just how woefully little I gave to charity in reality.

Only by observing and recording my spending did those insights reveal themselves. Otherwise, I'd still be sitting here asking the same questions I asked ten years ago: Where did it all go? Why is there never enough??



Oblivion is bliss?

You too will learn a lot about yourself by tracking your spending, and sometimes the picture may not be a pretty one. Some of you may be averse to, or scared of, tracking your spending. Maybe you prefer not to know. This is entirely your choice, but do know this:

If you want to know
what's important to you,
look at what you
spend your money on.

Until you confront your spending habits, you will never be able to overcome your financial issues. You cannot correct what you don't know. And when it comes to money, what doesn't get measured, doesn't get fixed.



Laziness

For the rest of us, the main reason we don't track is not fear, but sheer laziness.

Still, laziness can be overcome, especially if something matters enough to you. I don't exactly get excited about brushing teeth, but I still do it first thing in the morning and the last thing at night, and it is probably the same for you. Why? Because the results of that action (clean teeth) matter very much. So it has become a habit, and an almost automatic one. Sometimes in my half-asleep, groggy, not-quite-there state, I don't even realise I'm brushing my teeth, but there I am, by the sink, brushing away.

Tracking your spending can be just like brushing your teeth - do it often enough, consistently enough, and you will do it almost subconsciously every time money goes out of your wallet. Get yourself to that point.

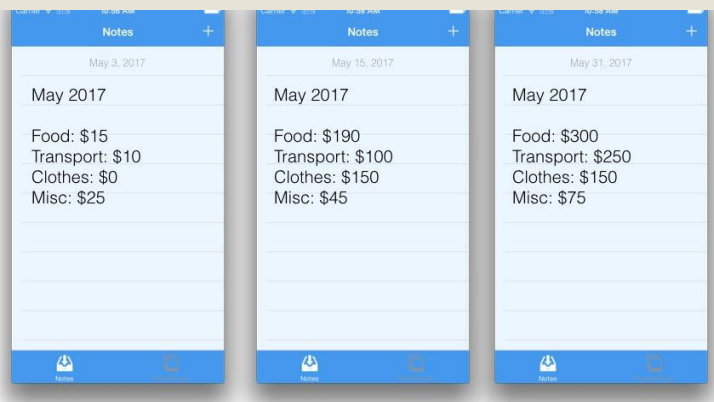


But how?

Take the following suggestions as starting points - all of us function differently, so customise it to your preferences, and be patient. If one method doesn't work, try another, and again until you find something that fits you.

1. The End-of-day Recall

For the laziest of us all, this one basically involves you taking a few minutes at the end of each day to jot down what you spent your money on in the past 24 hours. Dedicate a page in your notebook or fancy Bullet Journal or iPhone notes for this purpose. You can do it in broad categories (food, clothes, rent, misc... etc), or you can go detailed (eating out, groceries, work clothes, casual clothes, petrol...etc).



Just add on the relevant amounts to each category as you spend day after day after day. At the end of the month, take a look at the resulting numbers and see if there's anything surprising.

Pros: simple daily habit, doesn't require fancy apps or technology

Cons: you may not remember everything you bought by the end of the day

Suitable for ... those who don't care to know the details, but just want rough estimations of where their money is going by eyeballing it

2. The List

For more details rather than just broad categories, and to know exactly what you're spending on, keep a thorough list of each item you spend on. Every time you purchase something, jot it down somewhere.

Date	Item	Price	Notes
3 May 2017	Pizza	\$15	Nomnomnom
4 May 2017	Parking	\$3	
4 May 2017	Dinner	\$25	
5 May 2017	Concert Ticket	\$250	My fav band!

At the end of the month, copy into a manual or digital spreadsheet and tabulate by category, either with a good ol' calculator or with your mad Excel skills.

Pros: lets you see exactly where your money is going, data can be used for all sorts of analysis

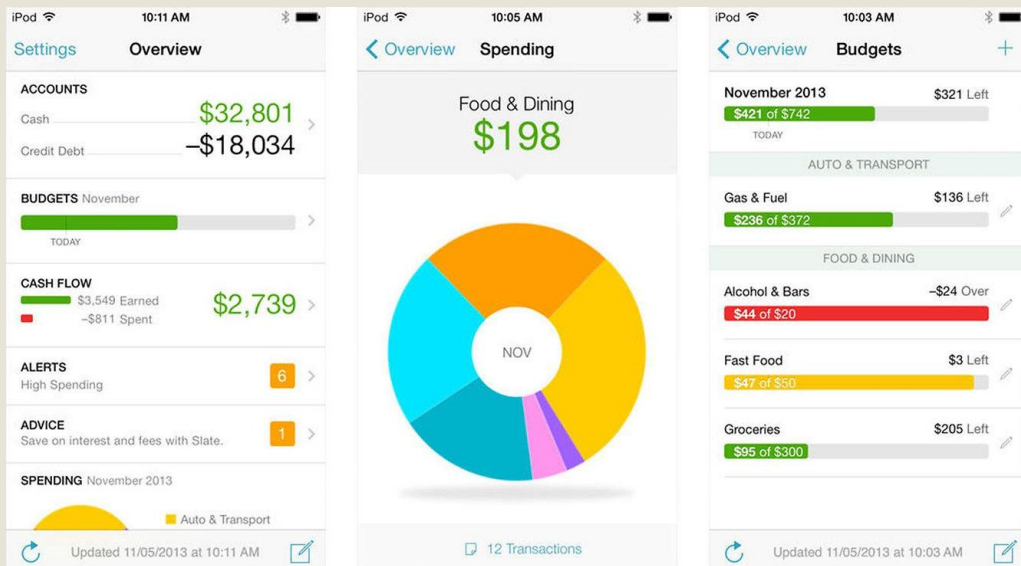
Cons: requires a bit more effort and math, may involve spreadsheets (ugh)

Suitable for ... those who want to know the nitty gritty of their spending and play around with the data for better understanding

3. The App

Same as The List above, but done via an app, because as we know, there's an app for anything and everything these days. Some banks also offer these as part of their services.

The app or your bank will do pretty much everything for you: tabulate by category, by time period, by tags...etc, all in real time so you don't have to wait till the end of the month. It will also spit out colourful charts and reports at the touch of a button, and allow you to export all that data to your computer if you want.



For the app route, simply type ‘personal finance tracker’ into the search box on your preferred app platform, and you’re bound to find a few. They vary in sophistication - some are just simple tables with no-frills, while some offer pretty graphics and bank account integrations.

When choosing, look for:

- **ease of use:** if there are too many fields to fill up for each transaction, you may end up getting frustrated and immediately give up. Opt for simplicity; also look for those that allow multiple accounts so you can have an account for each month, or an account for different types of spending.
- **range of analysis offered:** at the very least, the app should be able to calculate your withdrawals and balances, and tell you whether you’re in the positive or negative.
- **exportability:** you should be able to export all that data into your computer for record-keeping, or for further analysis of your own.

Pros: lets you see exactly where your money is going, analysis of data is automatically generated for you

Cons: the apps may cost a nominal sum

Suitable for ... those who want to know the nitty gritty of their spending and are comfortable with using apps



My tracking system

I use an app which is somewhat similar to the one showed above, and I create separate accounts for each month. Every time I spend money out of my wallet, or make a transaction online, I input it into the app. At the end of the month, I download the data into a spreadsheet and do a quick review.

Here's an example of one of my spreadsheets, this one for the month of January:

Name	Amount	Date	Notes	F.I.Q
Initial Balance		1-Jan-16		
GE Mall Parking		2-Jan-16		-1
Groceries (Cold Storage)		2-Jan-16		0
Secret Recipe Cake		4-Jan-16		1
Band Aids		5-Jan-16		0
Popcorn		5-Jan-16		-1
Notebook		5-Jan-16		0
Movie		5-Jan-16		1
Lunch		6-Jan-16		0
Eyedrops (2 Boxes)		9-Jan-16		0
Parking		9-Jan-16		0
Sunglasses		13-Jan-16		0
Touch N Go		13-Jan-16		0
Drink		13-Jan-16		-1
Ratboy		13-Jan-16	3 bre	1
Movie		13-Jan-16		1
Williams Corner		14-Jan-16		-1
Coffee Bean Drink		14-Jan-16	Meh	-1
KLIA Old Town White Coffe		16-Jan-16		1
Dinner		24-Jan-16		0
Lozenges		26-Jan-16		0
Sepiring Lunch		26-Jan-16		1
Sewing Machine		27-Jan-16		1

1. That particular January, I spent two weeks in Japan, and therefore only two weeks back home; hence why there were relatively fewer purchases and transactions than a typical month would have. (I keep a separate travel account, so my expenses in Japan were captured in another spreadsheet) (also note that recurring expenses such as utility bills and rent are also captured elsewhere, and not included here).

2. Sometimes I make a comment when I input my spending data. In this particular case, I was not very impressed with the Coffee Bean drink I had (probably a new flavour they were introducing), and I put a note to remind myself to never buy it again.
3. This would be the total I had left at the end of the month. If it's positive, I pat myself on the back and channel the money for other purposes (savings, charity, whatever). If it's negative, I go through the list to figure out what happened, and resolve to do better next month.
4. This column is what I use to rate each of my purchases. (FIQ stands for Financial Independence Quotient, but the label is not important)
 - If I thought the purchase was worth the money, and was aligned to my overall values, I would rate a 1. You can see that I really like Secret Recipe cakes, and that I really enjoyed the two movies I watched that month.
 - If I didn't think it was worth what I paid for it, or if it was something I disliked paying for, I would rate a -1.
 - If I feel nothing or was neutral about the purchase (like groceries, for example, which are a fact of life and not a whim), I would rate it 0.
 - Going back to the Coffee Bean example, you can see I rated it a -1, because I did not like the drink. Parking is always rated -1, because one of my goals is to use public transport more, and parking my car means I'm not doing that.
5. Along with calculating the total money I have left at the end of the month (see item 3), I also calculate the total 'satisfaction' I felt with my purchases - if it's a positive number, it means I spent my money well, for the most part. If it's a negative number, it means the money I spent did not add much to my life (at least for that month), and I look back to see what to fix moving forward.



Over time, I started to see a few patterns and identified, very clearly, the things that brought me joy and the things that didn't. So all I had to do was make sure I buy things I actually enjoy, and to completely stop spending on things that added very little to my life. This alone has done wonders in helping me align my finances with my personal values, and to keep my spending under control.

You don't have to be as detailed as I am, of course. Or you can be even *more* detailed than I am and run simulations and plot out future trends and all that jazz, if that's your kind of thing. The important thing is to be able to glean just enough information to help you understand where your money is going, why you're spending the way you are, and to identify what to continue, and what to stop blowing your hard-earned money on.

While it may seem like a lot of work, it honestly doesn't take much once you've got the habit started and rolling. I spend less than 20 minutes a month on my finances, but the benefits those 20 minutes have brought me have been tremendous. Especially the peace of mind of knowing everything is in order - no late fees, no overdue bills, no credit card interests accruing, no confusion, no frustration and no stress.

If you haven't been tracking your money, I highly recommend you do so. You will learn a lot about yourself and your spending habits. Only then can you truly begin to fix your finances.

Trust me, you don't want to be sitting there, a year from now, still asking yourself the same old questions: Where did it all go? Why is there never enough??



THINGS FOR YOU TO DO RIGHT NOW:

1. Pick a method and try it out every day for at least two months. Chances are, the habit would have been implanted by then.
2. If you failed to install the habit, repeat Step 1.
3. Study the resulting data and look for patterns or surprises. Rejoice or cry.
4. Make the necessary adjustments to your spending habits and continue monitoring and learning about yourself and how you spend your money.

Maximising Your Money & Fulfilment

Having everything you need, and enjoying everything you have. That is where you want to be.



Like everybody else, I grew up with the belief that more is better, especially when it comes to clothes. Why have two dresses when you can have ten? Or three pairs of shoes when you can have a dozen? It's always better to have more, because more things meant more choices, and more choices is always a good thing.

Right?

Yes, up to a point. I didn't realise it then, but I could only handle about 5 different choices, and anything more than that paralysed my brain. While staring at my bulging wardrobe, I'd get overwhelmed, and experience the inexplicable female problem of "having nothing to wear!"

In the end, I'd revert to the same three outfits that I've been wearing 98% of the time anyway, leaving the rest to rot in the depths of my drawers.

When I moved homes, I came face-to-face with my accumulated clothes. They were harmless and benign when stuffed in the wardrobe and out of my way, but when piled on the floor like a miniature mountain, they became a major headache.

Combined with my mother, the only other female in the family, we had hundreds and hundreds of clothing items (I used to half-joke that the only mall I needed to visit was my mother's walk-in wardrobe). And guess what? Each of those needed to be sorted, cleaned, stored, moved and then unpacked, sorted and hung again.

I spent weeks dealing with that particular task (WEEKS, I tell you!), and I have never been so stressed or used up my time so uselessly. I remember looking around the stacks and stacks of clothes that both my mother and I had forgotten even owning, and thinking to myself: How on earth did we get saddled with so much crap we don't even need???

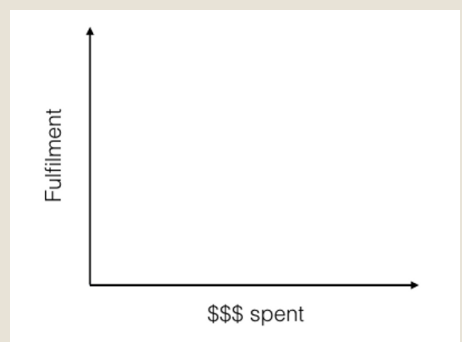
It took time, but I finally ended up giving away 90% of all those clothes, and tasted what can only be described as 'freedom'. The boxes of clothes had loomed large in both my room and my head, and I never realised how oppressive they were until I cleared them out of my life.

I didn't understand why I felt that way, though. Having more had always been a good thing... when did it become so stressful and annoying?



Let the Fulfilment Curve explain this phenomenon

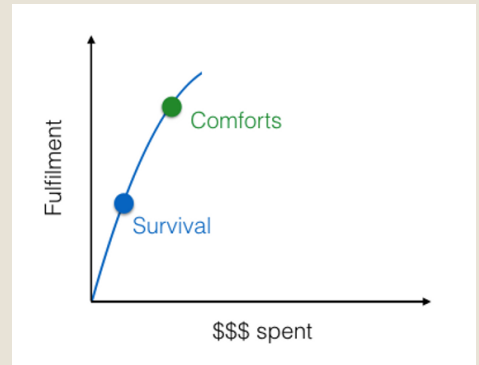
The Fulfilment Curve is basically a chart, and it tracks the relationship between the money we spend and the happiness or fulfilment we obtain.



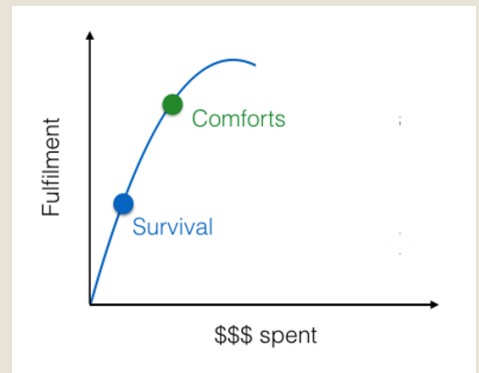
Let's start from the beginning. We all have basic needs that need to be fulfilled. Money means being able to obtain food, clothes and shelter. Thus, each dollar we spend helps us to live through another day. Money and fulfilment go together in an upward, positive slope.



Once our bellies are filled, and we're warm and protected under a decent roof, we start looking beyond mere survival. Now, more money means more comfort. Better food, nicer clothes, a decent house with cushy mattresses and a functioning car to make our lives a little easier. Money and fulfillment still go together in an upward positive slope.

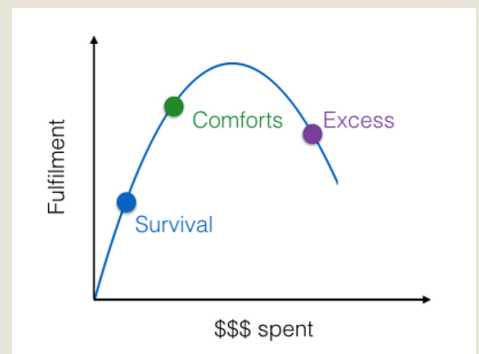


Since we're comfortable, we now want to upgrade to next level: luxuries. Gourmet meals, branded clothing, a holiday home, maybe a yacht or two... each extra luxury item brings us a thrill and makes us feel better about ourselves. We are now firm believers of the following: More money = more fulfillment



Feeling down? Getting bored at work? Something else is missing? No worries, more money will solve that. We're so entrenched in this belief that we don't notice that the slope is slowing down and is starting to flatten out.

Once upon a time, getting a new outfit was a big deal. Now, you need to get five outfits to feel that same thrill again. Somehow, the second holiday home isn't as exciting as the first one - in fact, it's a bit of a headache because it requires more maintenance, more housekeepers, and more loan payments to manage.



To compensate, you seek even *more* thrills: each gets more and more expensive, but the thrill keeps wearing off more and more quickly, while the responsibilities of managing all of your possessions keep piling up.

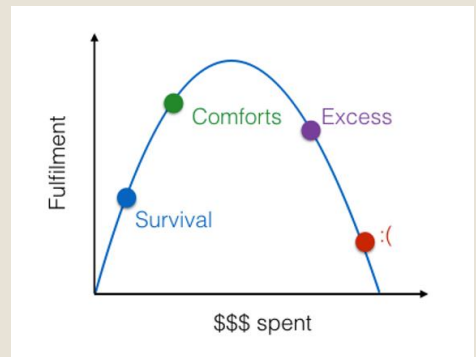
The slope now tips downward - the consultants call this 'diminishing returns'. It's not all that fun anymore, and gets even less fun as time goes on.

But we don't realise this, so we keep spending and spending, hoping to be happier...

"...until one day, we found ourselves sitting, unfulfilled, in our big home on a two and half wooded acres with a three-car garage and expensive exercise equipment in the basement, yearning for the life we had as poor college students who could find joy in a walk in the park."

[Your Money or Your Life]

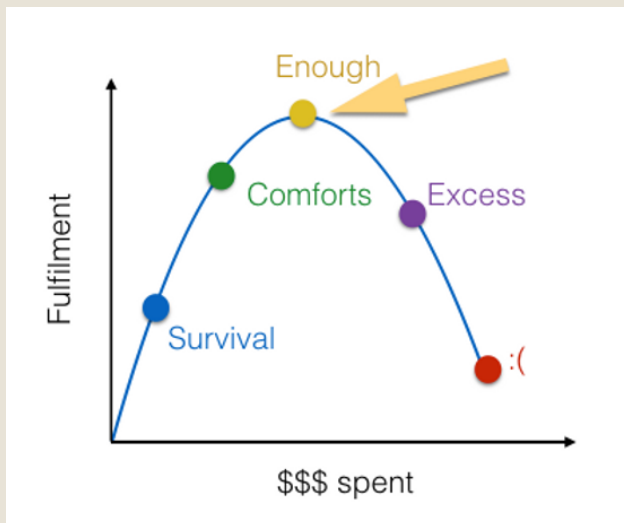
You learn, finally, that after a certain point: More money ≠ more fulfilment



The Peak Point

But wait!

Let's look at the point on the chart before things started going downhill. That's the peak of the fulfilment curve, the point where you are receiving maximum fulfilment from the money you spend. We will call this peak point: Enough.



Enough is where you have everything you need, and you enjoy everything you have. Your basic needs are well-met, and each 'stuff' you have brings you joy. Nothing is extra or useless or collecting dust or simply another burden you have to pay off.

Enough is where you want to be.



How do I find out what 'enough' is for me?

You will get a good sense of your personal 'enough' by tracking your spending and reflecting on how each purchase adds to, or subtracts from, your life.

Hopefully, you are by now making an effort to track your spending. If you had chosen to do your tracking in detail, you would have a list of everything you bought in the last month. Take a look at each item and ask yourself:

- Did this thing make me more fulfilled / satisfied / happy?
- Given how much Life Energy I gave up for this thing, is it worth it?
- Is this purchase in line with my values and life goals? Is it helping me, or slowing me down?

If the answer is positive, put a '+' mark next to the item in the list. If not, put a '-' mark.

Do this often with everything you end up buying, and you will start to gain an understanding of what is good for you and what is not necessary for you. Keep the good, take out the bad, and you will have your 'enough'.



Lessons learned

Hopefully I've demonstrated to you that you can identify what 'Enough' means to you. It will be different for each of us - what is enough for me may be too little for you, or vice versa. The point is not to compare with other people, but to fully grasp the point at which you have squeezed out the most happiness out of your money, and anything more is just downhill from there.

Knowing where this point is stops you from the mindless rat race of constantly wanting to earn more and more. You now know the amount of wealth to aim for, and once you achieve it, you can be content and focus your efforts beyond just making a living. While making money can be satisfying and strangely addictive, there is no point to earning money endlessly just for the sake of it (unless money is your ultimate purpose, or you just love working so much, that is).

You may also discover that you already have *more* than your 'Enough'! This means you can actually stop working so hard, or at least reduce your working hours and devote some of your Life Energy to other things besides your job.

He
who knows he has
ENOUGH
is rich.



THINGS FOR YOU TO DO RIGHT NOW:

1. Reread this statement: 'More money ≠ more fulfilment' and give it some thought. Do you agree or disagree? Depending on your upbringing and your current condition, you may have very different feelings about this.
2. Can you figure out where you currently are on the Fulfilment Curve? Are you in the survival, comfort, luxury or excess zone?
3. Reflect on what you want out of this life, and whether your spending is in line with those aspirations. What does 'Enough' mean for you?
4. Because the previous three things were so deep and philosophical, go and have an ice cream. Watch some cartoons. Chill.

Put Your Money to Work

'Money is a good servant, but a terrible master'. Pick the right side.



There are essentially three ways to go about becoming wealthy:

1. make more money (earn as much as you possibly can)
2. save more money (cut down on spending as much as you can possibly can)
3. grow the money (invest as well as you possibly can).

Most of us are automatically working on item 1: we continue building up our career, adding on work experiences, improving our skill set, and commanding higher pay in return.

Some of us are also working on item 2, slowly but surely building up our savings. Few of us, however, seem to be working on item 3.



Are you investing your money?

If you're putting your money in the bank and earning 3% interest, please don't call that investing.

Inflation itself is slightly above 3%. You're *not* making money - chances are, you're either just breaking even, or you're *losing* money, year after year after year. This is why just saving your money is not enough.



Your home is NOT an investment

Some of you may disagree with this, but I also wouldn't count your home as an 'investment'. If you live in it, it means you're not renting it out and you're not earning income from it - in fact, you're the one paying to stay there (mortgage, insurance, maintenance, taxes...etc). Yes, the house value may appreciate, but when the time comes to sell the house, the money is just going to pay for another house (because otherwise, where are you going to stay?). You may not even plan to sell because you want to stay there forever, in which case your house is a purchase, *not* an investment.

Investments should make you money, not drain money from you. Investments should be something you can sell off with no detriment to yourself (like becoming homeless), if and when you need the money.



Investing

Investing means growing your money, which means putting it into something that will (hopefully) bring about bigger returns than the cost and inflation combined.

There are many ways to do this. You can:

1. Invest in existing companies or ventures that are profitable
2. Invest in funds or unit trusts that invest in existing companies or ventures on your behalf
3. Invest in properties (not your home) in hopes of appreciation or income from rent
4. Invest in building your own profitable business

The books that have been written to cover each of the topics above can fill up (and *do* fill up) entire libraries - the purpose of this post is not to go into them in detail, because it will never end. Different people have different risk tolerances, and they want different things with different timelines, so it's almost useless to try and write a generic post about it.

What I want to do is to tell you about the biggest mistake I made that I hope you won't: **waiting too long to get started.**



The never-ending quest for knowledge

Some of you might be thinking: "Wait, I can't just start and throw my money at random investments! I can lose all of my money if I don't know what I'm doing! I need to learn all I can first!"

While you should definitely learn about the different types of investments and how to go about making them, don't fall into the trap of 'forever learning but never doing'. Just like riding a bike, you can't learn investing from books, you actually have to *do it*. The learning happens on the job, not in the classroom. Are you going to fall every now and then and lose some money? Sure. But only by falling can you get better.

(And guess what, even seasoned professional investors make mistakes and lose money – ALL THE TIME. It's part of the game: you win some, you lose some. The goal is to win more than you lose, not to never lose at all.)

Also, let me save you the surprise: There will never be a point where you know 'enough' and are finally 'ready' - it's a constant and continuous learning process, up until you die. Things change, markets go up and down, nations rise and fall, what is true now may not be true tomorrow, etc, etc, etc. You just have to keep learning and keep dealing with it.

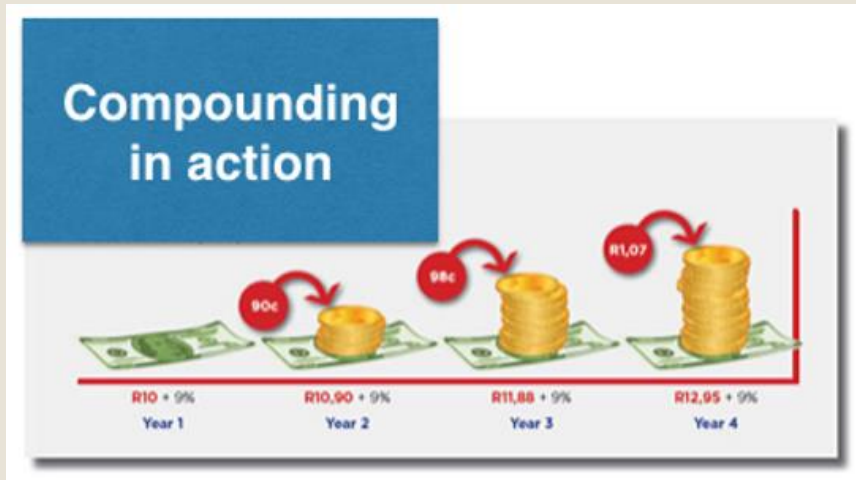
I myself fell hard into the 'forever learning but never doing' trap. I studied and read about investing for THREE whole years before I even got the courage to get started, always thinking that I needed to read just one more article, just one more book, and see just one more documentary before I can be ready.

As a result, I lost out on three whole years of **compounding magic.**



The power of compounding

Compounding is basically like planting a seed. If done well, that one seed yields you a healthy tree that produces fruits with hundreds of more seeds. When you plant those hundred seeds, more trees grow and produce even more fruits, and now you have thousands of seeds. And it goes on and on...



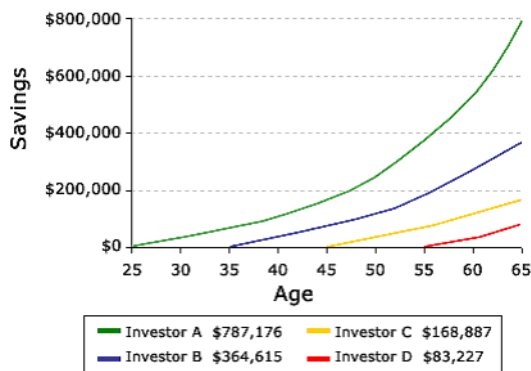
Source: Fin24

The problem is, you actually have to plant that first seed to begin with. And the earlier you do it, the better it is for you.



The Value of Starting Early

\$5,000 invested each year for 10 years, with no additional contributions. Graph assumes an 11% annual return.



The power of time

If you and I invested the same amount of money, but I started 10 years earlier than you did, I could end up with TWICE as much money as you do, simply because I had compounding magic working for me longer than you did.

In other words, my trees had a major headstart, even though you and I both started with one seed.

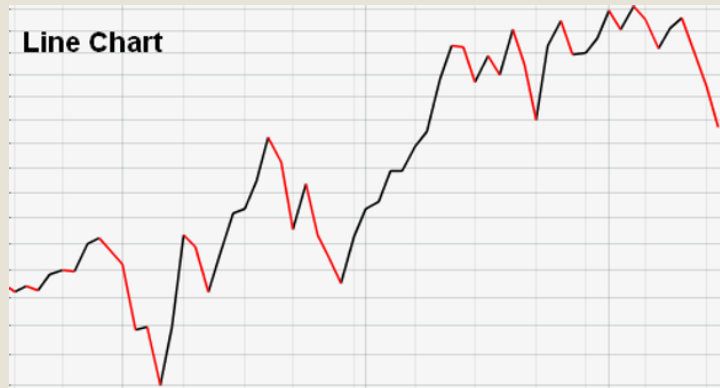
Think of it this way: **the longer you wait, the more you lose out on the power of compounding, and the less money you make.**

It also works conversely with debt: **the more you wait to pay up, the bigger the hole you dig for yourself.**



For you young ones, time is on your side

The previous chart above may make it seem as though investing money is just one smooth ride to the top, but it's really not. It's more like this:



If you are in your twenties, or even better, still struggling with teenage acne, the odds are tilted in your favour. In the words of Five For Fighting, you've got "time to buy and time to lose". Since your timeframe is so long-term, you can ignore the frequent fluctuations and the daily ups and downs. In the grand scheme of things, they don't matter to you. If the market crashed tomorrow, you still have 30+ years to recover.

In addition, your twenties and early thirties are when you are able to take the most risk. This is when you are most flexible with your lifestyle and can change it to suit your situation. This is before the spouse, the kids, the diapers, the endless bills and all sorts of adult obligations invade your life and hitch themselves onto your back. So if you fail and lost a large chunk of money tomorrow, the only one affected is you. No big deal. You can rebound again.

This no longer holds true when you start getting into your 30s, 40s or 50s. Not only do you have a shorter time frame to grow the money, you can no longer afford to take risks. You have bills to pay, mouths to feed, children to put through school... losing a chunk of your money is a BIG deal now. If the market crashed tomorrow, you're in major trouble. At this age, your focus shouldn't be in growing money, but in protecting it.

This is not to say that you shouldn't be investing during old age - the point is to not wait until you get old to start investing! So if you're young, take advantage of that and get started already. Time is on your side.



Side Note: Muslims & Riba (Usury)

Being a Muslim, I thought I'd include a note on the kinds of investments that are suited to the Islamic values which abhor 'riba', or usury.

There is a lot of debate among the Islamic scholars on what counts as usury and what's actually permissible, and I am not qualified to talk much about it, but I thought I'd share how I personally go about it in general.

Usury is anything that 1) guarantees you profit 2) at the expense of another and 3) through no effort on your part.

By the above definition, interest rates earned from giving loans is not permissible, because:

Violation #1: you are guaranteed a certain amount of profit - even if the business that loaned money from you failed, you'd still get your %. Islam advocates risk-sharing, but in this case, you took on none of the risk but still got paid.

Violation #2: the person who borrowed \$1 now has to pay \$1.15. The extra \$0.15 was created out of thin air at the expense of the borrower, who has to repay an amount significantly higher than what he initially took.

Violation #3: You did nothing to earn that 15 cents.

By extension, interest-bearing savings accounts, bonds, and shark loans should be removed from your list.



So what's left?

Well, any instrument in which you:

1. take on the risk (that the company may fail, or the market may crash, or the house value may not appreciate)
2. do not impose exploitative interests (you are not lending out money and earning interest)
3. have to put in effort to manage and profit from (by managing your shares, or the company itself, or the property's upkeep)

are fair game. That includes stocks, properties, and businesses.

I won't be able to tell you if this or that specific investment is okay or not - that is not my place - but I do believe that you yourself will be able to arrive at an answer by understanding how that particular investment works, how profit is generated, and then comparing it to the definition of usury above.

Let's make money, but let's also do it the right way!



THINGS FOR YOU TO DO RIGHT NOW:

1. Open up a web-browser and Google 'How to Invest'. Read at least 5 of the articles that come up.
2. Pick one type of investment instrument you've heard of, and buy or borrow a book about it. You may not end up liking it, in which case you can move on and do the same thing with another type of investment instrument.
3. If you're going into stocks or unit trust/mutual funds, start small (~\$1,000) and go from there. Increase the size of your investment as your understanding improves and as you get more and more comfortable with it.
4. If you're going into property, you won't be able to start small, as the downpayment alone would range from \$20,000 and above, and you may have to contend with loans and lawyers. Read up as much as you can and talk to experienced homeowners or buyers - this is the only instance in which it's okay to take your time. Properties are not liquid, and the negotiations and transactions can drag for months - if you make a mistake or change your mind, it will not be as easy to save yourself. So yes, do your research, crunch your numbers and think very, very thoroughly.
5. If you failed, or lost a bit of money, don't be discouraged. Remember the bike analogy - you need to fall in order to get better. Find out what went wrong, learn from it and keep practicing.

Part II

Taking Action

Going Down to Details

More real-life topics and the everyday things



Part I mainly revolved around attitudes and mindsets. The series also laid emphasis on shifting some of the underlying beliefs that influence your behavior and relationship with money.

It was important (in my opinion) to get those touchy-feely stuff sorted out first – otherwise, you will not be able to know how you got to where you currently are, and more importantly, why you're unable to get out of there.

When you don't take the time to reflect on your own self, you'll end up forever blaming someone or something else: the economy, the government, your parents, your cat, whatever. We all know how that goes.



Me @ myself: YOU SAID YOU WEREN'T GOING TO SPEND ANY MONEY! Now look at you! Broke and sad! I told you!

Hopefully, by now, you've started taking some action. It's all fine and dandy to read article after article, but if you're serious about fixing your finances, you would have ideally:

- figured out the price of your life-energy
- started tracking how you spend your money and have the data to show for it
- started exploring ways to invest and grow your money.

Again, if you haven't done the above, I strongly recommend you go back to Part I and implement the actions there first. Like in any game worth playing, you can't just jump into Level 10 and expect to win - you have to progress one level at a time.



In Part II, we'll address more real-life topics, the everyday things, like how to spend your paycheque, how to manage your money, how to set up a savings system, and how to go about investing.

Part II is going to be very action-oriented. Some of the information will be written in the Malaysian context, as that is where I am based (in spirit, if not always physically).

However, for the most part, the information will apply regardless of where you are. The technicalities will vary, but the principles, as always, remain constant.

The Emergency Fund and the Stupid Fund

A pot of money to save your day, your week, your month, or even your year.



If I took away your job tomorrow and cut out any means of receiving future income or pity money from the doting parents or the concerned boy/girlfriend, because I'm mean like that, how long can you survive with the money you currently have?

A year? A month? A week?

If you answered a year, then you're good to go. You can stop reading this now and go scroll through Instagram or whatever.

If you answered less than 6 months, then you and I are going to have a longer chat – keep reading.



Pffft, what emergency?

I'm pre-disposed to be an optimist – an idealist, even – and you probably are too. In our minds, our future is nothing but pretty rainbows and chocolate-covered unicorns. But the fact of the matter is, shit happens.

Shit like:

- losing your job because of bad economy, downsizing, automated robots & artificial intelligence...etc
- being hospitalized and unable to work while being billed for each day you're on that hospital bed
- having your entrepreneurship venture fail on you while your business partners run away with the loot
- deciding to elope with your lover and being disowned, left to fend for yourself by family members in the name of love

We all think the above won't happen to us, until it does. Then we panic because we don't have money, and we start borrowing to fund our lifestyle and before we know it, we're deep in debt. And it just spirals downward from there.

As they say, life throws you lemons, and when the fruits smack you in the face, you definitely want to be ready with a blender to make lemonade.



What's an emergency fund?

An emergency fund is just a piggy bank containing enough money for you to live on in case the above-mentioned lemons hit you. There are two criteria you need to fulfil:

#1: It has to contain at least 6-months' worth of living expenses

If I took your job away tomorrow like I said I would, you're going to need time to get back on your feet. You'll have to redo your CV, go prospecting for new jobs and endure multiple torturous job interviews. And all this while, you still have to eat, pay the bills and fill your car with petrol.

If you're lucky, you may get the job within a month or two. If you're a baller, you may have even lined up job offers before you got fired. But we will go with the worst case scenario – we will assume that you need 6 months to start earning income again.

You can shorten this to 3 months (if you're confident), or lengthen it to 12 months, or even longer (if you're not so confident), however short or long it takes for you to recover from the unexpected curveball that has come your way. I recommend at least 6 months, ideally 1 year, even better 2 years.

So, if you require \$3000 a month to survive (and you would already know this because you are tracking your spending monthly), then your Emergency Fund should hold 6 x \$3000 = \$18,000.

In my case, I have a tendency to drop out of the working world and take mini-retirements when I feel like it. For this purpose, I keep up to two years' worth of expenses in my Emergency Fund. This means that if all else fails, I can happily not work for two years and still be okay.

#2: It has to be immediately accessible

The money in your Emergency Fund should be easy to get your hands on (but not *too easy* that you unwittingly use it up).

If I took your job away tomorrow like I said I would, you should be able to access that money within the next few days. Whether the money is under your pillow, or in a bank, or in a mutual fund, it should not be difficult to get.

This automatically rules out putting the money in locked investment accounts (like a retirement account that you can only withdraw from when you're ten thousand years old) or in a property that will take months to sell off (assuming you manage to quickly find somebody who wants to buy it from you).

When an emergency hits you, you do not want to go through unnecessary barriers or roadblocks to buy next week's groceries. So keep the money close and easily accessible.

In my case, being a Muslim living in Malaysia, I store my Emergency Fund in Tabung Haji, a semi-banking institution that helps people save for pilgrimage and gives dividends on the savings. I can withdraw money with a touch of a button, easy peasy.



Building your Emergency Fund

Once you've calculated the amount you need, which in this hypothetical case is \$18,000, it's time to save up for it.

Because the Emergency fund is the most basic of all basics, you should focus all of your efforts and incoming paycheques on building this. Before you do anything else with your money, do this first. I repeat, **DO THIS FIRST**.

Go low on the expenses for the next few months and shovel all remaining money and any extra money (like the ten-dollar bill you found on the streets) into your Emergency Fund. Continue until you've amassed the necessary amount.

Then go celebrate and rest easy because your Emergency Fund's got your back.



Using the Emergency Fund

Now, I'll be honest, \$18,000 is a lot of money to just be sitting pretty in a bank (or under a pillow). You'll be tempted to use it – I certainly was.

Once I built my Emergency Fund, I found that my definition of 'emergency' became decidedly loose. Things that suddenly became an emergency included:

- A new phone (because I need to communicate!) (even though the current phone was perfectly fine)
- An impromptu trip to Thailand (because my friend desperately needs me!) (no she didn't)



Not all of my 'emergencies' were flimsy, some were actually for my greater good – I wanted to divert the money for investments, and to subscribe to a learning portal because, hey, life-long learning is important!

Regardless of the purity of your intention, never confuse what an Emergency Fund is for. It is not for shopping or travel, and it is certainly not for investments – those will be tackled separately. An Emergency Fund is only for the times when you have lost income and need to take care of basic needs, or when you are hit with a medical problem (or similar serious problems) that requires funds urgently.

If you're lucky, you may never have to use your Emergency Fund. If you're not so lucky, then you may find yourself in a situation where you have to dip into the fund to tide you over until life gets better again.

And that's okay – that is what the Emergency Fund is for: to give you security when you need it the most and to allow you time to pull yourself back together without having to worry about money.



Maintaining and adjusting your Emergency Fund

Life goes in a cycle, so when life gets hard, it will eventually get better again. If you end up using your Emergency fund during a bad time, remember to fill it back up again when the good times return. You will need it for the next time that life takes a turn for the worse.

As the years go by, your lifestyle will also change, and accordingly, so will your Emergency Fund needs. You may require more funds to cater to the more lavish lifestyle you've built up, or you may decide to become a hermit and require less funds because you're foraging from the forest and surviving on photosynthesis.

Whichever the case, every few years, revisit your Emergency Fund amount, and make sure it matches your current lifestyle needs.



Optional: The Stupid Fund

Beyond an Emergency Fund, I also like to keep what I call a 'Stupid Fund', which caters to all of the idiotic things I do that have monetary consequences.

Things like:

- Getting a parking ticket or a fine for driving too fast (which happens a lot more than I'd like it to)
- Losing my phone while snowboarding (which I have already done twice now)
- Buying a flight ticket for the wrong dates and having to rebook and pay the fees (ugh, don't even ask)

**LIFE IS HARD;
IT'S EVEN HARDER IF
YOU'RE STUPID.**

~JOHN WAYNE

These are the kinds of mistakes that anyone is bound to make, and ones that can ruin your entire day or week, and also put a massive dent in your wallet if you're not prepared for it.

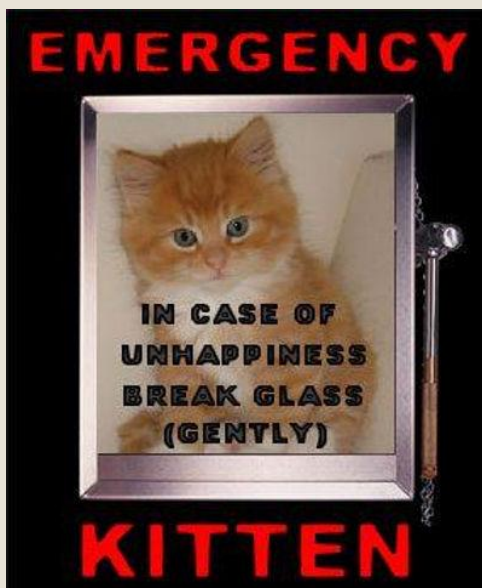
So if you're up for it, and if you're prone to making mistakes like I am, build yourself a Stupid Fund. You can give it gentler names, like 'Oopsie Fund' or 'Did-not-see-that-coming Fund', whatever you like.

I typically keep a thousand or two in there, but you can decide for yourself how large you want it to be. There are no rules for this one.

Try it out. I speak from experience: you will spend less time berating yourself over an inevitable mistake or two, and you'll be able to move on that much faster with life because these things are taken care of.



Lastly, if all else fails, try this:



THINGS FOR YOU TO DO RIGHT NOW

1. Calculate your monthly expenses – if it fluctuates a lot, err on the high side of the average number
2. Multiply that amount with the number of months you want your Emergency Fund to last (3 months? 6 months? 9 months? 12 months?)
3. Open up a separate bank account and designate that as your Emergency Fund
4. Put money into that account bit by bit until you achieve desired amount
5. Leave that money alone until an emergency – and I mean an EMERGENCY in all capital letters – hits you.
6. Once the EMERGENCY passes and all is back to normal, refill the Emergency Fund back up so that it is ready for the next EMERGENCY.
7. If you want, follow similar steps and build a Stupid Fund.

How to Spend Your Paycheque

Putting that moolah on your pay slip to the best use.

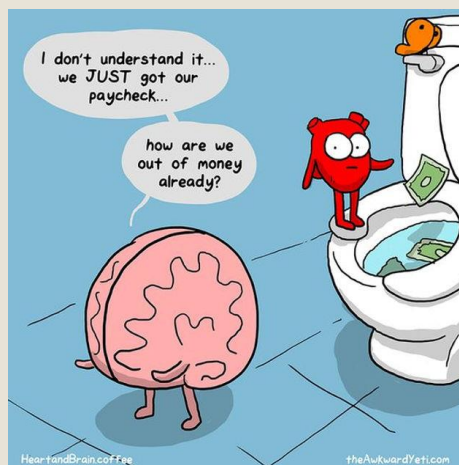


My first ever official paycheque was for USD 400 – a result of spending 12 hours a week cleaning old vinyl records at the back of the Music Library.

Because I was 18 and beyond dumb, I blew all of it on a ticket to New York City, and came back to San Francisco broke as ever, forced to starve until the next scholarship instalment or the next paycheque came, whichever was earlier.

It took me close to two years to figure out a system to not throw all my hard-earned money down the toilet...

Whether you're about to receive your first ever paycheque (which hopefully is a lot more than the USD400 of mine) or your ten thousandth paycheque, everything from here on will still apply to you.





Your paycheque-processing system

By system, I basically mean a series of guidelines and steps to take on a consistent basis each time a paycheque comes your way.

The aim is for this to eventually automate it, such that the system works even without you having to really think about it. The system can be set up in 4 steps.

Step 1: Decide on your priorities

Instead of letting life and sudden temptations dictate how you use your paycheque, you should beat them to the chase and decide for yourself first.

On any given day, there are a number of things we all need to pay for: bills, food, clothes, games, watching movies at the cinema, etc. Some things you cannot avoid spending money on (like rent), while some things you actually enjoy spending money on (like books) (don't judge). Some things you always remember to pay (like the internet bill because you cannot go on with life if the service is withheld), and some things you never think about even though they are actually important (like insurance and investments).

Out of this universe of things that require your money, take the time to figure out which of them deserves a permanent spot on your beneficiary list.

Do you want to dedicate a portion of your money to eating out because you're a social butterfly and a foodie? Or do you prefer to dedicate a bigger portion to expanding your figurine collection? Whatever rocks your boat.

As an example, my personal list of priorities looks something like this:

Category	Description
Living Costs	bills, food, rent, insurance, and any other costs necessary to survive in this modern world, like internet and mobile data
Investment	appreciating assets and self-investment (via training, courses, books, and anything that results in learning and growing)
Savings	Major purchases like a house, a car, a pilot license, and a plane, maybe, as well as ongoing expenses like car maintenance, house maintenance, and miscellaneous
Travel	to satisfy the insatiable wanderlust
Charity	favourite charities and causes (like the environment!!!)
Blow	fun stuff, stupid stuff, whatever I want, basically

Yours will differ from the above, naturally – you may have a category dedicated to Fitness (to pay for gym memberships or gym equipment or a personal trainer), or to Entertainment (for the Netflix subscription or weekly date nights or bowling outings).

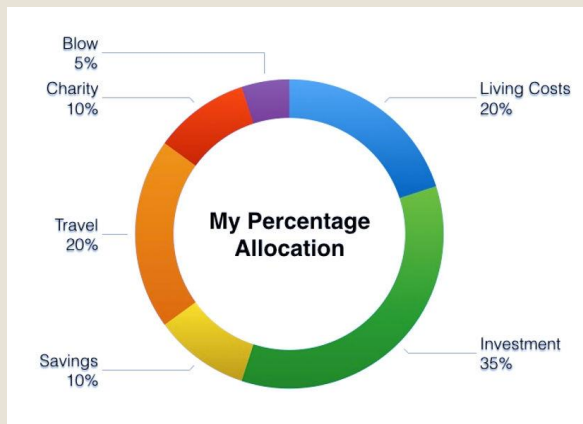
At the minimum, I recommend at least 4 categories:

1. Living Costs
2. Investments (for the long-term)
3. Savings (for the short-term)
4. Miscellaneous

Step 2: Decide on your percentage breakdown

Once you have your list from Step One, the next step is to assign each category a portion of your paycheque. Again, percentages will differ based on your actual earnings, your lifestyle and the amount of money it takes to maintain that quality of life.

Using myself as an example again, below is how I've portioned out my paycheque:



Living costs: My living costs typically take up 20% of my earnings. This is the amount of money I need to pay all my bills, keep a roof over my head and eat out with friends every now and then. Some of you will have a percentage much higher than that, or much lower than that – it doesn't matter, as long as you yourself are comfortable with the number. If you think 15% or 30% is a decent portion to be spending on survival, then good for you.

(However, I would worry if the percentage is way above 50% or anywhere close to 100%, which means you're spending every cent that comes your way just to survive. You may want to rethink either your job or your lifestyle)

Investments: A third of my paycheque is dedicated to investments, because I take it very seriously. And so should you. You don't need to put as high a percentage as I do, but a portion of your money should definitely go towards long-term investment vehicles. If you can afford to, you can also put a higher percentage than mine.

Savings: Because I knew I planned on getting myself a house and a car at some point in the near future, I dedicated a whole category and 10% of my paycheque for them. I know a lot of people simply take on a loan for this purpose, but I highly encourage you to put in the effort to save for them in advance. Even if you can't possibly save enough in time, you will at least be able to reduce the amount you need to borrow. The less debt the better (more on this later in the series too!).

Travel: This is the next biggest category, after Investments & Living Costs, because I also take travel very, very seriously. We all have that one thing we obsess over and are more than happy to throw our money at (be it branded sneakers or photography equipment or the latest Apple gadgets), and mine just happens to be travel. You can replace this category with whatever makes the sun shine brighter in your world.

Charity: As a reminder that my money isn't wholly mine and is, in fact, a gift from God, I have a category dedicated to giving 10% of my paycheque away. You don't need to agree with that philosophy and to have this as a category in your own list, but I highly recommend it. It makes you less possessive about your money and goes a long way in reminding you that money is only ever a tool, and not the goal.

Blow: Honestly, my favourite category – I put 5% of my paycheque here and use it shamelessly on whatever I want, even if it's as stupid as buying a mug decorated with angry, fat Sumo fighters, or as indulgent as a spa and massage session. This is not a necessary category to have, but it's so fun!

Step 3: Design your system

Now that you have your categories and percentages all set up, it's time to put them to use. (Remember, these categories and percentages are not fixed in stone and can be adjusted at any time. I myself have gone through several versions before I finally settled on my current one).

Every time a paycheque, or any other form of income, comes your way, you need to divide it into your pre-decided allocation. So if I hypothetically earned \$1000 this month, then this is how I would divide it up:

Category	Percentage	Paycheque of \$1000
Living Costs	20%	\$200
Investment	35%	\$350
Savings	10%	\$100
Travel	20%	\$200
Charity	10%	\$100
Blow	5%	\$50

I would allocate the corresponding amounts to each of my categories, and repeat this with every paycheque.

When I am about to spend on something, money has to come out of the corresponding category. So if I bought groceries, that will come out of my living costs category. If I bought a train ticket to Hogwarts, that amount will be withdrawn from my travel category.

Category	Starting Balance	Spending	New Balance
Living Costs	\$200	-\$50 (Groceries) →	\$150
Investment	\$350		\$350
Savings	\$100		\$100
Travel	\$200	-\$100 (Train ticket) →	\$100
Charity	\$100		\$100
Blow	\$50		\$50

If I run out of money in my travel category, I stop spending on travel until I accumulate more money. But if I ran out of money in my living costs category, I can't stop spending on it because I have to live. I then 'transfer' money from another category, which means I sacrifice another category for the time being.

Category	Starting Balance	Spending	New Balance
Living Costs	\$30	+\$50 (From Savings) →	\$80
Investment	\$350		\$350
Savings	\$100	-\$50 (Move to Living Costs)	\$50
Travel	\$0	No money stop spending	\$0
Charity	\$100		\$100
Blow	\$50		\$50

It's up to you if you will allow such 'transfers' or if you will strictly stick to your percentages. If you find that you are constantly running out in a particular category, you may need to a) rethink your percentages, or b) earn more money, or c) spend less money, at least in that category.

Step 4: Follow through

From here on, it's just a matter of following through with the system you've set up. It will take some getting used to, but eventually, you will spend less than 10 minutes each month to allocate your paycheque and put your finances in order.

You can rest easy knowing that every single cent you earn is going to all the right places (determined by you) and that all of your priorities are being financially taken care of.



THINGS FOR YOU TO DO RIGHT NOW

1. Decide on your life priorities and categorise them accordingly. If at a loss, you can refer to my recommended 4 basic categories above.
2. Assign the percentage of your paycheque that will go to each of those categories.
3. When you get your next paycheque, allocate according to the percentages, and continue with future paycheques.

Create Your Own Personalised Financial System

Not all of us are accountants, but all of us, whether we like it or not, need to manage our money - here's how.



Previously, we discussed how to allocate your paycheque into certain percentages to suit your priorities and lifestyle. If you haven't done this already, this article won't make much sense, so go do that first.

My own allocation consists of 6 different categories (and even subcategories within those categories, just to make life more exciting), but for the purpose of illustration, we will use my recommended allocation of 4 categories instead, which are:

Category	Percentage (illustrative)	Paycheque of \$1000
Living Costs	40%	\$400
Savings (short term)	20%	\$200
Investment (long term)	20%	\$200
Miscellaneous	20%	\$200

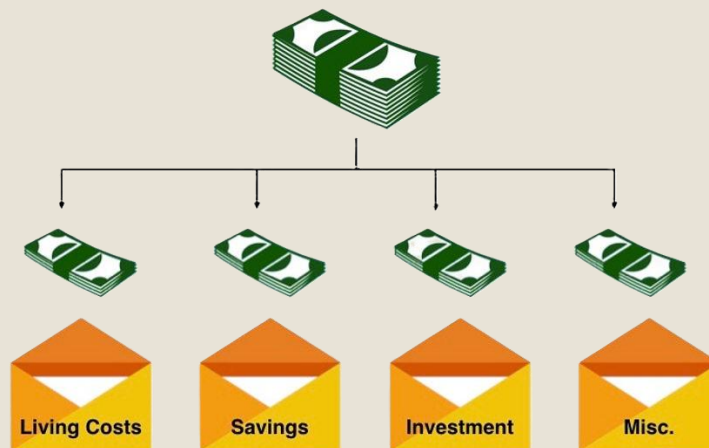
At the theoretical level, the above is simply a matter of basic math: pick your numbers and make sure they all add up to 100%. Super easy.

What's not so easy is actually putting those numbers into practice in real life - how do you actually split your paycheck into several categories? How do you keep track of how much money you put where, and how much money you've used from where?



Option 1: The Envelope System

The Envelope System, as the name suggests, makes use of actual envelopes.



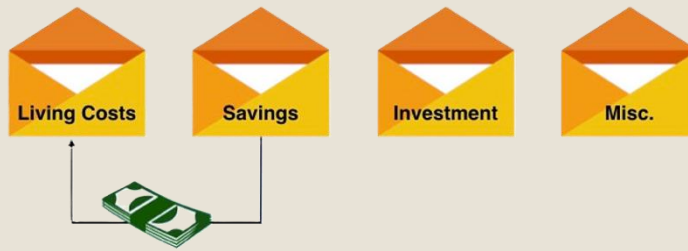
In this scenario, we will assume, for convenience, that I receive my salary in cash – that every month, my employer hands me \$1000 worth of bills in a briefcase like a true mafia boss.

I take that money, sprint back home hoping I won't get robbed, and grab 4 envelopes. I label each envelope according to the categories, and put in the appropriate amount of money as calculated above.

Then, for the rest of the month, I make sure I take out money from the right envelope – if I'm about to pay the internet bill, I open the Living Cost envelope; if I'm purchasing stocks via a mutual fund, I open the Investment envelope; and so on and so forth.

If one of my envelope runs out of money, I have two options:

1. I stop spending on that category, or
2. I steal from the other envelopes, knowing full well that it means I have less to spend in the category I've stolen from. This is perfectly okay, especially for emergencies, as long as you don't spend more than all the envelopes combined.



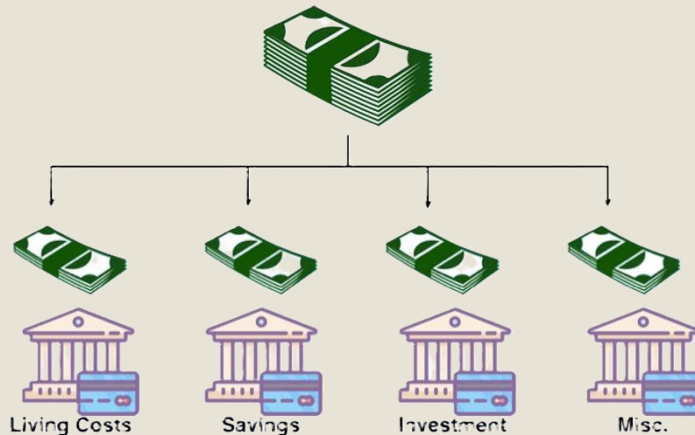
In a cashless world...

Now, the above is fine and well if we lived in the stone age and actually bartered things physically. In the age of electronic banking and credit cards, we never actually have to touch money. It's all numbers on a computer screen. Piggy banks are obsolete, and so are envelopes.

That being said, the principle remains the same as the Envelope system: have separate containers, be they physical or virtual, for each of your categories and make sure the right amount of money flows into the right container. Which leads us to...

Option 2: Separate accounts in the bank

Nowadays banks allow you to portion out money within your bank account, which means you can assign a sub-account for each category.

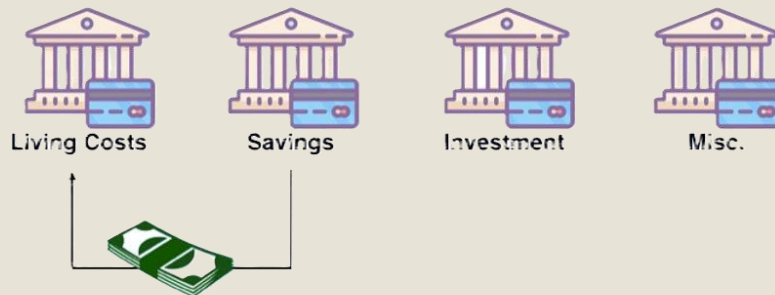


In this scenario, once the paycheque is transferred in by my employer, I then transfer the appropriate amounts to the relevant sub-accounts. (You can even automate this by scheduling the transfers as recurring, and let your bank do the hard work each month.)

Then, for the rest of the month, I make sure I withdraw money from the correct account – if I'm about to pay the internet bill, I withdraw from the Living Cost account; if I'm purchasing stocks via a mutual fund, I withdraw from the Investment account; and so on and so forth.

If one of my accounts runs out of money, I have two options:

1. I stop spending on that category, or
2. I transfer money in from another account, knowing full well that it means I will have less to spend in the category I've transferred from.



Option 3: The Spreadsheet System

For me, I don't bother with actually separating my accounts – instead I just keep all that money in one bank account (just one big pot, no sub-accounts) and simply keep track of the 'envelopes' via a spreadsheet.

I personally use Excel to keep track of my 'envelopes'. Every time I get a paycheck, I input that into the table in Excel that automatically divides the amount up into the different categories.

PAYCHEQUE DISTRIBUTION						
Date	Source	Input	Living Costs	Savings	Investment	Misc.
			40%	20%	20%	20%
15-Jan-18	Paycheque 1	1000	400	200	200	200
15-Feb-18	Paycheque 2	1000	400	200	200	200
15-Mar-18	Paycheque 3	1500	600	300	300	300
15-Apr-18	Paycheque 4	2500	1000	500	500	500

1 Input amount of paycheck here
 2 Distribution automatically calculated

My paycheck may not be the same each month - some months I may get more (bonus, extra hours worked, etc) and some months I may get less (if I'm an entrepreneur with unstable income, for example). All of the ups and downs are captured in the spreadsheet.

After automatically calculating the distribution, then the work actually starts:

Input	Living Costs	Savings	Investment	Misc
100%	40%	20%	20%	20%
1000	400	200	200	200

1 Another automated calculator to distribute paycheque

Living Costs					Savings				
Date	Input	Output	Balance	Notes	Date	Input	Output	Balance	Notes
15-Jan-18	400		400	Paycheque 1	15-Jan-18	200		200	Paycheque 1
28-Jan-18		200		Groceries & Bills	15-Feb-18	400		600	Paycheque 2
15-Feb-18	400		600	Paycheque 2	18-Feb-18		300	300	New TV
28-Feb-18		200		Groceries & Bills	15-Mar-18	300		600	Paycheque 3
15-Mar-18	600		1000	Paycheque 3	20-Mar-18		300	300	Transferred to Living Costs
17-Mar-18		950	50	Yearly insurance fee	15-Apr-18	500		800	
20-Mar-18	300		350	From Savings					
28-Mar-18		200	150	Groceries & Bills					
15-Apr-18	1000		1150	Paycheque 4					
28-Apr-18		200	950	Groceries & Bills					

2 Record paycheque inputs

4 Money running low so transfer in money from Savings category

Investment					Misc				
Date	Input	Output	Balance	Notes	Date	Input	Output	Balance	Notes
15-Jan-18	200		200	Paycheque 1	15-Jan-18	200		200	Paycheque 1
15-Feb-18	200		400	Paycheque 2	31-Jan-18		100	100	Trip to beach
15-Mar-18	300		600	Paycheque 3	15-Feb-18	200		300	Paycheque 2
30-Mar-18		500	100	Invested in Mutual Fund	15-Mar-18	300		600	Paycheque 3
15-Apr-18	500		600		20-Mar-18		300	300	Car repair
20-Apr-18		500	100	Invested in Bonds	15-Apr-18	500		800	

3 Record Spending

5 Check ending balance to ensure all ok

1. The automated paycheque distributor at the top tells me how much I should allocate for each category.
2. The input of money into each category is captured each time I distribute my paycheque.
3. The output of money from each category is also recorded each time I spend.
4. If money is running low in one category, I 'conceptually' transfer money in from another category, knowing full well that it means I will have less to spend in the category I've transferred from. This 'transfer' happens only within my Excel sheet - the money in my account doesn't actually move anywhere.
5. At the end, I check my ending balance in each category to be aware of how much remains, and to note which categories are about to run low so I can adjust my spending.

This system takes a bit more discipline and work, but if you are tracking your money like I recommended you to in a previous article, then this should be easy for you.

If you're not tracking how you spend your money, then I suggest that you go back to my Part I, and start from there. Otherwise, this Excel system won't work for you.

Alternatively, just create sub-accounts in your bank account as in Option 2 and let your bank track for you instead.



Follow through

From here on, it's just a matter of following through with the system you've set up. It will take some getting used to, but eventually, you will spend less than 20 minutes each *month* to allocate your paycheque and put your finances in order.

Here's how I do a check on my spreadsheet system:

1. When a paycheque comes into my account, I distribute the money according to my allocation on my spreadsheet and record the transactions in the corresponding table. (3 minutes)
2. I check on the balance remaining in each category just to be aware of which one is running low, so that I know to cut my spending that category or to be prepared to take money from another category. (1 minute)
3. At the end of the month, I export all of my transactions from the app on my phone to my spreadsheet, and record them in the respective corresponding table. (5-10 minutes)
4. I make sure the numbers and remaining balances tally with what I have in my bank account. (1 minute)

Yours may differ slightly, and may take longer or less time, depending on how complex your categories and systems are. But what you and I will have in common is the fact that we will never find ourselves clueless on where our money is and where it's going.

You can rest easy knowing that every single cent you earn is going to all the right places (determined by you) and that all of your priorities are being financially taken care of.





THINGS FOR YOU TO DO NOW:

1. Decide on which system you prefer to use: cash-based envelope system, multiple bank sub-accounts or spreadsheet tracker.
2. For your next paycheque, distribute the money according to your allocation into separate envelopes / bank sub-accounts / spreadsheet tables.
3. Spend by withdrawing or subtracting from the relevant envelope / bank account / spreadsheet table.
4. Rinse and repeat.
5. Once a month (either when you receive your paycheque, or at the end of the month, or an arbitrary date of your choice), do a quick check of you envelopes / bank sub-accounts / spreadsheet to make sure things are okay.

Dealing with Debt

The best way to deal with debt is to have none of it.



In a world where loan opportunities and credit cards are offered every time you so much as sneeze, and where borrowing money is made incredibly easy and normal, it's difficult to not be in debt. After all, who wouldn't take up the offer of using someone else's money to buy cool things and only having to pay just ~10-20 bucks a month for it?

Free Money

The sad truth is this: Free money is never free. And when something is too good to be true, it always means there is a price to pay, if not now, then somewhere down the road, for sure.

Here's what happens when you buy something on credit or loan: you kickstart a relationship with something called Interest.

It's an unhealthy relationship, where for every dollar you take, Interest demands one dollar and 20 cents back. And for every day that you fail to pay back, the amount grows and grows, until suddenly, the \$1000 you borrowed once upon a time to buy a sound system has ballooned into \$3500.

You will end up paying 3.5x the price tag, and Interest will love you for it. In fact, Interest will pray and pray that you keep 'forgetting' to pay back so it can get more out of you, you poor sucker.

Why do you think shops eagerly offer those instalment payment plans where you pay a small amount each month for 2 years? Because you will end up paying way more than necessary, and you won't even know it. In fact, you'll think you got a good deal!



*Note: there are times (very few!) when it does make sense to pay on 0% interest instalment rather than in full, but only if you have mastered your finances, can crunch the numbers to determine the pros and cons, have alternative ways to use that same money to earn more, and have the discipline to pay your credit loans on time. If that's the case for you, then why are you even reading this series?

Don't. Just don't.

The best way to deal with debt is to not even get into debt.

If you want something, don't go the easy way of borrowing money. Instead, figure out how to earn that money.

You want to buy a \$1000 sound system? Figure out what it would take to earn \$1000. Does that mean you have to work as a part-time tutor, charging \$50 an hour, and teach for 20 hours? Does that mean you need to cut down on your daily Starbucks for half a year? Does that mean you should negotiate for a well-deserved pay raise?

You want to buy a \$150,000 BMW car? Same deal. Figure out how to make that money. Your tactics will be different (I really don't think foregoing Starbucks for the rest of your life is even going to scratch the surface), but the principle remains the same. Earn it before you buy it.

This habit will help you in more ways than one. Not only do you avoid going into debt, you also learn all sorts of ways to earn more money that will benefit you in years to come, beyond the one-time purchase of an object.



Good debt versus bad debt

I'm pretty hardcore about avoiding debt. That being said, not all debts are bad. People take on loans to get an education or to start a business. Those are perfectly good reasons to go into debt, because your earning prowess will increase (theoretically, that is, assuming you don't drop out of school or drive your business to the ground).

If taking on the loan will result in an improved version of you, someone with better skills, someone who can add more value, someone who can translate that value into more income, then by all means, go into debt. This typically includes education loans, business loans and investment loans. These loans tend to pay itself back in the future through your increased competence and capabilities.

However, if taking on the loan doesn't result in any increase in your value or your money-making abilities, then don't do it. That is a bad debt. Bad debts will not increase your value or skills, they will not help you recoup the money in the future and they will walk away laughing at the growing interest that you are stuck with.



Avoid the bad debts, and if really necessary, only take on good debt. Even then avoid it as much as possible. Look for alternatives. Can you get a scholarship? Can you fundraise for seed money? Can you work extra on the side for some additional income?

Look for ways to earn the money first, before you even think about borrowing.



What about credit cards?

Credit cards are the most prevalent and most dangerous of all debt, because it's so, so easy to get, to use and to forget. You don't have to sacrifice your belongings as collateral or sign fancy documents in the presence of lawyers. You only have to swipe. Any 10-year-old can do that.

Often, you receive a credit card from an eager salesperson without a single clue on what the fine print says. The only thing you know is that you can now spend up to \$5000 that you don't even have, and only pay \$25 a month for the privilege. Woohoo! You vaguely know that you're supposed to pay all that back at some point, but lolllll, there's no deadline so you can pay whenever! (which basically means never lollllllollll)



Even worse, the things you buy using your credit card don't typically qualify as good debt: petrol, groceries, the latest Bluetooth speakers, or a ticket to Taylor Swift's concert, for example. So you're digging a hole for yourself over the dumbest little things, unwittingly being charged a rate of 15% or more every single day for a bunch of apples and a box of cereal.

Unless...

There is, however, a simple way to have your cake and take home the plate as well.

Credit cards are only a hazard if you don't pay back what you borrowed, letting Interest go crazy wild.

HOWEVER, if you are a disciplined person who pays their bills on time, then the credit card world is your oyster.

The trick is to treat your credit card as though it is a debit card.

A debit card will stop working if you try to withdraw or spend more than what exists in your bank account. Your credit card won't stop working, but pretend that it does. This means only using it to spend money you definitely know you have, and then promptly paying off everything, not just the minimum fee, when the credit card bill comes. So if you have \$500 in your bank account, then limit yourself to \$500 on the credit card, and then pay it all off at the end of the month. Go earn more money and repeat as necessary.

This way, you get the benefits of the credit card (not having to carry cash, gaining points, enjoying perks like free travel insurance) without falling into the debt hole.

You will be the worst customer the bank will ever have, because they're not earning any profit from you, you're not paying interest and you never carry over a balance to allow for interest to accumulate. That's exactly the kind of customer you want to be.

However, if you're not disciplined, never pay your bills on time, don't even know the remaining balance in your bank account, then stay far, far away from the credit cards. If you have them, cut them up and burn them while doing a fire dance.

Stick to debit cards. You'll be doing yourself (especially your future self) a big favour.



“Ooopsssiess, I’m already in debt”

If you are already in debt, either due to student loans, car loans, personal loans – all kinds of loans, it's okay. It's not great, but it's okay. Your main goal should be to pay them off as soon as you possibly can.

The longer you drag the loan out, the more interest you'll have to pay. Time will literally cost you money, and as we all know, nothing can stop Time.



First, strive to pay off as much of remaining debt as possible each month**. Ensure that your payments are going towards the principal amount you borrowed, not towards interest. The faster you lower the principal amount, the less interest you'll end up paying in the long run, and any money that does not go into the bank's pocket will go into yours.

Second, look for debt optimization strategies. You can refinance your loan to take advantage of lower interest rates, or you can structure your debt such that you pay the one with the highest interest rate first, before moving to those with lower interest rates. This is not the place to go into details (and honestly, I can't say much as I have not been in debt and never went through this), but a simple Google search will yield you the resources you need.

***Note: People with mortgages or home loans may want to explore different tactics. Home loans tend to have the lowest interest rates and stretch for decades, plus properties typically (but not always!) rise in value, so instead of paying off the home loan, one can opt to wait to sell the property at a higher rate and pay out the loan in that way. Make sure you do the necessary calculations and research on this before you go down this road.*

It will likely take you a few long years to finally be rid of your debt, but when you finally do get there, it will be the best thing ever. The only thing left to do is to avoid getting into debt again, because some lessons you only need to learn once.



THINGS FOR YOU TO DO NOW:

1. NOT get into debt, no matter how tempting it is. Learn to earn the money instead - that skill will benefit you 100000x more than the 'skill' of borrowing money ever will.
2. If you're already in debt, figure out if it is a good debt or a bad debt: will this thing you got via debt increase your ability to earn more / make you a better person?
3. If it is a good debt, stick with it and ensure you've read all the fine print in your loan contract. Pay it off responsibly as scheduled and as agreed.
4. If it is a bad debt, look into strategies to finish paying it off ASAP. Google is your friend, or look into credit counselling services. Refrain from taking on more debt. Not to be repetitive, but learn how to earn more money instead of how to borrow more money.

Cover Your A** (With Insurance)

For those rainy, thunderstorm-y, hurricane-y days that lie ahead.



Insurance is one of those things that nobody really wants to think about, because it conjures up negative vibes of doomsday and (at least for me) pushy insurance agents trying to sell you something you don't even think you need.

Except you do.

Need insurance, that is.



"Insurance? Wazzat?"

Insurance is basically an Emergency Back-Up for when shitty things happen to you from out of nowhere - when your car get hits or when you hit someone else's car or when you fall sick or when you fall really, really sick.

This acts as a resource for you in hard times. Say you get diagnosed with something that requires \$50,000 worth of a surgeon's time on the operating table. If you have insurance, no problem, they'll take care of it for you. If you don't have insurance, have fun taking \$50,000 out of your bank account. If you don't have \$50,000 sitting around, well, have fun scrambling to find it in your unhealthy state. You may even end up going into debt that will stick with you for life over a one-time incident.



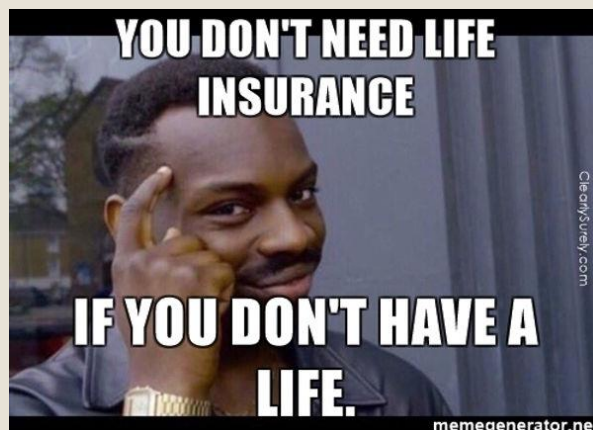
“But what if I don't need insurance?”

It is natural to think we don't need insurance. After all, some of us are super healthy adults who barely suffer through a measly fever - why would we need to pay a random company for the super low possibility of needing an kidney replacement operation?

While that may be true now, there is no guarantee that it will remain true for you 10 years, 20 years or 30 years from now. Because here's the sad truth about our bodies: they break down with time. They depreciate under wear and tear and sometimes pop up with unpleasant surprises like a kidney stone or two.

A quick glance at the elderly population around us is enough to give us a glimpse of what we will be like when we are older. My mother's conversations with her friends comprise almost exclusively of medical talk and the various diseases each of them suffer from. Sometimes they even compete on who has to take the most number of pills daily! See, that's entertainment for you in your 50s.

So while you may not need it now, I can assure you that you likely will in the future. Plus, you should get insured when you are young and in the pink of health, because that will make your premiums (or monthly payments) low. Try getting an insurance in your 40s or after you've been diagnosed with a disease - either you will be rejected outright, or your premiums will go through the roof!





"But I already have company insurance!"

If you are working for a company, your compensation package typically includes insurance, which can generously cover your family members as well. So why would you want to take on yet another insurance?

There are two setbacks to relying on company insurance:

1. the package is a group one and may not suit your individual needs - chances are, you had zero say on the types of coverage and amounts covered;
2. it is only valid if you continue to work for the same company till you die - which, in this day and age, is a rarity.

Unless you are pretty happy with the company insurance and are more-or-less confident that you won't leave or be fired ever, then you need not take on another one.

Nevertheless, I recommend doing so, in the off chance that you decide to switch careers or become self-employed in the future. The longer you wait to do so, the higher your premium will be when you finally get around to finding one of your own. Some company insurance can be transferred to you as an individual when you leave the job, which can work as long as it still suits your needs.



"Ok fine, so what insurance do I need then?"

Thus far I've focused a lot on medical insurance, as that is the most basic, but there are a lot of different kinds of insurance you can get for yourself. You can insure your car, your house, your pet, and even a body part! I once heard that Mariah Carey actually insured her legs, but am never sure how much of that is true.

In any case, what insurance you need depends on what you want to protect and what risks you are exposed to. Below is a quick run down of the kinds of insurance you will need depending on your situation:

Everyone (and yes, that includes you): Health Insurance & Medical Card

A health insurance, usually in the form of a medical card, will help pay for your medical bills and for room and board in the hospital. It will also pay for outpatient treatments, pre-hospitalisation and post-hospitalisation treatments, and cover common ailments and diseases, should you ever be diagnosed with any. This is the most basic of all basics, and everyone should have this.

If you have kids or dependents: Add Life Insurance

Should you die (as we all eventually will), a life insurance will pay out an agreed-upon sum to your family members and dependents to help them carry on in your absence. This is especially important if you are the sole or main breadwinner of the family, and if your kids are still young and require a lot of financial support. The amount covered should be reasonable enough to help your family pull themselves back on their feet after your death.

If you own a home or rent a place: Add Home Insurance or Renter Insurance

A home is a basic need for most of us, and is also often the biggest expense in our lives. Depending on where you are located, you may be exposed to the risk of your house burning down (if you live near a volcano) or falling apart (if you live in an earthquake-prone zone), or being burgled. Home insurance can help with that. Same goes for Renter Insurance, though the coverage may be a bit different.

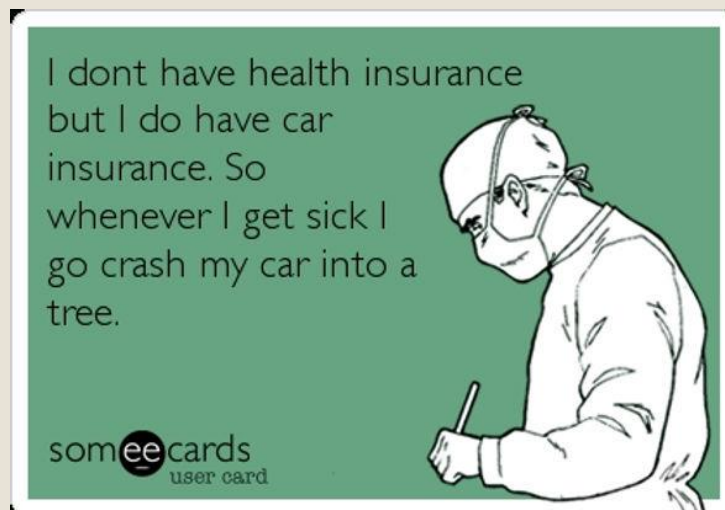
If you own and drive a car: Add Car Insurance or Auto Insurance

An auto insurance will typically cover your liability and damages to the car when involved in an accident. So if you hit someone's car (or God forbid, someone), the insurance will cover the expenses to fix the car (or the person). Some insurance may also cover vehicle fire or theft, and will reimburse you the market value or the agreed value of your car.

If you are in a profession where people may sue you: Add Personal Liability Insurance

A Personal Liability insurance will protect your assets and help pay for the costs associated with a lawsuit should you be accused and brought to court, for whatever reason.

If you want to insure everything in life: There's travel insurance, pet insurance, jewellery insurance, mobile phone insurance...etc. Feel free to explore.



How to choose the best one

Let me start with how NOT to choose your insurance: agree with the first insurance agent you meet, especially if they are a family member / good friend / cousin of a cousin.

Purchasing insurance is kind of like getting into a long-term relationship. You will be paying this company a sum for the next 30-50 years of your life, and you hope they will remain faithful and true to their words even after all that time.

Therefore, the insurance company you choose must be a reputable company with strong financials and history - after all, you can't claim money from a company that goes bust.

The agent you end up with must be responsive and quick to address your concerns, not just when you're about to sign the papers, but beyond the sales. The agent may talk sweet and all that, but remember, you will be putting in claims via your agent, and if they are not prompt or proactive, expect a lot of hurdles in getting your money's worth.

The best way to choose your insurance company and agent is to hold an audition. Yes, just like they do on TV.

Step 1: Decide on your parameters

How much coverage do you want? What lifetime limit and annual limit are you comfortable with? What special considerations do you want in your insurance package?

Step 2: Contact multiple companies or agents

Send an email to all of the insurance companies you know, or straight to the insurance agents if you already have their contacts. Tell them your parameters and ask them to provide you with a quote. (You may also opt to do this on insurance aggregator websites, but I prefer dealing with the companies and agents straight, because I want to test them, not the websites)

Step 3: Hold an audition

Pick a day and tell all the companies or agents to meet you then. Arrange back-to-back interviews with them, and let them compete to win your business. In particular, observe them. Did they come on time? Were they able to satisfactorily answer your questions? Were they willing to tailor a package to your needs, or did they keep pushing a particular package? Do you think you can trust them?

Step 4: Test them further

After the audition day, send each of them an email with follow-up questions and see how they respond. Are they still prompt? Were they able to answer in a timely and satisfactory manner? Though not always accurate, how they treat you now is a good indicator of how they will treat you in the future.

Step 5: Compare the different offers

You should have received offers on very similar parameters (that you decided on in Step 1). Compare them side-by-side, and make your choice. Don't just look at the price, but consider the additional perks, the hospitals that are included, whether the coverage extends overseas, and of course, whether the company and agent are trustworthy, long-lasting, and responsive potential partners.

CAUTION: Read the fine print

Always, ALWAYS read the fine print in the insurance agreement you are signing up to pay for the rest of your life.

Remember, the whole business model of an insurance company is to take your money and try their best to never have to give any back to you. To that end, they put in a lot of clauses and exceptions that will nullify your right to an insurance claim, so you better know up-front what those are!

Also remember, the fine print is in fine print for a reason. If the information is in small unreadable font in incomprehensible legal language that looks very unappealing to go through, you can bet there is super crucial information there they don't want you to know but have to put declare somewhere in the papers by law.

Take the extra 5 minutes necessary to thoroughly go through the fine print - better to know now than to find out 30 years later when you're trying to claim for the \$50,000 medical bill that you no longer qualify because of some random thing you did or didn't do.



Don't over-insure

While you should definitely insure your own health and other valuable aspects of your life, you need not go overboard with it out of sheer fear of all the bad things that can happen to you.

While we all probably want to be insured up to the millions, realistically, we only need to be insured up at an amount that we truly require, on top of the savings and investments we already have going for us. Some things you can recover the cost of on your own, or be able to cover with your own savings.

For example, I could subscribe to a car insurance to cover any damages I inflict on it, but realistically, I can afford to pay for a fix-up every now and then on my own. Or I could pay for dental insurance in case anything happens to my teeth, but I am able to afford most of the dental services so there is no need to. I also don't bother with travel insurance, because while I have had my luggage delayed and have had to change travel plans before, it happens so infrequently that it's unnecessary.

But of course, insurance is a game of chance, and circumstances differ for each of us. You may have a much higher chance of losing luggage or of cancelling flights for whatever reason (this is especially true for frequent work travel), so travel insurance will be worth it for you.

But seriously, don't over-insure. You can always add on to your insurance later as your lifestyle changes or your needs grow, but the opposite is not as easy.



It's a long-term relationship, not speed dating

As mentioned, purchasing insurance is kind of like getting into a long-term relationship. That's why you want to get it right as much as possible the first time. You can't simply stop paying or change insurance companies on a whim - well, you can, but you'll be on the losing end.

Failing to meet your monthly premium payment or canceling on an insurance means you forfeit all of the money and protection you've paid for. You just gave the company free money.

Then, assuming you then want a new insurance, starting over with a new company will typically mean higher premiums because you are older now and may have been categorised as high-risk due to your health condition. Hello, expensive!

There are, however, two valid reasons for canceling:

1. You no longer need the insurance: you sold your car or your house, or your dependents have grown up and become adults, so there's nothing to insure anymore.
2. You found a good deal that works out better for you in the long run: maybe another insurance company came up with a better plan that suits your needs more or a similar plan with lower costs. Make sure to calculate the cost of canceling your current plan against the benefits or savings of taking on a new plan.



THINGS FOR YOU TO DO NOW:

1. Make a list of things you want to insure: your health, your family, your car, your house...etc.
2. Decide the amount you want to be insured for, which should decently cover expected costs that you will incur if you get hit by a tragedy. That means an amount enough to cover your estimated medical bills or for the upkeep of your family after your death.
3. Contact multiple insurance companies or agents, and hold an audition. Put the onus on them to impress you and give you exactly what you need, and let them compete amongst themselves.
4. Compare the plans that the agents draw up for you - they should be pretty similar in terms of what they offer based on your pre-decided parameters - and evaluate on relevancy, comprehensiveness and price.
5. In addition, evaluate the trustworthiness, proactiveness and promptness of the agents.
6. Read ALL THE FINE PRINT in the brochure, agreement, infopack, etc. Know exactly what you are getting into and note all of the things that will nullify your right to claim insurance.
7. Take your top pick and sign the papers.
8. Maintain a good relationship with your insurance agent and contact him or her whenever you need clarification or want to claim for something.

How to Start Investing

Baby steps to investing for those who don't know how and where to start.



Investing is such a complex and wide topic, with everything ranging from get-rich-quick-schemes to bitcoins to gold to the next housing market boom/crash.

Due to that, one can be tempted to:

1. spend forever trying to become an expert before dipping a toe into the investment waters, or
2. leave it to someone else to handle so you don't have to worry your pretty head of hair over it.

Unfortunately, putting off investing, or shoving it into the hands of somebody else, are both awful ways to go about it.



Just start lah

By putting it off, you are losing out on the best factor when it comes to investing: time.

They say time heals all wounds, but what they forget is that time also makes things grow, and this includes money. You should be investing from your 20s, not when you're turning 40 or 50.



Start solo, then get help

The easy way out is to just get a professional or your brother-in-law to completely handle your money for you, because who has time for this nonsense??

While I don't think there is anything wrong in seeking professional help, I also think it is extremely important that you start investing on your own at first. Frankly, nobody will care about your money as much as you do, and by outsourcing it, you are basically missing out on the opportunity to learn, and are instead funding someone else to make mistakes at your expense.

Everyone is different - your priorities and timeline and income trajectory are specific to you. Because of that, you will have a different investment approach than mine or your neighbour's.

By doing it on your own, you will:

1. understand your psychological mindset on making money and losing money: are you calm in the midst of an economic downturn or do you panic like a headless chicken?
2. understand your personal risk profile: how much risk can you handle, and at what point does this make you lose sleep at night?
3. understand better (if not completely) how the investment tool works, so that when you do end up handing the responsibility over to a professional, you will actually be able to tell if they are doing a good or shitty job rather than blankly nodding along to whatever they say.

Later on, once you've gotten a reasonable understanding of how and what you prefer to invest in, and your assets are much more sizeable than they are now, you can consider paying a professional to help you.

By this time, you will know exactly what to look for in a professional, and be able to truly tell if they know what they're doing or if they're just talking sweet and fast.

(Even then, I highly recommend keeping a very active finger in how your investments are being managed by the third-party - I repeat, no one will care about your money as much as you do.)

For now, pick up 2-3 books on the topic, or read the first 5 articles that come up on the Google search, and you're good to start.



“But what if I’m so awful at it and I lose money??”

The thing about being a beginner and a learner is that you will, naturally, be awful at it in the beginning. And yes, as you’re navigating the ropes of ROIs and Sharpe ratios, you may end up losing some money.

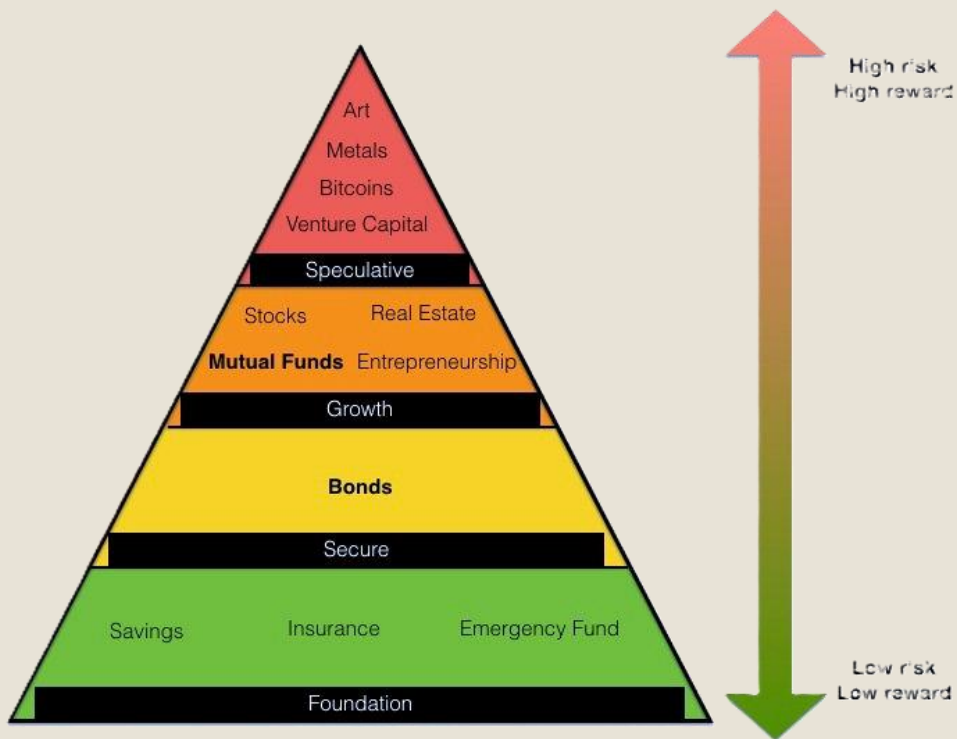
But here’s the thing: professional investors lose money too, all the time. It’s part of the game.

And here’s another thing: you will get better, and you will know what to do, and what not to do, and what’s within your control and what’s outside your control. You will still lose money every now and then, because that’s the game, but you will also improve and know what to do to make more money.



Start with the two least complex things on the menu

Here's the hierarchy of complexity among the different kinds of investments:



For someone who is starting out, I recommend that you first take care of the foundation: savings, emergency fund and insurance if you haven't already.

Then, for investment purposes, go for the two bolded items for starters: bonds and mutual funds (or mutual funds' better-looking cousins: low-cost index funds and ETF) - both as a launch pad to more complex investments, but also as a more-than-sufficient investment strategy if you don't desire to get any more complicated than this.

[This means I will NOT be talking about picking individual stocks, buying real estate or other investment varieties like gold, bitcoin, etc. Some of those require fairly extensive learning and considerable capital, while others work in very specific markets or economies that are unique to it. Not the scope of this article.]

Bonds

Bonds are loans you give to an organisation (typically a government entity), and in return for taking your money for an agreed number of years, they will pay you a X% of the amount monthly or annually.

These tend to be the 'safest' investment because governments are usually stable and will hardly go bankrupt (although we know that is not necessarily true *coughGreececough*), so it is pretty much guaranteed that you will get the money as promised.

The downside to that is the low returns, that range from only 1-5%.

But hey, it's stable, it's relatively low-risk, and is suitable for you if you are more interested in *not losing* your money than in growing your money. Very very suitable if you do not have the time or the heart to withstand the ups-and-downs yo-yo trajectories of the other investment tools.

Mutual funds, Index Funds or ETFs

Mutual funds are groups of individual company stocks compiled by a fund manager. Each fund will have a theme and a set of rules on what they will and will not invest in: for example, an Agriculture Fund will have stocks of agricultural companies, while an Emerging Market Fund will have stocks of companies from the second and third world countries with an anticipated high growth rate.

The main benefit of a mutual fund is the ability to own lots of stocks and even entire industries with a little bit of money, allowing you to spread your risk as you wish. The main drawback to a mutual fund is the fees (that can go up to 2-3%).

As mentioned, mutual fund's cousins are the index funds and the Exchange Traded Funds (ETF). Index funds simply drop the fund manager and instead get a computer to copy the current market composition, so your holdings will match the market, and thus your returns will also match (more or less) the market returns. ETFs are essentially the same as index funds, except you can trade them like stocks if you want (but you shouldn't, as I recommend a long-term buy-and-hold strategy). ETFs are more easily accessible in Malaysia – buy them but treat them like index funds, not like hot stocks to trade.

Given that most fund managers fail to beat the market to begin with, you're actually better off with an automatic index fund or ETFs that charges less fees (as low as 0.2%!). The fee % may look small and inconsequential (2% vs 0.2%), but when you're dealing with a lot of money and investing over the course of decades, it can become a sizeable chunk (hundreds of thousands of dollars), so always opt for lower fees, all else being equal.



Baby steps to investing

The following is by no means the only way to do this, but would serve as good pointers on how to get started.

Step 0: Have an Emergency Fund

Before throwing your money at potential investments, make sure you already have your Emergency Fund set up and topped off. This is a very basic step in financial planning, and you can find out more about it in Part 1.

Step 1: Decide on your initial asset allocation

Let's say, for simplicity, that you have \$1000 to invest. How do you want to spread this across your investments? How much will go into bonds, and how much into mutual funds/index funds/ETFs? Within those funds, how much will go to which category?

Below is one of many examples of a breakdown of that \$1000:

Category	% allocation	Amount from \$1000	Example of Funds to Buy
Cash Accounts / Bonds	20%	\$200	Tabung Haji, Amanah Saham, Government or Corporate Bonds
Malaysia Equity	30%	\$300	Malaysia Growth Fund, KLCI Index Fund, etc
Asia Equity	20%	\$200	Asia Equity Fund, Asia Growth Fund, etc
US / Global Equity	15%	\$150	S&P Index Fund, Global Fund, Emerging Markets Fund, etc
Other: Technology / Real Estate	15%	\$150	Technology Fund, Asia Real Estate Fund, US Healthcare Fund, etc

Step 2: Sign up for accounts in fund companies

Once you know how you're going to spread your money, sign up for an account in your local, trustworthy fund companies. If you're in the US, I recommend Vanguard. If you're in Malaysia, try FSMOne and skip the fund agents that will gouge out 6% of your money before it even goes anywhere and only pay 2% instead.

Step 3: Put money in and buy

Go through the bond and mutual funds on offer by your fund company of choice. Based on your asset allocation in Step 2, you would already know what categories or themes you want to buy in.

As a start, check for the following:

1. **Past performance against comparable funds:** *IMPORTANT: past performance is not indicative of future performance, so a fund that is performing well does not necessarily mean it will continue to do so.* The point of this is to compare similar funds investing in the same industries, and to find out how they have been performing given they are swimming in the same pool - obviously, choose the best swimmer
2. **All the fees:** in the long run, the fees you are being charged will make a much bigger difference than the performance of the fund, because whether the fund profits or loses money, you still have to pay the fees. Make sure to opt for funds with low and reasonable fees.

Once you get more sophisticated, you can then start checking for things like turnover rates, alphas, betas, R-squareds, and benchmarks. But don't worry about these now, you will get there eventually.

Step 4: Continue to pump money as per your asset allocation, and rebalance twice a year

Your money will hopefully grow, but they will not grow evenly. Some of your investments will do really well and take up a big % of your allocation more than they should, while some will stutter and drop and take up less of your allocation than they should. This needs to be fixed.

Check every 6 months, or even just once a year, and rebalance: sell some of the well-performing, overly fat investments, and buy more of the under-performing, skinny investments. This is the mutual fund/ETF version of 'buy low, sell high', but based purely on your asset allocation rules. Read more on asset allocation to learn how to do this in detail.

And that's it.



Where to go from here

As mentioned, this is just the start - you can choose to go as complex and as sophisticated as you want. After taking care of the basics listed above, you can take on more expensive investments (like real estate) or explore more esoteric investments (like precious metals or art). Or you can choose to stick with bonds and mutual funds and simply refine your approach.

Either way, go for investments that you are interested to learn about and are interested in monitoring. If you enjoy checking out houses and buildings and love dealing with tenants, you can try real estate. If you don't enjoy being glued to the screen and watching stocks tick up and down, then maybe stay away from trading stocks.

Do not, at any point, go into an investment just because someone else told you to. If you can't be bothered to learn about it, to understand it, and to get better at it, you're not investing, you're speculating.

A good rule of thumb is to keep your adventurous, experimental investing to less than 10% of your holdings. Go crazy, but only by 10%.



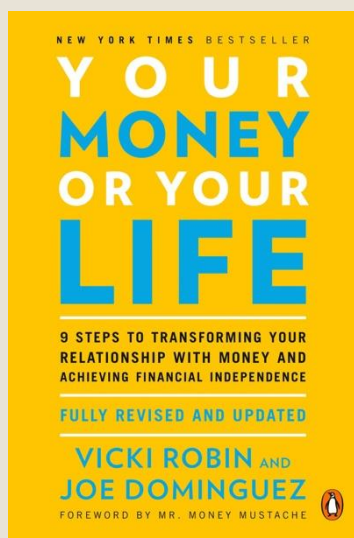
So, is this going to make you ultra rich soon?

Unfortunately no, The above is not a get-rich-quick-scheme. It will not make you rich beyond your wildest dreams in three months, but you will definitely be richer if you did them than if you didn't.

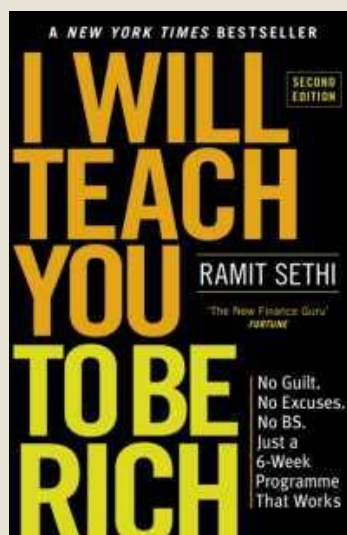
And if you pair this with sensible money mindsets and practices that we've covered in Part I and Part II, then you may even find yourself retiring earlier than expected.

Recommended Reading

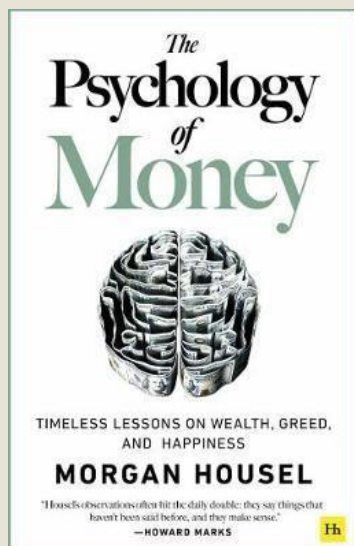
Excellent books that can take you farther in your personal finance journey



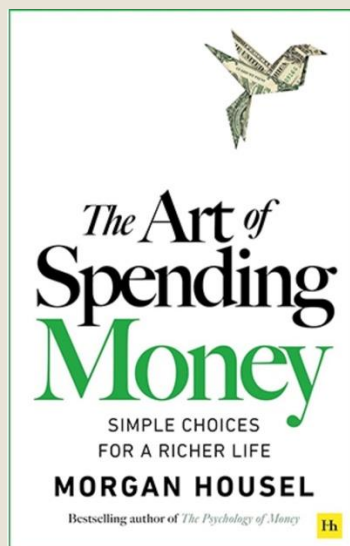
Already mentioned several times in this document because it is just *that* good.



The context is mainly USA-related, but the principles and tips remain universal.



Resets your brain when it comes to thinking about money.



A follow up from the same author, this time on how to best spend your money.

ENOUGH, AND THEN SOME

