Plan for the future now, not in the future

Student Max Pang has a clear idea of his ideal life and works towards it.

BY ONG HUI QUN

ALTHOUGH Max Pang, 24, is just entering his fourth year at Singapore Management University (SMU), he has already set up an endowment fund to fund his future children’s college education.

“You can’t start planning for the future in the future, you’ve got to start planning for it now,” says the finance and operations management major, who has been putting aside S$300 a month for his plan since national service days.

Mr Pang, who is not married but has a girlfriend, only makes the premium payment of S$3,600 at the end of every year, to minimise administrative fees.

He expects the plan to mature with nearly S$130,000 in twenty-two years. By then, he says he would hopefully be living in a landed property, surrounded by family and friends, and perhaps be a car owner too, to ferry his children between home and school.

Family is a recurring theme in the discussion about his financial priorities. “I’m really quite family-oriented,” Mr Pang professes. “I’m always looking to giving my mom and future family a comfortable living, where they don’t have to worry about the costs of housing or education.”

Prudence

After his parents divorced when he was two, he grew up living in a four-room HDB flat with his mother, grandparents, and four relatives. He remembers his mother working between 12 and 16 hours a day as the manager of a restaurant to support the family.

“I’ve been prudent with my money since I was very young,” says Mr Pang, who regularly saves a portion of his allowance first, before spending the rest.

During his secondary school years, he would play soccer and eat at hawker centres, as opposed to cafe-hopping or other more expensive pastimes. He spent less than S$20 a week. “I don’t spend on unnecessary things, such as too many clothes and shoes,” he says.

He surrounds himself with like-minded friends who do not believe in splurging as well, so he does not feel pressure to spend more than he needs.

“You’ve got to figure out your needs and your wants,” he says.

The importance of differentiating needs from wants is exactly what he teaches young students at the Association of Muslim Professionals, where he holds financial literacy classes once a week as a member of the Citi-SMU Financial Literacy Club. “For instance, if you’re thirsty, would you choose Coke or a bottle of water? If it’s the bottle of water, would you buy it from 7-Eleven, Cheers, or NTUC?”

“These are conscious choices one can make in order to save money,” he says.

As testament to his financially responsible ways, his mother gave him a lump sum for his four years in university, including a semester abroad in Sweden this coming August.

Mr Pang uses the money for school-related fees, transport and food. He keeps the balance in a bank account separate from his other deposits. His personal savings and brokerage funds are all kept in different accounts at various banks.

He is thus clear on how each account is for a certain purpose. “For example, if I want to get a new phone, I would look into my personal savings,” he says.

Mr Pang also uses multiple banks because the Deposit Insurance Scheme, administered by the Singapore Deposit Insurance Corporation (SDIC), insures each depositor for up to S$100,000 per bank.

The SDIC, among other tidbits of knowledge that have guided his saving habits, is something he learned about while reading voraciously. He reads newspapers daily and follows investing blogs.

Mr Pang believes learning about money management is for all ages. He urges his peers to start taking charge of their finances.

“Sooner or later, we’ll have to pay the bills and provide for our parents, so it’s never too early to start learning and planning,” he says.

In his spare time, he attends free seminars at the Singapore Exchange (SGX) Academy, on topics ranging from real estate investment trusts (Reits) to exchange traded funds (ETFs). He attends around two talks per month.

Time constraints

The knowledge he has reaped from these various sources gave him the confidence to start an investment portfolio last year.

First, he had to set up a trading account. The process was not complicated. He recalls: “I walked into a brokerage firm during lunchtime one day, and opened my Central Depository (CDP) and brokerage accounts.”

In the past few months, Mr Pang bought some Reits and bonds, putting in a little less than $8,10,000 of his savings.

However, he faces time and money constraints. Between school and his current internship at Citibank’s wealth management division, he says he has not had much time recently to examine individual stocks closely.

Yet he says he is investing for the long term. “I hope to eventually build a portfolio with around S$1,000 in passive income every month,” he notes.

Other than stocks, Mr Pang has also bought health insurance, and signed up for a credit card. Health insurance plans get more expensive with age and borrowers with good credit history get lower interest rates on loans, he says. “I don’t want to just rely on my monthly income and Central Provident Fund (CPF) savings.”

Having more money, Mr Pang believes, will enable one to make more lifestyle choices. “Ultimately, money is really just a means of exchange for the life you envision,” he says.

He is therefore looking forward to spending a little more than usual on a nice Japanese meal, as a treat for his mother’s 49th birthday.

“Experiences are what truly makes you happy, not material wants,” he adds.

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