

Personal finance management critical analysis

[Business](#), [Management](#)



Source : <http://www.theborneopost.com/2011/05/03/personal-financial-planning-improves-standard-of-living/> Personal financial planning improves standard of living Posted on May 3, 2011, Tuesday “ Personal financial planning is essential if we want to improve our standard of living, minimise the likelihood of financial disasters, invest optimally, and accumulate sufficient wealth over time,” said Professors of finance, Dr Koh Seng Kee and Dr Fong Wai Mun in their book, “ Personal Financial Planning. Primary goal of financial planning In this personal finance textbook for Singapore’s undergraduates and MBA students, it also says that the primary goal of financial planning was to help a person to achieve better financial outcomes for oneself and his/her loved ones. Moreover, personal financial planning provided the twin benefits of helping a person accumulate wealth for the future; as well as reducing the likelihood that one will be adversely affected by major financial disasters.

In another good book, ‘ A Singapore guide to personal financial planning’ edited by Andy Ong, CFP, it stated that developing strategies to improve a person’s standard of living becomes increasingly difficult as the world becomes more complex. Though this statement was made in 1999 when this book was first published, it is still true today, and this also applies to Malaysians today as the Malaysian economy is also influenced by increasingly complex domestic and international factors.

Thus being able to anticipate what we hope to achieve financially, give Malaysians an upper hand and higher probability of success compared with just reacting to financial happenings as they unfold. Good examples of major financial events that happened were the financial tsunami of 2008 as well as

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the Asian Financial Crisis in 1997 that still linger in the mind of many Malaysians. What is personal financial planning? I have been researching for a good and holistic definition of personal financial planning.

I found a good one as defined by a few finance professors from Hong Kong. According to “ Financial Planning and Wealth Management, An International Perspective” by Louis Cheng, Leung Tak Yan and Wong Yiu Hing, personal financial planning can be defined as a comprehensive process which evaluates all aspects of a client’s financial needs including consumption, taxation, insurance, investment, retirement and estate planning in an integrated six-step approach in order to achieve a client’s financial goals.

The six-step, as introduced by Certified Financial Planner Board of Standards Inc include: Establishing client-planner relationship; gathering client data and determining goals; analysing the client’s financial status; developing and presenting the financial plan; implementing the plan; and monitoring the financial plan. The benefits of financial planning: According to www.cfp.net, the benefits of financial planning include: Financial planning provides direction and meaning to your financial decisions.

It allows you to understand how each financial decision you make affects other areas of your finances. By viewing each financial decision as part of a whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track. Conclusion Andy Ong, CFP, Past President of Financial Planning Association of Singapore (FPAS) sums it up well: “ Not only does sound planning improve one’s standard of living, it also helps to

stretch one's purchasing power and accumulate wealth in the most effective manner.

The essence of financial planning is thus to provide a person with a perspective of what to do with one's money in order to attain one's financial goals. " Contact Lee Khee Chuan, CFP on your personal financial planning at com. He will 100 per cent tailor-make a financial, investing and integrated estate plan with your best interest in mind. Lee is also a Chartered Financial Consultant, Chartered Life Underwriter and a Fellow of Life Management Institute, USA. Read more: <http://www.theborneopost.com/2011/05/03/personal-financial-planning-improves->