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STARTING YOUNG

Early lessons in prudence

Student Ng Bing Xian learnt the importance of sensible money management from his thrifty mother and books. BY FIONA LAM

Mr Ng says it is crucial for young adults to read books to brush up on their financial knowledge, especially if they want to start investing.
PHOTO: SHAWN TEO

WHEN he was in Primary One, Ng Bing Xian would often "squander" his daily allowance of US$1 to US$2 from his parents on toys, to his mother's exasperation.

"Since then, she has been very strict with me on money matters," the Singapore Management University (SMU) student says. For two decades, his mother has been keeping the purse strings tight – not once has she given him more money than what he needs to afford a meal in school.

That meant Mr Ng barely had a budget for eating out with his friends, even at fast food restaurants, or for buying the latest gadgets; if he wanted something, he had to finance it himself. He bought his first mobile phone when he was 15 with the S$4.50 hourly pay he earned at KFC in his first part-time job.

"There's just no way my mother would buy things like handphones or Nintendo Gameboys for me," he says. Even today, when he goes overseas for school or leisure trips, the money comes from his own pocket.

With a laugh, he describes his mother as "very stingy", and concedes that he used to resent her thriftiness and strictness with him initially. Looking back now, though, he is thankful because she has taught him from a tender age the importance of money and how to manage it. Without her, he would not have learnt to treasure what he has and spend his money wisely, he says.

"It has also fuelled my hunger for success because to be able to get what others have, I need to work very hard and save for it," he adds.

The 27-year-old accountancy student, who is starting his third year at SMU in August, is also the president of the Citi-SMU Financial Literacy Club, which aims to improve financial literacy among young adults. Mr Ng is spearheading the organisation of the club's upcoming Citi-SMU Financial Literacy Fiesta this weekend.

Today, his prudence with money is reflected in his habit of setting aside S$200 every month from his allowance for his savings or as a reserve for potential investment opportunities.

Since his days as a student in the Institute of Technical Education (ITE) and later at Ngee Ann Polytechnic, he has also been working part-time as a customer service operator at a casino cruise company to supplement his income.

Most of his expenditure are on transport and food. He refrains from buying what he wants, and only spends on what he needs – when he goes abroad, he does not buy souvenirs or do much shopping, unlike many of his friends who tend to have a big budget for holidays. He only changes his mobile phone when his phone contract is up for renewal and he is able to get a new model for free or next to nothing.

His current attitudes towards money were not shaped solely by his mother. In secondary school, he was still quite ignorant about how to manage his money well, and it was only when he started reading books on finance and investment in ITE did he learn more.

"Back then, I wasn't fortunate enough to have a club organising such workshops to teach me about personal finance," he says.

That is something the Financial Literacy Club is working to change for young adults, so that more of them can start their financial journey early, he said.

Examples of the club's activities are a free-of-charge workshop in 2014 for students from ITE College West on basic financial literacy content such as savings and insurance. This year, they are also holding a programme with similar workshops for secondary school students as part of an ongoing collaboration with the Association of Muslim Professionals.

It is important for financial literacy education to start as early as possible – even at the ages of 15 to 18 – so that financial planning can also begin early, Mr Ng says.

"For example, if you begin investing early, you can hold on to your holdings for a longer period, and if you add compound interest, you will get more returns eventually," he explains. Lately, he has begun investing in stocks, starting with marine engineering group Sembcorp Marine in April.

The same goes for insurance. The earlier the buyer learns about the different kinds of products and decides which to purchase, the better it is for him due to the cheaper premiums, he said.

However, for now, students can stick with basic insurance plans and the national medical savings scheme Medisave.

"But after you start working and have additional income or when you have a family to consider, you should buy more insurance," he says, recommending his peers to consider term life insurance, at the very least. Term insurance policies provides insurance protection for only a fixed period, and are cheaper than whole life and endowment insurance policies for the same level of coverage.

It is crucial for young adults to read books to brush up on their financial knowledge, especially if they want to start investing, Mr Ng says. He recommends classics on technical analysis such as Steve Nison's *Japanese Candlestick Charting Techniques* – which details how to use traditional Japanese candlestick charts as a form of technical analysis – and John Murphy's *Technical Analysis of the Financial Markets*.

He also advises his fellow students to take up bank loans for their current big-ticket expenses such as tuition fees and overseas exchange programmes if they are eligible because with those loans, the interest only commences after graduation.

"Think of the time value of money – you can earn more if you use the money you have now to invest, and then when you graduate you pay it back in one lump sum without interest," he says.

For Mr Ng, he has taken a bank loan for his tuition fees and his mother sets aside the money for his undergraduate studies in a fixed deposit account. "She's earning interest from there, so in fact she's making money," he says.

As a parting word of advice, he also cautions his peers against spending more than what they earn.

"Many university students tend to overspend when they go on vacation or exchange, but it's important to maintain some savings in university; you have to think about what financial commitments you might have after you graduate," he says.

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