Publication: The Sunday Times, p 44-45
Date: 17 November 2013
Headline: Harsh awakening one winter to financial reality

Harsh awakening one winter to financial reality

Academic's first month as an overseas undergrad taught him value of budgeting and planning

When he arrived in an Illinois town in 1982, Mr Jeremy Goh's allowance of US$500 was quickly spent on essentials.
ST PHOTO: AZIZ HUSSIN

Invest according to age
"A person in his 20s, for instance, who would typically work for 30 more years, should have some exposure to equities and the stock market. The market may fluctuate within a five-year span, but it is generally on an upward trend if you look at it across a 30-year period."

MR JEREMY GOH, associate professor at the Singapore Management University. Having studied topics ranging from management to economics and finance, Mr Goh realised that it was important for people to invest their money based on their life cycle.

Rachel Scully

The joy of Christmas turned sour for financial academic Jeremy Goh back when he was a student, after he failed to do what he now teaches students about – drawing up a budget.

His harsh lesson in financial life came in 1982 when Mr Goh flew to a small town in Illinois, the US, for undergraduate study.

He had US$500 – about $1,150 in Singapore currency then – to last a month.

"It was the first time I had travelled long-distance by plane and I wasn't prepared at all," he recalls. "It was snowing when I stepped out of the plane and I'd not brought any winter clothes."

His first US$500 was quickly spent on essentials that he had not budgeted for due to his lack of planning.

That experience in the harsh winter left its mark on Mr Goh, now an associate professor at the Singapore Management University (SMU) teaching corporate finance.

He eventually spent close to 20 years in the United States, studying for the first nine and teaching at various universities for the next 10 years before returning to Singapore in 2001.

"When I had that freedom and privilege to pursue my higher education in the US, I felt that I should be financially independent rather than going to my parents for money when it ran out," says Mr Goh, 53.

Having studied topics ranging from management to economics and finance, Mr Goh realised that it was important for people to invest their money based on their life cycle.

"A person in his 20s, for instance, who would typically work for 30 more years, should have some exposure to equities and the stock market," he explains.

"The market may fluctuate within a five-year span, but it is generally on an upward trend if you look at it across a 30-year period."

Q: Are you a spender or a saver?
I'm a mix of both. I do try to save more than I spend although some expenditures are unavoidable.

We need to realise that we should not be in a position in our golden years where there are insufficient reserves and savings to support our spending and lifestyles.

Q: How much do you charge to your credit cards a month?
I try to avoid using my credit card for most purchases but will charge bigger-ticket items such as petrol and air tickets as the discounts can be substantial.

I used to have different credit cards and miss the payment dates due to my heavy travelling schedule.

To my horror, I was told by my mortgage banker that I had been put on the Credit Bureau's watch list. We had a good laugh over my blunder.

Q: What financial planning have you done for yourself?
Asset allocation in one's life cycle has worked as a financial planning tool for me.

Now that I'm in my 50s, I've allocated more of my savings to safer products such as bonds. I have also started putting more money into real estate investment trusts (Reits) to stay exposed to the real estate market.

I wouldn't want to be highly leveraged at my age as I would be if I were to purchase an additional property. So investing in Reits is my way of hedging against property prices in Singapore.

Q: Moneywise, what were your growing-up years like?
My grandmother always told us to save for a rainy day. But I grew up in quite a comfortable environment as I was a beneficiary of my mum's indulgence and spending on her children.

It wasn't until I went to the US for my higher education that I finally had to spend within a budget.

Looking back, it was good that my parents did not give me a "blank cheque". So the fixed allowance and the distance between Singapore and the US forced me to set up a weekly spending budget.

When you put your expected future spending on paper, somehow the probability of over-spending is reduced.

Q: How did you get interested in investing?
I took a diploma course in engineering at Singapore Polytechnic before heading to the US.

One of the general or foundation modules in my school was economics, and I was fascinated with concepts such as inflation, which I learnt was one of the biggest enemies of the state if left unchecked.

So I started investing because I wanted to mitigate the effects of inflation and ensure that my pool of money did not lose too much value over time.

Q: What property do you own?
A three-bedroom condominium unit at Citylights, which cost my wife and me about $1.1 million in 2007. I was told by real estate agents that the current valuation is approximately $2.2 million.

Q: What's the most extravagant thing you have bought?
I love and collect watches and occasionally trade them with other watch-lovers so I can "upgrade" mine to a more unique piece.

A few months ago, I got a Patek Philippe Nautilus worth about $50,000 as my 53rd birthday present to myself.

Since I have two sons, I may have to get another one as these watches will be held for the next generation. Unlike cars, which are depreciating assets, certain watches can hold their value.

Q: What's your retirement plan?
As a researcher and educator, I don't see myself retiring. I may slow down and not take up more projects, but I'll definitely stay active in scholarly pursuits. So there's no retirement plan for me, and I'll work till I drop!

Q: Home is now...
A 1,678 sq ft condo unit at Citylights where I live with my wife and two sons.

Q: I drive...
An eight-year-old BMW X5, which I bought pre-owned. I use it for trips to Malaysia and places outside the city. Otherwise, it's more convenient for me to hop onto the MRT to go to work or the city.

rjscully@sph.com.sg

WORST AND BEST BETS

Q: What is your worst investment so far?
It would have to be an investment decision in 2000 when I was planning to relocate back to Singapore from the United States.

This was before the dot.com bubble burst.

As part of my financial plan, I bought into the Enterprise Fund marketed by Janus, which invested in high-tech Nasdaq stocks.

Unfortunately, the fund plunged 40 per cent after I bought into it. It took almost 11 years for the price to recover to the levels it had in 2000.

I still have about US$4,000 (S$5,000) in this fund and was attracted to it as a Star Trek fan because of its name. But I've since learnt not to invest in securities I do not understand.

Q: And your best?
It would be my time and effort on financial literacy programmes. I championed the Citi-SMU Financial Literacy Programme for Young Adults, which started last year.

It's a "train-the-trainers" programme where I teach undergraduate students about budgeting and managing one's expenses. These trained students will then reach out to young adults between 17 and 30 who are in the low- to middle-income category, to impart these money tips to them.

This programme is my best investment because it will have a positive long-term impact on the social fabric of Singapore and future generations.