

LIFE AFTER SCHOOL

Planning your financial commitments after your studying years

THE EXCITEMENT of receiving your first pay cheque on your first job is a normal occurrence for those who have graduated from educational institutions to offices. Once you have decided to join the workforce permanently, there are some financial commitments which you will expect, perhaps not all of them, in your upcoming years. Basically, the goal is to make sure you have sufficient funds for emergencies such as medical, as well as for retirement to sustain yourself and your loved ones when that time arrives.

Bear in mind that a ringgit today may not carry the same value as it would a decade from now. Here are what you should expect when you step into adulthood and the working world.

YOUR FIRST JOB

It is exciting to make your first foray into the working world where you will start your career. Along with your first salary, you should start planning for your financial future as well as avoid problems associated with debt. Section your salary for savings of at least 10%, loans and other debt - maximum 40%, and spending 50% (it is advisable to incorporate investment from this amount if you can).



EPF/KWSP

With your permanent job, a compulsory contribution of 11% will be deducted from your gross salary for the Employee Provident Fund (EPF) or Kumpulan Wang Simpanan Pekerja (KWSP). Your employer will also contribute an amount, usually 12% of your gross salary, for your retirement benefit as an employee of that company. This fund cannot be withdrawn until your retirement age. However, there are instances where one is allowed to use a part of the EPF for purchasing a home, education, medical purposes and even purchasing a computer. Nevertheless, it is best to save as much as you can in this fund to assist you during retirement.

INVESTMENTS AND SAVINGS

Putting aside your savings and making investments are two different things. When you save, you are setting aside some easily accessible cash for emergency reasons or let's say for example, you are out of a job. Do you have three to six months of

living expenses just in case? Whereas investments are meant for growing your money faster than putting it in a savings account. Investments involve risks, depending on your risk appetite, than that of an easily accessible savings account. That said, try to have both. In fact, it is a good idea to spread your risk instead of lumping all your eggs in one basket.



EDUCATION LOAN AND OTHER LOANS

Chances are, many of us may have taken education loans such as the one provided by Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN). Always remember to pay off your obligations as you do not want to prolong your loan for many years. Always pay your dues on time to avoid being blacklisted by any financial institution because once your record has been stated in CCRIS (the Central Credit Reference Information System), it will affect any future decisions made by financial institutions with regard to any borrowings you intend to make, for a home purchase or personal loan or credit card. Also, once you clear your existing debts, you will be worry-free and ready to make bigger, more useful financial commitments.



INSURANCE

As another backup for emergencies, insurance policies are important in easing your finances should you end up in a hospital due to serious illness. Medical bills are costly and can accumulate up to thousands of ringgit. Therefore, having an insurance policy is not a waste of money. If you need surgery, for instance, an insurance policy will cover your expenses. There are many types of insurance policies and buying one when you are young and employed makes for a cheaper option. It is best to not wait until the last minute or when you are older. In fact, some policies also offer investment opportunities.



CAR

Owning a car would probably be one of the first decisions for many as a convenient means of transportation. Before doing so, you will need to decide if you really need a car, whether used or brand new, as chances are you will take up a hire purchase loan. Your monthly repayment may last up to nine years depending on the loan tenure you signed up for. Remember that owning a car costs more than just paying its monthly instalments as there are maintenance costs as well. To gain the maximum value out of your car purchase, it is wiser to commit to a smaller loan with a shorter tenure.

MARRIAGE AND FAMILY COMMITMENTS

When it comes to matters of the heart, there will come a time when a wedding takes place and children come into the picture. There are expenses which must be set aside. If possible, refrain from borrowing to fund your wedding as chances are, there will be future financial commitments that will be part and parcel of yours and your spouse's. Also take financial consideration into your family planning. Marital bliss involves an understanding on how money is managed among spouses and family members. You would want to save for future events such as maternity costs, to buy a house as well as your children's insurance and education fund. It is wise to prepare for rainy days should the economy becomes unstable and either spouse ends up not having a job. Of course, once in awhile you will like to have excess money for treating

your family members to a nice holiday or outing. The ultimate idea is to be financially savvy and prevent yourself from using credit or borrowing unnecessarily.

HOUSE

A house, aside from being a home, is viewed as an investment. Buying a house is a major decision which requires you to conduct some research before making your decision to purchase one. As you begin your career or wedded bliss, it is wise to determine whether renting or buying would be suitable for your income, taking into consideration your other existing debts. Ultimately, make sure the commitment you make towards a home includes unforeseen maintenance costs, among others.

PREVENT FINANCIAL TROUBLE

Should you worry about having debts? To most Malaysians, debt is unavoidable. Debt can be productive, where its uses can range from investments to asset purchases such as property, where value of the purchases has the potential to increase over time. Unproductive debt, on the other hand, stems from the unscrupulous use of credit. If you are going to swipe your credit card for a purchase without being able to pay in full when your statement arrives, you will be incurring interest on top of your purchase. Bringing this amount forward will only heighten your debt slowly yet surely.

Ultimately, try to minimise the amount of debts if you already have any. Or rather, do not overcommit, but settle existing loans first if you can. As mentioned earlier, make sure your total owings do not exceed 40% of your total monthly salary.

REALISING GOALS AND DREAMS

Keeping your debt obligations manageable means you will have an improved cashflow. You will have more money left over for savings or your long-term financial plans. A positive cash flow enables you to have extra funds each month to invest in useful, legitimate ventures, build your emergency fund, pay down existing loans and treat yourself and your family occasionally. Perhaps you can even contribute to your next education fund should you intend to further your studies. Don't let overindebtedness hound you. And when it comes to finances, always make sure you prepare for rainy days and live within your means. - **Agensi Kaunseling Dan Pengurusan Kredit (AKPK)**

