

Yes, we can be financially healthy!

WE can't hit a target that we can't see. Likewise, we can't achieve financial health if we don't plan. How do you know if you're financially healthy? These seven attributes will give you an indication.

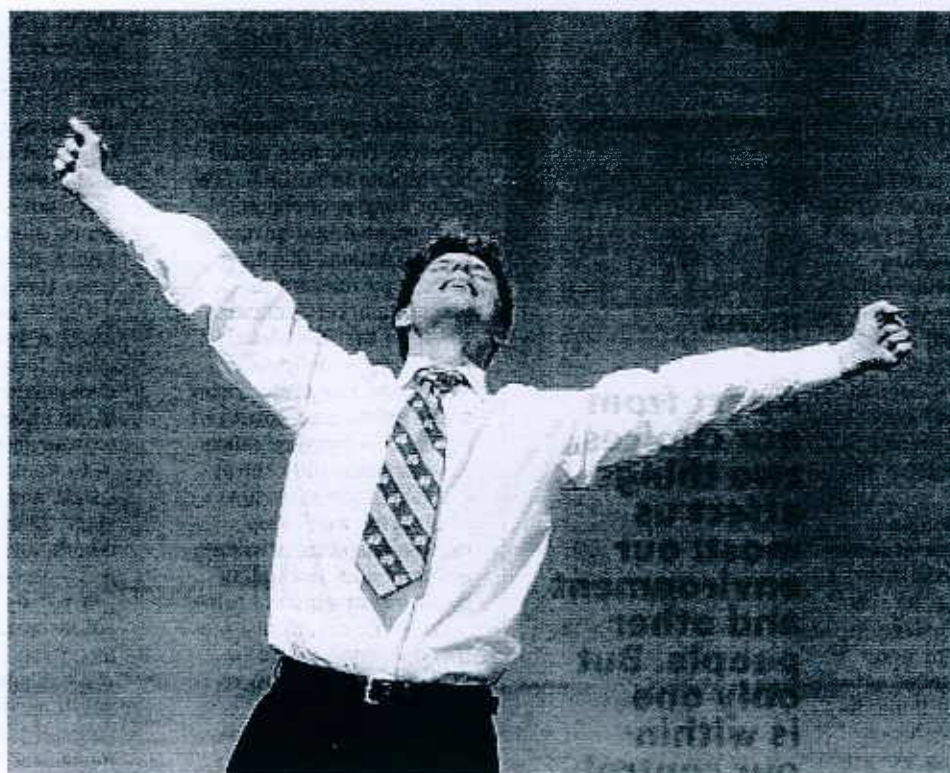
1. The ability to live without overdependence on consumer debt

Nearly every Malaysian household carry some consumer debt.

Most of us have credit cards, and some carry debt over from one month to the next.

You can define consumer debt as the process of borrowing money for anything that is worth less after the purchase than prior to it.

A young couple starting out may seek the availability of consumer debt resources to say, pay for new home appliances or a significant car repair. Any working adult who depends on consumer debt to get through the month is not financially healthy. Overdependence on consumer debt is, in fact, the roadmap to a life of financial struggle.



2. The ability to own a mortgage-free home by retirement

The way we go about owning a home today is very different from generations past. With a mere 10 per cent down payment, we can "own" our homes.

Ideally, your home instalments should cease upon retirement, but some financial institutions may extend the repayment period right up to when you're 75! This makes your monthly instalments seem "affordable", but you won't be able to retire, at least not until you reach 75!

The optimum state of financial health demands that you have the ability to live without a house payment by retirement. Alternatively, you should have a store of capital that allows the earnings to pay for the monthly instalments during retirement. Either way, you should be debt-free upon retirement.

3. The ability to enjoy a secured and dignified retirement

Some studies have shown that only less than five per cent can retire with financial independence, of whom more than half would be financially disappointed!

This is one area where time is key, so wherever possible we should strive to save as much as we can while we're still earning. As the saying goes, "Make hay while the sun shines!"

Remember: The only person who can take care of the older person you will someday become is the younger person you are today!

4. The ability to educate children for vocational pursuits

Children (and grandchildren) need vocational preparation for life. In fact, the highest return on investment for your family will come from the adequate

education given to children.

A university graduate normally makes more than twice the lifetime earnings of an SPM holder, and four times the lifetime earnings of a school dropout.

In essence, we should train our children to choose the path that will lead them to a good life.

5. The ability to pay in cash for all your groceries

It's imperative that a financially healthy person be able to pay cash for items that need to be consumed. You may put all your groceries and other consumables on credit, but be sure to pay them off in full each month. Otherwise, paying interest plus the price of consumer purchase items may eventually weaken your financial health.

6. The ability to withstand emergencies without borrowing funds or adversely affecting your financial health

Most financial emergencies are short term. A financially healthy family should be capable of paying at least six months of their expenses from their emergency fund. Job displacement, job elimination or job downsizing should be an expected and anticipated event, rather than an immobilising event.

Any family can experience a car accident, natural disaster or major health crisis. A financially healthy family will be impacted by such events, but not undone by them.

7. The ability to live a full life, inclusive of vacations, recreation and family activities

If it's true that life goes on while we continuously make future plans, we need to be careful to live in the moment while being mindful of the future. A financially healthy person achieves the balance of experiencing the current opportunities while preparing for the future.

Some people advocate that every family should take an annual vacation. Vacations, recreation and time-off are critical to a financially healthy lifestyle. It's neither all about the present nor the future, it's about striking the right balance.

All said, optimal financial health is possible. It is never achieved by accident, and if obtained, is never maintained by accident.

Have you noticed that nearly every attribute of financial health is a reflection of a character-driven decision that manifests as an expression of financial health? The good news is, financial health is definable and achievable.

Remember: Whatever financial situation you might be in right now, there's hope.

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