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Windfall here today, gone tomorrow

Jonathan Kwok | The Straits Times
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SINGAPORE - Many people were taken by surprise at the news report last week of the widow who ran through almost \$1 million in donations and insurance payouts in a year.

Madam Pusparani Mohan, 34, the widow of a Malaysian cleaner tragically killed in a freak accident while working at Changi Airport's Budget Terminal, had received this huge sum after the accident.

But the money is all gone now, leaving Madam Pusparani and her four young children in dire financial straits, The Sunday Times reported last week.

About \$500,000 went into a failed transport business started by her brother, and she also gave some cash away to relatives. Another portion went into a holiday in Genting Highlands with her family.

The public reaction has ranged from disbelief to disappointment to anger, but I prefer to focus on the lessons that we can learn from Madam Pusparani's sorry tale.

First things first, I don't believe that this particular case is an isolated one. Sure, not everyone will get an insurance payout and donations amounting to nearly \$1 million, but people have been known to lose their windfalls of somewhat smaller sums.

These can include insurance payouts, lottery winnings and even Central Provident Fund money that may be taken out upon meeting the Minimum Sum.

Newspapers abroad often carry stories of lottery winners who burn through their large sums of cash in record time sometimes even larger sums than \$1 million.

On a smaller scale, people have also been known to waste their annual bonus. It is in the bank one day, and within a month they don't know where all the money has gone.

So I can empathise with Madam Pusparani's situation.

Of course it seems like a very large sum to have been allowed to slip through her fingers.

But then let's not forget that she was grieving during this period - and that the pressures from family and friends who knew she held such a large pile of cash could well be considerable.

It is possible that she was overwhelmed by seeing such a large sum for the first time in her life, and may not have known what to do with it.

There are a few lessons I believe that can be learnt here, which can be applied to our lives regardless of the amount of money we are handling.

First is the importance of financial education.

Changi Airport Group had engaged a financial adviser to help Madam Pusparani manage the funds. She put most of the money in insurance policies for her children, but apparently later cancelled those policies and withdrew the money.

This shows that financial knowledge and literacy really needs to be "heart" knowledge rather than "head" knowledge.

Maybe this sort of knowledge takes hold only after years and years of exposure to sound principles.

This means taking the responsibility to find out more about how to manage your money, and to spread the word about good cash-flow habits to friends and family. You can start increasing your financial intelligence even without earning a high salary.

Many experts - such as billionaire investor Warren Buffett - say that money management and investment really isn't rocket science and centres on just a few basic principles. So everyone can learn how to manage cash. You don't need top educational qualifications or a job in the financial sector.

"The ability to handle finances has a lot less to do with age than with 'financial intelligence'," said Mr Bernard Lim Hup Seng, head of Financial Counselling, Aid and Resilience Education (FinCare), in a letter to The Straits Times.

"We have counselled those in their 60s and 70s who are deep in debt; we have also met teenagers who are financially very savvy."

"The best way to avoid or correct financial mismanagement is financial literacy/education and counselling."

FinCare is the community service initiative of the Insurance and Financial Practitioners Association of Singapore.

But knowledge is useless if we don't apply it.

So the next step in managing a large sum of money is to have a plan, which may involve expense trackers.

Some banks have tools that help you set aside a sum of money and make it hard to spend it, or you can simply set up a new bank account in which to keep the cash - preferably one without an ATM card.

It is not necessarily a bad thing to increase spending a bit when you have a large sum of money.

You may want to reward yourself if you have worked hard for a good annual bonus.

In sadder circumstances if a loved one has passed away, you may choose to use some of the insurance money to take a break overseas as part of the grieving process. But ultimately you need to account for the money, to know where it's going. And, of course, you should save most of the money you have on hand.

Mr Christopher Tan, chief executive of financial advisory firm Provident, said that tracking your spending is very important.

"If you don't know how you spend your money, you can't save," he said. He also advises people to take stock of their financial needs and resources so their mindset will be correct, and to come up with a simple financial plan to do the important things first.

This may include fully paying for a house to have shelter over your head.

Finally, it is also important to cultivate the character traits of decisiveness, determination and discipline.

Basically, you need to be convinced of the fact that you should keep the money safe, and be unwavering in your resolve.

It may be common for friends and family to ask for cash when they learn you have suddenly acquired lots of money.

The task is to properly manage these requests, and to decline politely when you can't give them any more money.

We can all get encouragement from the cases of people who do manage to wisely handle large amounts of cash.

Chinese daily Lianhe Wanbao last week visited the family of four Yishun orphans, who had received more than \$400,000 in public donations after their father died last year in a traffic accident on the Tampines Expressway. They had lost their mother to cancer two months before that.

Their maternal grandmother said that she is managing the money together with the children's paternal uncle, and are very careful with it. The good news is that they still have \$400,000 from the donations - basically most of it is still there.

So it is possible to save most of the money when we receive windfalls. I believe that with a good dose of financial knowledge, discipline and the right cash-flow plan, we can all react wisely if we are suddenly given a large chunk of money.

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