The Slave of Money: The Template of Financial Freedom

Ariel Chew

Author : Jason Koeh
Publisher : AcePremier.com Sdn Bhd
No. pages : 239
Price : RM49.90
ISBN Publication : 978-967-25694-3-5

Introduction

Jason Koeh is a licensed financial planner who draws on his experience advising clients to devise a programme with tools to help others achieve financial freedom. He was inspired to write the book *The Slave of Money: The Template of Financial Freedom* during the pandemic after discovering that it Covid-19 presented the ultimate opportunity for all to design their lives while earning an income through the use of technology. The target audience is those who are just starting out in their career in order to reap the full benefits of the compounding effect, which he explains in the book. However, experienced investors will find useful advice in this book as well. Koeh's book is 239 pages long and is divided into three parts.

Financial Freedom the Pre-Retirement Way

Part One of his book discusses what financial freedom entails. To most people, it means being able to retire early and do what they want after they retire. Koeh posits that there is a better way to achieve financial freedom than depriving oneself financially for 10 to 12 years during the best years of one's life. To him, working hard to earn as much money as possible at the expense of giving up the enjoyment of life or spending time with loved ones is not a good way to achieve financial freedom.

Koeh introduces the option of aiming for Pre-retirement with elevation of Financial Freedom (PEFF). Instead of retiring early and withdrawing from active working life, one can aim for PEFF. This means readers can aim to achieve the first financial freedom numbers of basic living expenses and then progress to the next stage of the desired lifestyle while creating value and doing the work they enjoy.

Money Quotient

In Part Two, he writes about the 5 Major Money Quotients (MQ):

1. Wealth Creation - to add value, create wealth and manage your cashflow.
2. Wealth Preservation - to preserve your surplus money.
3. Wealth Accumulation - to increase wealth through investment.
4. Wealth Protection - to protect your wealth.
5. Wealth Allocation & Distribution - to bequeath your wealth and values.

Koeh then expounds in detail on the 4 Money Quotient (MQ) Stages:

1. Stage of positive personal cash flow - the stage of working and earning for yourself or others.

   a. Koeh cautions against upscaling your lifestyle too early so as to save as much as you can. You can spend your money after you have saved it. It is also critical to gain experience and develop your values during this time. You should also learn to distinguish between your needs and desires and practise delayed gratification. Medical insurance should cover at least 36 months of your income.

2. Stage of committing liabilities - the stage of responsibilities and recognising assets and liabilities.

   a. According to Koeh, credit is good when there is enough income to pay off the debt. If you must take out a loan, make sure to increase your productivity in order to repay the credit loan sooner and avoid becoming a slave to debt for the rest of your life. Your car loan must cost less than your total annual income at the time. Your mortgage payment must be less than five times your total annual income at the time.

3. Stage of positive liquid net worth - the stage of compounding wealth and restructuring assets and liabilities.

   a. Koeh advises against spending more than half of your total income before pre-retirement or retirement. He goes on to say that whatever you invest in today must be in high demand tomorrow. And contrary to popular belief, passive income does not imply receiving money for doing nothing; rather, it entails putting in the effort upfront and reaping the benefits later.

4. Stage of pre-retirement - the stage of enjoying and bequeathing of values.

   a. Koeh describes the sudden death of a man in his prime who died without a will, causing enormous stress for his widow, who had to go through a lot of trouble to transfer his assets to her name. He points out that it is vital to have an estate plan to make the estate administration process simpler and cheaper to carry out and unlock your assets in the shortest time possible for your loved ones' benefit.

These stages define how you manage money, and once you have achieved one stage, you'll be able to move on to the next. Anyone can ascend the stages and spend as much time as they want in each stage, no matter how young or old they are. Koeh cites that a fresh graduate can achieve MQ Stage 1 if he lives within his means, as opposed to someone in their 50s who is deeply in debt.

Importantly, Koeh introduces the All-time Money Quotient Portfolio: S (Saving), K (Keeping), H (Hunting) and F (Farming):

According to Koeh, your money works in S & K on your needs and personal-used assets for security, while H & K deal with your wants and investment assets to increase your financial freedom numbers.

Koeh recommends that typically, 30% of one's portfolio should be allocated in the Saving (S) quadrant, 20% in Keeping (K), 30% in Hunting (H) and 20% in Farming (F).

He states that if 30% of the portfolio is saved and invested in short and long-term financial tools for all-time needs, the long-term tool could accumulate funds for basic lifestyle needs upon pre-retirement or retirement for basic living expenses. It is also crucial not to place money for basic living expenses, the roof over your head and future money for medical, healthcare and education in the investment hunting (H) portfolio. This will enable you to invest with no emotional worries even in the face of an economic downturn.

S - Saving for a basic living lifestyle, e.g., bank accounts, EPF, low-risk investments	**K** - Keeping the roof over one's head, e.g., insurance, commodities, antique collection for the next generation
H - Potential of upscaling lifestyle, luxury hobbies or charity, e.g., mid-term funds fixed income, balanced funds, intellectual properties, copyrights	**F** - Mid-term emergency, medical healthcare, education, insurance, reinvestment, e.g., business, equity/ growth fund, properties, stocks, charities, hobbies, luxury cars, travel

Future-Proof Your Financial Freedom

In the third and final part of the book, Koeh talks about the steps one can take to future-proof one's financial freedom. He begins by cautioning readers to stop chasing money. Instead, he states that the wisdom to produce money is more important than pure wealth itself. People like Jeff Bezos and Elon Musk have a high perceived value because they solve problems. Koeh then discusses how one can solve problems meaningfully in order to attain the desired lifestyle.

Then he explains the five steps of future-proofing your financial freedom:

- **Step 1:** All wealth begins in the mind – Know the rules of the game first.
- **Step 2:** Identify your stage of life now – This relates to the 4 Money Quotient (MQ) Stages.
- **Step 3:** Exercise cash flow management – Make sure you earn more than what you spend.
- **Step 4:** Exercise portfolio management – Have experienced and successful mentors guide you in managing your portfolio. Your money will continue to grow new money, which contributes to your financial freedom.
- **Step 5:** Build your strength - Get educated, apply the knowledge and learn from your mistakes.

Conclusion

True to the title of his book, Koeh leverages his financial planning experience and provides practical advice on achieving financial freedom rather than being a slave to money. He summarises the salient points for each chapter well, which helps readers remember the key messages at the conclusion of the chapter. He asks probing questions that make readers reflect on their financial situation and behaviour and gives plenty of real-life examples to illustrate his points.

There are also ample charts, calculations and tables to guide readers on how they can design their lives toward PEFF.

Koeh's conversational tone is easy to relate to, like a friendly investment-savvy relative who dispenses valuable advice coupled with memorable anecdotes and stories over an afternoon tea. I like that he injects many hard-hitting truths within the pages of his book, such as "You can't build a surplus or maintain your wealth simply by continuing to earn money," and "Preserving wealth also means to avoid falling for scams or any kind of investments that you are unclear about." He also acknowledges that waiting is the hardest part for many people – within days or weeks of the initial implementation of something new, we become discouraged and begin second-guessing ourselves when nothing happens.

These are things that new and savvy investors would do well to take heed of. Constant immersion in Koeh's 'truth bombs' will build a strong sense of financial savviness and being grounded and focused on one's long-term goals. Readers will not only see red flags whenever they encounter dubious investment opportunities but also be guided by their internal compass on what their next financial-related step should be.

I found the Money Quotient concept and stages towards PEFF to be both a novel and practical approach to achieving true financial freedom. By injecting new money through continued earnings through value creation, be it active or passive, one doesn't need to rely on the 4% rule, which is vulnerable to future potential variance factors. At all junctures, Koeh emphasises that financial freedom is accessible, but it requires effort and a shift in one's mindset. Indeed, this book serves as a blueprint for anyone who wants to achieve financial freedom without being subject to living a constrained lifestyle following early retirement ■