

COVID-19: We will Survive! “Change is Difficult, but Often Essential to Survival”

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Are you prepared to face the battle posed by COVID-19? My emphasis is on the importance of an emergency fund as many humans take things for granted and take blatant risks. Many have connected with me on this, and are eager to know how to overcome the situation with a non-existent emergency fund. ‘What do I do next?’ And, a more interesting question, ‘Does this global pandemic offer any opportunities?’

Liquidity, Liquidity, Liquidity

“Cash is king.” I am sure we would have realised that by now. The first thing to do will be to have liquid assets, which are basically cash in hand or assets that you can easily convert to cash such as money markets, savings and fixed deposits. The value of illiquid assets, like real estate, stock and unit trust can fluctuate or decrease during a crisis but liquid assets on the other hand, may not give you a high return but are the best assets to have when a crisis strikes. If you have limited liquid assets, it’s time to increase them immediately.

How do We Raise Liquid Assets?

Firstly, the moratorium or deferment of loan payment is a good step that can work to our benefit, especially for hire purchase or in other words, your monthly car loans. If your debt ratio is 30 - 50% from your monthly income, this could be very helpful for you during this unprecedented time.

Almost all banks have sent a notification that no compounding interest will be charged during this moratorium period for mortgage payment. This is a good opportunity to save about six months of your hire purchase and mortgage payment. This will enable you to save a substantial amount for your emergency usage during this pandemic. To note, clarify the terms and conditions with your respective banks.

If you are staying in a rented property, try to negotiate on a rental amount reduction for the next six months. For commercial properties, the



government has urged property owners to reduce at least 30% from the monthly rental amount. Developing good negotiation skills and applying them when speaking with all your creditors is key in building your emergency fund.

Next, improve your cash flow management. Leverage this stay-at-home period and list all your expenses by segmenting them into three categories: unavoidable expenditure (expenses involving basic, daily necessities); optional expenditure (expenses that can be avoided by resorting to other alternatives such as reducing take-away meals and opting to cook at home); and avoidable expenditure (expenses that can be totally eliminated such as online shopping). This simple task will enable you to prioritize your expenses, reduce leakages and take total control of your cash flow.

Another way to raise liquid assets will be to apply for stimulus packages from the government, if you are eligible. Remember to use them prudently and not blow them away in a month. i-Lestari from EPF, Bantuan Prihatin Nasional for individuals, Prihatin (wage subsidy) from Perkeso, Special Relief Facility (SRF) for SMEs and Tekun business loan are some of the stimulus packages available.

Look Out for Opportunities

Covid-19 has led to sell-offs in the financial market with the KLCI dropping to 1,219 in April. The decline was quite steep, but came as no surprise, given the unpredictability of the current situation. For investors investing in local equity, S&P500, property, unit trust or in businesses, this is a good opportunity. Identify your risk profile, investment objective and adopt value investing. Trust me, money without a purpose will not last long. All these opportunities are applicable if you are financially strong in setting your emergency fund.

Seek Only Qualified Professionals for Financial Advice

When struck with a crisis, you may notice that suddenly, almost everyone has become a financial expert in advising you on what to do with your money. Fair enough. Finance is a general topic and every one of us has a right to comment based on our own knowledge.

However, one must understand that we have different levels of financial literacy based on qualification, culture, perception, understanding and experience. This can sometimes lead to 'confirmation bias', which is a tendency to seek out information from people that only support your beliefs and ignore information that contradicts them. You may come across some people who say this is the right time to



buy stock or property and some may dictate otherwise by asking you to hold till the market goes down even lower. My advice to all of you would be to please get the accurate and needed advice from a qualified professional who is not biased towards any entity.

Knowledge is Key

A number of people have asked me if the market will drop further. Well, I don't have a crystal ball to predict the future. If you want to start any investment, the right thing you should do is to seek more knowledge on that particular investment and increase your competency level. For an example, if you want to start a property investment, read books, go for property investment classes, join property investment groups on social media and engage a seasonal property investor as a mentor. Long ago, I read a property investment book where the author explained that we need at least 6 months of advance

payment on your mortgage payment. That was a valuable lesson for me. I practised this when I embarked on my property investment journey and trust me, this has helped me greatly in managing sudden obstacles that I have faced along the way.

Although the coronavirus affects everyone, it has exposed extreme financial inequalities more profoundly than any previous crisis. Like it or not, all of us are in different financial situations in this pandemic. Some are looking for opportunities, buying good stocks and properties; some are going through financial crisis; some have lost their jobs; some have to take a pay cut while some frontliners are fighting this virus for us. Whatever the situation, priority should be given to putting food on the table for us and for others who are in need. This is the time to support each other and uphold the humanitarian values that exist in each and every one of us. ■