

The Best is Yet to be, so Pray and Work

By Dr Terence Teo

It was with much sadness that I read my classmate Terence Lim's article in the March issue of the *SMA News* ("Show Me The Money"). Although written in a comically irreverent tone, it nonetheless highlighted an issue that is close to my heart – money; or rather, the lack of it.

DOCTOR, SO WHAT?

Like Terence, I used to think that as long as a person studies hard in school, participates actively in ECAs (that was what CCAs were called then)

and basically tries to be an all-rounder, everything will somehow fall into place like a jigsaw puzzle and the rest of our lives will be a breeze. After serving two and a half years of National Service, and working for the last 5 years, my expectations have been somewhat tempered down and reality has set in. The main point that I have learned these last few years is that NO ONE owes you a living, even if you are a doctor. To put it plainly, "Being a doctor, so what?"

I have stopped comparing my salary with friends who performed less well than me academically. Indeed, one of my good friends from secondary school who was in the Normal stream, became a pilot and now earns more than me and drives a Beemer 5 series. The only difference between the two of us is that he was blessed with superior genes and did not have to wear spectacles. Of course, the fact that he did not spend hours hunched over textbooks while I was, probably contributed to preservation of his 20/20 vision. The point that I am trying to make is this: you win some, and you lose some.

So how did I made peace with myself and the fact that I will never earn as much as some of my friends who had performed less well academically?

IS THE GRASS GREENER ELSEWHERE?

Firstly, I put it down to an element of luck. This pilot friend of mine never knew that he could fly an airplane until he took up flying as a hobby after his father packed him off to Australia for doing poorly in his studies. In fact, he graduated top of his class in the SIA training school. If he had stayed on in Singapore, he would have probably ended up doing something less well-paid.

Secondly, the job market pays what it values. In layman's terms, this means that the salary that you get is related to what the current job market needs. For example, during the tech bubble, IT engineers and programmers were getting a great pay package. However, the moment the tech bubble burst, and there was suddenly a large pool of qualified people who were either out of a job or newly graduated, the average salary dropped like a bomb. Likewise, the same can be said of



"Daddy's pride and joy: Dr Terence Teo with his baby boy."

almost every other profession. However, the salary in the public sector is somewhat resistant to market forces. In fact, ALL of us junior doctors received annual pay raises during the last few years in spite of the poor economy.

Thirdly, for every "better" job that we doctors wish that we are in, the people there are also working their butts off. We just don't see it, that's all. We look at other professions with rose-tinted glasses, so that they will hide our green and envious

eyes. My wife, who is a finance manager, and enjoyed her college and university days being a student council member, works longer hours than me. In fact, I am home most nights earlier than her to play with our baby boy.

Similarly, many people will admire the fact that you are a doctor. In fact, an unmarried male doctor is a "chick" magnet. A lot of unknowing and ignorant people out there will envy a girl with a doctor boyfriend. But of course, we know better. The pay sucks, the hours are long, and there is nothing glamorous about performing surgery at three in the morning.

While doctors are among the highest earners anywhere, this is of little comfort unless you compare with peers earning less than you. Believe me, there are many jobs out there that your friends are working harder in, but earning a lot less pay. One profession comes to mind: teaching. I can tell you, teaching is an under-appreciated job. School holidays are for the students, not teachers; and they also have to work long hours, sit in committees, and deal with juvenile delinquents. Heck, we can just walk out of the ward if the patient or his relatives are giving us a hard time, and just leave them to the nurses and nursing managers. Teachers do not have the same luxury. They cannot leave the classroom to the class prefect.

Fourthly, doctors in the public sector (OK, so they call it "restructured" and "clusters" now) have our salaries artificially suppressed. On average, we work 60 to 65 hours a week, excluding calls and weekends. In the private sector like the GP market, for that kind of hours, we can probably command S\$12,000 to S\$13,000. Of course, there are many benefits staying within the public health system, especially in terms of research and training. But, with the salary of junior staff nearly half of what we can get outside the system, is it any wonder that doctors are breaking bonds or just waiting to serve out their bonds before leaving to really start earning the big bucks? I think that the question is rhetorical.

The last point that I want to make is that, no matter how much you earn, if you cannot save, than it is pretty pointless earning all the big bucks. To this end, I have read numerous books on financial planning from various authors.

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Dr Terence Teo can be reached at tkbteo@yahoo.com.sg. He is a radiology trainee who is very much into wine and Xbox gaming. He still cannot believe that his Liverpool Football Club actually won this year's Champions League. He will be most interested in any money-making ventures (less MLM) and discussion of financial matters. He has a new baby boy who he absolutely loves and dotes on. Nothing, absolutely nothing, beats the smile of your own child.



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The common theme among them is this – earning money is not easy, so you better save and invest.

TAKING CARE OF OUR FINANCIAL HEALTH

An interesting book that had a profound effect on me is *The Millionaire Next Door* by Thomas J Stanley and William D Danko. In it, the authors detailed their study on how a millionaire comes about. Another book I highly recommend is *Rich Dad, Poor Dad* by Robert Kiyosaki. There are many points made in these books, but some stuck in my head. I would like to share a few of them.

Getting a good education is paramount. As doctors, I think we have gotten that out of the way. However, knowing the intricacies of the human body is not the same as being familiar with the workings of the economy. We complain when our stockbroker friends earn higher salaries and our banker friends receive 6-month bonuses. But I believe that if we can memorise the surface anatomy of every human bone and “useless” facts like the Krebs cycle, surely we can put in a little effort into learning the basics of the economy and the workings of the stock market. Learn to read analyst reports. Understand financial terms. These are important components of REAL life that others out there are involved in.

With basic knowledge, the next time an unsolicited insurance agent or financial planner tries to con you into buying their products, you can sound clever by asking, “What is the expense ratio of this unit trust, the NAV and average ROI/ROE? How about the asset allocation or management fees?” Other clever sounding statements include “What is the underlying strategy of the fund manager? What asset classes are in the fund? What are the historical returns?”

While insurance is important, so are saving and investing. The classical teaching is save 10% of your monthly pay, until you have enough to last you for 6 months if you happen to be out of a job, and invest the rest. I would like to modify this statement to our situation. As doctors, you will NEVER be out of a job. Period. Hence, there is no need to save enough for 6 months before we start to invest. However, I need to qualify that by stating that, we have to be adequately covered by insurance before investing our spare cash. As young doctors, we have young families and elderly parents. If anything happens to us, our family must not be burdened with mortgage and car loan repayments. Also, there must be money left over for our parents. I will discourage anyone from the con job that is whole life insurance. To get the maximum bang for your paltry sum of money, term insurance is the way to go. Despite all the recent bad press, investment-linked products are excellent for the potential upside in a bull market.

(Can you see now the importance of financial knowledge? I almost sound like an insurance agent now!)

Personally, I am covered enough so that if I die tomorrow, the house and cars are paid for, my wife does not have to work for the next 20 years and my son has enough money for the university. A good estimation for monthly premium will be about 10% of your monthly pay. Despite what some insurance agents will tell you, insurance is an inefficient way to invest. Insurance is for protection, not capital enhancement (there I go again).

Next, get enough savings. For us, I think if we have enough for 3 months, it should be sufficient unless you shop in Prada and have bird’s nest soup for breakfast everyday. Invest the rest. The local banks’ pathetic sub-one percent interest rate is not even enough to beat the inflation rate of 3% annually. That means that your money in future is going to be worth a lot less than today. Let me repeat: a lot less. Therefore, we have to beat the inflation of 3% just to stay at the same point. An analogy is running on a treadmill. You are not running anywhere, but you will feel every “shack out” at the end of it. I do not believe in unit trusts because they are the next big con job after whole life insurance. Most funds in Singapore take about 1.25% to 1.75% in management expense a year. Hence, just to beat inflation, the fund must give an annualised return of 4.25 to 4.75%. Most funds LOSE money, not make money. Just check out the CPF website. Most funds only make money in a bull market, something that even the illiterate neighbourhood aunty can do just by buying on rumours and gossips. Of course, there are exceptional funds that make money in a bear market, but they are far and few in between. Also, using historical data in choosing a fund is useless. Our local unit trust industry is in its infancy, compared to the United States. Their experience can hardly be transferred to the local context.

THE SIMPLE LIFE

The next point I want to make is: live a simple life. In the books I had mentioned, the authors said that most millionaires drive a simple car that suits their needs. Also, they live in a house that is in a residential area that is slightly below what they can actually afford. The logic is simple enough. Cars are expensive in Singapore. The craziest thing you can do is to buy something that you have to use half your salary every month to service the loan for the next ten years. Yes, a Kia Picanto is not very sassy, but it sure beats the hell out of taking a bus and MRT to work. Also, it can do the same job as a Mitsubishi Evolution IX or Subaru WRX, although I do agree more heads will turn if you happen to drive one of these speed demons. Still, buying a car is the easy part – what about insurance, road tax, maintenance and petrol?

By living in a house/apartment that is slightly lesser than what you can afford, you avoid the risk of living it up with the Joneses. Most of us do not qualify for public housing because of our salaries anyway (see, I told you that it was not so low). Hence, we have to choose private developments. The cheapest way is of course to continue being a parasite and live off the charity of your parents, but for those who are a little bit more mature, getting a small condominium in the suburbs

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or even renting are options that can be explored. Living in District 10 means you have to live like a District 10ner. By choosing cheaper housing, we can choose cheaper furniture, less expensive interior designing, make do with locally made home appliances. Also, most of the neighbours will be driving cheaper cars, and there is no chance of feeling embarrassed parking your Kia Picanto next to the Mercedes-AMG belonging to the next door neighbour.

Another important point is to live a debt-free life. Credit cards are good, but interest rates of 24% per annum are no good. They are worse than loan sharks and banks collecting their debts can be more vicious. Clear all credit card debts ASAP. Do not borrow against your future earnings. Interest spirals and soon, things are out of hand. Use your CPF savings to reduce your housing loan by making periodic repayments. Reduce the length of your car loan. Better yet, borrow from your parents' savings and pay them the interest.

Finally, be careful of the partner that you choose. Speaking from a guy's point of view, this whole feminist movement thing is bollocks if we guys have to pay for everything. People

do not understand the true cost of their purchasing decisions until their own pockets are burned. Hence, insist on equal contributions from both partners into a joint account, which can be used to pay for groceries and household expenses. Of course, we guys have to pamper our wives sometimes by paying for holidays, candlelight dinners and the occasional jewellery. I know of people whose wives insist on the most expensive, even for the most mundane things like diapers and toilet paper. Be careful. You will never be able to increase your wealth if your spouse is the leaking tap and does not share the same financial prudence and philosophy as you.

Before I end, let me use the motto from Terence Lim's alma mater to assure all of us that things will only get better if we earn and spend wisely. Indeed, "The Best is Yet to Be". My own alma mater's motto is "Ora et Labora' – Pray and Work." Be thankful that we are in a noble profession where we are able to make a difference, and while we work hard to improve the lives of our patients, we should not neglect our own financial health. With these two mottos in mind, we should be able to make better use of our hard-earned money. ■