



Changing your mindset to adopt better money habits

by Lorna Tan, Invest Editor

A financial counselling course helped me to understand how I think and feel about money

Unlike credit and debt counselling, financial counselling is an area that has not received as much attention.

It refers to a holistic approach that aims to take an individual - who is in some form of financial distress - on a journey to financial wellness. Financial counselling is not restricted to just helping an individual debtor manage his debts, although credit counselling is included as part of the process.

In credit counselling, an individual debtor may be given guidance on budgeting and the use of debt management tools to reduce and eliminate debt.

For instance, Credit Counselling Singapore helps individuals with unsecured debts through education, credit counselling and debt management programmes. It also negotiates with creditors on behalf of the borrower to reduce interest rates and late fees.

Curious to find out more about financial counselling, I attended a full-day Introduction to Practical Financial Counselling programme conducted by Mr Bernard Lim who founded the Wealth College. Here are two case scenarios discussed during the programme.

Retiree Wong Ah Kee (not his real name) had chucked up \$70,000 in debts, mostly from the use of his credit card. His son decided to send his father for financial counselling.

The financial counsellor has to first understand how Mr Wong arrived at his debt situation and what prompted his spending pattern, to help and support his journey to financial wellness.

Flight stewardess Felicity Ho (not her real name) led a lavish lifestyle and enjoyed giving treats to others. Unfortunately, her expenses exceeded her means and soon, she was swimming in debt. Her friend introduced her to a financial counsellor to help break her bad money habits.

BASIC FINANCIAL PSYCHOLOGY

Dr Kathleen Gurney, a financial psychologist and developer of the Moneymax personality instrument, has been quoted as saying: "There is an inseparable bond between the subconscious feelings and emotions relating to money and the manner through which money is obtained, saved, spent or invested." So awareness must come before change.

Together with 16 course participants, I learnt that the starting point of financial counselling lies in understanding financial psychology. Of course, it is important to be competent with numbers (the "hard" side) and practical strategies, but Mr Lim pointed out that transformation and sustainable change can occur only if we are able to understand the "soft" side of those being counselled first.

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So awareness must come before change. Changing the way we think and feel about money can change our outcome in life.

Mr Lim crystallised four steps to financial wellness. They are: Who are you? Where are you today? Where do you want to be? How are you going to get there?

CLASSROOM EXERCISES

After a classroom exercise conducted during the programme on "money habitudes profile" (developed by financial expert Syble Solomon), I was not surprised to find out which of the two (out of six) profile types I belong to.

They are: Security (I use money to feel safe and in control) and Planning (I use money to intentionally reach my goals). There are pros and cons for each profile.

For instance, my Security profile ensures that I am a stickler for setting a budget and financial goals, that I would shop for value items on sale and protect my money by being conservative.

On the flip side, a person with such a profile may save so much that there is no money for today's needs or wants. Furthermore, the money may be safe but it does not grow.

The other profiles are Spontaneous (you use money to live for the moment), Status (you use money to present a positive image), Giving (you use money to feel good by giving to others) and Carefree (you use money if you have it, but do not care to think about it).

Another interesting activity, called Project 5-5-5 Challenge, is a five-week exercise where those undergoing financial counselling are strongly encouraged to track their spending daily and whether the spending was on a need or a want. Doing so forces the individual to be mindful of how he handles money.

Mr Lim said he would take on four cases of financial counselees per year, with each going through an average six-month journey with him, at the end of which their thinking and money behaviour would hopefully be aligned to achieve financial wellness.

That would be when they can successfully identify, access and utilise their resources to address their financial needs and be able to manage on their own.

He hopes more financial advisory representatives and financial practitioners will pick up financial counselling as a way of giving back to society. After all, other professions such as lawyers contribute via pro bono work and some doctors offer free medical advice or undertake medical missions.

Mr Lim started looking at the financial counselling space about 15 years ago. Back then, the term was unheard of here.

He progressed from credit counselling (debt management) to developing a holistic financial counselling programme. This programme allows him to offer financial counselling in a structured step-by-step manner.

Back to the two case studies. For the retiree, Mr Wong, it turned out he was led to believe that since he is old, he should enjoy life and borrow to the hilt because when he dies, his debts would go to the grave with him.

Mr Lim told him this is false because if he is spending on supplementary credit cards, the principal cardholder would be responsible for his debts upon his death. Mr Lim also asked him if he wanted his wife and son to remember him that way? Having realised his folly, Mr Wong decided to stem his credit card spending and resolved to settle his debts.

As for Ms Ho, she falls into the "Giving" money habitus profile, said Mr Lim. Due to her innate insecurity, she always feels she needs to give, for others to feel good about her. By realising what motivated her undesirable money behaviour, she took the first step to changing her mindset and eventually adopted better money habits.

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