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Road to Wealth – Part 1

by

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Amidst the turmoil in the financial circle in 2011, it is advisable that we explore how to build our wealth to protect the family from undesirable money circumstances. Since the beginning of the year, there are many incidents and crises that affect Thai people.

1. The protest in Egypt expanded to other countries in the Middle East and North Africa such as Libya, Bahrain, Syria and spreading to other countries in that region and there is no end in sight.

2. As a result, cost of energy especially oil has shot up to USD 124 per barrel.

3. The Bank of Thailand increase interest rate by 0.25% to 2.75% and there is a tendency that before the year 2011 is out, there will be two more increases so that the rate is finally at 3.25%.

4. Gold price has gone up to above USD 1,500 per ounce for the first time in history. Many research houses forecast that gold will be over USD 1,600 per ounce by year end because there are more and more investors jumping into the market creating additional demand.

5. Earthquake together with tsunami in Japan on March 11, 2011 affected the economy of that country both in term of industry and finance. Japanese production facilities in Thailand are affected especially car assembly due to lack of essential parts. Production volume may decrease by 30%.

6. The nuclear power plant in Japan suffered fire and explosion releasing radioactivity into the air and water contaminating food and many items. This is a new risk that the world has not experienced for almost 70 years since World War 2 ended in 1945.



The above incidents affected the financial and investment plan of many people. In this article, I will advise how to solidify your finance, taking into consideration the changing circumstances so that you continue to have a smooth way of life.

(1) Regular health check up. In the first place, I would focus on your health. You need to have regular check up especially for those who are 40 – 45 years or older. The busy daily schedule could pressure on your body and mind. Environmental pollution such as dust and smoke including hazardous substances in food also harm your health. Therefore you need to exercise regularly at least 20 – 30 minutes a day, five days a week and control your diet, you need to watch your weight to stay lean, have enough rest to regain your strength after a long day's work. Our body is made of muscle and blood, and not steel. Health check up should be done at least annually or more often if you suffer from certain illness and other symptoms such as high blood pressure, heart disease, insomnia or diabetes.

(2) Start your saving today. We have a good chance to live a lot longer than our forefathers. Normally, people retire at 60 and due to improvement in healthcare and safety measure, we could expect to live another 20 or 30 years beyond that age until we are 80 or 90 especially those who live in a city where medical facilities are better than elsewhere. Even though there are improvements in social security, everybody is expected to have his own savings to make sure that he has a decent.

(3) Look after your property. I always say that we have two kinds of properties. (1) First, there the tangibles consisting of land and house, car, personal property, computer, mobile phone and jewelry. (2) Intangibles where some of them could have great value such as intellectual property consisting of copyright in software, song and movie, tradename and trademark and patent for inventions. Other properties such as securities which are stock of companies listed on the Stock Exchange of Thailand are deposited with the Thailand Security Depository Company and are not visible. Mutual funds whether they are fixed income fund, equity fund, oil and gold funds or property fund are entrusted with the custodian and fund managers. We might not be able to see the properties in this category but we know that they exist because we can buy, sell or disposal of them. In addition, these properties give us a regular stream of income. Make it a habit that you spend only the dividend, interest and capital gain without disturbing the principal. If we need to dig into the principal, one day you will use them up.



In addition to personally looking after the properties, you can take out insurance against mishap or disaster. You can buy fire insurance for your house or motor vehicle coverage for your car. If you drive a car for less than 20,000 kilometers a year, it is advisable to take out third party insurance so that you pay only one-tenth of the premium charged on a comprehensive first class insurance. For example, a third party insurance could cost you about Baht 3,000 to 4,000 a year as compared to Baht 30,000 to 40,000 for a comprehensive one.

In the next issue, we will deal with another 4-5 interesting ideas while you travel on the road to wealth.

Good luck to you all.

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