

An IFA Veteran Speaks His Mind

Freddy Sim, Director and Strategic Coach for Eternal Financial Advisory, believes the future of financial planning is shining bright and practice what he preaches with his personal portfolio.

BY PERRY CHAN



Since the Financial Advisor Act revision in 2002, the number of licensed financial advisors has grown to a healthy crop of about 70 licence holders and they have not looked back. Their influence and impact on the lives of many – be it the high-net-worth individuals (HNWIs) or the man on the street – are undeniable and growing faster than expected. Freddy Sim, a Life member of the Million Dollar Round Table (MDRT) with 16 years of financial planning experience, was amongst these financial entrepreneurs who seized the opportunity from that revision. So in 2005, under his vision and inspiration, his former protege, Viviana Chin, a fellow Life member of the MDRT and formerly with Keppel Insurance, founded Eternal Financial Advisory. In a short span of two years and from a windowless office, their businesses have grown and have a current strength of 30 staff.

In the beginning

When this interview was conducted at Mr Sim's Beach Road office, there were already a few candidates in his office for their morning interviews, some of whom may end up as the next bastion of financial advisors in Singapore. Amongst them, according to Mr Sim, was a Singaporean graduate who had studied in the UK and is now back home and bent on joining the burgeoning financial advisory industry. She is not alone in her aspirations and their numbers are rising fast. The question is why and how will it evolve further? What distinguishes a financial advisor from the old tied agency model and, on a more

personal note, what is the breakdown on Mr Sim's personal portfolio?

Someone in the 19th century once remarked that "Life is far too serious a thing to ever talk seriously about." That person was Oscar Wilde. 150 years later, and somewhere in the middle of globalization and post-911, there has been an unprecedented level of buzz amongst the laymen, on methods for navigating through life's uncertainties and expectations. Besides religions and holiday packages, chances are, their topic was focused upon wealth management.

Within the Asian economies, that interest has only just begun, particularly in Singapore. In the Monetary Authority of Singapore's (MAS) annual 2006/2007 report, MAS Chairman and Senior Minister, Mr Goh Chok Tong, said in his opening message: "Despite the rosy prospects, we believe in 'Being Prepared', as the Scouts would say. We continued to focus on risk management last year, especially crisis and business continuity management." Preparedness and risk management are the core of financial planning, something with which Mr Sim couldn't agree more.

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The roots of financial planning

"It's the fundamental. To me, this is the first step before all other financial planning. For instance, it's foolhardy to use one's own cash for medical expenses when there is a better alternative. Why not use 'money to buy money' at a discounted dollar through an insurance plan? So risk management is about buying future protection at a discounted dollar. Without which, it's like a house sitting on soft soil," Mr Sim shared enthusiastically.

So whether it's called insurance planning, wealth protection or risk management, the underlying logic is plain to see. Numerous studies have been undertaken by health professionals worldwide to determine the correlations between lifestyle, stresses and diseases, and increasingly, the findings do not paint a rosy picture where quality of life and life expectancy are concerned. The idea behind financial planning is similar to the process of building a house: "You need to have a strong piling, no point just looking at the four walls or the rooftop. Once that is in place, then, you can talk about growth or talk about building up a trust and many other opportunities," explained Mr Sim.

Independent financial advisors are a fast evolving and expanding breed of financial one-stop shops where diverse products such as insurance, investment funds, retirement planning, estate planning, tax planning and trusts services are available for the rich and also the poor. In the fervent words of Mr Sim, "Independent financial advisors are not your typical agents where they sell only one type of life insurance products and not others."

Similar to investing, financial planning is both an art and a science – the two can be mutually inclusive entities and both types of activities have been around for a long time. "Just that it has never really been spelled out properly for the general public until in recent years when people started to talk about financial planning and it being the 'in-thing' now," said Mr Sim.

The 'baby' of financial services

Being an 'infant' within Singapore's financial services sector, the growth prospect appears to be boundless, especially when compared to other more established countries.

"I don't think it has matured yet, there is still a long way to go but it has always been there. It's just at the beginning stage. In Australia, IFA came into existence in 1986, in the UK, it was 1989. And it took them ten over years to come to where they are now. Insurance will increasingly be sold through financial advisors and not tied agencies like in the past. To me, it's the beginning, if it isn't, I would have burned away a million-dollar salary with a tied agency," Mr Sim said.

Although insurance nowadays is still the good old insurance as we know it, it is no longer served as the main dish, which really is in keeping with the ever-increasing sophisticated needs

of present-day clients. And the clients in turn, are more exposed now to global events and news through globalization and the media. As Mr Sim puts it succinctly, "We have the liberty to carry Aberdeen, Fidelity, Commerzbank and Schrodgers funds for example. We can provide independent advisory work for clients. So if a client wants only an insurance plan, we will say go strictly for an insurance plan and vice versa for clients who want to invest. There is no reason to become diluted by mixing insurance plans that come with tied-in investments."

Supply will never fail to follow demand, an immutable truth in all businesses. The bullish markets across the world these last two years have made the rich richer and created many newborn millionaires, and they are now increasingly looking at higher risk, higher returns investment vehicles. Their search for higher 'alpha' has not gone unnoticed by the financial advisors. And in the case of Mr Sim, whose portfolio of HNWI's are those in the \$50 million to \$100 million category, he has a ready suite of services for them, like multi-strategies and absolute returns funds by Man Investments for instance. While the trend is barely new, the capacity to cater to this niche group of investors by financial advisors may in time to come, take on a higher level of importance.

Investment Planning

With foreign and local banks like Citibank, HSBC, DBS and UOB fighting for the consumer's attention and dollar, what strategies does a financial advisor have against the marketing might of these goliaths? On this aspect, Mr Sim was very hopeful and he explained why:

"I think the market is big enough for everyone. These are currently the two main channels of distribution that are growing, whilst big banks have bigger pockets and nicer branches, we stand out from our personal touch. Furthermore, we do go to clients' houses for discussions, and, corporate backend wise, technological platforms like iFast's Navigator allows for timely and accurate monitoring of the markets and clients' profile. Our fees are lower than theirs, which is very cost-effective for the consumers."

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The hours an advisor puts in are long but flexible, their working knowledge deep and abreast of times, qualities that can become indispensable and essential to growing a client's investment portfolio through a neutral or bullish market. As revealed by Mr Sim, regular meetings are constantly held between advisors and fund managers, which could be once a month or on a fortnightly basis. The insights from these discussions are of paramount importance as Mr Sim illustrated further:

"For instance, in recent months, some of DWS's funds (part of the Deutsche Bank Group) have been doing very well which some investors are not aware of. Like India for instance, the P/E ratio has gone up very high so our house view was to liquidate it. Of course it hasn't come down yet but it may, just like the dotcom burst when the P/E ratio went up to as much as 100 to 200. But speculators don't look at all these important figures, they just buy and buy, thinking they can make plenty of money quickly."

From agent to director and strategic coach

The success of Mr Sim from an insurance agent 16 years ago to his present title as Director and Strategic Coach for Eternal Financial Advisory did not happen overnight. Initially, he had nothing to show but every incentive to prove himself to his detractors. As he recalled: "When I came into this business, people said 'Fred, you will fail.' I asked why. 'Because you are not a lady and you don't come from a rich family background.' My parents took up three jobs then to support the family. My mother worked as a factory worker and was constantly bullied by the construction workers hence she would often hide in a corner to cry. They didn't know what happiness was. So I tell myself when I grow up, I want to be successful."

And so he did. His journey from an agent to becoming a wealth management specialist mirrors the long but successful story of the evolution of Singapore's financial services industry from the 60s to present day.

The struggling years have certainly transformed the fortunes of Mr Sim as he faithfully applies his accumulated knowledge towards his own financial planning strategies. As it turns out, he is a believer in portfolio diversification and currently holds a number of traditional and theme-based asset classes, of which, equity and property dominate.

On funds and property

"I believe in equity and funds. Say if you want to buy Russian or Brazilian stocks, what do you know about them? There are Russian and Brazilian funds around to pick from. So my portfolio is basically spread into all these, very well diversified. I know I won't wake up one day when the market crashes and become all panicky. When the market is up, I make money, when the market is down, I make money too. And for periods

when markets are down, these are opportunities, or it's like a sale to me. Of course along the way, you do some trimming and rebalancing. I grow my own equity portfolio this way, I am not a speculator," he said.

He is no less savvy in property investment. As of July, he owns four properties of which, two are condominiums, two are semi-detached houses (with one being a four storey at 5,000sq ft and the other, a three storey semi-detached). And he told AFPJ on how he intends to handle his assets:

"This is a boom time for property. I bought one of it at a million dollars and now I am disposing it off at S\$2.15 million dollars. Down the months, I will be selling off the others and just be keeping one for myself. I would like to think that one year from now, the property market may just be a very different story although I may be wrong. When everybody starts to buy, it will reach a peak and the bubble will burst. When you want to sell, everybody will be selling too and you will have competition. So I need to sell off six to eight months before anybody else. And unlike funds, with property, you need a buyer and sometimes the sales may not even be done until months later,"

In terms of his personal and professional life, there appears to be two common themes between them – courage and resilience.

In his own words

"It's not about the good times or the bad times because tough times don't last but tough people do. It boils down to being consistent and doing things quick, fast and good," as Mr Sim puts it. Taking this as a cue, the batch of interviewees and other future aspirants will do well to remember this if they are to have a positive influence on the wellbeing of another person's life.