

WHY DO THE RICH GET RICHER?

By Dennis Ng, founder of <http://www.HousingLoanSG.com> - Singapore's No. 1 Housing Loan Internet portal

Singapore just celebrated its 42nd birthday. One concern raised by Singapore's Prime Minister is the widening income gap between the Rich and the Poor. If you look around, you may realize that there is a trend that the Rich Get Richer while the Poor Get Poorer. Why?

Actually Singapore is currently having one of its best golden years in history, with opportunities abound, it is possible for someone who is not Rich to BECOME Rich. Can someone who is NOT rich become Rich? Yes, it is possible. One of the SECRETS why the Rich get Richer is that the Rich UNDERSTAND and USE Other People's Money (Financial Leverage).

How can you use Other People's Money (OPM) to become Rich? One possible way is to use good debt wisely. The Good Debt that almost everyone has access to is a Housing Loan.

P.S. please avoid all bad debt. My definition of bad debt is any debt that you incur which you do not have a chance of making more money than the interest you pay. Thus, all debt on consumptions are bad.

What is my definition of Good Debt? Good Debt is any debt whereby it is possible to get a higher return than the interest you pay on the Loan.

If you really think about it, Housing Loan is the CHEAPEST Loan anyone can ever get. Currently in Singapore, Housing Loan interest rate is 3% to 4%, while Car Loan is about 6%, Renovation Loan 8% and Credit Card 24%! Actually, if one seriously

think about it, it is very difficult for people to FAIL to beat Housing Loan interest rates. Why?

Imagine even if you know nothing about investing. Just putting money into Endowment savings plans gives you annual returns of about 4% over a 20 years period.

What about investing during crisis? Typically, a crisis comes by every few years and at least once in 12 years. During the last Asian crisis in 1998, DBS's share price was only \$5, if someone only invests during a crisis when share prices are depressed, it is almost definite that the returns he earns will beat the interest rates charged on Housing Loans. Today, this person can easily sell off DBS's shares at over \$20 (or 400% returns over 10 years or annual COMPOUNDED returns of 14.86%).

Let me show you an example:

A person has a \$200,000 loan with 20 year loan period. Assuming he pays 4.5% interest on Housing Loan, total interest paid over 20 years is ONLY \$5105.515. If he has \$200,000 Cash/CPF and use this money to earn 3.5% interest rate, in 20 years, total interest he earns would be \$168,453.20!!!

Because most people forget that Housing Loan interest is calculated on Reducing Balance Basis while your savings Compounds (interest is added on interest)! I have to reiterate that from my observation the reason why many people end up retiring with a fully-paid house and insufficient Cash/CPF are:

1. they commit to buy TOO big a house (more than they can afford).

2. they keep using their Cash to reduce/pay off their Housing Loan whenever they have excess cash on hand.

They would get ahead financially if they instead FOCUS on making their Cash/CPF work harder for them. By doing so, it's possible for an average Middle Class Singaporean to accumulate \$51 million dollars by age 50. Anyone who has excess Cash now I would advise you **against** using the money to reduce your Housing Loan outstanding.

In my opinion, the next Global Financial Crisis can be 3 months to 2 years away and when the crisis comes, you would then realise it is very easy to make 50% to 200% returns on your capital.

I've already shown you actual record of share prices in the previous Asian crisis to prove that it had happened before. The only question you need to ask yourself is when a crisis comes, will you have cash to invest then? You can move up from middle class to become Rich in the next crisis if you keep your excess cash instead of use it to reduce your loans now.

About the Author

Dennis Ng is a Certified Financial Planner with 15 years of Bank Lending experience. He is known as a Housing Loan expert and often quoted in newspapers. He founded <http://www.HousingLoanSG.com> - a leading mortgage consultancy in Singapore. You can send him your comments to dennis@HousingLoanSG.com or call him at 65 6737 8801.

为什么富者愈富？

由新加坡首屈一指的房屋贷款网站(<http://www.HousingLoanSG.com>)创办人吴加万撰文。

新加坡刚庆祝建国42周年。新加坡总理的其中一个忧虑是富人和穷人的收入差距越来越大。放眼四周，您可能感觉到富者愈富，贫者愈贫的现象，为什么？

事实上，新加坡目前正经历其最繁盛的时期之一，商机处处，虽然您不是富翁，但也有机会成为富翁。穷人也可以成为富翁吗？当然可以。富者愈富的其中一个秘密是他们懂得如何利用其他人的金钱(财务杠杆)。

您怎可以利用其他人的金钱来致富呢？其中一个方法是明智地利用优质贷款。差不多每个人都可以利用的优质贷款非房屋贷款莫属。

请记住：避免所有不良贷款。我对不良贷款的定义是您所借的任何贷款不可以让您有机会赚取比您所支付的利息更多的钱。因此，所有关于消费的债项均属于不良贷款。

我对优质贷款的定义又是什么？优质贷款是指它可以让您取得比您所支付的利息为高的回报。

如果您仔细想想，房屋贷款的确是最便宜的贷款。目前在新加坡，房屋贷款的利率是3%至4%；而汽车贷款约为6%；装修贷款为8%；信用卡贷款则高达24%！事实上，如果认真地去想想，很难可以取得比房屋贷款更低利率的贷款了，为什么？

假设即使您对投资一窍不通，

您只需把钱放在养老储蓄计划，便可以在20年期里取得约4%的年度回报。

那末如果在危机时期投资又如何？基本上，危机每几年出现一次，但最少12年内也会出现一次。对上一次在1998年出现的亚洲金融危机，星展集团的股价为5元；如果有人只要在危机时期，当股价急跌时投资，那么差不多可以肯定他所取得的回报比房屋贷款的利息为高。今天，这位投资者随时可以超过20元的股价把星展集团的股票卖掉(或10年内取得400%的回报，或相等14.86%的年复合回报率)。

让我举一个例子：

某人借了20万元，还款期为20年。假设这个房屋贷款的利率是4.5%，他在20年里所偿付的利息只是10万5,515元。如果他拥有20万元现金/公积金，他只是把钱存在3.5%利率的户口收息，他在20年里将可取得16万8,453.20元的利息。

因为大部分人忘记房屋贷款的利息是以递减余额计算，而存款是以复利计算(息上加息)！为什么许多人在退休时把房子供完了，但现金/公积金剩余不多？我想强调以下我所观察到的原因：

1 他们买了一间太大的屋子(比他们所能负担的来得高)。

2 当他们手头上有多余的现金

时，他们不断利用这些现金来减轻/偿还他们的房屋贷款。

如果他们反过来善用他们的现金/公积金，他们将会更富有。这样的做法可使新加坡的中产阶级人士到50岁时积累100万元。任何目前拥有多余现金的人士，我建议你们千万不可轻举妄动，把房屋贷款减轻。

依我看来，下一个环球金融危机可能在3个月至两年之间出现，而当它出现时，你会发觉要让你的资本取得50%至200%回报是十分容易的事。

我已经举了一个实例给你看，证明上一次亚洲金融危机出现时，股价的波动如何可以令你致富。问题只在乎危机何时会出现，而到那时你会有现金作投资吗？您可以在下一个危机出现时由中产阶层而攀升至富翁的地位，只要你把多余的现金保管好，不要用来偿还房屋贷款。

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吴加万是一名认可的财务规划师，在银行贷款上拥有15年的经验。他是知名的房屋贷款专家，并经常在报章上对房屋贷款发表意见。他成立了新加坡的领先抵押顾问网站-<http://www.HousingLoanSG.Com>。如果您有任何意见，欢迎您电邮至 dennis@HousingLoanSG.com 或直接致电6737 8801给吴先生。