

SPECIAL REPORT

MARITAL BLISS WITHOUT THE FINANCIAL PAIN

TYING THE KNOT CAN LEAD TO A LIFE-CHANGING EVENT: DEALING WITH A MASSIVE DEBT. SINCE THAT IS NO WAY FOR A COUPLE TO START THEIR MARRIED LIFE, BE SAVVY ABOUT YOUR WEDDING EXPENSES.

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Wedding celebrations can cost an arm and a leg. We live in a culture in which marriages are celebrated with much pomp and grandeur. Newspapers often report on lavish affairs complete with live butterflies, tulips, branded outfits and luxury cars. While these add to the merriment of the occasion, the heavy burden of expenses falls on the couple and, unfortunately more often than not, their parents.

To cope with the expenses, some have resorted to taking loans from financial institutions and even private lenders. This hardly makes financial sense, as debt can cripple a young couple. *Personal Money* spoke to a few financial planners to get some pointers on saving, investing and borrowing for your special day.

SAVING FOR A WEDDING

Planning should begin from the moment a couple sits down to have that marriage talk. This event can take place a long time before the engagement. Usually, couples pick a wedding date that is at least a year or two after the proposal, which gives them sufficient time to plan for it financially.

According to Leticia Hsu, a wedding planner and matron of honour at Elysium Weddings Sdn Bhd, couples who fund their own wedding start planning at least a year beforehand. "With flexible payment terms (for example, progressive payments for the hotel dinner and deposit payments for vendors), couples have that one year to save up," she says.

During this period, one of the first things that should be drawn up is a budget. Budgeting will help couples plan according to how much they have, which is then contrasted with their "wants" and "needs" for their big day. Sin Chee Kwan, CEO of Fin Freedom Sdn Bhd, says a budget consist of three parts: costs involved before, during and after the wedding.

"Prior to the wedding, costs incurred could be for wedding photos, accessories to be placed in the bridal bedroom, the party (on the eve of the wedding), renovation costs for a new house or bedroom (if they are staying with the in-laws), wedding favours or even skincare products or facial treatment for the bride.

"Costs involved during the wedding include those for the wedding reception (in a restaurant, hotel, public

hall and so on), alcohol (for the wedding dinner) and red packets to be given away. After the wedding, the newlyweds would need to think about funding their honeymoon."

When couples sit down to discuss their budget, they should also decide on the type of wedding they are planning for: basic, luxury or ideal.

"Couples should list down what they want first in a basic, ideal and luxury wedding. The basic one would include the minimum items and the quality that they are willing to settle for. List down the cost of each item," says Wong Keng Leong, financial planner and director of advisory and practice management at Standard Financial Advisor Sdn Bhd.

When the budget has been decided on, couples should examine their resources. At this juncture, they should consider their available resources, as well as those of their parents if they offer to contribute. Aside from that, they should also list down other big-ticket items such as buying their own home. Fin Freedom's Sin says couples should list their priorities.

"Couples should prioritise their needs, otherwise they may end up with financial problems. If they spend a whole lot of money — or even go into debt — to hold a glamorous wedding reception, it shows weakness in setting priorities. This could be the beginning of a family disaster."

Catherine Khoo, a financial planner with CIMB Wealth Advisors, suggests going for the best within reason. "While I advocate planning within your means and

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affordability, a wedding is a once-in-a-lifetime occasion. If the couple sacrifice too much on the wedding that they want, they may regret it. Don't be too rigid. They should have their desired wedding, but within their means.

"In the meantime, they can consider renting a house first, or live with their parents. After getting married, the newlywed's common goal can be saving up for their first house. The process of saving together can be quite a meaningful journey."

WEDDING INVESTMENTS

If the cost of the wedding totals RM50,000, financial planners say it would take three to five years for the couple to pay for it. An investment vehicle they could consider is a unit trust.

"For weddings, we don't encourage investing in risky investments, so a balanced fund is recommended. A balanced fund comprising fixed-income assets, such as bonds, and equities, can give 7% to 8% per annum on average after a five-year holding period. Their entire portfolio can be made up of 70% in unit trusts or blue-chip stocks and 30% in the bank's fixed deposits," says Standard Financial's Wong.

He goes on to provide some figures. "If they are able to save RM1,000 a month and put the money in an investment that will give them about 7% return, they can get RM50,000 after 3½ years."

If you have a shorter time horizon for investments, you have fewer options as you should not be taking on too much risk with your funds. Stick to fixed deposits or government unit trusts such as Amanah Saham Bumiputera (ASB) for Muslims and Amanah Saham Malaysia (ASM) for non-Muslims.

"Historically, ASB has provided returns of between 7% and 9% a year, while ASM has provided 6% returns," says Wong. The problem is that ASB and ASM unit trusts are in short supply.

Those who have only six months to a year to invest would do best to place their money in fixed deposits or low-risk investment instruments such as fixed-income funds. However, Fin Freedom's Sin says the couple must

already have a considerable amount saved. "The nest egg must be big enough in this case because they have only six months to a year to grow the money. Do not expect a large return to be generated since the risk [of the investment] must be manageable [within the time frame given]."

To pay for their wedding, some couples may be thinking of dipping into the savings meant to fund other goals such as retirement, property or education. This move is not recommended by financial advisers.

"This is not something I encourage, as I believe that you should stick to the purpose of what you are saving for until the end. However, if there is no other choice except to take a loan, then you could consider withdrawing from these pot(s) meant for other needs," says Wong.

"If there is no choice but to take out money from funds set aside for other purposes, aim to refund what was used for your wedding," says Khoo.

If need be, financial planners recommend delaying the wedding until enough savings have been accumulated. Sin suggests options such as a long engagement. "The couple could go for a small engagement party first and give themselves another one or two years to save for the actual wedding. The cost of holding a small engagement party should be manageable compared with a wedding reception."

GOING INTO DEBT

Financial planners tend to frown on taking a loan to finance a wedding. Debt should not be incurred to pay for lifestyle expenses such as weddings or holidays. Couples should spend only what they can afford instead of beginning their married life with a debt, as there will be other financial commitments such as buying a house and car and raising a child.

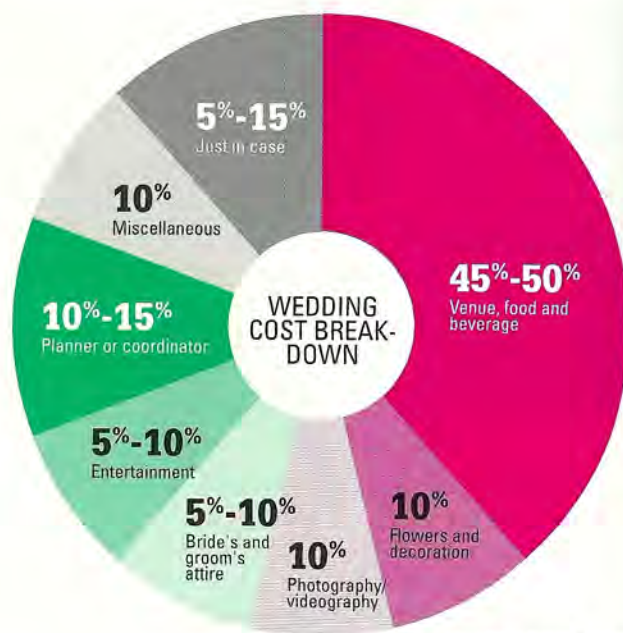
"Debts that one takes on to acquire assets can be considered good, but if one incurs a debt for lifestyle expenses, it is deemed a bad debt. In short, a simple guideline is that we should live within our means. If we don't have the budget, don't spend. Never borrow money to spend," says Sin.

She cautions couples not to mortgage their future for something they don't really need, such as a lavish wedding. "As Warren Buffett said, if you buy things you don't need, soon you will have to sell things you need. The ultimate goal in life for most people is happiness. Would a family be happy if they are in great debt? How long can the so-called happiness from a glamorous wedding reception last if the couple has to incur a large debt or experience tight cash flow for a long period?"

If money is tight, the couple should try to get a loan from their parents or friends. And if these options have been exhausted and they still find themselves backed into a corner, they need to be careful about the type of loans they take. Wong says couples should talk this over before making a decision. "The couple should agree on taking a loan, as the repayments will have to come from one or both of their accounts. Even if one party is paying for it, he or she should inform the other party. You would not want to get into your first fight after marriage over something like that. Also, if they really have to take a loan, they should consider the interest rate and repayment period."

THE BETTER DEBTS

When it comes to lifestyle spending, personal loans and credit card debt seem to be the popular choice among consumers. A quick check with some bank websites shows that personal loans of between RM5,000 and RM100,000 are extended to those with a minimum income of RM30,000 a year. Interest rates



Source: Leticia Hsu of Elysium Weddings

vary between 6% and 24% and no collateral is required. Charging your wedding to your credit card may also seem like an easy way of getting financing, even with the high interest rates of up to 18% per annum.

However, Sin is not in favour of both options. "If a couple takes up a personal loan of RM40,000 that carries a 10% interest per annum, they will end up paying RM1,000 a month and total interest alone will amount to RM20,000. If they opt to charge that same amount to a credit card and make only the minimum repayment of RM2,000 each month (5% of RM40,000), they will only settle the debt after 10 years and seven months. The total interest paid is RM16,912."

There are other alternatives with less interest payable and more favourable repayment periods. If you have a life or investment-linked insurance policy, consider taking a policy loan. Khoo recommends this if the couple have accumulated a substantial cash value or investment units over the years.

"The insurance company will typically let policyholders borrow up to 90% of the total cash value in the policy. If they have an investment-linked policy, there is no need to take a loan — they can just sell the units."

The interest for these loans is between 6% and 8%. Discipline, however, is needed to repay the loan.

"Policy loans usually have no predetermined repayment period, so it is all the more important to have that discipline," says Wong.


Another option to consider is topping up the loan on your property with your existing financial institution. If you took a loan to buy a property that has appreciated in value, you could borrow the difference between your initial loan amount and what you are eligible to borrow currently.

AT THE END OF THE DAY, KEEP IN MIND THAT WHAT IS MOST IMPORTANT IS NOT THE DAY ITSELF, BUT THE MARRIAGE

“For example, the current market value of your property is RM500,000 compared with RM300,000 when you first took out a loan to buy it. You can ask the bank for a RM180,000 loan (based on 90% of the market value) to top up your loan based. This facility is offered by many banks. At the current interest rate of between 4.25% and 5%, it is lower than taking out a personal or policy loan,” says Khoo.

Refinancing with a different bank is another option. The same conditions apply: It would only make sense if your current property has appreciated substantially in value. In both cases, Khoo says borrowers should note that there is an exit penalty for earlier repayment. “Also, there could be additional legal fees involved,” she adds.

“The repayment amount for your new or top-up loan will increase. There would also be other charges such as stamp duty,” Wong says.

“At the end of the day, keep in mind that what is most important is not the day itself, but the marriage. “Focus on your marriage rather than on your wedding. If you still want to spend on the wedding that you want, delay it rather than taking a loan,” says Khoo. 

DIY ALL THE WAY

Of late, there have been many horror stories of couples amassing a mountain of debt to pay for their weddings. Can this be attributed to the debt culture? Lee Xin Xin and Justin Lee, both 27, do not believe in racking up debt to hold their dream wedding. After all, a wedding is for a day, while a marriage is forever.

The two met in 2005 and got engaged in January 2013 at the rooftop of the Umeda Sky Building in Osaka. They tied the knot last December, which seemed to be the peak season for weddings in Malaysia, but still managed to cap their wedding expenses at RM20,000. The couple held the wedding ceremony at the Petaling Jaya Gospel Hall, with 400 guests in attendance. This was followed by a tea ceremony, which was also held in the church.

“We spent most of our time planning for the morning ceremony, in terms of the church decorations, wedding invitations and photo booth props. Everything was DIY [do it yourself], with some help from friends,” says Xin Xin. The elaborate and time-consuming planning for a DIY wedding, in hindsight, may have been too much, she admits.

“A lot of time was taken up doing the decorations, including the arch, which was built from scratch and, thankfully, did not collapse! We also designed the invitation cards and

programme sheets for the wedding day.” The couple managed to enlist the help of family and friends.

Despite the amount of work put into creating a DIY wedding, there were some things that had to be left to a professional, such as the wedding dinner at Marriott Putrajaya for 650 people. “We got the hotel to plan everything. All we had to do was choose the colour theme, ice carving and design for the arch,” Xin Xin says.

“I changed my theme and theme colour many times. I couldn’t make up my mind; my themes ranged from Superheroes to Movies and so on. At the end of the day, we went with a Travel theme because we both love travelling.”

Though the travel-themed wedding sounded costly, RM20,000 was enough to cover the expenses because part of the financial burden was shared by the groom’s parents. “We had help from Justin’s parents for the wedding dinner because it was mainly for their guests. Most of our family members and friends came for the morning ceremony,” says Xin Xin.

The couple took more than a year to save RM20,000. Xin Xin says the secret to saving for a wedding is to allocate a fixed amount every month and not touch it. “We started the planning process as soon as we got engaged. We saved as much as we could each month and used the money we accumulated in the span of two to three years for the wedding, home and honeymoon.” ■

MONEY- SAVING TIPS FOR YOUR BIG DAY

With a bit of planning and help from friends and family members, a wedding doesn't have to cost a bomb.

1. NEGOTIATE WITH THE VENUE PROVIDER

Before putting down a deposit for your wedding reception venue, examine the package provided. If possible, trade what you don't need for what you would like to have. "For example, you may decide to do away with ice sculptures and the wedding cake in exchange for better tie-backs for the chairs or better wine to be served during the toast. We asked for our bridal suite to be downgraded in exchange for an extra room for our family. If you have nothing to trade, you could try asking for a reduction in the price," says Keshia Kan, who got married in July 2012.

2. DELAY YOUR HONEYMOON

If you have too many big-ticket items to save up for, consider postponing your honeymoon so that you can have a better one. Kan and her husband, Daniel Poon, took a year after their wedding to save up for their honeymoon to Europe. "Since I didn't manage to visit Paris when I was studying in the UK, we chose to go there as part of our honeymoon," says Kan.

3. PICK THE TOP THREE PRIORITIES FOR YOUR WEDDING

If you have a limited budget, pick a few things that you would like to have and cut back on those that are not important. Kan suggests selecting three items. "For us, we decided not to

skimp on photography, wedding decorations and wedding attire."

4. GET ASSISTANCE FROM FRIENDS

If you can't afford a wedding planner, get your friends to help out. "We asked four of our friends to assist us with the wedding. One was the overall manager, while the other three were responsible for ushering, registration and logistics respectively," says Kan.

5. CHOOSE FLOWERS THAT ARE INEXPENSIVE

To save on wedding décor, go for less expensive flowers that give the same effect as the pricey ones. "Instead of using just roses for our table centrepiece, we chose carnations as fillers," says Kan.

6. MANAGE YOUR PARENTS' BUDGET

You not only need to manage your own budget, but also that of your parents. Fazrashad Abdul Aziz says parents tend to get excited during the preparation process, especially if their eldest or only child is getting married. "There are going to be a lot of things that they want, things that they did not have during their own wedding, so it's important to establish an understanding of what you want."

7. KEEP THINGS SIMPLE

Don't try to keep up with the Joneses, especially if you don't have their budget. According to Intan Farida Adnan, who is

married to Fazrashad, some family members and friends were surprised at the minimal décor and bridal gifts at her wedding. "Don't feel pressured to get expensive items just because your family or friends feel that you should. People tend to think that the more expensive the gifts are, the better the wedding. That's ridiculous. Go with what you can afford and what is important to you."

8. SET ASIDE FUNDS FOR LAST-MINUTE EXPENSES

Most importantly, Fazrashad and Intan say couples tying the knot need to allocate some extra funds to take care of unexpected expenses. "There might not be enough favours, or you may need to get more flowers. Whatever it is, have some money put aside for emergencies," says Fazrashad.

9. TWO DRESSES ARE ENOUGH

A wedding is a special occasion, but how many outfits do you need? Well, maybe one is not enough, but two in a day is surely more than sufficient. Elaborate weddings, where the bride has multiple wardrobe changes, only incur more cost. "[For the actual day], I rented two dresses for the wedding: a wedding gown and an evening gown," says Lee Xin Xin.

10. RE-USE YOUR WEDDING ATTIRE

As much as you would like to dress like kings and queens for your big day, it pays to be practical. Design something that you would be able to wear for other occasions. Poon chose a less formal design for his suit. Since then, he has worn it to work and for special occasions. "I have been wearing my wedding shoes to the office every day," he says.

11. PRE-WEDDING SHOOTS CAN BE DONE ON YOUR OWN

To cut costs, rent a gown for

the pre-wedding shoot without engaging the services of a bridal studio photographer. Xin Xin and her husband Justin Lee saved a significant amount of money by going casual. "I got my brother to help us with some casual shots and I edited them myself," says Xin Xin.

12. DO IT YOURSELF!

With the advent of Pinterest, a DIY wedding is easier to handle. For Xin Xin and Justin, they decided that DIY was the way to go. "We spent RM500 on invitation cards by doing the cards ourselves, saving 75% of the actual cost," says Justin. "We also built the arch ourselves," he adds, noting that the wood and paint came up to only RM250. However, the couple warns that DIY is a tedious process. Xin Xin says those who plan to have a DIY wedding should find a balance, doing the things that suit their budget and time constraints.

Esther Khoo, an events manager who recently helped a friend plan his wedding, also thinks that DIY is a great way to save costs. For her friend's wedding, Khoo put together a small and simple flower arrangement for each of the 23 tables at the church hall wedding. "I got some sunflowers, put them in little cups and placed them on all the tables," she says.

13. LOOK FOR ARTISANS

Khoo says to save on wedding favours, source for homemade goods, especially if you plan on giving out chocolates or cakes. "I bought the chocolates, two pieces per box, from a lady who makes them from home. It was either chocolate or fruit cake, and I chose chocolate because of the RM1,000 cost savings," she says. ■

