

# Investing to derive a passive income

Finding finance more interesting than engineering, Daniel Tan switched courses in university. It's proving to be a profitable change, reports **MAXIE AW YEONG**

**S**INGAPORE Management University (SMU) business management undergraduate Daniel Tan does not fit into your stereotype of young investors, who are largely thought to come from rich families. As his father works as a driver and is the sole breadwinner, the funds for his investments mostly come from his own savings of monthly allowances and income from previous part-time jobs.

Currently financial secretary of the SMU E.y.E Investment Club, he hopes that growing his current five-figure portfolio will produce a form of passive income for him.

**Q: How did you start investing?**

**A:** I picked up a book from the bookshop about investing during NS (National Service) and started from there. I exposed myself to stocks, bonds and other instruments. I got interested, then decided to try it out.

I decided to start an account with an initial capital of \$10,000 – quite a big portion of my savings. It's quite risky but you have to make your own decisions.

**Q: Did your parents encourage you to invest?**

**A:** Not really. They actually don't encourage me to invest, because they witnessed the financial crisis in 1997. So they would rather that I save the money in a bank. But I thought, since I'm interested and I have passion for it, I don't mind

putting a bit of money to try it out.

**Q: Are your parents still against you investing?**

**A:** They are not that against it anymore. I tell them I'll try not to inject so much money into it, and I'll control myself and not get them into any trouble.

But they promise that if I do get into any trouble, they will try their best to help me. Again, I need to be more self-disciplined. I cannot bet with just any amount because there are risks.

**Q: How do you describe your risk appetite?**

**A:** Moderately high for equities and money. But I will adjust accordingly, depending on the situation.

For now, the market is quite unstable, so if I have some extra cash, I will hold on to the cash first until the market is more positive.

**Q: What sort of financial planning have you embarked on?**

**A:** I deal with equities and money, but I am interested to go into bonds if I have more capital. It's safer, and has an edge against equity.

I'm also currently reading up on exchange-traded funds. It's based on a basket, so you just buy into it instead of buying individual stocks. So you are diversifying the risk.

**Q: Do you use credit cards?**

**A:** No, I hold a debit card for now. I

don't have a stable income, so it will be better for me. Using a credit card is like using future money, and at times it may be difficult to track. If you don't pay, it will levy an interest and you may get into bankruptcy because of it.

So I prefer debit cards for now, where I can just use my savings.

**Q: What has your best investment been so far?**

**A:** SIA Engineering. I picked it up around the beginning of the crisis. It has appreciated more than 50 per cent right now with decent dividend yield.

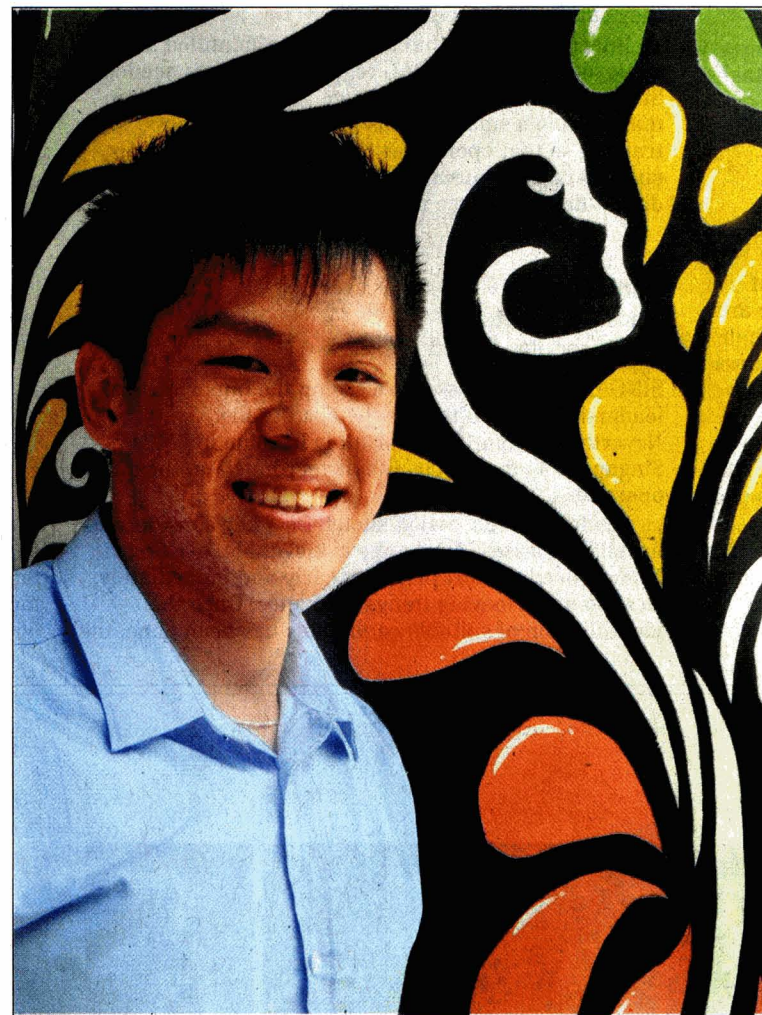
**Q: What has your worst investment been so far?**

**A:** A penny stock – one of the local electronics companies. It fell around 50 per cent in value due to some internal accounting issues. It is been quite inactively traded, and is "stuck" there for quite some time. I still think that stock has potential, because the company is expanding in China. But it will take time.

I don't think I will get into any more penny stock investments for the time being, because they aren't really traded much.

**Q: Did your interest in investment steer you to take up business administration for your undergraduate studies?**

**A:** Yes, definitely. I graduated from



ARTHUR LEE

**Do it yourself:** Daniel Tan advises fellow young investors to 'exercise your own judgment' and 'do your own research instead of relying so much on analyst reports'

polytechnic with a diploma in electronic and computer engineering, specialising in aerospace electronics. But I applied to SMU while I was serving NS, after I started reading up about finance. That was when I thought it would be quite interesting if I applied to SMU, which is a business-concentrated school. Fortunately, I made it through.

**Q: If you were a millionaire, where would you put your money?**

**A:** Property. At least there is something to fall back on if everything

goes wrong. I'll also put my money into funds.

**Q: Any tips that you want to share with fellow young investors?**

**A:** I guess that will be to do your own research instead of relying so much on analyst reports. Some analyst reports may be conflicting, so you have to read up more and exercise your own judgment.

When I first started investing, I relied too much on them, and got into a few wrong bets. Luckily, the loss was not very significant. After that, I decided to do my own research.