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Power, water and cash



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ACH of us has, at some stage, experienced electrical blackouts, taps running dry and empty pockets, purses or wallets.

Thankfully, when it comes to power outages and water cuts, such stretches of scarcity are usually short-lived. What I find fascinating about all three species of supply disruptions, though, are that their short- and long-term solutions share startling parallels.

POWER

In the short-term when we face electrical blackouts, particularly at night, our immediate reaction is to switch on our mobile phone's torchlight or to light a candle or look around for battery-powered light sources. If we live in a town with family or friends willing to have us drop by, we might visit them if their lights are on.

For long-term solutions, if we're in Peninsular Malaysia, we call Tenaga Nasional Bhd's 15454 helpline number to report the blackout and to ask when power can be restored.

WATER

Each time we lose running water, we grow thankful for the existence of our reserve water tanks. If we conserve water, our reserve supply should stretch for a day or two.

Things might be even better if we

received earlier notice of a planned shutdown or our water supply for maintenance work because we would have filled up extra buckets and basins to augment our tank.

Yet to reassure ourselves water will again soon be flowing from our mains, we'll also contact our state's water authority.

CASH

Until recently, running out of physical cash was a major inconvenience. But nowadays with the proliferation of electronic and digital channels of money transfer like e-wallets, QR (Quick Response) codes, online bank transfers and debit and credit cards, it often seems as though physical

paper or polymer cash notes are going the way of the dodo and the T-Rex. While many future thinkers cheer the declining use of cash in day-to-day transactions, there is a vital, somewhat nuanced, reason not to do so.

Counterintuitively, the amount of physical cash being held in reserve globally for mega emergencies is growing. Based on data between 2000 and 2023 for 10 major regions

— the United States, the Eurozone, Japan, the United Kingdom, Switzerland, Brazil, Russia, India, China and South Africa — the sheer weight of paper (and polymer) money in existence has risen. For someone like me who appreciates physical currency, that is heartening.

Yet a worrisome development is gestating beneath the surface of that megatrend. In academic Jay L. Zagorsky's book, *The Power of Cash — Why Using Paper Money is Good for You and Society*, he warns that:

"This shift from people using cash for transactions to holding cash for savings reasons will cause a major problem. When paper money is no longer used for transactions, it becomes less useful or even useless for all other purposes."

So, how may we slam the brakes on the demise of cash as transactional currency?

Keep carrying and using some cash — say 10 to 20 per cent of your regular monthly expenses — and insist the businesses you patronise receive cash from you or you'll take your business elsewhere.

Thankfully, from a present-day transactional perspective, we all know there are certain times when cash remains a necessity including, ironically, when there is a widespread, extended electrical or telecommunications breakdown!

The short-term solution is to always carry some physical bank notes tucked away in your wallet or for emergency purchases.

Long-term cash (and cash flow) crises are a different kettle of fish, though. Those arise because we don't have enough money for one of three reasons:

1. We earn less than we spend;
2. We can't work at all to earn an Active Income (AI); or
3. We don't have assets to either turn into preciously needed cash or to generate a sufficiently large stream of Passive Income (PI).

RELEVANT PRINCIPLES

Looking at the three resource disruptions I began with, we see that short-term solutions provide us with quick relief while long-term solutions are essential for a comfortable, high-quality life.

What lessons may we extract from power or water outages and our responses to them?

Here are six:

1. Always aim to be at the centre of a transaction based on fair

exchange;

2. Know whom to reach out to for help;

3. Create several layers of safety nets, one beneath the other;

4. The precise form of each such safety net should be a bucket of a different size, with the smallest at the top, a larger one below it, and the biggest, a veritable reservoir, at the lowest, most robust safety net;

5. It is far better for each such bucket to be fed by a stream than a pool. Simply put, positive cash flow — when the volume of cash flowing into our life is more than the cash flowing out from it — is more valuable than a fixed, finite amount of money; and

6. Respect the flow of cash in and out of your life. Work hard to increase your AI, and save and invest wisely to steadily bump up your PI.

Here's wishing you a happy life with minimal power, water and cash disruptions.

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MONEY THOUGHTS
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