



FINANCIAL CAPABILITY & UTILIZATION OF FINANCIAL ADVISORY SERVICES IN MALAYSIA



Report on National Findings 2020



CONTENTS

04
.....
ACKNOWLEDGEMENT

05
.....
EXECUTIVE SUMMARY

06
.....
MESSAGE FROM PRESIDENT

07
.....
FOREWORD

09
.....
INTRODUCTION

68-69
.....
CONCLUSION

71
.....
RECOMMENDATION

73
.....
REFERENCES

74
.....
RESEARCH COMMITTEE

75-76
.....
APPENDIX

List of tables **PART I**

22
.....
TABLE 3.1
Financial Literacy

24
.....
TABLE 3.2
Capital Market Literacy

25-26
.....
TABLE 3.3
Financial Capability

List of tables **PART II**

47-48
.....
TABLE 4.1
Financial Literacy

48-49
.....
TABLE 4.2
Capital Market Literacy

50-51
.....
TABLE 4.3
Financial Capability

CONTENTS

List of figures **PART I**

16

FIGURE 3.1

Gender, Marital Status
& Ethnicity

17

FIGURE 3.2

Education
Monthly Income

17

FIGURE 3.3

Age Distribution

17

FIGURE 3.4

Size of Family

18

FIGURE 3.5

Employment Status

18

FIGURE 3.6

Home Ownership

19

FIGURE 3.7

Monthly Savings

19

FIGURE 3.8

Asset to Debt Ratio

19

FIGURE 3.9

Income Adequacy

20

FIGURE 3.10

Types of Loans

20

FIGURE 3.11

Types of Assets

29

FIGURE 3.12

Sources of Information
on Financial Products

30

FIGURE 3.13

Have a Financial
Planner

30

FIGURE 3.14

Person considered to be
Financial Planner

31

FIGURE 3.15

Need for and
Expectations of a
Financial Planner

32

FIGURE 3.16

Perception towards
Financial Planners,
Financial Plans and
Financial Planning
Companies

32

FIGURE 3.17

Financial Planning
Company Reputation

33

FIGURE 3.18

Criteria for Financial Plan

33

FIGURE 3.19

Preferred Qualities in a
Financial Planner

34

TABLE 3.20

Making Financial Decisions

35

TABLE 3.21

Evaluation of Financial
Service Providers

36

FIGURE 3.22

Annual Income invested

37

FIGURE 3.23

Purpose of Investment

37

FIGURE 3.24

Financial Resources for
Retirement

38

FIGURE 3.25

Types of Savings /
Investment

39

FIGURE 3.26

Participation in Alternative
Investment

CONTENTS

List of figures **PART II**

41

FIGURE 4.1

Gender, Marital Status
& Ethnicity

42

FIGURE 4.2

Education &
Monthly Income

42

FIGURE 4.3

Age Distribution

42

FIGURE 4.4

Size of Family

43

FIGURE 4.5

Employment Status

43

FIGURE 4.6

Home Ownership

44

FIGURE 4.7

Monthly Savings

44

FIGURE 4.8

Asset to Debt Ratio

44

FIGURE 4.9

Income Adequacy

45

FIGURE 4.10

Types of Loans

45

FIGURE 4.11

Types of Assets

53

FIGURE 4.12

Sources of Information
on Financial Products

54

FIGURE 4.13

Have a Financial
Planner

54

FIGURE 4.14

Persons Considered to
be Financial Planners

55

FIGURE 4.15

Need for and
Expectations of a
Financial Planner

56

FIGURE 4.16

Perception towards Financial
Planners, Financial Plans and
Financial Planning Companies

56

FIGURE 4.17

Financial Planning
Company Reputation

57

FIGURE 4.18

Criteria for Financial Plan

57

FIGURE 4.19

Preferred Qualities in a
Financial Planner

58

FIGURE 4.20

Making Financial Decisions

59

FIGURE 4.21

Evaluation of Financial
Service Providers

60

FIGURE 4.22

Annual Income Invested

60

FIGURE 4.23

Purpose of Investment

61

FIGURE 4.24

Financial Resources for
Retirement

62

FIGURE 4.25

Types of Savings
/ Investment

63

FIGURE 4.26

Participation
in Alternative
Investment

64

FIGURE 4.27

Saved and
Invested

65

FIGURE 4.28

Activities

66

FIGURE 4.29

Additional Loan
Acquisition

ACKNOWLEDGEMENT

Our sincere appreciation to:-

CMDF

Dana Pembangunan Pasaran Modal
Capital Market Development Fund

ABOUT MFPC



M FPC is an independent body set up with the noble objective of promoting nationwide development and enhancement of the financial planning profession. MFPC provides an evolving set of Best Practice Standards and Code of Ethics that must be adhered to by Registered Financial Planner (RFP) and Shariah RFP designees. This requirement is aimed at ensuring that the public will be served with the highest quality of financial planning services. MFPC was registered on 10 March 2004 under the Societies Act 1996. MFPC is proud to have received numerous awards. In 2014, MFPC received Honourable Commendation in the UNESCO Wen Hui Award for Educational Innovation in recognition of its Financial Planning awareness programmes. In addition, in September 2015, MFPC was awarded the Best Islamic Finance Education Provider by the prestigious Global Islamic Financial Awards (GIFA). Subsequently, in June 2016, the World Education Congress Global Awards awarded MFPC the Best Educational Institute in Banking and Insurance. Further, our Shariah Registered Financial Planner was recognized as the Best Islamic Finance Qualification 2016 by the GIFA Awards Committee.



Best Islamic Wealth Management Qualification 2018/19
Championship Award (Advocacy) 2019
Best Islamic Finance Qualification 2016
Best Islamic Finance Education Provider 2015



Best Educational Institute in Banking and Insurance 2016 Awards



Honourable Commendation for Financial Planning Awareness Programs
Wen Hui Award for Educational Innovation 2014



MFPC embraces



EXECUTIVE SUMMARY

Global economies, fluctuating oil prices, property, debt, low rate of savings and the current pandemic period with country-wide movement control order poses more challenges to the Malaysian households with a drastic fall in overall aggregate demand, resulting in pay cuts and job losses. Parallel to that, this study has several objectives whereby to investigate the general financial literacy and financial capabilities of Malaysians, determine Malaysians' literacy of the Capital Market and understand Malaysians' preferences with regards to financial planning advisory services.

In general, respondents are confident of their ability to manage their finances and are careful with money. When it comes to respondents' financial literacy particularly in terms of Private Retirement Scheme (PRS), this survey reveals that most respondents are aware of and understand its existence. On the contrary, respondents reveal low priority and lack of understanding in insurance/Takaful products. In addition, they also lack understanding of EPF/KWSP and insurance nominations as well as investment concept. In terms of knowledge in Shariah-compliant financial products, most respondents are literate in Islamic products.

Financial literacy in the capital market illustrates that respondents do take precaution by reading and comparing information on financial products prior to investment but they still do not have full confidence in terms of making investment decisions. Unfortunately, a number of Malaysians in this study have little comprehension of the time value of money, while some do not recognize the effects of inflation and that inflation erodes the value of savings and income. They generally lack understanding of the compounding effects, risk management and benefits of diversification.

In regards with financial planning advisory services, Malaysians' preferences to enjoy a comfortable life for the moment, acknowledge that financial planners can assist in personalizing financial goals and strategies to avoid costly financial mistakes and their investment is for financial security purpose. Malaysians illustrate an improvement in financial capability to plan for emergencies and retirement, contribute additional funds to various savings and investment alternatives, become more aware of the consequences of financial planning and management, more willing to acquire knowledge and more meticulous in their expenses, savings and investments.

Hence, Credit Counselling and Debt Agency (AKPK) needs to deliver more awareness programs about their existence and functions with lower respondents' level of comprehension of this organization relative to Bursa Malaysia, Securities Commission and Bank Negara. Fund management companies particularly in savings and investment should inspire more Malaysians to save and invest in their products through both return performances and awareness programs. It should eventually stimulate Malaysian investments and savings to achieve greater financial security.

MESSAGE FROM MFPC PRESIDENT

Vincent Kwo Shih Kang



WARMEST GREETINGS.

Firstly, we thank the Capital Market Development Fund (CMDf) for their generosity in granting us funding to conduct this follow-up survey on 'Financial Capability & Utilization of Financial Advisory Services in Malaysia'.

This survey investigates financial literacy and financial capability in Malaysia, Malaysians' literacy of the Capital Market and Malaysians' preferences in regard to financial advisory services.

This survey, 'Financial Capability & Utilization of Financial Advisory Services in Malaysia', was commissioned primarily to aid policymakers to understand the current scenario in Malaysia and to study the trend over some years so as to be able to design and implement relevant policies and needs of the market. The survey identifies pivotal concerns such as the how and why: i) individuals and families have become more frugal in their spending in recent years, ii) Malaysians generally lack understanding of financial risk and return, iii) Malaysians are prone to making imprudent financial decisions, iv) many Malaysians are still susceptible to financial fraud and financial scams, and v) the need to make financial literacy available to prevent the situation from exacerbating. As highlighted in this study, some progress has been made since the previous survey in 2017. As an example, 21% of repeat respondents had not resorted to taking additional new loans since participating in the previous survey. In addition, after participation in

the previous survey, repeat respondents showed they had improved their financial capability after attending at least one financial seminar or course, practising budgeting and purchasing insurance/Takaful plans.

I also hope the findings of this survey will benefit all Malaysians considering that financial literacy equips us with the knowledge and skills we need to manage money effectively. I believe if everyone genuinely comprehends the way that money related frameworks work at an early age, it could prevent us from making poor financial choices and it also encompasses just about every aspect of a person's life.

Lastly, I would like to express my gratitude to Prof. Dr. Mohamad Fazli Sabri for leading the research committee for this survey, members of the MFPC National Council and the research team at the MFPC Secretariat and everyone that contributed their expertise in producing this report.

Thank You.

Best Regards,

A handwritten signature in black ink, appearing to read 'Vincent Kwo Shih Kang'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Vincent Kwo Shih Kang
MFPC President

FOREWORD

Prof. Dr. Mohamad Fazli Sabri
Research Head



Similar to the previous 2017 survey, the objectives of this survey were: i) to investigate the general financial literacy and financial capability of Malaysians ii) to determine Malaysians' literacy of the Capital Market and iii) to understand Malaysians' preferences with regard to financial advisory services.

However, in the present survey, we included a survey of repeat respondents who had responded to the last survey in order to analyse if they had improved in their financial capability and understanding of financial advisory services since their participation in the survey 3 years ago. This comparison allowed us to gain information regarding the financial information, knowledge, and skills that the respondents possessed and their ability to evaluate their options, and to identify those that best suit their needs and circumstances after they had participated in the previous survey.

This research incorporated the purposive sampling method to cover a wide section of the population. This method enabled the researchers to gather much information from the data collected. This also allowed the researchers to describe the major impact their findings have on the Malaysian population. The survey included four categories of respondents: i) public sector employees; ii) SME/private sector employees/general public; iii) FELDA/rural area residents; and iv) youths in institutions of higher learning.

The findings of the survey highlight a fair amount of concerns such as Malaysians not saving at all and the admission of a large number of respondents that their income is not sufficient. Compared to the findings of the 2017 survey, the

findings of the present survey reveal the respondents had a better awareness of the Private Retirement Scheme (PRS). Also, a majority of the respondents understood the roles of the Security Commission (SC), Bank Negara Malaysia and the Central Credit Reference Information System (CCRIS).

However, respondents showed a low understanding of insurance/Takaful products. In addition, they also lacked understanding of EPF, insurance nominations, the capital market and the concept of investment. Further, the survey reveals a worrying number of people seeking help in managing their debts and finances from AKPK. Improved financial knowledge and management would certainly provide them peace of mind in terms of being able to pay for expenses and setting money aside for long-term goals.

One of the challenges faced during the development of this research was obtaining the repeat respondents' responses although we tried to get in contact with them by email and text messages in addition to going to the locations where the first survey had been conducted.

We would like to express our deepest gratitude to the various local academicians and industry practitioners for their collaboration in this research. Our gratitude and appreciation also goes to the Capital Market Development Fund (CMDf) for their invaluable support since day one.

Thank You.

Best Regards,
Prof. Dr. Mohamad Fazli Sabri
Research Head



1.0

INTRODUCTION



MALAYSIA POPULATION

2019
32.6 million

2018
32.4 million

1.0 INTRODUCTION

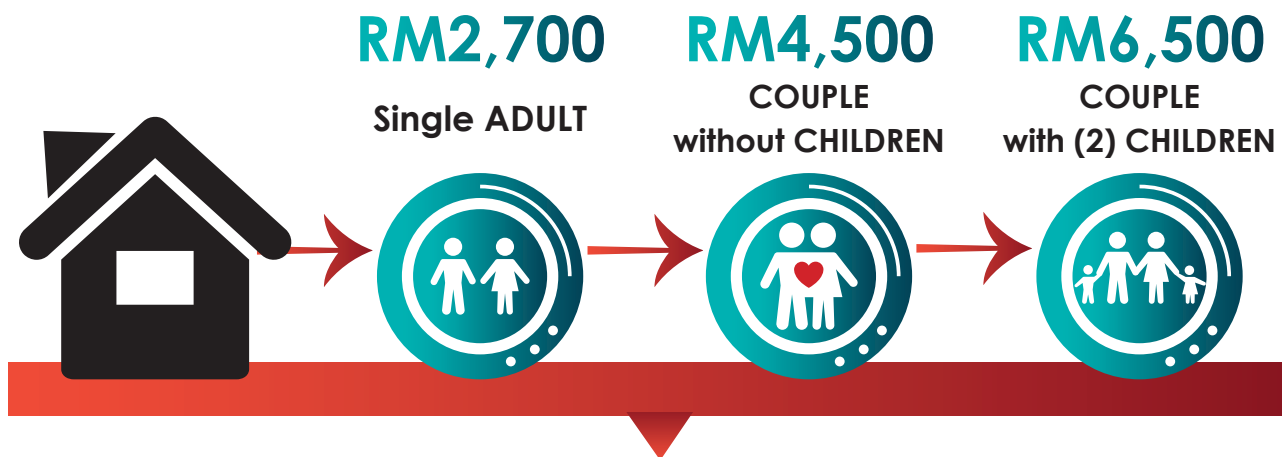
The global economies are currently facing several challenges simultaneously unseen in previous centuries, comprising the trade war between US and China, plummeting oil prices and the most recent Covid19 pandemic. Countries are now facing tremendous uncertainty which may trigger severe consequences, and an agonizing assessment of its economic sustainability and resilience. The current pandemic has also frozen almost all economic activities of nations around the world and this would eventually result in a drastic contraction of Gross Domestic Product (GDP) of most nations and ultimately income of households.

Nationally, the population statistics for Malaysia is estimated at 32.7 million in the first quarter of 2020, from 32.6 million in 2019 and 32.4 million in 2018 (Department of Statistics Malaysia, 2019).

It is anticipated that the level of economic growth and income should increase in line with the rise in population, however the chances of it happening is yet to be seen in the current challenging time.

In accordance with the strategies of developing countries worldwide to lift their population out of poverty and reduce the huge income gap between the rich and poor, the Malaysian government launched the Shared Prosperity Vision (SPV) 2030 in 2019. This SPV 2030 blueprint aims to increase the income of all ethnic groups, particularly the Bumiputera comprising the B40 (lower income group), the hardcore poor, the economically poor, those in economic transition, the Orang Asli, Sabah and Sarawak Bumiputera, the disabled, youths, women, children and senior citizens.

The 2018 Bank Negara Malaysia (BNM) Annual Report highlighted that a single adult in Kuala Lumpur needs an estimated RM2,700 a month as a living wage; a couple without children needs at least RM4,500; and a couple with two children needs RM6,500. Further, the Department of Statistics Malaysia (DOSM) revealed in its Salaries & Wages Survey Report Malaysia 2018 that the average monthly salary of employees is only RM3,087. Salaries in urban areas are found to be higher at RM3,274 compared to RM2,083 in rural areas (Department of Statistics Malaysia, 2017). These figures indicate that the level of salaries in Malaysia is insufficient relative to the minimum living wage. Income insufficiency can affect the population's financial, mental and social well-being. As Malaysia continues to pursue a more innovation-centric transformation agenda, it is crucial to grow the national average wage of its population. In line with this, the current government increased the minimum wage to RM1,200 in major cities from February 2020.



GOVERNMENT
increased minimum wage to
RM1,200
at Major cities starting

→ **FEBRUARY**
2020

It is not surprising that many Malaysians have resorted to borrowing in order to achieve their financial goals and sustain basic survival. In addition, consumers today are consistently overwhelmed with various mixes of social media marketing that entice them to purchase unnecessarily and spend more, way above their affordability. This is evident in Malaysia's household debt to gross domestic product which is at a high of 82.7 per cent in 2019, compared to 82 per cent in 2018. Residential property loans account for the largest proportion of total household debt while the remaining include personal, vehicle, investment and credit card financing (Bank Negara Report, 2019).

Findings from the AKPK Financial Behaviour Survey 2018 (AFBeS'18) indicated that almost three out of ten Malaysians (28%) need to borrow in order to buy essential goods. It is also worth noting that more than half (53%) who earn less than RM3,000 cannot afford RM1,000 for emergency expenses. Individuals earning below RM3,000 per month remain vulnerable, given their low financial buffers (Borhan Nordin & Lim, 2018). Furthermore, most Malaysian household financial assets are made up of Liquid Financial Assets (LFAs). Across income groups, LFAs are mostly held by individuals with

monthly income of more than RM5,000 (71% of total LFAs). Individuals earning less than RM3,000 per month hold only 9 per cent of total household LFAs (Borhan Nordin & Lim, 2018), resulting in this group being most vulnerable to the debt trap.

In line with the rising household debt-to-gross domestic product ratio, Malaysians are faced with relatively low propensity to save for future or emergency use. Increasing household debt tends



MALAYSIAN GOVERNMENT

Launched the SHARED PROSPERITY VISION (SPV 2030)

aimed to INCREASE the INCOME of ALL ETHNIC GROUPS

- BUMIPUTERA comprising the B40 (LOWER INCOME GROUP)
- The HARDCORE POOR
- The ECONOMICALLY POOR
- Those in economic transition, ORANG ASLI, SABAH & SARAWAK Bumiputera, the Disabled, Youths, Women, Children & Senior Citizens

THE STAR online, November 2019

2019

RM3,274
Salaries in
urban areas

RM2,083
Salaries in
rural areas

=

**Malaysian
salaries are
insufficient**

to decrease savings and fixed deposit balances with lower disposable income. Malaysians with low, income have no choice but to resort to borrowing and much of their income has to be allocated to debt repayment instead of savings. In fact, according to the findings of AFBes'18, faster debt settlement is the number one financial goal of Malaysian working adults. Disappointing statistics from AFBes'18 also revealed that two out of ten Malaysian working adults could not afford to save in the last 6 months. The total amount of savings grew from RM135.1 billion in 2016 to RM140.47 billion in 2017, at a rate of only 3.98 per cent.

Furthermore, fixed deposits grew at a much lower rate of between 5.64 and 7.76 per cent in 2015 and 2017 respectively, compared to a growth rate of between 6.96 and 12.17 per cent in 2012 and 2014 (Surendran, 2018). In addition, AFBes'18 also showed that the high cost of living is the main reason why many Malaysians are unable to save. The declining savings rate is reflective of longer-term trends, which is rather worrisome for the country and one of the solutions is to accelerate income growth to compensate for higher cost of living.

The World Bank Group asserted that a low rate of savings growth will affect Malaysia's inflation which is expected to increase modestly in 2020, with consumer price inflation to average higher in the range of 1.5 – 2 per cent as compared with 0.7 per cent in 2019. Not only that, Malaysia's annual inflation rate edged up to 1 per cent in December

2019, from a six-month low of 0.9 per cent in November due to rising food prices (The Star Online, December 2019). Although 69 per cent of Malaysians in the RinggitPlus Malaysian Financial Literacy Survey 2019 (RMFLS 2019) claimed that they are in control of their money (RinggitPlus, October 2019), AKPK's Debt Management Programme (DMP) documented that 29 per cent of individuals sought financial counselling and advice through a personalised programme to provide eligible borrowers with solutions for their financial predicament and this is indeed a worrying trend.

The current pandemic period with country-wide movement control order poses more challenges to Malaysian households with a drastic fall in overall aggregate demand, resulting in pay cuts and job losses. Many may have found themselves more financially fragile with diminished household incomes. In order to alleviate the contagious drastic effects on the Malaysian economy, the authorities implemented various stimulus packages for households and businesses. Some of those for individuals include reduction in Employment Provident Fund (EPF) contribution, i-Lestari EPF/KWSP withdrawal and the six months' moratorium on loans. Affected individuals and households can decide if they wish to take up any of these offers.

As Malaysia moves towards the Digital Economy, the country needs to reflect on its state of development and the key challenges it might face to become an advanced economy. A continuous

focus on Malaysia's innovative capabilities is needed, as innovation is a key driver of productivity and long-term income growth. In order to complement the knowledge-based economy, the state of human capital development needs to be continuously improved in terms of productivity, sustainable growth and the ability to create or utilise technological advancements. In line with this, the adoption of the e-wallet by Malaysians could be beneficial as Malaysians can better control their spending through the monitoring of expenses through e-wallet applications. Future-oriented improvements are needed for internet-based services to cope with the demands of Malaysians in the future.

In terms of the finance spectrum, Securities Commission Malaysia has approved the application of robo-advisory among other measures to help Malaysians partake in informative investment decision making. Henceforth, financial capability and utilization of financial planning advisory services in Malaysia as well as more

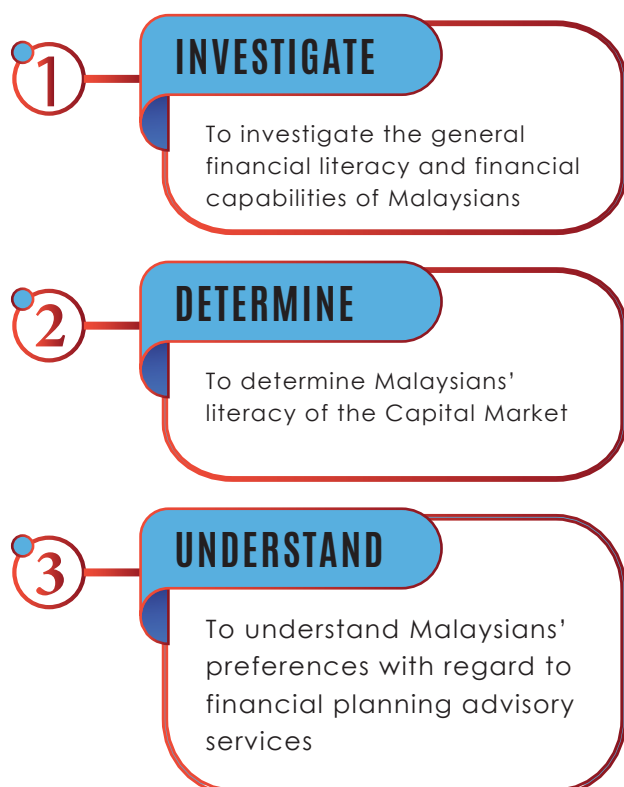
effective and important enablers of the provision of investment solutions should be the core of its development and digital innovation.

2.0 DATA COLLECTION AND ANALYSIS

This research project allowed investigators to estimate with precision the extent of a population's financial attributes simply by obtaining data from only a small sample of the total population. To minimize sampling error, it is usually advantageous to select a relatively large sample size. If a large enough sample size is obtained and potential problems related to coverage, non-response, and measurement errors have been minimized, the sample data could be representative and generalizable to the target population. Based on data retrieved from the Department of Economic and Social Affairs, Population Division (2020), the annual rate of population growth for the country in 2019 was 1.34 per cent for 2019 a country of approximately 32.6 million. Citizens aged between 15-64 comprised about 70 per cent or 23 million, the age range of the population for this research. According to the sampling size calculation table by Krejcie and Morgan (1970), for a population which is equal to or greater than 1,000,000, the required sample size is about 1,500 with confidence interval of 95% and margin of error of 2.5 percent. This survey collected information from a total of 2,000 respondents in order to compensate for incomplete and unusable responses with 1500 new respondents and 500 repeat respondents (respondents from the survey conducted in late 2017).

Purposive sampling method was adapted by this survey as the sample could provide a wide coverage of the population. The study aimed to access information on Malaysians from all levels of socioeconomic and education background in both urban and rural areas. The sample was separated into four categories which are (1) public sector employees; (2) SME/private sector employees/general public; (3) FELDA/rural area

OBJECTIVES OF SURVEY



residents; and (4) youths in institutions of higher learning. These four categories possess the potential to cover the wide range of population for the results to be generalised.

All questions in the questionnaires were developed in a close-ended form by providing possible choices of answers. This method can prevent bias and allow the data to be analysed in the most appropriate way. Data was collected from April to August 2019. A pilot survey is conducted among forty respondents to check the suitability of research instruments in a preliminary small-scale survey. This assisted the researchers to decide on the most appropriate approach to conduct such a large-scale research project and to ensure that the proposed methods or instruments were appropriate. Some instruments were revised on the terms applied and the instructions modified after the pilot survey due to clarification and understanding issues by respondents. This enhanced the reliability and accuracy of the questionnaire. The questionnaire which was developed in both the Malay and the English languages comprised four major sections and was distributed to all potential respondents. Self-administration of the questionnaire was applied, and assistance and clarification were provided to those who requested them. Reliability tests were conducted and a Cronbach's Alpha coefficient of above 0.7 was obtained for all the instruments. In addition, Statistical Package for Social Science version 22.0 (SPSS) was applied to analyse the data.

2.1 FINANCIAL LITERACY

This section of the questionnaire identifies the levels of financial literacy of the respondents and is further divided into two: Part A covers overall financial literacy and Part B comprises financial literacy in the capital market. Part A contains 32 true/false questions based on respondents' financial knowledge. These 32 questions capture information on the eight domains of financial literacy:

cash flow management, debt management, saving and investment, retirement planning, risk management, Islamic financial products, taxation and estate planning, and general questions on the Malaysian financial system. Part B consists of 5 multiple choice questions on understanding of the financial institutions and markets.

2.1.1 FINANCIAL CAPABILITY

This section is designed to capture the financial capability of the respondents with 20 statements encompassing four different domains: managing money, planning ahead, selection of products, and staying informed. These instruments have been previously applied in studies on financial capability. These include the Scottish Household Survey (2005-2009), the British Household Panel Survey (2006) and the Central Bank of Malaysia's Survey on Financial Literacy of Malaysian Adults (2010). Each domain consists of five questions and the respondents were asked to rate their responses according to the Likert scale provided.

2.2 FINANCIAL PLANNING ADVISORY SERVICES

This section aims to understand Malaysians' preferences with regards to the provision of various financial planning advisory services. It is divided into five parts which includes sources of information on financial products; financial planning services; perception towards financial planners, financial plans and financial planning companies; financial decisions; and participation in the capital market.

2.3 DEMOGRAPHIC AND SOCIO-ECONOMIC INFORMATION

Section 2.3 collects the respondents' demographic and socio-economic details. This section summarizes the individual characteristics of all respondents in terms of age, gender, ethnicity, educational background, family size, home ownership, savings, financial status, income adequacy and types of existing loans/debt.

2.2.1 Sources of Information on Financial Products

This part on sources of information on financial products identifies the respondents' preferred medium of obtaining information in managing their finances. A total of 18 options are provided and the respondents had to select their three most preferred sources of information.

2.2.2 Financial Planning Services

The part on financial planning services consists of five questions with answer options to obtain information on respondents' preferences with regards to financial planners. Options on answers are available for the first four questions and the last question allows respondents to rank their expected criteria required for a financial planner.

2.2.3 Perceptions towards Financial Planners, Financial Plans and Financial Planning Companies

This part contains four questions with statements which require the respondents to rate the importance of choosing a financial planner and rank their perception towards financial planners, financial plans and financial planning companies.

2.3.4 Financial Decisions

This part evaluates the sources of information and the ability of respondents in making financial decisions. It comprises two questions with alternatives concerning where financial information is collected from and how respondents gather information prior to making financial decisions.

2.2.4 Participation in the Capital Market

This part aims to detect respondents' participation in the capital market and contains six questions with answer options regarding the investment profile of respondents. The areas of interest include the proportion of income allocated to investment, investment purposes, financial resources for retirement, types of current savings/investment, and one question on whether they engage in alternative investments.

2.4 IMPROVEMENT IN FINANCIAL CAPABILITY

This section was specifically included for the repeater respondents who participated in our 2017 survey. It is an additional section comprising five questions that aim to discover improvement in repeater respondents' saving habit, participation in financial activities, financial literacy and awareness of personal finances.



PART I

3.0 FINDINGS



3.0 FINDINGS

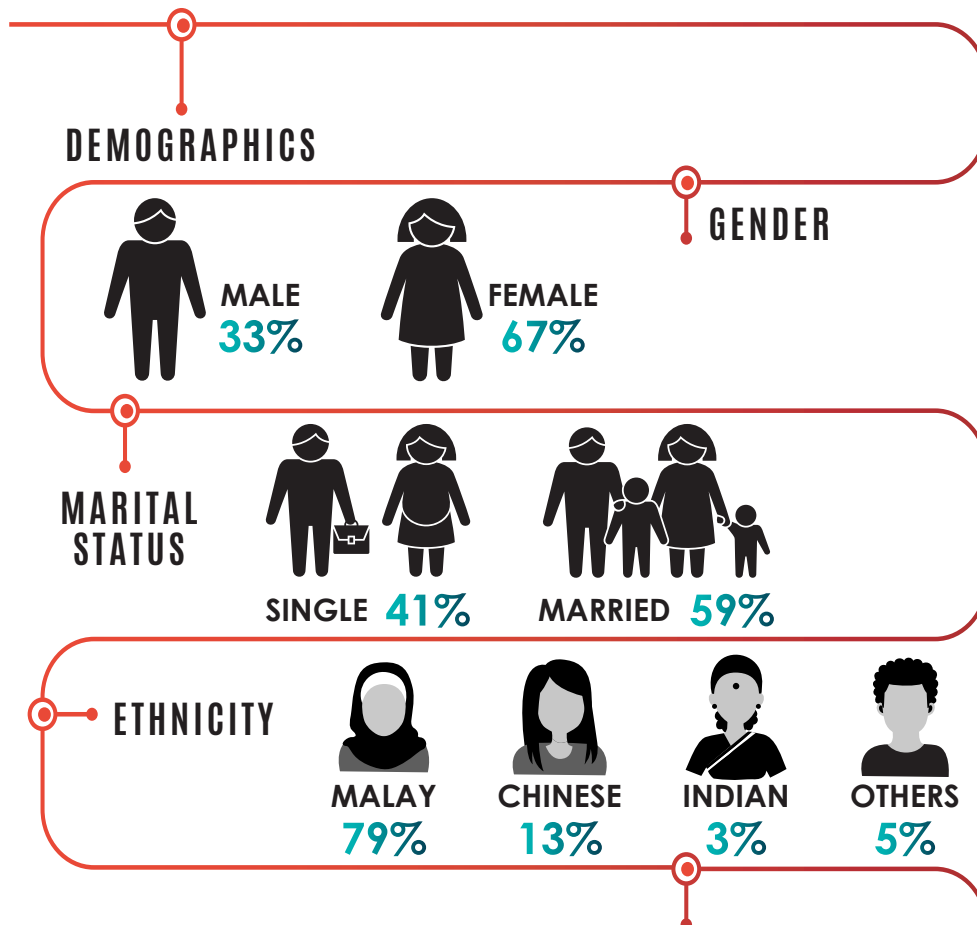
3.1 Profile of Respondents

3.1.1 Demographics

This survey collected a total of 1,500 responses from respondents in four major groups: government sector employees, private sector employees, youths in institutions of higher learning and FELDA/rural area residents. The information on demographics is detailed in Figure 3.1

which shows 67 per cent of the respondents were female, and the rest were male. In terms of gender, there was a slightly higher proportion of female respondents relative to the national average. The sample consisted of 59 per cent of married individuals with a majority of 79 per cent from Malay ethnicity. Demographics of the sample is consistent with the average overall national population in terms of ethnicity with approximately 79 per cent Malay, 13 per cent Chinese, 3 per cent Indian and 5 per cent others.

FIGURE 3.1: GENDER, MARITAL STATUS & ETHNICITY



1,500

RESPONDENTS FROM 4 MAJOR GROUPS:

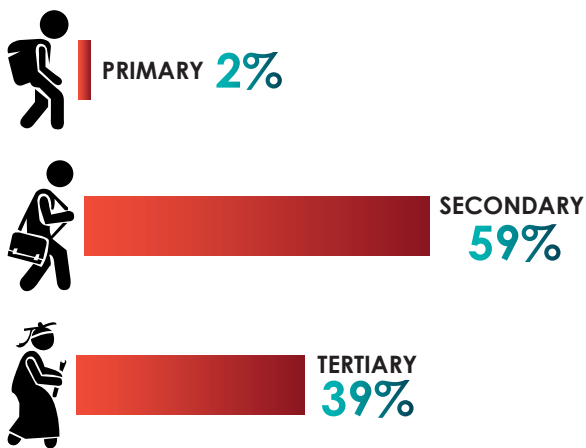
- GOVERNMENT SECTOR EMPLOYEES
- YOUTH IN INSTITUTIONS OF HIGHER LEARNING
- PRIVATE SECTOR EMPLOYEES
- FELDA/RURAL AREA RESIDENTS

Figure 3.2 provides details of respondents' educational background and monthly income. The respondents' educational background appears to reflect that of the general population, 98 per cent of whom have either secondary or tertiary education with only 2 per cent having attended only primary school education. A large percentage of the respondents (53%) had an average monthly income of less than RM3,000, categorizing them as being in the B40

group whose total household income is less than RM3,000. Respondents with a monthly income of between RM3,000 to RM4,999 comprised 20 per cent; those with income between RM5,000 to RM6,999 comprised 21 per cent; those with income between RM7,000 to RM8,999 comprised 4 per cent; and those with income above RM9,000 comprised only 2 per cent. In summary, a large proportion of the respondents were female and of Malay ethnicity, with 98 having at least secondary education and more than half in the B40 category.

FIGURE 3.2: EDUCATION & MONTHLY INCOME

EDUCATIONAL BACKGROUND



MONTHLY INCOME

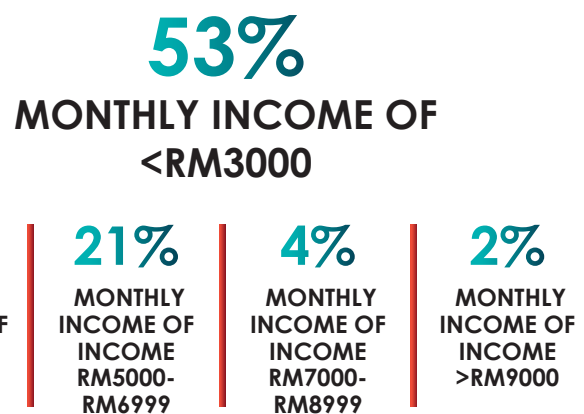


Figure 3.3 demonstrates that 34 per cent of respondents were between the ages of 20 to 29 years of age; 32 per cent of them were between 30 to 39 years of age; 12 per cent were between the ages of 40 to 49; and 18 per cent were more than 50 years old. Only a small percentage (4%)

were less than 20 years old. The details on the family size of respondents is presented in Figure 3.4. More than half of the respondents (63%) had 4 to 6 persons in their household. On the other hand, 31 per cent had relatively smaller family size of 1 to 3 people, and 6 per cent had 7 or more persons in their households.

FIGURE 3.3: AGE DISTRIBUTION

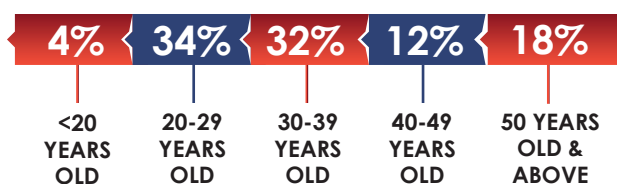
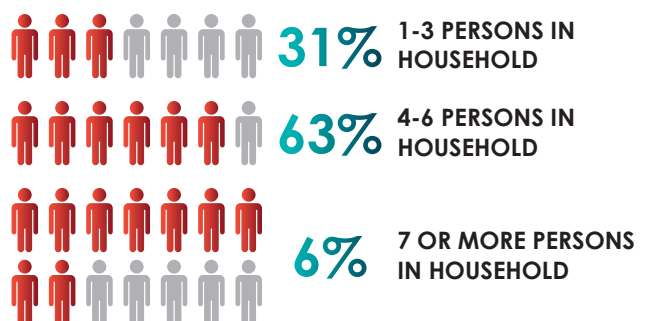


FIGURE 3.4: SIZE OF FAMILY



3.1.2 Socioeconomic Information

The socioeconomic statistics for this group of respondents are shown in Figures 3.5 to 3.9. Figure 3.5 indicates that 67 per cent of the respondents were in employment, either working in an organization as employed or having their own businesses as self-employed. It is interesting

to note that only 41 per cent of the respondents were living in their own homes, 35 per cent were still staying with their family and 11 per cent were living in rented premises as shown in Figure 3.6. This indicates that the majority or 76 per cent of the respondents were staying with their family or in their own dwelling.

FIGURE 3.5: EMPLOYMENT STATUS

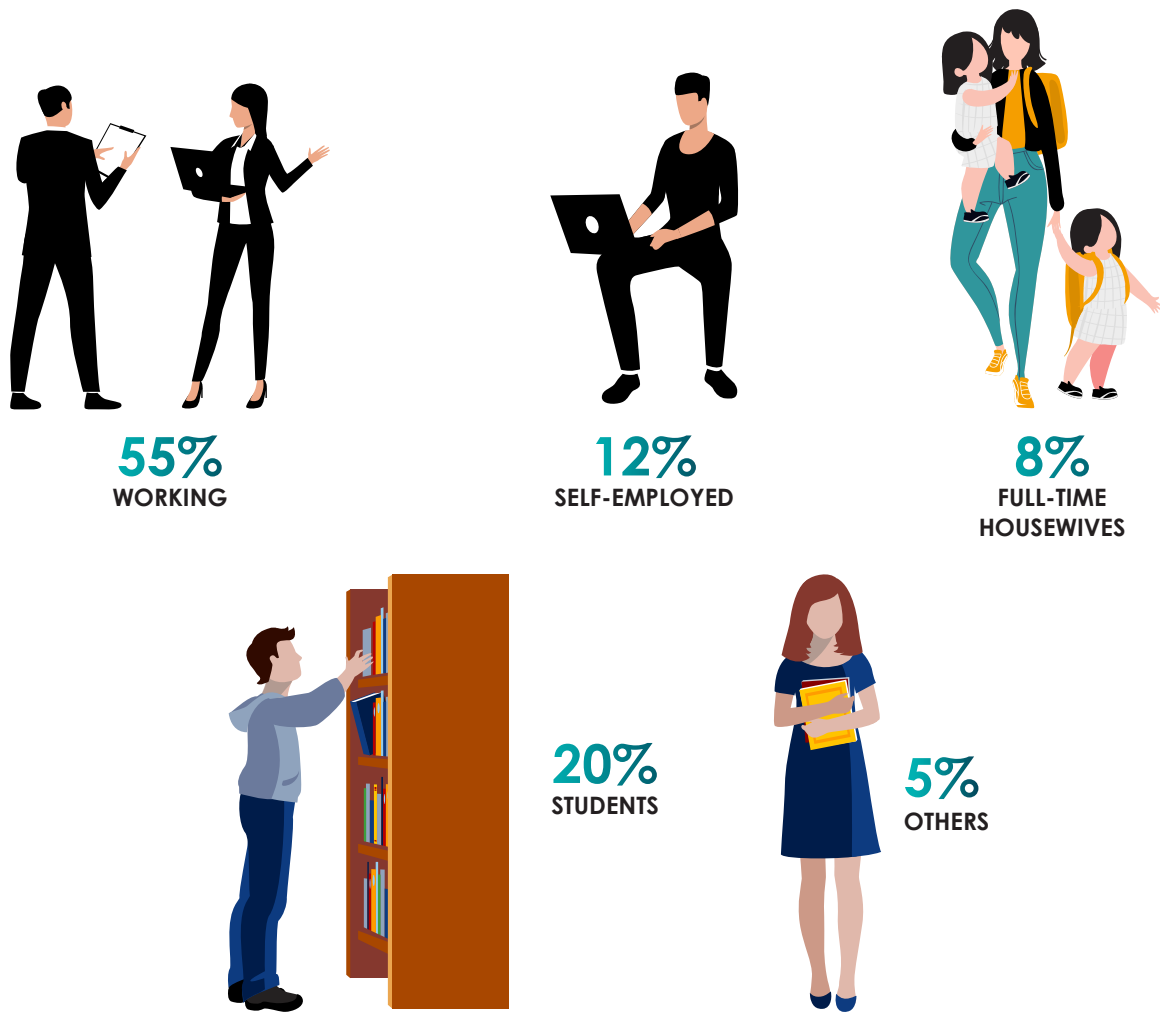
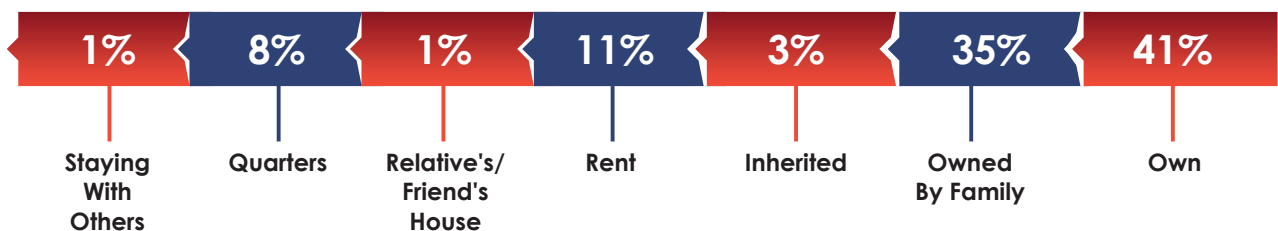


FIGURE 3.6: HOME OWNERSHIP



It is vital to understand the financial position of the respondents in this survey when analysing their financial capability. In terms of the proportion of monthly income that went into savings, in Figure 3.7, shows that 50 per cent saved less than 10 per cent of their monthly income while about 9 per cent did not have sufficient income to save, meaning that a total of slightly less than 60 per cent of the saving a minimum of 10 per cent or less of their income. This is certainly a worrying trend as respondents either did not feel the need to save for emergencies or the future, which is most likely due to them not possessing the ability to save after paying for all expenses. There is undeniably an urgent need for more information and guidance to inculcate financial planning skills for this majority group of relatively young (< 40 years old) respondents.

Looking at the data in Figures 3.2 to 3.7, it is not surprising to find that a large proportion of respondents did not have strong financial status in

terms of assets to debt ratio with 35 per cent of the respondents having more debt than assets; 24 per cent had about the same amount of assets and debt whilst only 41 per cent had more assets than debt as can be seen in Figure 3.8. This suggests that about 60 per cent of respondents had debt more than or equal to assets. It is crucial that respondents are able to manage their finances well in order to avoid falling into the debt trap and needing the services of AKPK. Furthermore, it is indeed sad to know that altogether about 52 per cent of respondents did not have enough or had barely sufficient income to serve their basic needs as Figure 3.9 shows. Only 26 per cent stated that their income enabled them to satisfy their desires and 22 per cent had enough to buy most necessities. The data provides an indication that the majority of respondents were only just able to meet day to day expenses and with depressed real wage growth under the pandemic season currently, this scenario is expected to deteriorate further.

FIGURE 3.7: MONTHLY SAVINGS



FIGURE 3.8: ASSET TO DEBT RATIO

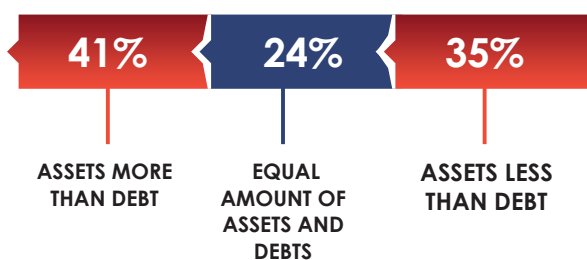
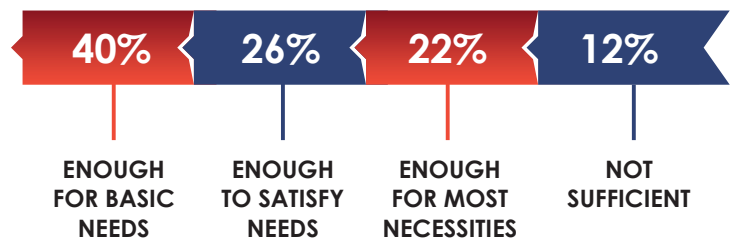


FIGURE 3.9: INCOME ADEQUACY



This survey further analysed the type of financing commonly utilized by respondents and found that the most common debt was vehicle hire purchase loan (36%), followed by education loan (29%), housing mortgage (27%), personal loan (26%) and credit card debt (15%) as seen in Figure 3.10. In addition, as Figure 3.11 shows, 77 per cent of the respondents divulged that vehicle ownership was also their top asset besides houses (60%), jewellery (43%), land (31%) and residential properties (23%).

In summary, this survey validates previous national studies whereby the data reveals only 41 per cent of Malaysians own their homes. It also reveals that about 52 per cent do not have sufficient or have barely sufficient income to meet their basic needs and this may be due to 53 per cent

earning less than RM3,000 monthly. Furthermore, according to data concerning the figures on the current financial status, it is disturbing to note that 35 per cent (more than one third) have higher debt relative to assets. To make matters worse, 59 per cent save nothing or less than 10 per cent of their monthly income, with vehicle hire purchase recorded as the highest percentage of debt. Similarly, 77 per cent consider that the major asset they possess is their vehicle. With the emergence of zero down-payment schemes and a reduction in vehicle prices, it is not astonishing that this has encouraged Malaysians to incur debt in car purchase, with the misconception that affordability is as long as one can pay the monthly repayments but often times realising that they are not able to afford the total costs of the vehicle in the longer term.

FIGURE 3.10: TYPES OF LOANS

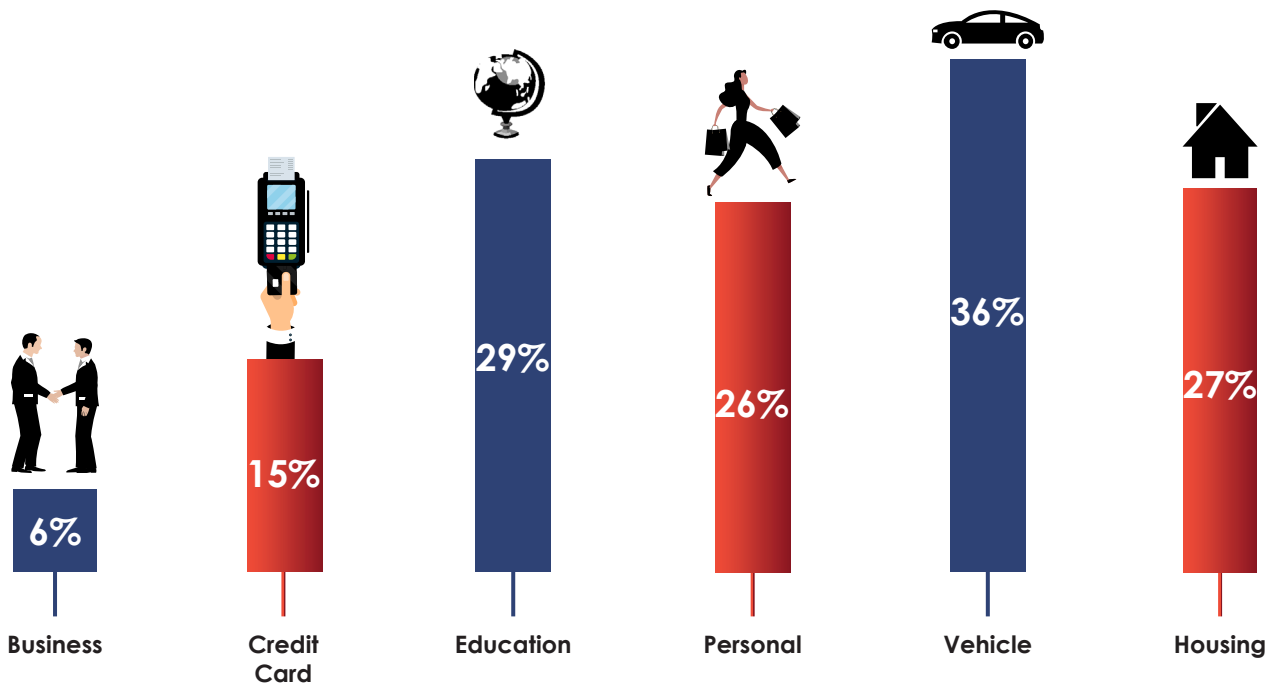
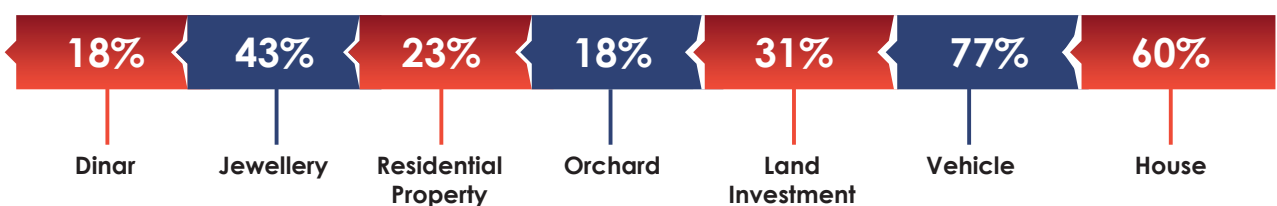
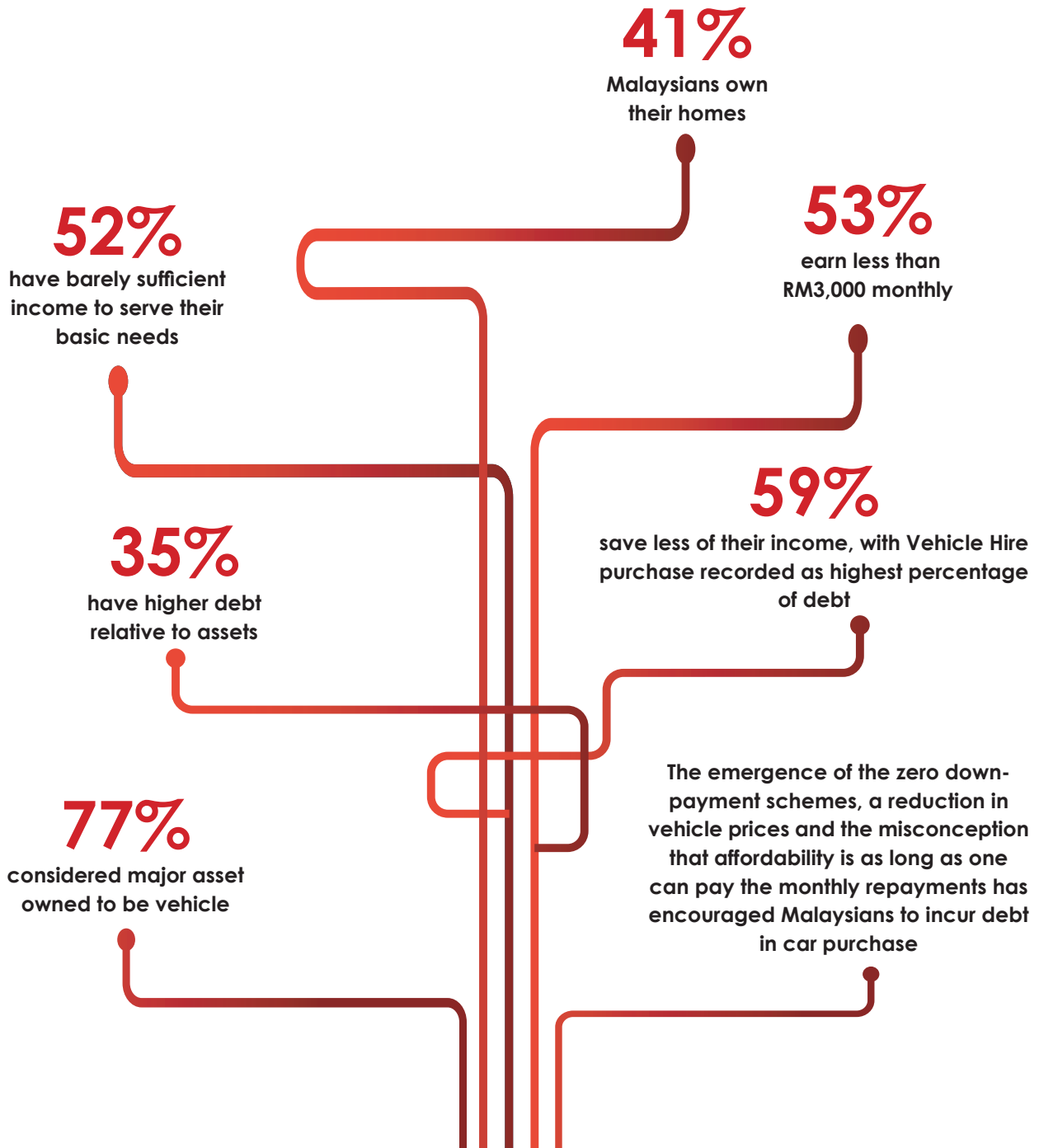


FIGURE 3.11: TYPES OF ASSETS



SUMMARY



RESPONDENTS ARE NOT ABLE TO AFFORD THE TOTAL COSTS OF THE VEHICLE OVER THE LONGER TERM

3.2 FINANCIAL LITERACY

Financial literacy of the respondents was evaluated in thirty different scenarios and the major differences are as shown Table 3.1. This second survey found similar results in terms of the level of financial literacy in most areas as in the original survey and therefore the current report only highlights those areas with significant differences. The respondents' perception and

understanding that Private Retirement Scheme is not entirely for public employees improved to 87 per cent in 2019 as compared to 77 per cent in the 2017 survey. This group of respondents were able to acknowledge and understand that the Private Retirement Scheme (PRS) is not only for government employees but for all employees from different sectors. Anyone who wishes to save more and plan for retirement can invest in PRSs in addition to the Employees Provident Fund (EPF/ KWSP).

TABLE 3.1: FINANCIAL LITERACY

ITEM	CORRECTLY ANSWERED		WRONGLY ANSWERED	
	2019 (PER CENT)		2017 (PER CENT)	
Private Retirement Scheme is only for Government employees	1307 87%	193 13%	1548 77%	452 23%
Everyone can buy insurance/ Takaful whenever they wish to do so	381 25%	1119 75%	565 28%	1435 72%
Wills cannot be modified once they are written	948 63%	552 37%	1264 63%	736 37%
My Will can include EPF and Insurance nomination	285 19%	1215 81%	466 23%	1534 77%
I can distribute all my assets through my Will	1209 81%	291 19%	1636 82%	364 18%
Shariah products are only available for Muslims	1011 67%	489 33%	1241 62%	759 38%
Shariah products generate reasonable returns similar to conventional products	967 65%	533 36%	1337 67%	663 33%
Shariah products are free from risk	817 55%	683 46%	1229 62%	771 38%
Credit Counselling and Debt Management Agency (AKPK) offers financial loans	1019 68%	481 32%	1115 56%	885 44%

However, the percentage of respondents who understood that not everyone can purchase insurance decreased from 28 to 25 per cent as they thought that anyone can buy insurance whenever they wish. Not everyone can purchase insurance as those who do not meet the required criteria may not be eligible for insurance under certain circumstances. This contrasts with the greater number of respondents who understood Wills. Table 3.1 also shows that 81 per cent knew that assets can be distributed via a Will, compared to the 82 per cent in the previous survey. This reflects that the current respondents had similar knowledge of Will usage compared to the respondents in the previous survey. Furthermore, a large majority (81%) of the respondents in the current survey were not able to differentiate that EPF/KWSP and insurance nominations are separate from Will writing, slightly more than the 77% in the previous survey.

In terms of the understanding of Shariah-complaint financial products, only 65 per cent of the respondents in the current survey were aware that Shariah-compliant products can generate returns similar to conventional products as compared to the 67% in the previous survey. In addition, only 55 percent knew that Shariah-compliant products are not risk free, compared to 62 per cent of the previous respondents. There was a slight deterioration in understanding of Shariah products as compared to the findings of the 2017 survey. It is important for investors to recognize that all investments have some element of risk, whether they are Shariah-compliant or conventional. Understanding of Islamic finance is

essential, and this is of course in line with Malaysia being a leader in the Islamic finance front coupled with the increasing growth of Islamic financial products and institutions. Correspondingly, 67 per cent of respondents stated that Shariah-compliant products are not limited to only Muslims, compared to 62 per cent in the previous survey, as the essence of Islamic finance is the concept of inclusiveness.

It is reassuring to summarise that a larger proportion of respondents understood PRS although this was not in the case of insurance/Takaful. A majority also had good understanding of the concept of Wills but were not clear about nominations in EPF/KWSP and insurance. In terms of knowledge in Shariah-compliant financial products, the majority of respondents were literate in Islamic products as more than 65 per cent provided correct answers to 2 out of the 3 items. Nevertheless, more information on Shariah-compliant investments should be disseminated to ensure appropriate understanding and promotion of Islamic finance. Additionally, the findings reveal that there is a need for the Credit Counselling and Debt Agency (AKPK) to provide more awareness programmes about their existence and functions. This is due to the respondents' lower level of comprehension (68%) of this organization relative to Bursa Malaysia, Securities Commission and Bank Negara. Even though there was slight improvement in the percentage of respondents who correctly answered the question, 32 per cent of the respondents believed that AKPK's role is to offer financial assistance to individuals in times of financial distress.

3.3 CAPITAL MARKET LITERACY

The section on capital market literacy revealed that 76 per cent of respondents correctly identified that investing in shares is riskier than investing in unit trusts as summarised in Table 3.2. A total of 69 per cent of respondents understood that shares have the highest price fluctuation compared to other assets. This indicates that respondents were slightly more aware that investing in shares involves considerably higher risk compared to the previous survey's figure of 66 per cent. In addition, 51 per cent of the respondents realised that when investors spread their money across different assets through diversification, the risk of losing money is lower. Overall, there was a slight decrease in this understanding on diversification relative to the earlier survey in 2017 (55%).

Unfortunately, more than half of the Malaysians in this survey did not comprehend the effects of inflation (53%), while 63 per cent did not understand the time value of money in that inflation erodes the value of savings and income, resulting in a difference in the value of the same amount of money in the future as compared to its value at present. In general, the findings for both the 2017 and the present studies were relatively similar for this section on capital market literacy where the percentages of correct answers were moderately low for all categories. The findings reflect that Malaysians understand some risks in investments but are still lacking in capital market literacy especially in the compounding effect of money as well as the erosion effect of inflation. Programmes on capital market literacy are needed to improve knowledge on investments to close this gap and ensure quality investment decisions.

TABLE 3.2: CAPITAL MARKET LITERACY

ITEM	CORRECTLY ANSWERED	CORRECTLY ANSWERED
	2019	2017
Assume a friend inherits RM 10,000 today and his sibling inherits RM 10,000 three years from now. Who is richer because of the inheritance?	561 37%	824 41%
Suppose that in the year 2025, your income has doubled and prices of all goods have doubled too. In 2025, how much will you be able to buy with your income?	701 47%	885 44%
Normally, which asset displays the highest fluctuations over time?	1041 69%	1311 66%
When an investor spreads his money among different assets, does this reduce the risk of losing money?	768 51%	1098 55%
Shares are normally riskier than unit trusts	1144 76%	1636 82%

▶ 3.4 FINANCIAL CAPABILITY

Financial capability encompasses not only financial information but also an individual's ability to budget expenditure according to income, control irrelevant expenses, plan for future family financial wellbeing and retirement. This section comprises twenty items on financial capability as shown in Table 3.3. The Table shows that the majority of respondents were in general able to manage their money with 77 per cent of the respondents making plans for their expenses and 67 per cent

being able to pay bills on time. However, more respondents faced difficulties in paying their bills on time with lower percentage when compared to the respondents in the previous survey in 2017. More than 65 per cent of the respondents practised appropriate financial behaviour such as reviewing and evaluating expenses, setting aside money for unexpected expenses and achieving financial goals. The respondents were financially capable in managing their expenses and living within their means.

TABLE 3.3: FINANCIAL CAPABILITY

No.	ITEM	A	A
		2019	2017
1.	I make plans for my expenses	1150 77%	1405 70%
2.	I pay my bills on time	1008 67%	1408 70%
3.	I review and evaluate my expenses	1045 70%	1298 65%
4.	I regularly set money aside for unexpected expenses	1011 67%	1299 65%
5.	I set specific financial goals and strive to achieve them	1020 68%	1245 62%
6.	I make adequate provision for unexpected expenses (shrinking income)	859 58%	1049 52%
7.	I save for retirement	911 61%	1201 60%
8.	I prefer to have a comfortable life today than plan for retirement	410 28%	640 32%
9.	Household income after retirement is able to guarantee a more comfortable living standard	835 55%	1099 55%

Note: A= Agree

TABLE 3.3: FINANCIAL CAPABILITY

No.	ITEM	A	
		2019	2017
10.	Apart from contributing in pension funds, it is important for me to make my own savings	1297 87%	1593 80%
11.	I consider several products/ loans/ policies/ accounts from different providers before making my decision	1072 72%	1416 71%
12.	I read the terms and conditions of contracts in detail before agreeing and signing	1156 77%	1383 69%
13.	I understand the various financial products that I need without consulting a financial adviser/ planner	465 31%	660 33%
14.	I trust my financial planners and accept what they recommend	635 43%	804 40%
15.	I compare products on features and price rather than making a choice based on the brand image	1164 78%	1359 68%
16.	I regularly monitor financial indicators such as changes in the housing market, stock market and interest rates	763 51%	925 46%
17.	I actively seek financial information through professional advice	596 40%	795 40%
18.	I frequently keep up to date with financial products	698 47%	903 45%
19.	I am always interested to learn and make comparisons of financial services offered	928 63%	1117 56%
20.	I would like to know further about financial issues and learn how to interpret the information	1044 70%	1315 66%

Note: A= Agree

The findings for retirement planning are similar to those for the ability in managing money; more than 60 per cent of respondents indicated their inclination to save and plan for retirement. At least 67 per cent of them revealed that they regularly set aside funds for possible unexpected expenses and 55 per cent of respondents believed their income after retirement could guarantee a more comfortable life. It is comforting to note that there is a decrease to 28 per cent in the number of respondents from the 32 per cent of respondents in 2017 preferring to live for the moment instead of planning for the future, which is illustrated by their desire to have a good standard of living today rather than later. On a positive note, 87 per cent of the respondents believed that in addition to a retirement fund, there is a need for other forms of savings.

In terms of making a choice on financing, 72 per cent of respondents agreed that several aspects need to be considered before making the decision and 77 per cent of them read the contract's terms and conditions thoroughly before signing it. In terms of investing their hard-earned money, 78 per cent of them compared products based on their features and prices rather than just relying on brand image. Only less than one third of the respondents understood the various financial products without having to consult a financial planner or adviser while 43 per cent trusted a financial planner's recommendations. There is a need therefore to train more professional financial planners to provide advice and recommendations to the public in investment aspects. In general, the current survey finds that respondents do take precaution by considering, reading, trusting and comparing information on financial products prior to investment decisions. Nevertheless, they still do not have full confidence in themselves in terms of investment decisions. This is reflected in the decrease in the percentage of respondents' capable of understanding various financial products without needing to consult a financial

planner compared to the previous survey, from 33 per cent in 2017 to 31 per cent in 2019.

As for staying informed all the time with updated and continuous improvement, Table 3.3 shows that 51 per cent of the respondents regularly monitored financial indicators; only 40 per cent actively sought financial information and 47 per cent kept up to date with financial products. These findings suggest that Malaysians generally do not stay informed with regards to fundamental financial and economic matters. Additionally, 63 per cent of the respondents showed interest to learn and make comparison of financial services offered, while 70 per cent stated that they would like to learn more about financial issues and how to interpret financial information.

The information gathered from this section on financial capability demonstrates that the majority of respondents were confident of their ability to manage money in their day-to-day activities. This reflects that Malaysians are able to control daily expenses and are careful with money. However, it is essential to highlight that there was a group of respondents (28%) who did not plan for their long-term financial activities because they preferred a more comfortable life now, indicating that they did not plan ahead nor possessed any long-term financial strategy particularly for their retirement years. Surprisingly, there was more than 30 per cent of respondents who did not want to know more regarding financial issues and understand how to interpret information for their financial betterment. On a positive note, the findings of this 2019 study reveal that slightly more respondents preferred to be up to date on financial products and had the passion to learn, know more as well as make comparisons of the available financial services. Additionally, they planned and evaluated their expenses, realised the importance of product features and prices rather than mere brand image, eventually setting more specific financial goals and striving to achieve them.

SUMMARY

Findings of the 2019 survey indicate that the percentage of respondents who are able to pay bills on time decreased

Respondents prefer to have a high standard of living today rather than plan for retirement as compared to respondents in the survey in 2017

Findings of the 2019 survey also reveal that respondents prefer not to be more up-to-date with financial product and do not have passion to learn and make comparisons of the available financial services

Findings of 2019 survey reveal that only 33% respondents understand the various financial products without consulting a financial advisor/planner

Only 46% of respondents regularly monitor financial indicators such as changes in the housing market, stock market and interest rates

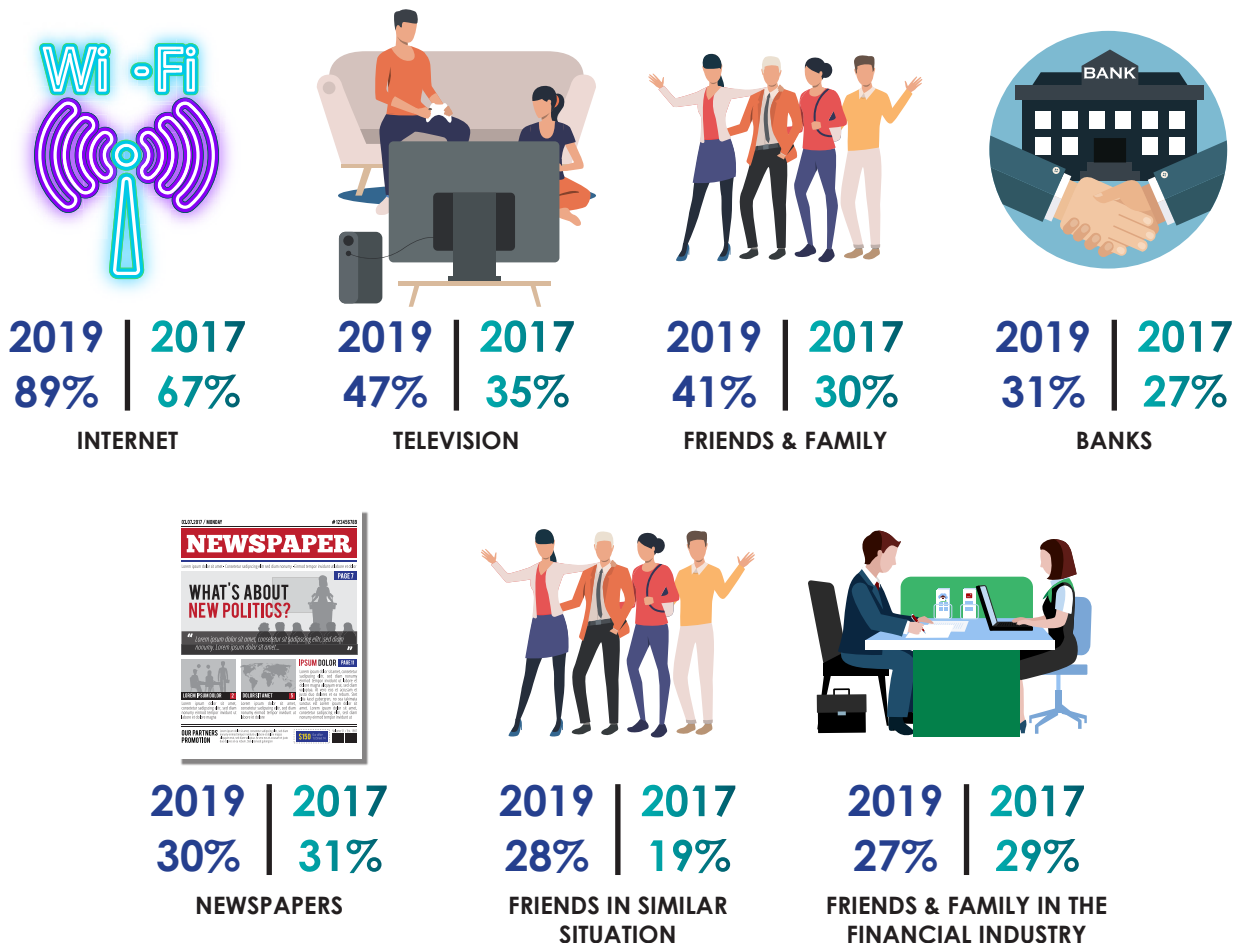
RESPONDENTS' FINDINGS IN 2019 HOWEVER REVEAL THAT THEY ARE BETTER IN CHOOSING THEIR FINANCIAL PRODUCTS

▶ 3.5 SOURCES OF INFORMATION ON FINANCIAL PRODUCTS

The findings of the section on financial product information in Figure 3.12 reveal that the internet is the top source of information with 89 per cent of the respondents using it, followed by television, and friends and family with 47 per cent and 41 per cent, respectively. These sources play important roles in providing respondents with facts related to financial products. They gathered new financial information, learnt about financial products, understood financial jargon and made comparisons on available websites. This finding is remarkable as it reflects the fact that a large number of Malaysians are constantly internet connected through their computers or mobile devices and are able to access financial

information to make better decisions. However, they need to be cautious as there are currently many financial scams which might be misleading and might turn out to be potential money traps for professionals and investors, making almost everyone at risk of falling prey irresponsible internet scams. With the current pandemic resulting in higher level of job losses and unemployment, policies on easier internet withdrawal of EPF/KWSP through i-Lestari as well as permission to lower EPF/KWSP contribution may eventually reduce the long-term funding for retirement. The deferment of instalment payment through the Bank Negara Malaysia (BNM) announcement of a moratorium for all individual and SME loans for a period of six months as a short-term measure to alleviate financial burden might lead to higher debt in the future.

FIGURE 3.12: SOURCES OF INFORMATION ON FINANCIAL PRODUCTS



With the rapid speed of changes in technology and internet connectivity, findings confirm that social media platforms play crucial roles in educating and exposing the public to various new and interesting investment and financing alternatives. There is a mere 30 per cent of respondents relying on information from newspapers and the trend shows a decrease from the 31 per cent in the previous survey in 2017. The traditional newspaper has lost its popularity as an information source with generations X, Y and Z coming into the workforce. The percentage of respondents who stated friends and family in the financial industry as sources of information also fell from 29 per cent in 2017 to 27 per cent in 2019. Only 31 per cent of Malaysians turn to banks financial advice and information, an increase from 27 per cent seen in the earlier survey. With information on financial products so

readily available, Malaysians currently view banks more as a means to conduct financial transactions rather than as sources of information. In summary, the three most popular sources of information are the internet, television as well as friends and family as shown in Figure 3.12.

3.6 FINANCIAL PLANNING SERVICES

Figure 3.13 that provides data regarding respondents' utilisation of financial planning services illustrates that 31 per cent of respondents utilised the services of financial planners and that 24 per cent, or about a quarter of them (Figure 3.14) were aware that a financial planner is one who is independent and provides unbiased financial recommendation not linked to any particular company or product. An analysis of the data reveals that many respondents misunderstood or

FIGURE 3.13: HAVE A FINANCIAL PLANNER

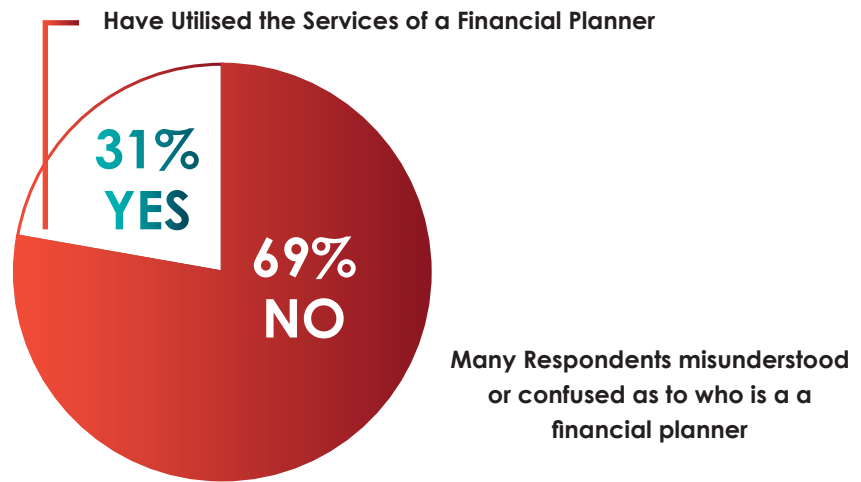
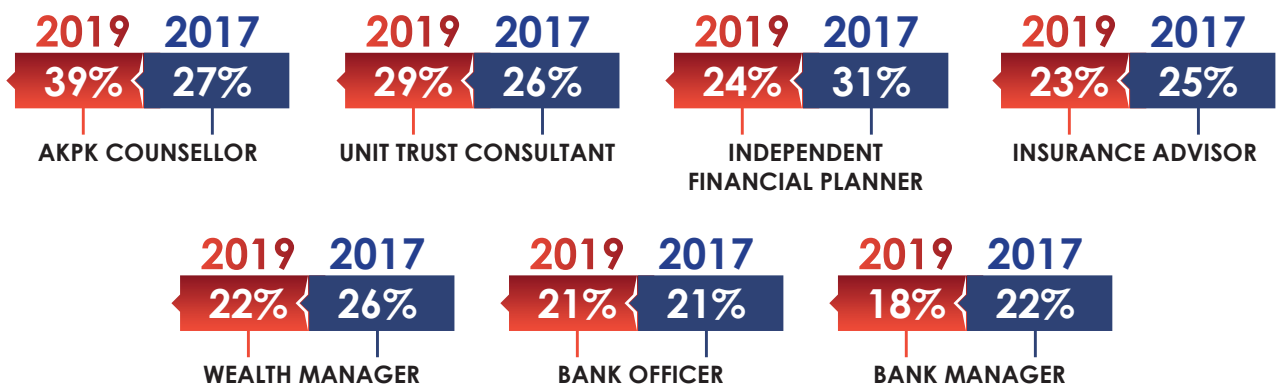


FIGURE 3.14: PERSONS CONSIDERED TO BE FINANCIAL PLANNER



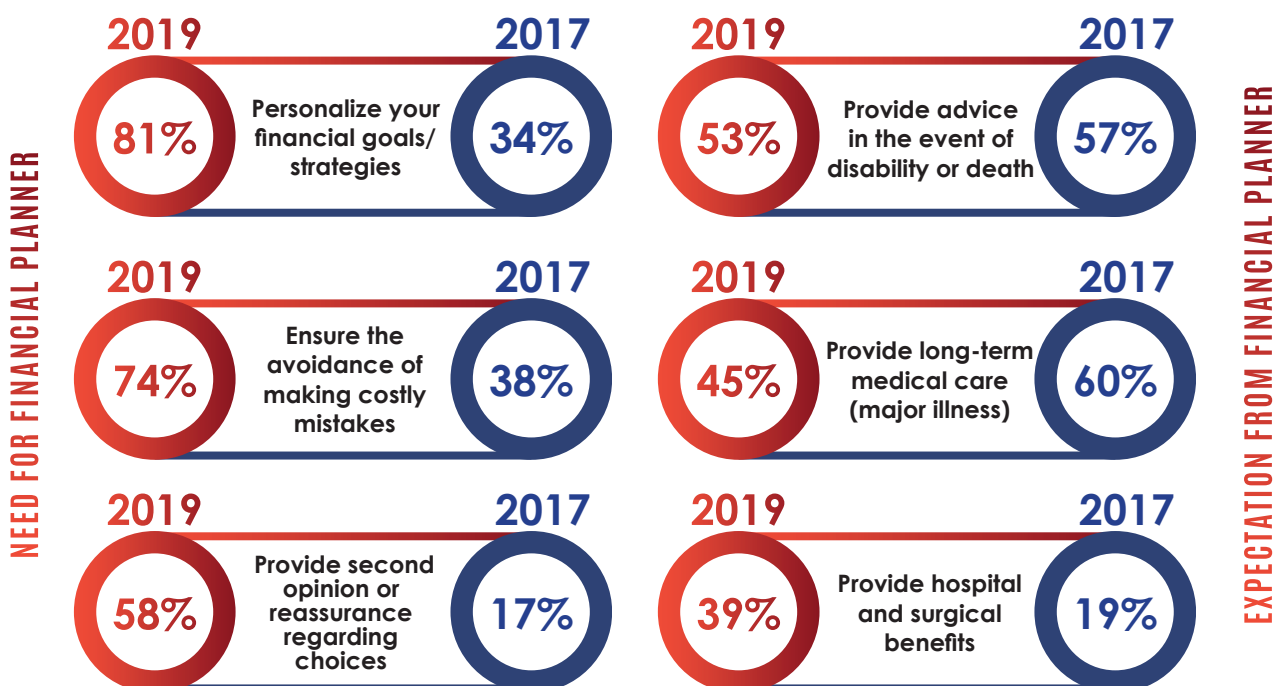
were confused as to who is considered a financial planner.

It must be cautioned that the data displays a worrying trend that respondents considered AKPK counsellors and unit trust consultants as financial planners (Figure 3.14). A surprisingly sizable number (39 per cent) selected AKPK counsellors as financial planners while 29 per cent of respondents believed that unit trust consultants are financial planners. This leads to the conclusion that respondents placed their trust in these two groups of consultants for financial advice and investment recommendation, thus considering them financial planners. In the respondents' perspective, AKPK counsellors and unit trust consultants are able to guide them when they are in financial need. This is indeed worrying, and more programmes are clearly required to enlighten the public in terms of the roles of these groups of financial service providers in order to present the true interpretation of professional financial planners. At the same time, it is important that financial institutions are proactive and accord due emphasis to upgrade their work force with financial planning knowledge

and skills to offer fact-based advisory services to benefit the consumers at large.

In terms of the need for and expectation of a financial planner as detailed in Figure 3.15, the majority of respondents (81%) believed that a financial planner is needed to achieve personal financial goals/strategies. This is a vast improvement from the previous survey in 2017 which showed only 34 per cent thought the same. A large proportion of respondents (74%) also expected to be able to reduce the risk of making costly financial mistakes with the guidance of a financial planner, compared to 38 per cent in the 2017 survey. Respondents anticipated that financial planners not only guide them with their personal financial goals, but also provide risk management services. In fact, financial planners are not obligated to provide risk management services, only advice. A majority of respondents (53%) expected to receive advice from financial planners in the event of an unfortunate event such as disability or death; 45 per cent expected long-term medical care services and 39 per cent expected hospital

FIGURE 3.15: NEED FOR AND EXPECTATIONS OF A FINANCIAL PLANNER



and surgical benefits services from their financial planners. This clearly confirms that respondents were confused, and they misinterpreted the roles of financial planners in the management of financial activities. In summary, respondents understood that financial planners can help to personalise financial goals and strategies as well as to avoid costly financial mistakes, but conversely, they also misinterpreted and expected financial planners to perform above and beyond their advisory roles.

▶ 3.7 PERCEPTIONS TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS AND FINANCIAL PLANNING COMPANIES

Respondents' perception of financial planners, financial plans and financial planning companies are detailed in Figure 3.16. Almost half of the respondents (44%) admit that they chose financial planners due to the attractive benefits offered by their financial plans. The percentage of respondents who selected a financial planner based on the status of the financial planner and the image of the financial planning company they represent, decreased to 36 per cent and 27 per cent respectively. The figures for the 2017 survey were 43 per cent and 33 per cent respectively.

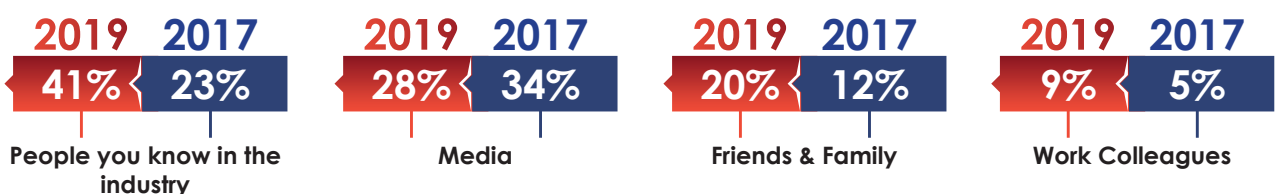
A good financial plan can certainly attract investors to purchase the plan, benefiting both parties. This data reveals that respondents in the current study were more aware of the importance of comprehensive financial plans. They gave priority to whether the financial plan met their needs rather than the reputation of the financial planner or the branding of the financial planning company. Unfortunately, there is still a large proportion of respondents whose decision to select a financial planner was based on the fame of the financial planner or the company and not on the financial plan itself.

It is common knowledge that people are generally influenced by and trust people they know rather than those they do not know. Consistently, people also spend time and exchange information within their own familiar groups, influencing each other. This is found to be the same for financial knowledge, particularly information regarding a financial planning company. Figure 3.17 reveals that respondents preferred to listen to people they know in the industry (41%) when building trust in financial planning companies. They also consider the opinions of their friends and family (20%), as well

FIGURE 3.16: PERCEPTION TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS AND FINANCIAL PLANNING COMPANIES



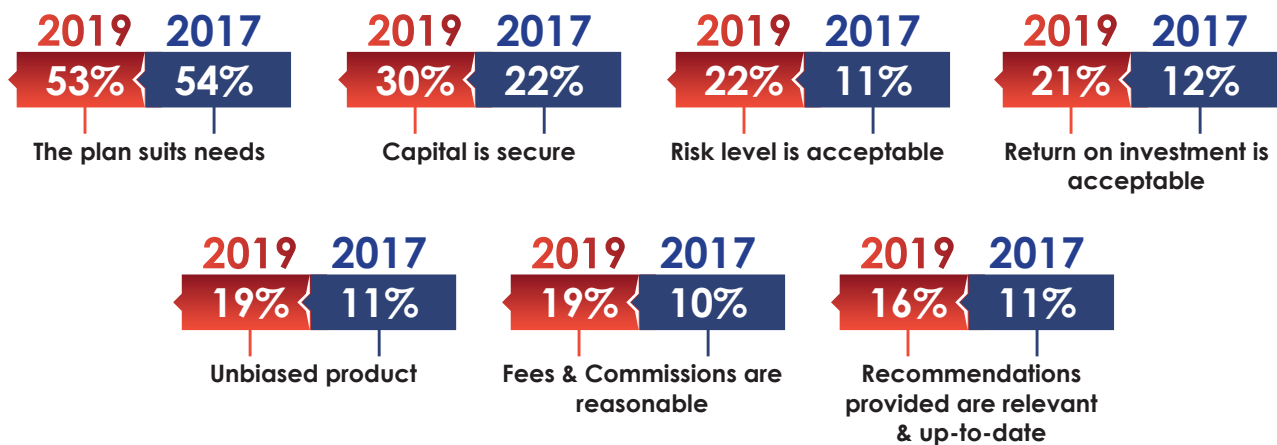
FIGURE 3.17: FINANCIAL PLANNING COMPANY REPUTATION



as the media (28%) when gathering information about financial planning companies. The data also illustrates an increasing dependence on friends in the industry and friends and family as sources of information as compared to the data obtained in the 2017 survey. Despite the availability of information over the official and social media in this "big data" era, it is surprisingly to learn that only 28 per cent of respondents relied on the media to gather information on financial planning companies. Surprisingly, this is a fall from the 34 per cent who relied on the media regarding the choice of financial planning companies in 2017.

With regards to the selection of financial plans (Figure 3.18), it is heartening to learn that a substantial number of respondents (53%) selected those plans that suited their needs as the major criterion. This percentage is similar to the 2017 survey just as the findings for all the other categories. This is followed by 30 per cent wanting to preserve their capital; 22 per cent agreeing to an acceptable risk level, 21 per cent requiring an acceptable rate of return; 19 per cent each for wanting an unbiased product and reasonable fees and commission;, and 16 per cent preferring relevant and up to date recommendations. Overall, respondents chose the criteria beneficial to them.

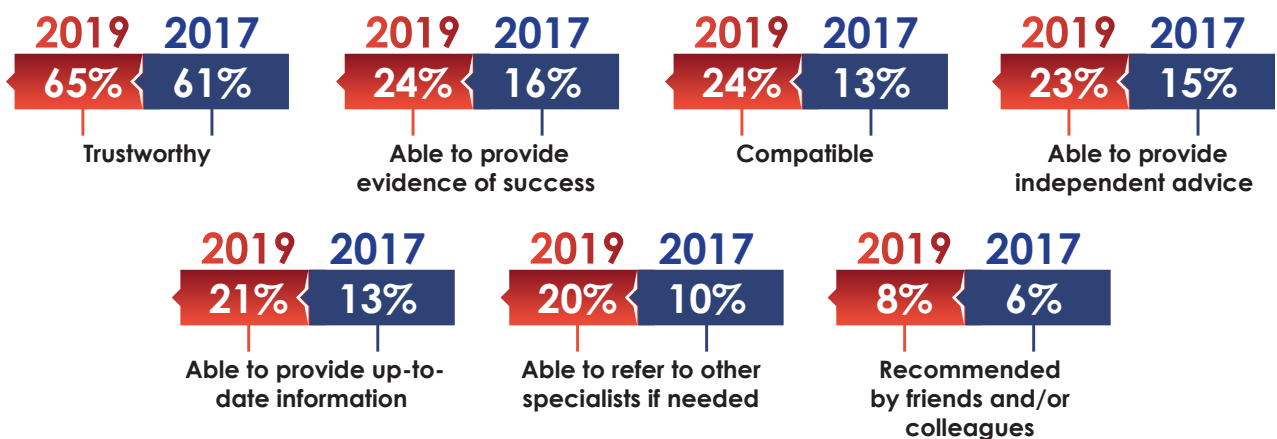
FIGURE 3.18: CRITERIA FOR FINANCIAL PLAN



Several qualities of financial planners must be taken into consideration when appointing one and the majority of respondents (65%) preferred trustworthy financial planners; 24 per cent selected those with a proven track record of success and those with compatible personality; 23 per cent

preferred those able to provide independent advice; 21 per cent favoured those with up-to-date information; 20 per cent preferred those who are open and refer to other specialists when needed; and only 8 per cent acted upon the recommendation from friends and colleagues

FIGURE 3.19: PREFERRED QUALITIES IN A FINANCIAL PLANNER

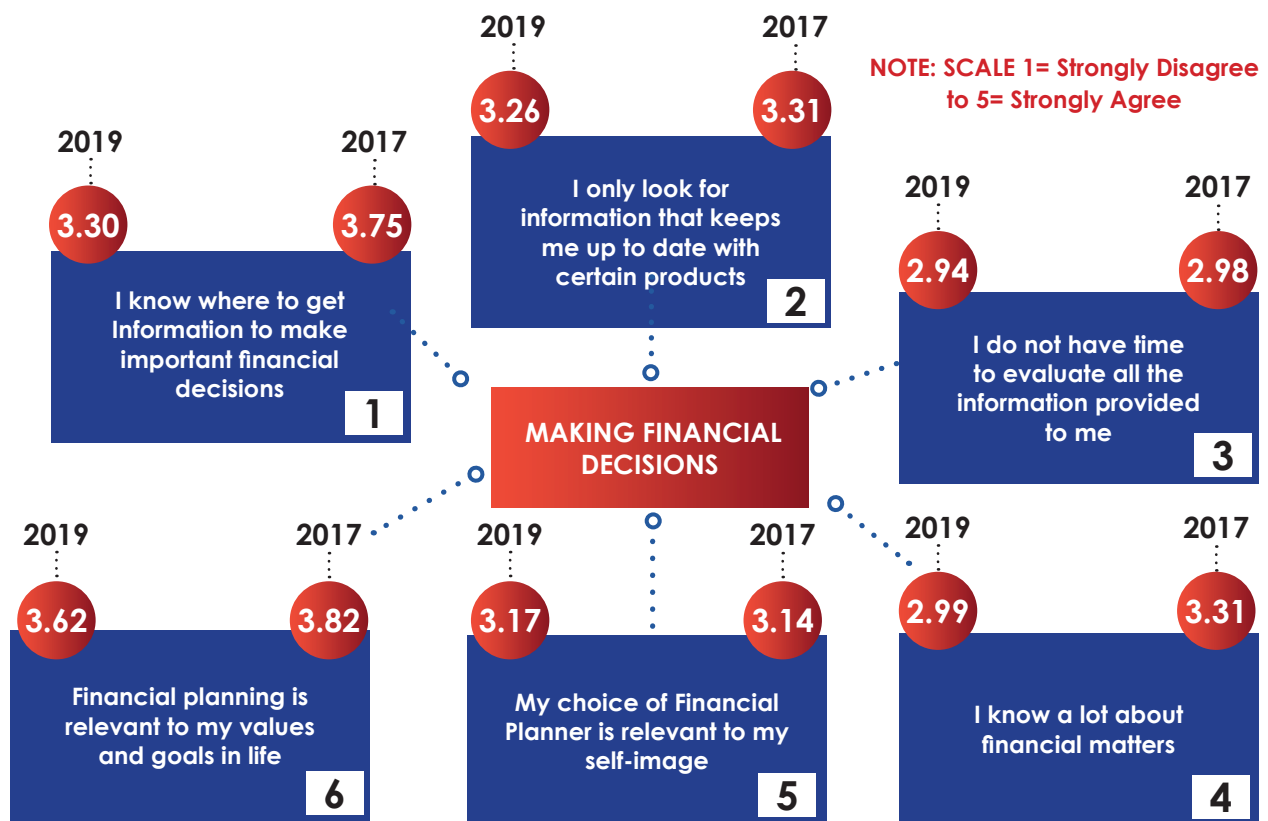


(Figure 3.19). Despite being IT savvy, respondents still upheld the core value of trustworthiness as a fundamental quality in a financial planner. A financial planner who is truthful, committed, empathetic; and trustworthy was perceived to be able to provide the best assistance and guidance in financial-related activities.

The section on financial decision-making ability of respondents consists of six items. The overall respondents' mean scores in this section indicate that two out of six items were at a relatively low level with means of 2.94 and 2.99; respectively (Figure 3.20). These findings reveal that Malaysians have not achieved full confidence in financial decision making.

Among the six items in financial decision-making, the concept that financial decision-making is in line with the values and goals in life, has the highest mean of 3.62 and there is a huge difference from the previous survey which recorded 3.82. It can be interpreted that financial decisions are very significant to most respondents and it must be in line with values and goals in life, ensuring that the basic needs of individuals and families are met throughout their lifetime. The second most important (3.30) issue according to the respondents is knowing where to seek information in order to make important financial decisions. Thirdly, respondents also wanted to keep up to date with the latest information on certain financial products. This recorded a mean of 3.26, as compared to the higher means for the two items at 3.75 and 3.31 respectively in the earlier survey.

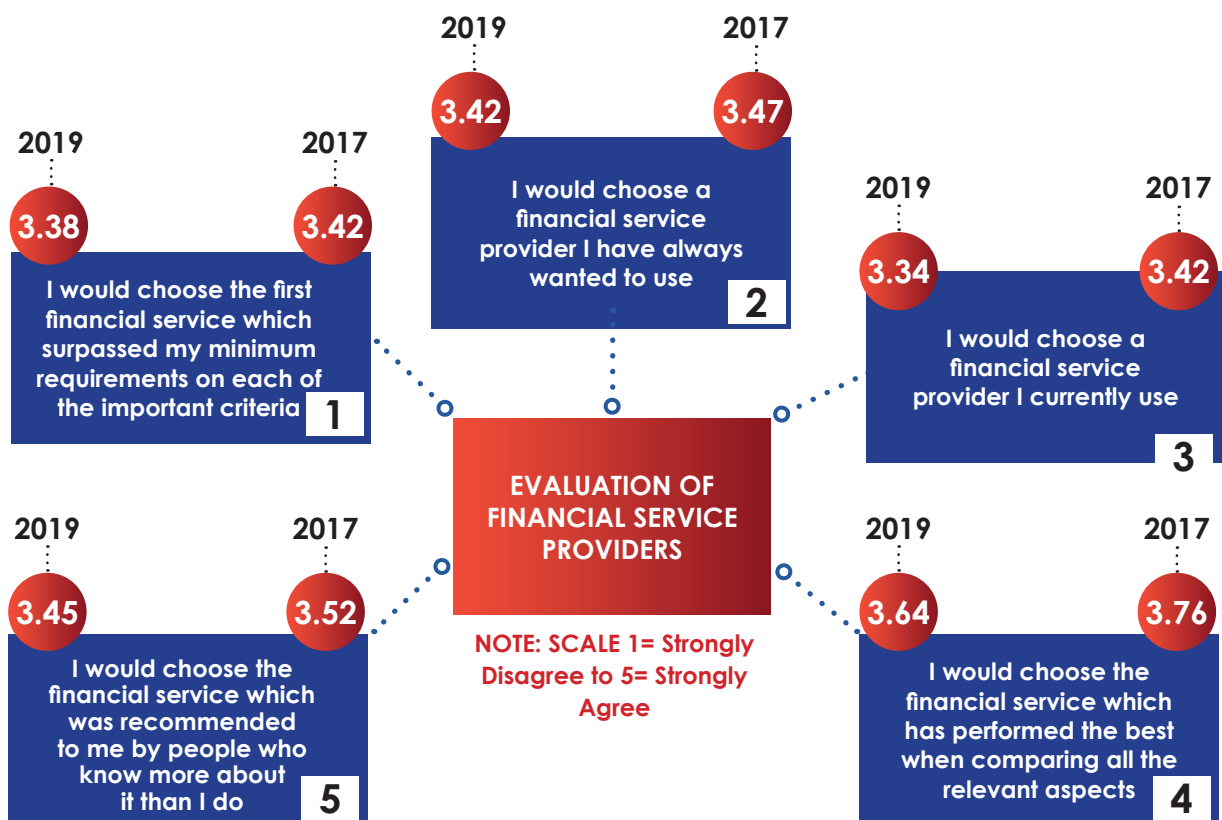
FIGURE 3.20: MAKING FINANCIAL DECISION



It is motivating to note that respondents' evaluation of financial service providers suggests that their choice mostly depends on historical data and performance of these service providers for both studies (3.64 in 2019; 3.76 in 2017) as shown Figure 3.21. It is also interesting to note that the means for all the questions in this section are a little lower than those recorded in the previous survey in 2017. Respondents were more inclined to accept recommendations by people knowledgeable in financial matters and would therefore trust their advice on the selection of service providers. This

indicates that the majority of respondents lacked financial confidence and did not possess superior financial knowledge when making financial decisions. Past performance does not guarantee future performance and thus may not necessarily be a good indicator for the making of financial decisions. Overall, the findings in this section are consistent with those in the previous study, which reveals that respondents still lack confidence and may not necessarily be adequate in financial literacy and capabilities.

FIGURE 3.21: EVALUATION OF FINANCIAL SERVICE PROVIDERS

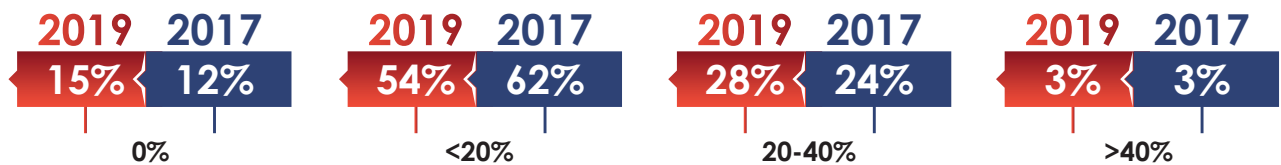


3.8 PARTICIPATION IN CAPITAL MARKET

This section investigates the level of respondents' participation in the capital market in terms of their savings and investment pattern. Figure 3.22 illustrates that 54 per cent of the respondents have allocated less than 20 per cent of their annual income for investment. What is more alarming is that, 15 per cent did not invest at all. There is however a slightly higher percentage of respondents in the 2019 survey with zero savings compared to those in the 2017 survey. Slightly more than a quarter of respondents (28%)

apportioned 20 to 40 per cent of their annual income to investment and it is comforting to note the increase in percentage relative to the percentage in the previous survey which was 24 per cent. Only 3 per cent of respondents assigned more than 40 per cent of their annual income to investment and this group is well planned for future retirement. The generally low level of investment of annual income could be due to the low level of income of much of the sample, resulting in with relatively low ability to put aside for savings after spending on necessities.

FIGURE 3.22: ANNUAL INCOME INVESTED



Despite the lack of ability to save, 60 per cent of respondents understood that the purpose of investment is for achieving financial security (Figure 3.23). This confirms that respondents understood the importance of savings for the future, although they could not act in line with their understanding. In addition, respondents also stated that their purpose of investment is to earn higher return (54%), be prepared for retirement (53%); for medical emergencies (52%); for financial goals (51%); for children's education (47%); to earn passive income (47%); and to start or expand a business (25%).

In terms of financial resources for retirement, as shown in Figure 3.24, three quarters of the respondents (75%) stated they would strategize

using their hard-earned savings as a financial resource for retirement. Sixty per cent (60) stated their fund accumulated in the Employees Provident Fund (KWSP), a compulsory form of retirement funding each employee must contribute to during their entire working life, would provide their financial resource for retirement. In addition, those who had investments in the property or capital market (41%), life insurance (40%) and mutual funds (35%) could rely on rental from property/land or other forms of income streams as financial resources after retirement. Public sector employees (40%), on the other hand, would rely on their pension, available monthly after retirement as their safety net. Once this group of public sector respondents retire, they would receive a monthly pension which is automatically transferred into their saving account.

Similar to the two most popular financial resources for retirement, savings (67%) and KWSP (44%) were also the top two types of savings and investment avenues, as detailed in Figure 3.25. Apart from that, the Malaysian Hajji Pilgrims Fund Board (Lembaga Tabung Haji) (41%), unit trusts (28%) and life insurance (28%) were also dominant savings

and investment alternatives. Only less than a quarter (24%) of respondents invested in properties and this is probably due to its high capital cost and most respondents probably could not afford the large initial outlay. It must be highlighted that fund management companies should attract and encourage more Malaysians to save and

FIGURE 3.23: PURPOSE OF INVESTMENT

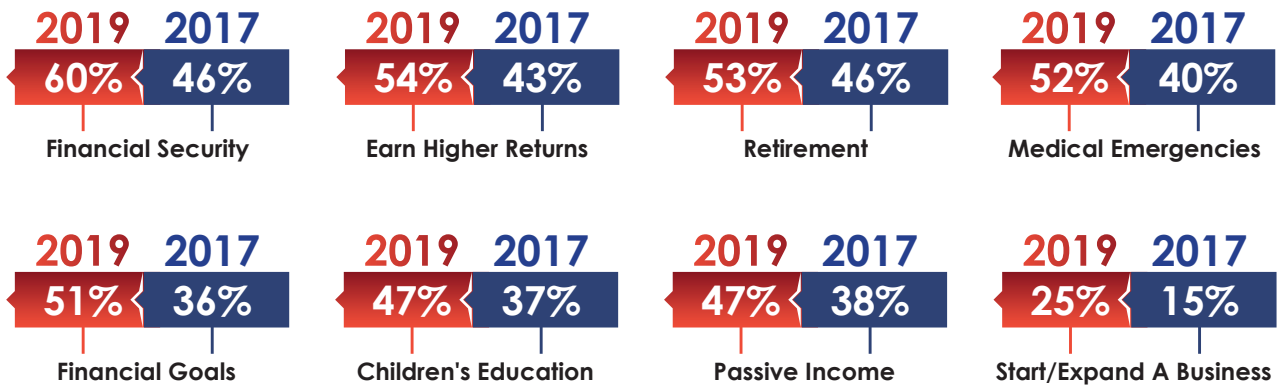
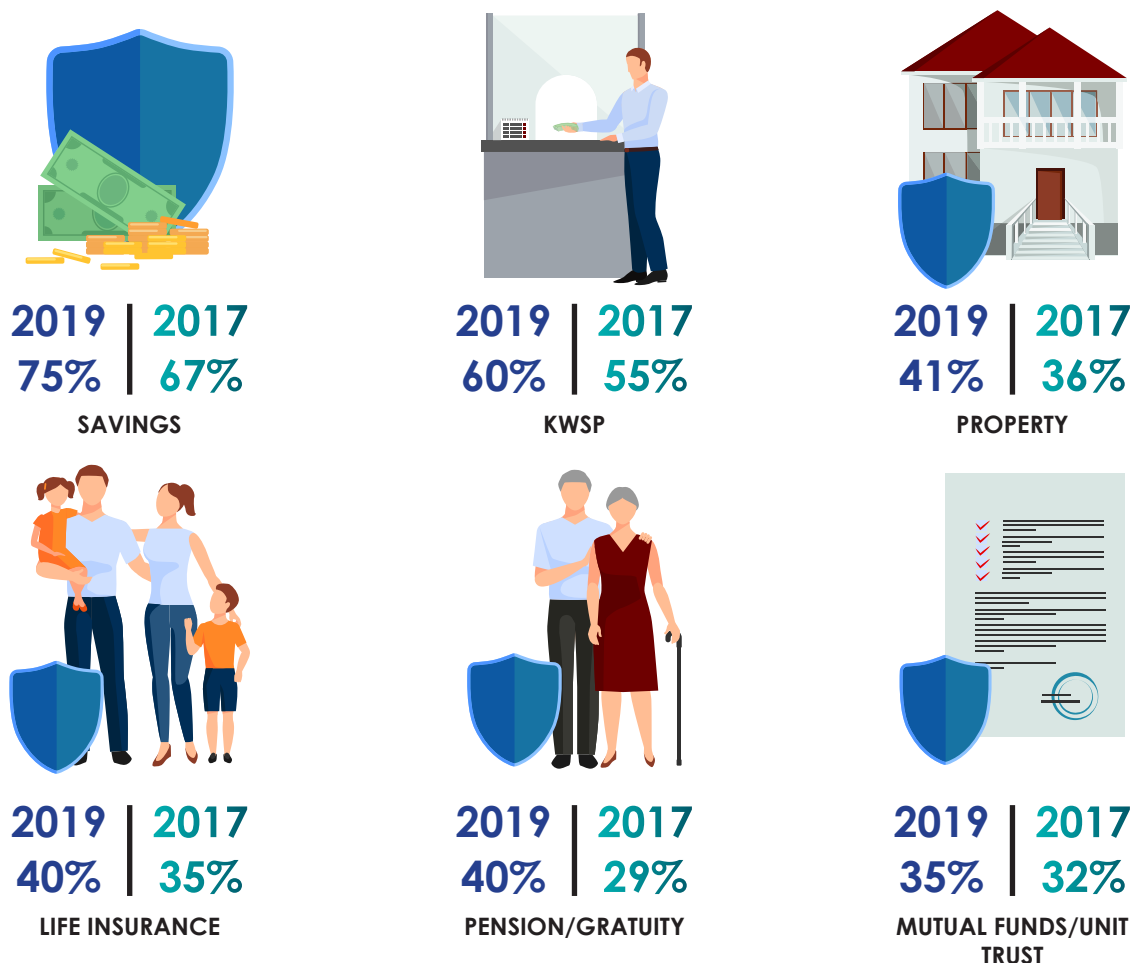


FIGURE 3.24: FINANCIAL RESOURCES FOR RETIREMENT



invest in their products through more awareness programmes and attractive return performance. This would help to stimulate investments and savings for the future needs of the population.

Furthermore, only a small proportion of respondents (12%) participated in alternative investment (Figure 3.26). This may be good news if improved literacy

level of Malaysians has prevented huge losses of hard-earned money due to scams and other illegal investments. The findings disclose that there should be continuous provision of programmes focusing on financial literacy and capability in order to encourage the public to be careful with expenses and exercise prudence in managing their income as well as understand the significance of savings and investment for future need.

FIGURE 3.25: TYPES OF SAVINGS/INVESTMENT

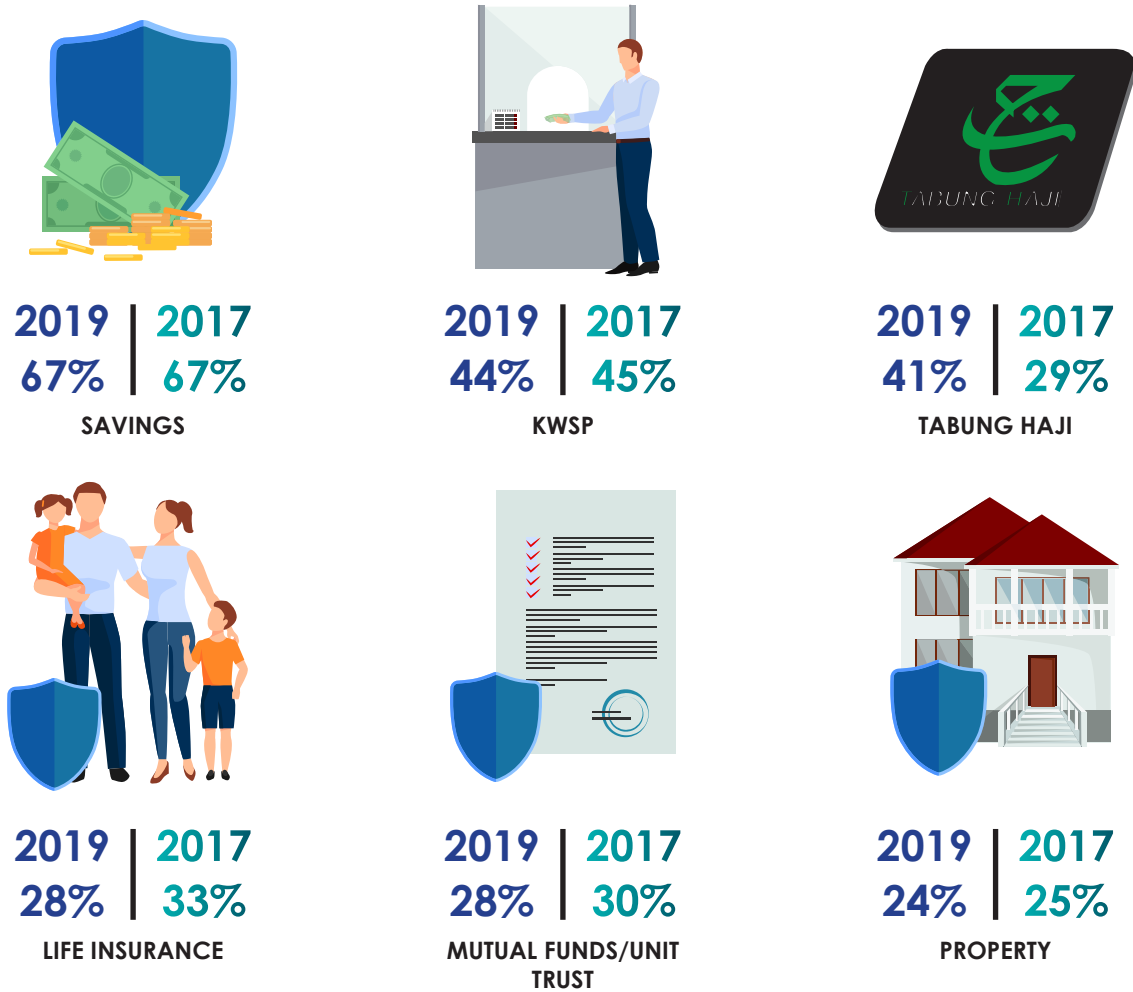
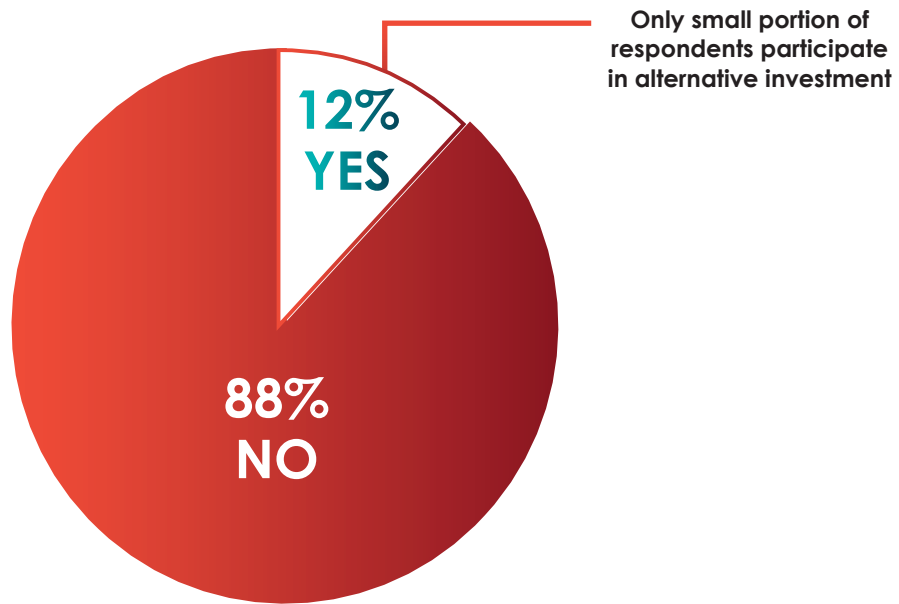


FIGURE 3.26: PARTICIPATION IN ALTERNATIVE INVESTMENT



This may be good news if improved literacy level of Malaysians has prevented huge losses of hard-earned money due to scams and other illegal investments



PART II

4.0 FINDINGS

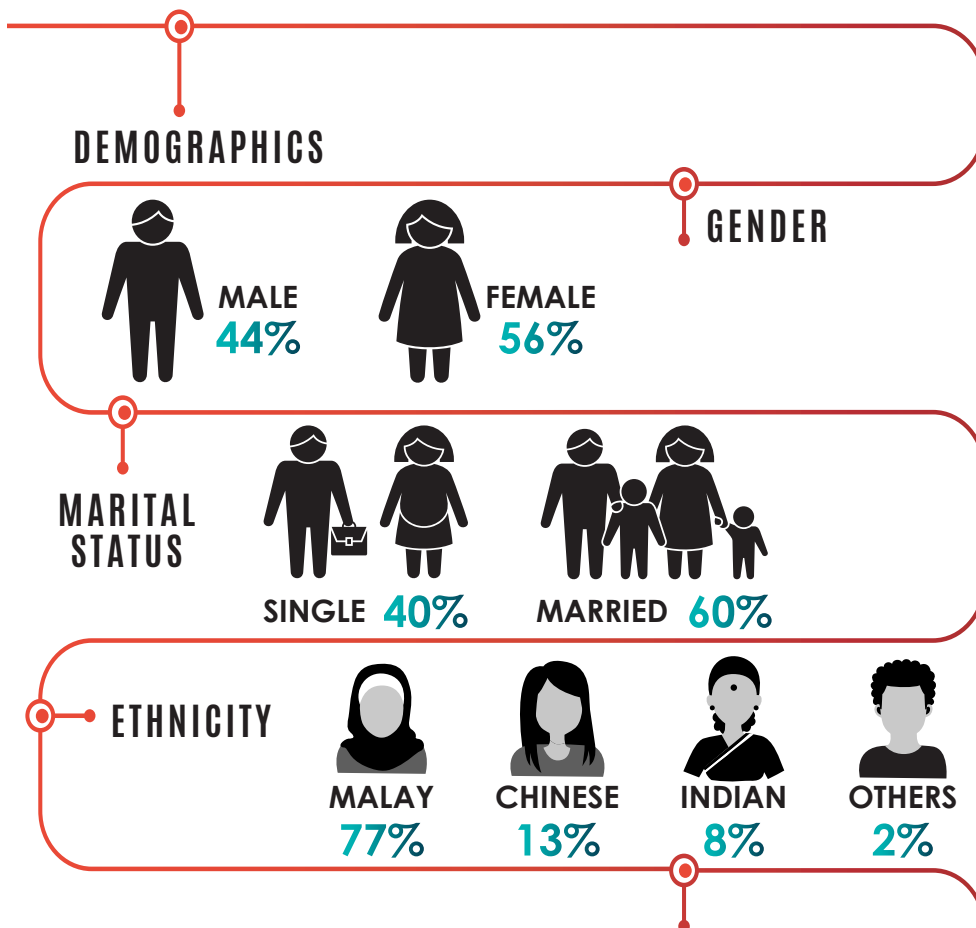
▶ 4.1 PROFILE OF RESPONDENTS

4.1.1 Demographics

From four major groups which were government sector employees, private sector employees, youths in institutions of higher learning and FELDA/rural area residents. Figures 4.1 and 4.2 reveal the demographics of the respondents. A considerable proportion of repeat respondents

(56%) were female, 60 per cent were of married individuals and 77 per cent were of Malay ethnicity as shown in Figure 4.1. This is contrary to the composition of the Malaysian population which has slightly more males than females with a gender ratio of 107 males per 100 females (Department of Statistics Malaysia, 2019). The survey is also representative in terms of ethnicity in that 77 per cent of the sample were Malay, 13 per cent were Chinese, 8 per cent were Indian and 2 per cent comprised those of other ethnicities.

FIGURE 4.1: GENDER, MARITAL STATUS & ETHNICITY



500

RESPONDENTS FROM 4 MAJOR GROUPS:

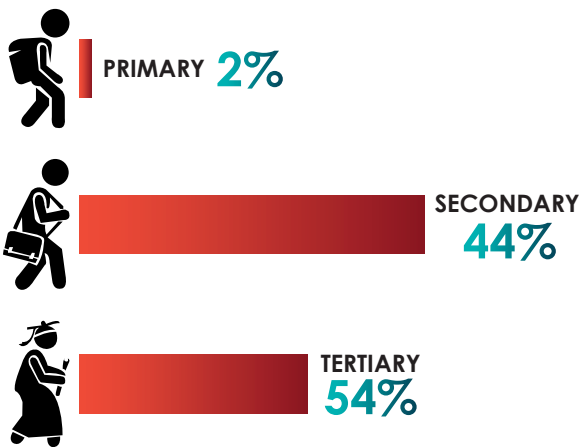
- GOVERNMENT SECTOR EMPLOYEES
- YOUTH IN INSTITUTIONS OF HIGHER LEARNING
- PRIVATE SECTOR EMPLOYEES
- FELDA/RURAL AREA RESIDENTS

The other demographic statistics for this group are shown in Figure 4.2. The educational background of this group of repeat respondents appears to reflect that of the population in that 98 per cent had either secondary or tertiary education, and only 2 per cent had only primary school education. With regard to income, a large proportion of

respondents (45%) had a monthly income of less than RM3,000. Respondents with monthly income of between RM3,000 to RM4,999 comprised 28 per cent; those with income between RM5,000 to RM6,999 comprised 11 per cent; those with income between RM7,000 to RM8,999 comprised 10 per cent; and those with income above RM9,000 comprised only 6 per cent.

FIGURE 4.2: EDUCATION & MONTHLY INCOME

EDUCATIONAL BACKGROUND



MONTHLY INCOME

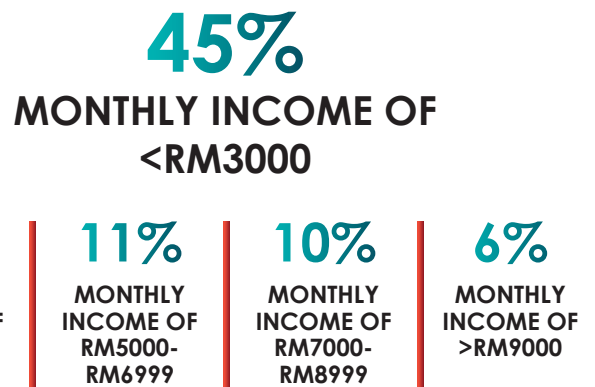


Figure 4.3 on age distribution shows that 40 per cent of the respondents were between the ages of 30 to 39 years, followed by 33 per cent who were between 20 and 29 years old and 15 per cent comprised those between the ages of 40 to 49 years. Only 2 per cent of the respondents

were less than 20 years old. Furthermore, Figure 4.4 represents the family size of the respondents. A sizable group of respondents (60%) had 4 to 6 persons in their family, 30 per cent had 1 to 3 persons and 10 percent had 7 persons and more in their household.

FIGURE 4.3: AGE DISTRIBUTION

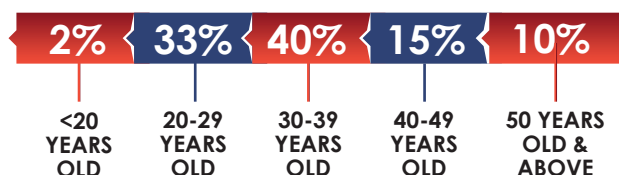


FIGURE 4.4: SIZE OF FAMILY



4.1.2 Socioeconomic Information

Figures 4.5 to 4.9 show the socioeconomic statistics of the 500 repeat respondents. Most of the respondents are in employment (82%), either as an

employee or self-employed (Figure 4.5). Figure 4.6 shows the home ownership of respondents where 43 per cent of the respondents lived in their own homes; 30 per cent lived in rented premises and 18 per cent were staying with family.

FIGURE 4.5: EMPLOYMENT STATUS

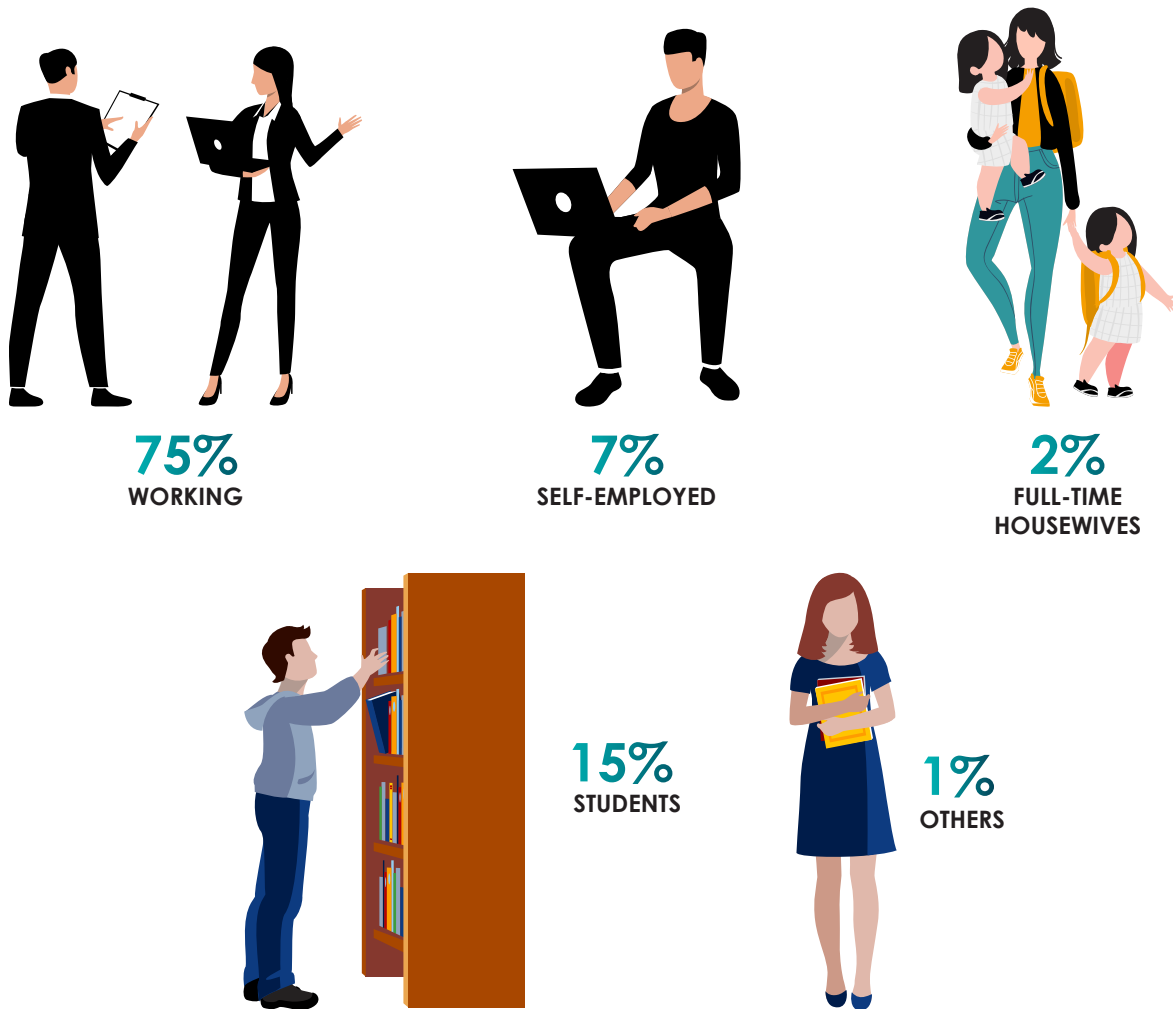
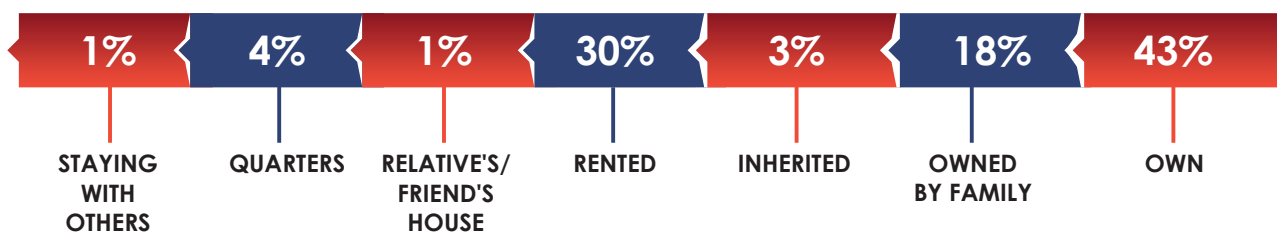


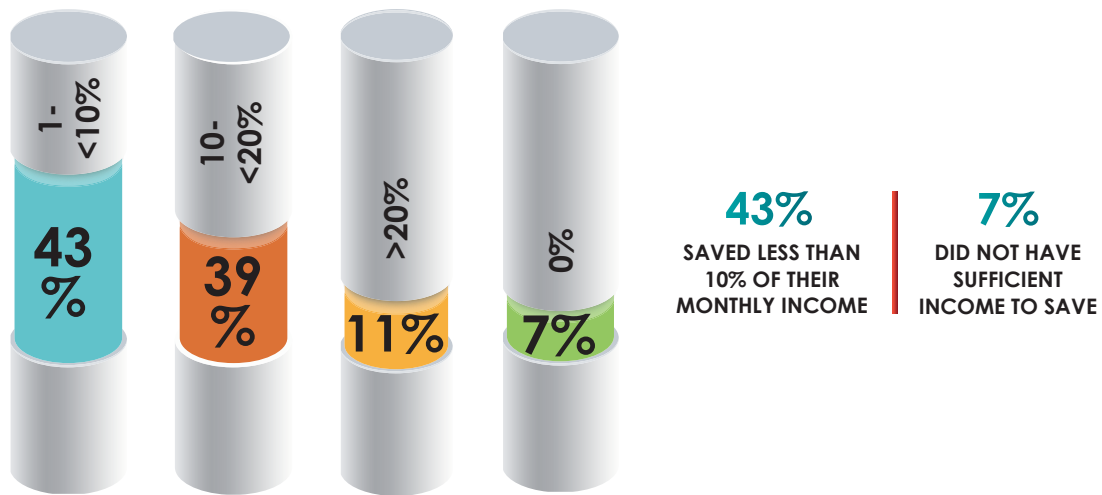
FIGURE 4.6: HOME OWNERSHIP



The proportion of monthly income that goes into savings is illustrated in Figure 4.7 with 43 per cent of respondents saving less than 10 per cent of their monthly income and about 7 per cent having no savings at all. This is an alarming state as respondents did not feel the urge to save either emergencies or for the future. It could be due to

their low level of income and so, after paying for necessities, they do not have much left to save. Urgent and necessary actions need to be taken in order for this group of mostly relatively young respondents within the ages of 20 to 39 years to gain more personal financial management knowledge to acquire better financial planning skills.

FIGURE 4.7: MONTHLY SAVINGS



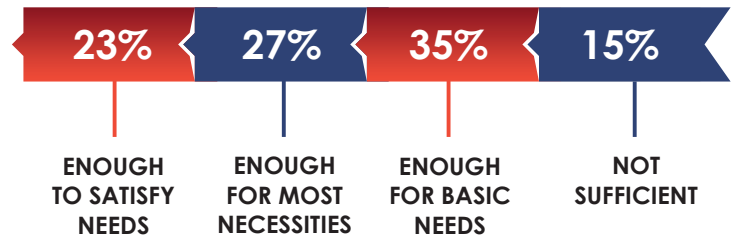
It is not surprising to learn that the financial status of this group is not remarkably strong with 36 per cent of the respondents having more debts than assets; 32 per cent having about the same amount of assets and debt; and another 32 per cent having more assets than debt (Figure 4.8). It is vital that respondents are able to manage their finances well in order not to fall into the debt trap. Furthermore, it is somewhat distressing to learn that 35 per cent of the repeat respondents had only sufficient income to serve their basic needs. Those who indicated that they had enough to pay for

most things comprised 27 per cent. Unfortunately, the income of 15 per cent of repeat respondents was not enough to meet basic needs, and this is an important piece of information for the authorities (Figure 4.9). With depressed job market conditions during the Covid19 pandemic and the new normal in the near future, there is indication that households may face tougher times ahead not only from deterioration in economic fundamentals but also Artificial Intelligence (AI) replacing jobs. Many more households would barely have sufficient to meet daily needs.

FIGURE 4.8: ASSET TO DEBT RATIO



FIGURE 4.9: INCOME ADEQUACY



In terms of type of debt (Figure 4.10), 37 per cent of respondents possessed vehicle hire purchase loan, followed by 34 per cent who were indebted with personal loan, 30 per cent had housing mortgages, 29 per cent were indebted with education loan and 16 per cent had still owe credit card debt. As for assets the repeat respondents possessed, 30 per cent revealed that one of their major assets was vehicle ownership while 26 per cent owned houses, 22 per cent possessed jewellery, 10 per cent owned land and 10 per cent had residential property assets (Figure 4.11).

In summary, data from this survey validates previous national studies that showed 43 per cent of Malaysians own their homes. It also reveals that 50 per cent of respondents could scarcely survive with barely enough income to pay for their basic

needs so more strategies need to be in place to lift the income level for the B40 group. Furthermore, as for the respondents' current financial status, it is critical to note that 36 per cent (more than a third) had more debt than assets. Additionally, 50 per cent of the respondents saved nothing or less than 10 per cent of their monthly income and this is worrying to know that half of the respondents did not have the ability to save for their future.

In terms of the type of debt, it is not unusual to find that vehicle hire purchase comprises the highest percentage of respondents' debt, in addition to mortgage, personal and education loans. Easy credit and the materialistic lifestyle of Malaysians have encouraged households to possess their own private transport and most households, especially in urban areas, purchase their own vehicle to

FIGURE 4.10: TYPES OF LOANS

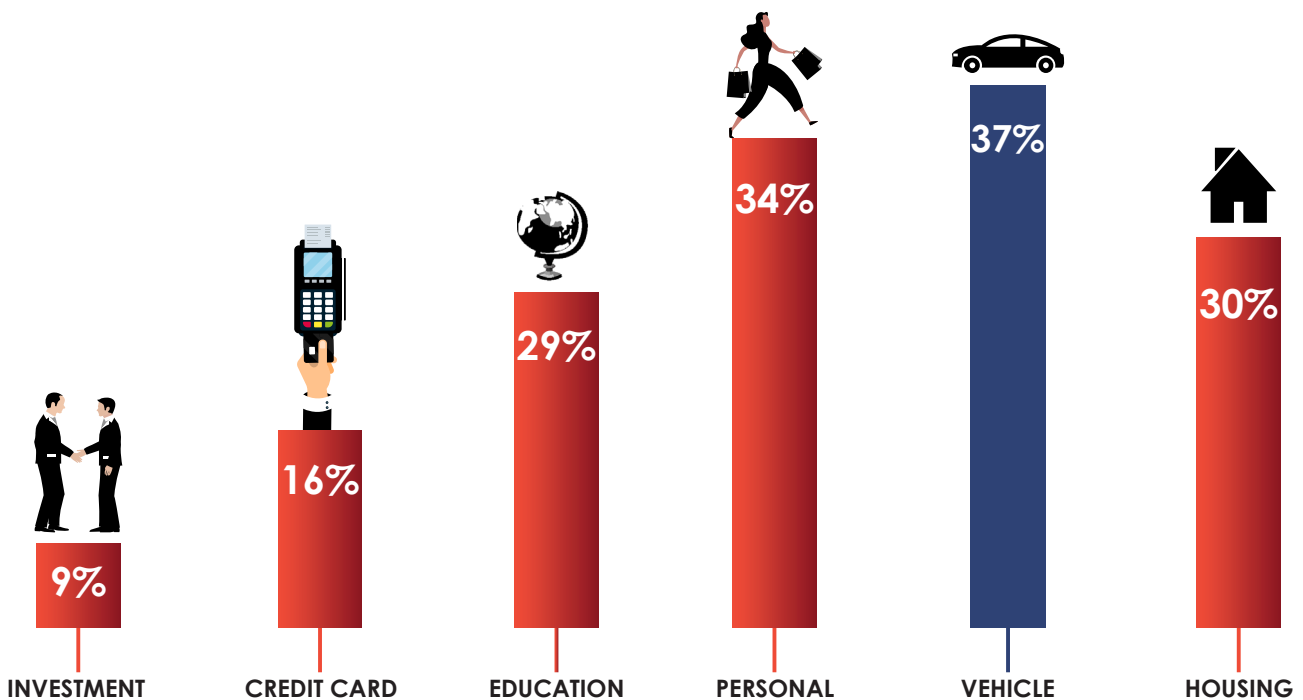
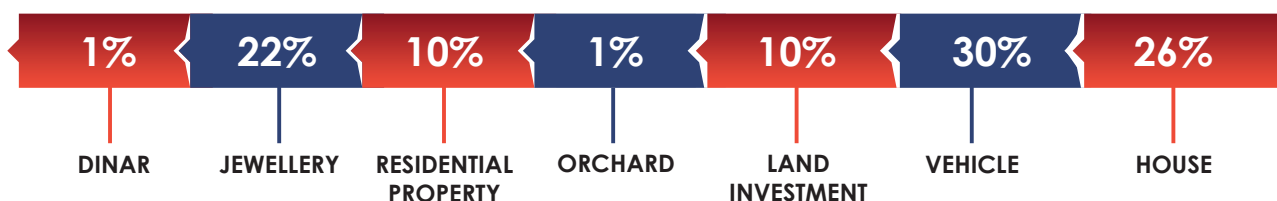


FIGURE 4.11: TYPES OF ASSETS



commute to work. It is not a surprise that the misconception that if one can pay the monthly repayments, one can afford to purchase a vehicle has encouraged Malaysians to incur debt in car purchase although often times eventually realising

that they are not able to afford the total costs of maintaining the vehicle in the longer term. In order to achieve developed nation status, transportation and infrastructure development should be well planned with environment sustainability in mind.

SUMMARY

43%

Own their homes

50%

Have barely sufficient income to serve their basic needs

45%

Earn less than RM3,000 monthly

32%

Have more debt than assets

50%

Have barely enough income to meet basic needs

Easy Credit & the lifestyle of Malaysians encouraged households to possess their own private transport, resulting in vehicle hire purchase being the highest percentage of debt

The misconception that as long as one can pay the monthly repayments, one can afford to purchase a vehicle has encouraged Malaysians to incur debt in car purchase

RESPONDENTS ARE NOT ABLE TO AFFORD THE TOTAL COSTS OF THE VEHICLE OVER THE LONGER TERM

▶ 4.2 FINANCIAL LITERACY

Financial literacy of the respondents is shown in Table 4.1. Only major differences in the findings of the 2019 survey and those of the previous 2017 survey are highlighted in this report. Table 4.1 shows that 94 per cent of repeat respondents understood the need to save at least a minimum of 10 per cent for emergency purposes and 89 per cent possessed the knowledge that everyone can participate in the Private Retirement Scheme, an improvement compared to the 89 per cent and 77 per cent respectively in the 2017 survey. They were also able to acknowledge that Private Retirement Scheme is not only for Government employees but for all private and public sectors employees as well. This reflects an improvement in their literacy level as a higher percentage of

respondents provided the correct answer in the 2019 study.

Moreover, respondents' knowledge of Wills also improved as 58% were aware that Wills can be made even without assets and 69 per cent understood that Wills can be modified. In addition, there was an improvement in the understanding that Shariah-compliant financial products are not only for Muslims (from 62% to 70%). Moreover, the findings also revealed a better understanding of the roles and functions of Credit Counselling and Debt Agency (AKPK), which improved from 56 per cent in the 2017 study to 70 per cent in the current study. This may have been due to the successful implementation of numerous awareness programmes on the the internet, radio and television as well as physical road shows that

TABLE 4.1: FINANCIAL LITERACY

ITEM	CORRECTLY ANSWERED		WRONGLY ANSWERED	
	2019 (PER CENT)	2017 (PER CENT)	2019 (PER CENT)	2017 (PER CENT)
Individuals need to save a minimum of 10% for emergency purposes	470 94%	1773 89%	30 6%	227 11%
Private Retirement Scheme is only for Government employees	447 89%	1548 77%	53 11%	452 23%
Everyone can buy insurance/takaful whenever they wish to do so	134 27%	565 28%	366 73%	1435 72%
If I can afford to bear the risk, I don't have to buy insurance	185 37%	861 43%	315 63%	1139 57%
Only if I have assets, I will write a Will	292 58%	956 48%	208 42%	1044 52%
Wills cannot be modified once they're written	344 69%	1264 63%	156 31%	736 37%
My Will can include EPF and Insurance nomination	94 19%	466 23%	406 81%	1534 77%

TABLE 4.1: FINANCIAL LITERACY

ITEM	CORRECTLY ANSWERED		WRONGLY ANSWERED	
	2019 (PERCENT)	2017 (PERCENT)	2019 (PERCENT)	2017 (PERCENT)
I can distribute all my assets through my Will	408 82%	1636 82%	92 18%	364 18%
Shariah products are only available for Muslims	348 70%	1241 62%	152 30%	759 38%
Shariah products generate reasonable returns similar to Conventional products	300 60%	1337 67%	200 40%	663 33%
Shariah products are free from risk	313 63%	1229 62%	187 37%	771 38%
Credit Counselling and Debt Management Agency (AKPK) offers financial loans	352 70%	1115 56%	148 30%	885 44%

allow interactions between the public and the organization. This section reflects that respondents had acquired more knowledge regarding savings, investment, retirement, estate planning, Shariah-compliant products and financial institutions compared to the previous survey in 2017.

4.3 CAPITAL MARKET LITERACY

As for the results on capital market literacy, 77 per cent of the repeat respondents successfully recognised the asset that displays the highest fluctuation over time, demonstrating an improvement from 2017 (66%) as shown in Table 4.2. However, there was a deterioration in the understanding of the riskiness of shares and unit

TABLE 4.2: CAPITAL MARKET LITERACY

ITEM	CORRECTLY ANSWERED	
	2019	2017
	N (%)	
Assume a friend inherits RM 10,000 today and his sibling inherits RM 10,000 three years from now. Who is richer because of the inheritance?	206 41%	824 41%
Suppose that in the year 2025, your income has doubled and prices of all goods have doubled too. In 2025, how much will you be able to buy with your income?	256 51%	885 44%

TABLE 4.2: CAPITAL MARKET LITERACY

ITEM	CORRECTLY ANSWERED	CORRECTLY ANSWERED
	2019	2017
	N (%)	
Normally, which asset displays the highest fluctuations over time?	383 77%	1311 66%
When an investor spreads his money among different assets, does the risk of losing money?	298 60%	1098 55%
Shares are normally riskier than unit trusts	383 77%	1636 82%

trusts investment (77%) as respondents were less aware that shares were riskier compared to the previous survey of (82%). Unfortunately, this shows that there fewer respondents were aware that investing in shares has a higher risk. In contrast, more than half of the respondents (60%) realised the benefits of diversification when investors spread their money across different assets, resulting in lower risk of losing money in comparison to the 55 per cent who answered the question correctly in the 2017 survey.

Less than half of the repeat respondents fully comprehended the time value of money (41%) while only slightly more than half of them understood the concept of inflation (51%). These concepts regarding the differences in value of money through time as well as the effects on

erosion of purchasing power due to inflation are very significant in financial planning and investment. Findings from this section on capital market literacy show that, on average Malaysians, are still deficient in the understanding of changes in time value of money, especially in the capital market. Over 40 per cent of the respondents were not able to provide the correct answers to these questions.

Overall, repeat respondents' capital market literacy was relatively unchanged in 2017 and 2019, with moderately low scores for all categories. This also indicates that Malaysians are barely aware of risk and return of capital market investments and therefore more programmes to improve capital market literacy are needed to enhance the comprehension of the time value of money and the effects of inflation.

Table 4.3: FINANCIAL CAPABILITY

ITEM	AGREED	
	2019 (PER CENT)	2017
I make plans for my expenses	374 75%	1405 70%
I pay my bills on time	353 71%	1408 70%
I review and evaluate my expenses	333 66%	1298 65%
I regularly set money aside for unexpected expenses	324 65%	1299 65%
I set specific financial goals and strive to achieve them	306 61%	1245 62%
I make adequate provision for unexpected expenses (shrinking income)	288 58%	1049 52%
I save for retirement	285 57%	1201 60%
I prefer to have a comfortable life today then plan for retirement	133 26%	640 32%
Household income after retirement is able to guarantee a more comfortable living standard	266 53%	1099 55%
Apart from contributing in pension funds, it is important for me to make my own savings	429 86%	1593 80%
I consider several products/loans/policies/accounts from different providers before making my decision	354 71%	1416 71%
I read the terms and contracts of condition in detail before agreeing and signing	346 69%	1383 69%

Table 4.3: FINANCIAL CAPABILITY

ITEM	AGREED	
	2019 (PERCENT)	2017 (PERCENT)
I understand the various financial products that I need without consulting a Financial Adviser/Planner	159 31%	660 33%
I trust my Financial Planners and accept what they recommend	186 38%	804 40%
I compare products on features and price rather than making a choice based on the brand image	357 71%	1359 68%
I regularly monitor financial indicators such as changes in the housing market, stock market and interest rates	212 42%	925 46%
I actively seek financial information through professional advice	151 30%	795 40%
I frequently keep up to date with financial products	186 37%	903 45%
I am always interested to learn and make comparisons of financial services offered	260 52%	1117 56%
I would like to know further about financial issues and learn how to interpret the information	298 59%	1315 66%

▶ 4.4 FINANCIAL CAPABILITY

In terms of the financial capability of repeat respondents, there was a general improvement in respondents' managing their expenses and investment decisions. Table 4.3 discloses that 75 per cent of respondents make plan their expenses

and 71 per cent pay their bills on time. In addition, a slightly higher percentage (66%) also reviewed and evaluated their expenses. In terms of expense management including payment, periodic expense evaluation, and provision for unexpected expenses, there is a slight overall improvement compared to the prior survey in 2017.

It is however interesting to note that even though there was a higher level of agreement to save more apart from relying on contribution to pension fund (86%), as well as planning for retirement rather than enjoying life now (74%), a lower percentage of respondents saved for retirement (57% in 2019; 60% in 2017). In terms of understanding that household income after retirement can lead to a more comfortable living standard, 53 per cent of the respondents in 2019 understood this compared to the 55 per cent in 2017. The retirement planning authorities including EPF/KWSP and private retirement agencies should conduct more awareness programmes and, most importantly, provide different avenues for retirement savings for the long-term benefit for the general public.

It is comforting to observe that when it comes to financial product decisions and choices, respondents compared different products (71%); read the terms and contracts of condition in detail (69%); and checked out the features and prices (71%) prior to making an investment decision. The findings are similar to those of the previous survey. This shows that respondents were careful and thorough before deciding on investing in financial products. In contrast, although the respondents were honest in admitting that they lacked general knowledge on various financial products with only 31 per cent believing that they understand, only 38 per cent trusted financial planners and accepted their recommendation. There is a large information gap here which highlights the need to provide more information and awareness of financial products and the respondents' impression of and trust in financial planners must be strengthened.

Table 4.3 illustrates the respondents' inclination to regularly monitor the financial environment. Only 42 per cent of respondents constantly monitored financial indicators; 30 per cent actively sought financial information; and 37 per cent kept up to date with financial products. In addition, 52 per cent of repeat respondents were interested to learn and make comparison of financial services while 59 per cent were interested to gain knowledge on financial issues and interpret financial information. Overall there was a deterioration in the percentage of respondents who agree with the statements in 2019 compared to 2017.

In summary, this section on financial capability illustrates that most respondents could control their expenses and make timely payments. Furthermore, they also compared different financial products and read financial contracts prior to finalizing investment decisions. Although, they realised the importance of saving for retirement, they lacked the capacity to put aside money for savings.

It must be emphasized that there is a general lack of knowledge on financial products and trust in financial planners. Furthermore, the repeat respondents still did not possess the initiative to understand the financial environment as the majority agreed that they did not monitor financial indicators, keep up to date with financial products and information nor did they have interest in financial issues. The recommendation is that more public financial awareness and literacy programmes must be organized to improve financial capabilities. Another recommendation is that a larger variety of retirement investment alternatives be introduced to attract savings for retirement. The financial planning fraternity has a major role to play in projecting a professional, trustworthy and competent image as well as being more distinctive in offering their services.

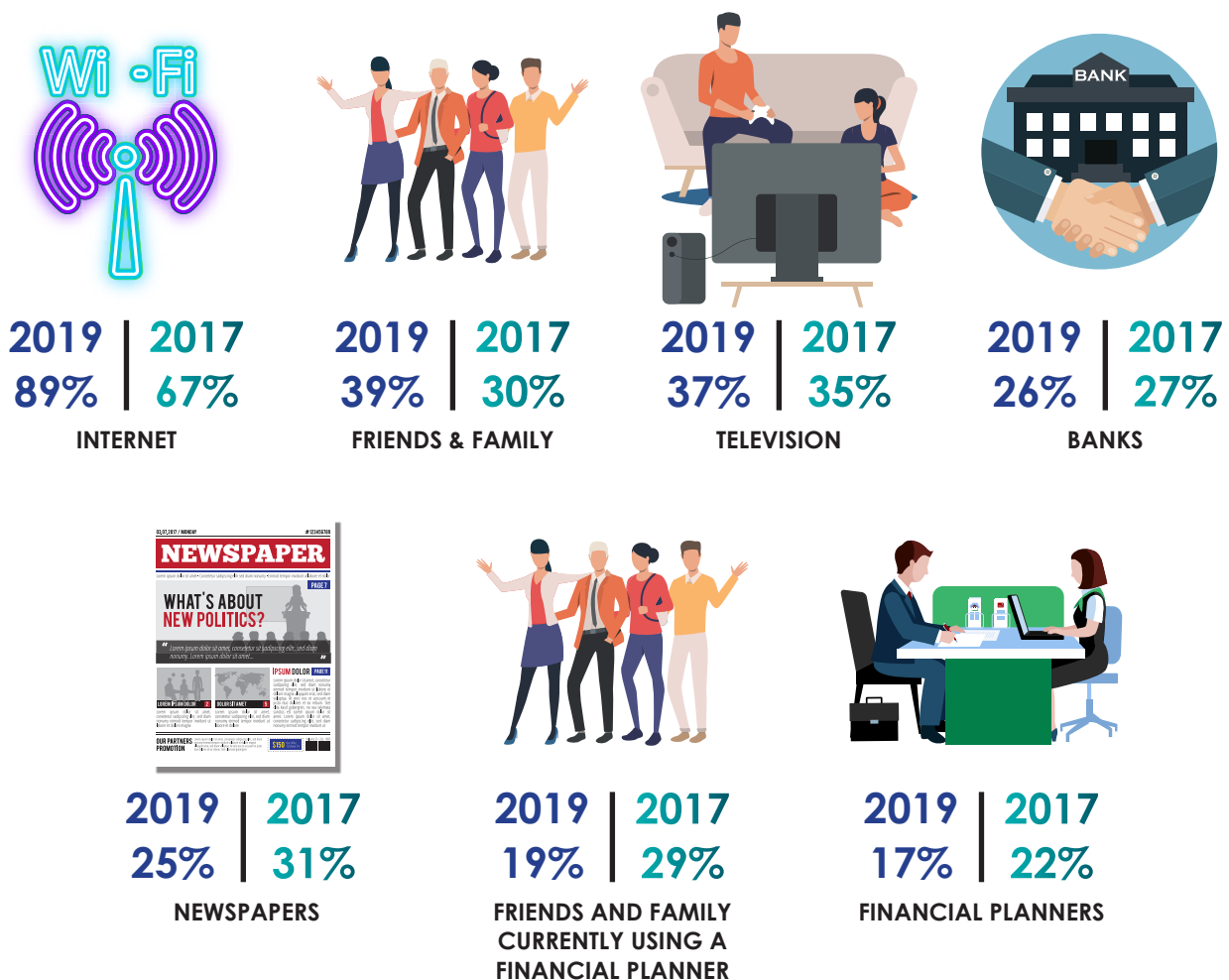
▶ 4.5 SOURCES OF INFORMATION ON FINANCIAL PRODUCTS

Figure 4.12 which provides information on respondents' sources of information on financial products reveals that 89 per cent of repeat respondents depended on the internet for information, 39 per cent listened to family and friends and 37 obtained information from television advertisements. These were the top three respondents' sources of information and the usage of these sources increased compared to the previous survey. The internet is the major source of information in the current era especially for X, Y and Z generations.

With the availability of new and better devices such as computers, laptops, tablets, smartphones, together with innovative technological

improvements in databases and applications, information can be easily gathered at the touch of a button. Social media plays a crucial role in educating and exposing people to the latest information on finances. With the rampant cases of internet scams with various cheating and hacking schemes, it must be cautioned that internet sources are not necessarily reliable. One must be able to differentiate between reliable and fake information. Surprisingly, only 26 per cent of repeat respondents sourced information from information was the from banks; 25 per cent from newspapers; and 17 per cent from financial planners. In the current 4.0 industrial revolution, newspapers are no longer considered a significant information source. Respondents also acknowledged that more often than not, banks are considered places to conduct financial transactions rather to source for information.

FIGURE 4.12: SOURCES OF INFORMATION ON FINANCIAL PRODUCTS

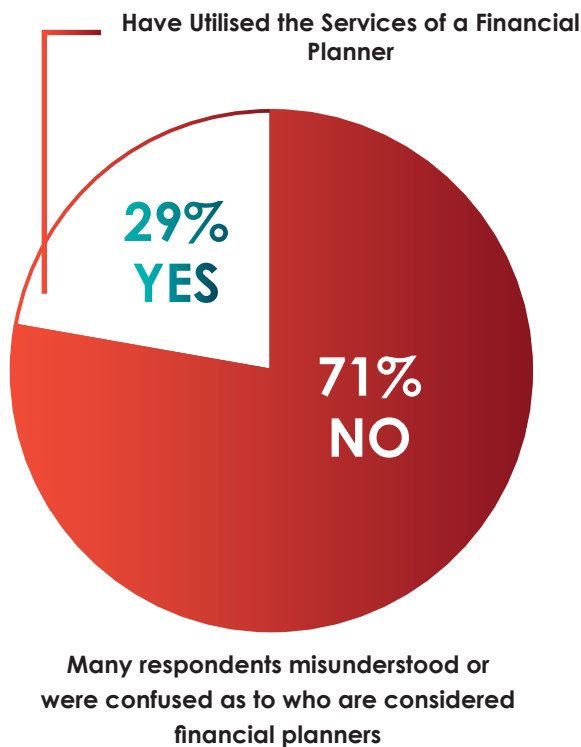


4.6 FINANCIAL PLANNING SERVICES

Figure 4.13 that provides data regarding respondents' utilisation of financial planning services shows that only 29 per cent of repeat respondents utilised the services of a financial planner while the majority of others did not solicit these services. In terms of the persons considered to be financial planners, it is alarming

to discover that 23 per cent of respondents still believed AKPK counsellors are qualified financial planners (Figure 4.14). In recent times, AKPK has successfully reached out to Malaysians through their advertisements and awareness programmes to assist people with bankruptcy risk. Respondents mistakenly see them as financial planners when in fact they assist in rescheduling debt.

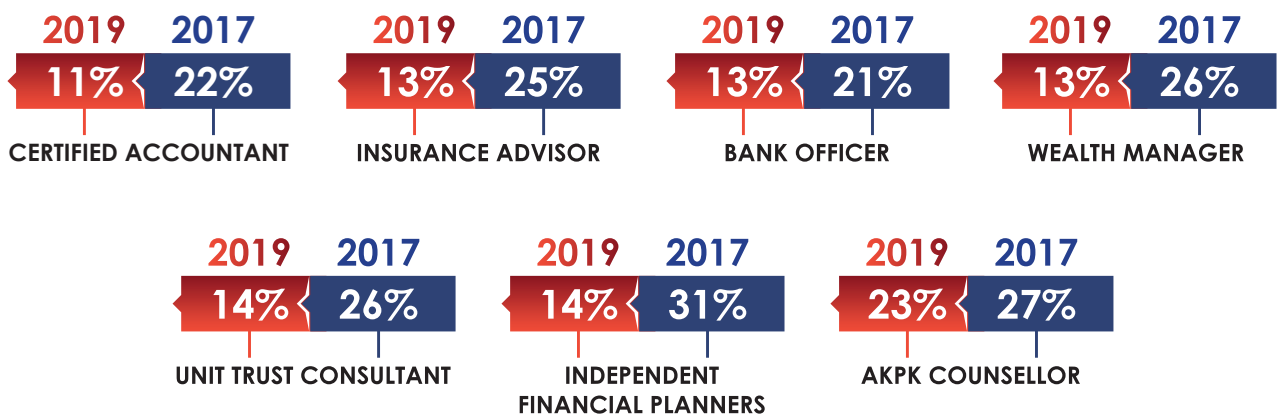
FIGURE 4.13: HAVE A FINANCIAL PLANNER



Secondly, only 14 per cent of repeat respondents correctly recognised independent financial planners. In addition, 14 per cent considered unit trust consultants to be financial planners; 13 per cent respectively thought insurance advisors, bank officers and wealth managers are financial planners; and 11 per cent selected certified accountants as financial planners. This shows that many respondents were not able to accurately distinguish financial planners from other participants in the financial market. It is disturbing that repeat respondents saw AKPK counsellors, unit trust consultants, insurance advisors and certified accountants as being able to guide them in financial planning matters.

It is recommended that more programmes should be offered to the public to raise awareness of professional financial planners and the services they offer.

FIGURE 4.14: PERSONS CONSIDERED TO BE FINANCIAL PLANNERS



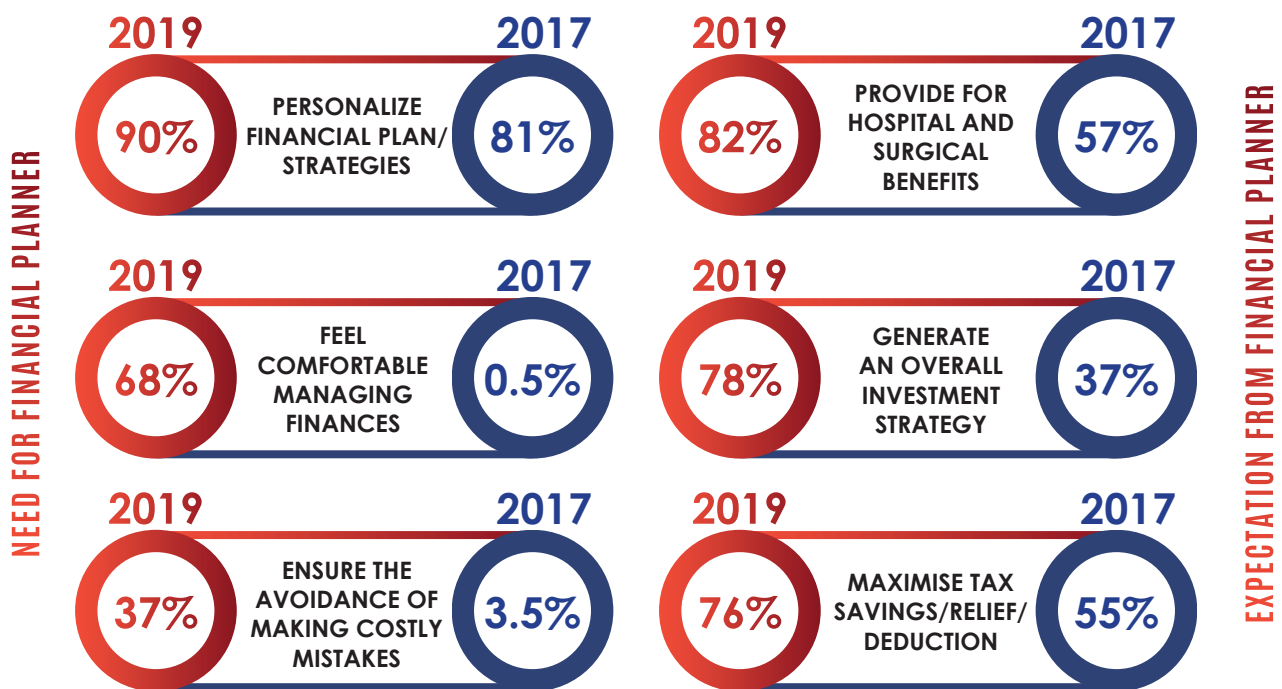
In terms of the need for a financial planner, the majority of the respondents (90%) stated that a financial planner is needed to personalize individual financial plans/strategies (Figure 4.15). In addition, 68 per cent of respondents felt more comfortable managing their finances together with a financial planner, and 37 per cent wished to reduce the risk of making costly financial mistakes with the guidance of a financial planner. In relation to the previous survey, there was a vast increase in the percentages of respondents' selections in these areas.

With regards to their expectations of financial planners, 82 per cent of the respondents expected the financial planner to provide advice

for hospital and surgical benefits; 78 per cent required financial planners to generate an overall investment strategy; and 76 per cent anticipated their financial planners would appropriately manage their tax payable and disposal income. It is fortunate to note that in terms of the expectation of a financial planner generating an overall investment strategy, there was an increase in the number of respondents who had this expectation from 37 per cent in 2017 to 78 per cent in 2019.

However, a knowledge gap exists in terms of the expectation of a financial planner providing an investment strategy and efforts must be made to raise awareness of the benefits of having a financial planner.

FIGURE 4.15: NEED FOR AND EXPECTATIONS OF A FINANCIAL PLANNER



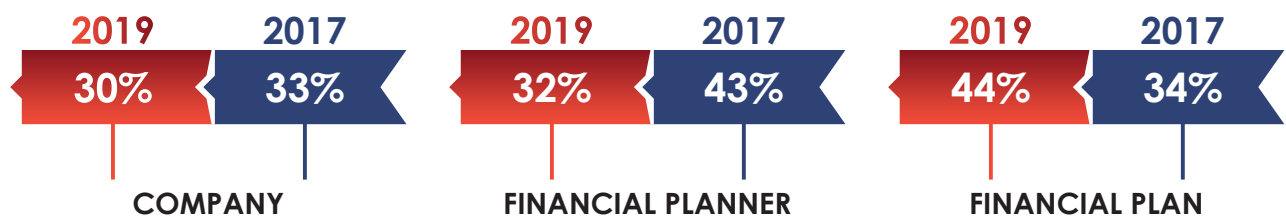
4.7 PERCEPTIONS TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS AND FINANCIAL PLANNING COMPANIES

Respondents' perceptions towards financial planners, financial plans and financial planning companies are shown in Figure 4.16. It shows that 44 per cent of respondents concluded that the financial plan is the most important factor when selecting a financial planner. Additionally, 32 per cent value the professionalism of a financial planner while 30 per cent trust the reputation of the financial planning company. It points toward their concern about the benefits of financial plans much more than the proficiency of a financial planner or the prominence of the financial

planning company. This confirms the gradual progress in financial capability as compared to the prior survey in 2017 where only 34 per cent of respondents selected the plan itself; 43 per cent preferred the financial planner; and 33 per cent selected the the financing company.

There is therefore an overall shift in the acknowledgement of the significance of a financial plan that suits the respondents' requirement rather than the reputation of a financial planner or company. This indicates that there has been an improvement in the financial literacy and capability of respondents in the respondents' perceptions towards financial planners, financial plans and financial planning companies.

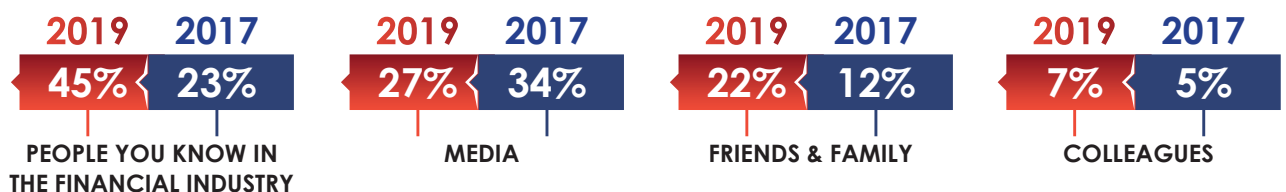
FIGURE 4.16 : PERCEPTION TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS AND FINANCIAL PLANNING COMPANIES



When choosing a financial planning company, it is common to be influenced by others' experiences. Figure 4.17 illustrates that 45 per cent of respondents trusted the advice of people they know in the financial industry and took their advice; 27 per cent relied on the media; 22 per cent had faith in the recommendations of their family and friends; and only 7 per cent listened to suggestions of their work colleagues.

Compared to 2017, there was a change in how respondents were influenced by the sources of their financial decisions from the media to people they knew in the financial industry. This shows that there was an improvement in the selection of a financial planning company as respondents appreciated the opinions of experts and informed people over the media. It is reassuring to learn that respondents improved in their sourcing for information when selecting a financial planning company.

FIGURE 4.17: FINANCIAL PLANNING COMPANY REPUTATION

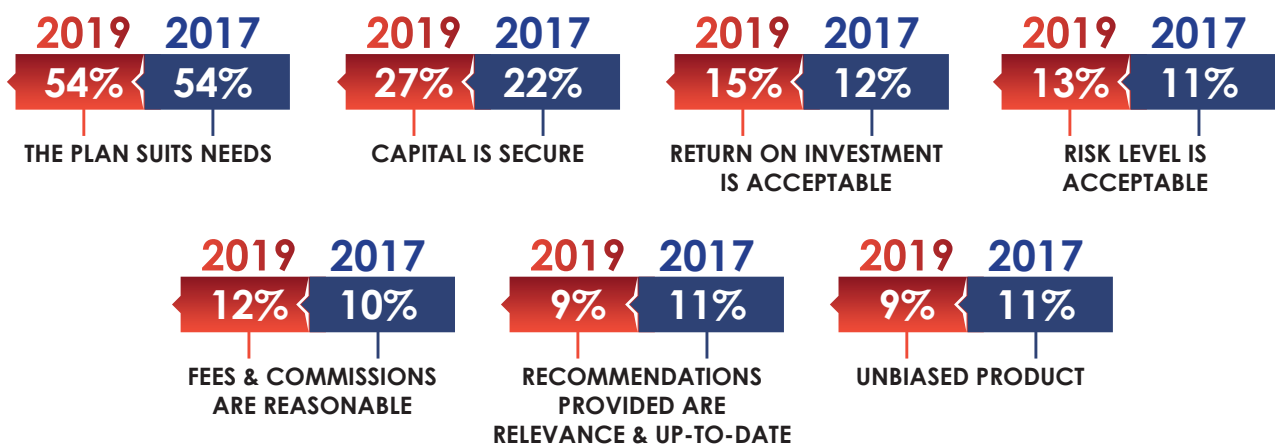


The criteria for respondents' selection of a financial plan is detailed in Figure 4.18 which reveals that 54 per cent of respondents desired financial plans that satisfied of respondents their needs and requirement; 27 percent wanted capital guaranteed plans; and 15 per cent required an appropriate rate of return. The findings are consistent with those of the previous survey in 2017. It is vital to realize that financial plans for different individuals with differing investment time horizons and risk levels are not necessarily identical. It is therefore imperative that financial planners seek

as much information from investors as possible before recommending any financial plan.

Findings from this this survey reflect the financial capability of respondents in this area, which shows that the majority could identify that a financial plan must accommodate their future financial needs. Moreover, 13 per cent of respondents stated the importance of an acceptable risk level as a criterion for financial plan; 12 per cent considered fees and commissions; 9 per cent each on relevant and up to date recommendation and unbiased product.

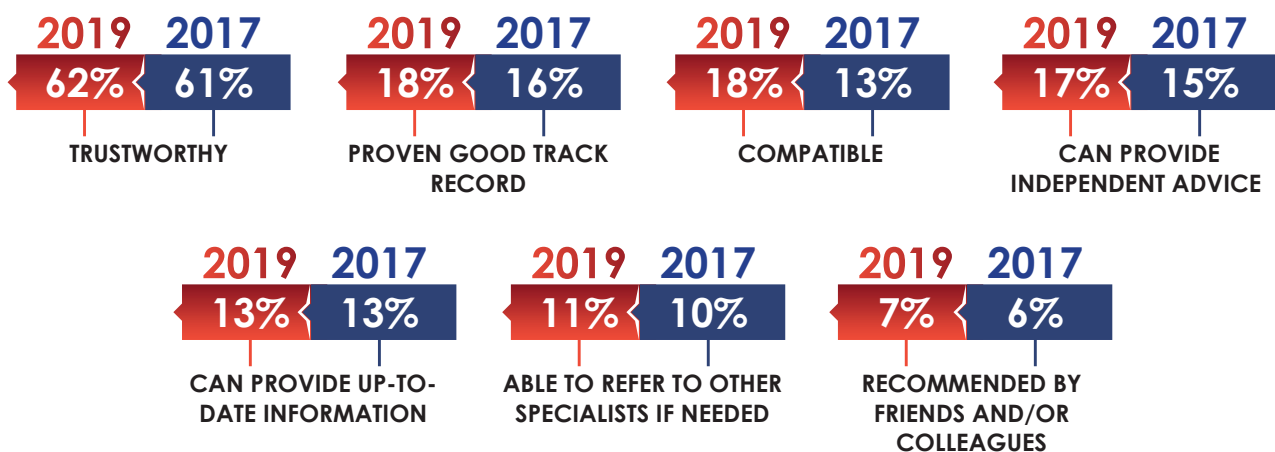
FIGURE 4.18: CRITERIA FOR FINANCIAL PLAN



The Respondents' most preferred quality in a financial planner when appointing one was trustworthiness (62%), as shown in Figure 4.19. Furthermore, 18 per cent of respondents each preferred a financial planner with a proven good

track record and compatibility. Additionally, 17 per cent of respondents favoured financial planners that provide independent advice; 13 per cent selected those with up to date information; 11 per cent selected those that can refer to other

FIGURE 4.19: PREFERRED QUALITIES IN A FINANCIAL PLANNER



specialists if needed; and 7 per cent depended on recommendations from friends and colleagues.

In summary, this shows that respondents upheld the traditional core attribute of trust as a fundamental value in financial planners. A financial planner who is truthful, committed, competent and professional is believed to be able to provide effective financial guidance and advice.

Repeat respondents' confidence in making financial decisions deteriorated, as shown in the relatively lower mean scores in 2019 compared to 2017 (Figure 4.20). The respondents agreed that they did not possess adequate knowledge in financial matters (2.87) and they also lacked the

initiative and time to evaluate financial information (2.97). This is in contrast with their agreeing that financial planning is very relevant to their values and goals in life (3.57). The repeat respondents agreeing they knew where to get information to make important financial decisions information sources to make decisions (3.15) and only looked for information that kept them up to date with certain products (3.21). Even though they seemed to know where to acquire up to date information to formulate financial decisions, unfortunately, they did not have sufficient knowledge on financial matters and lacked the initiative and time to evaluate financial information relevant to investment decision-making.

FIGURE 4.20: MAKING FINANCIAL DECISIONS

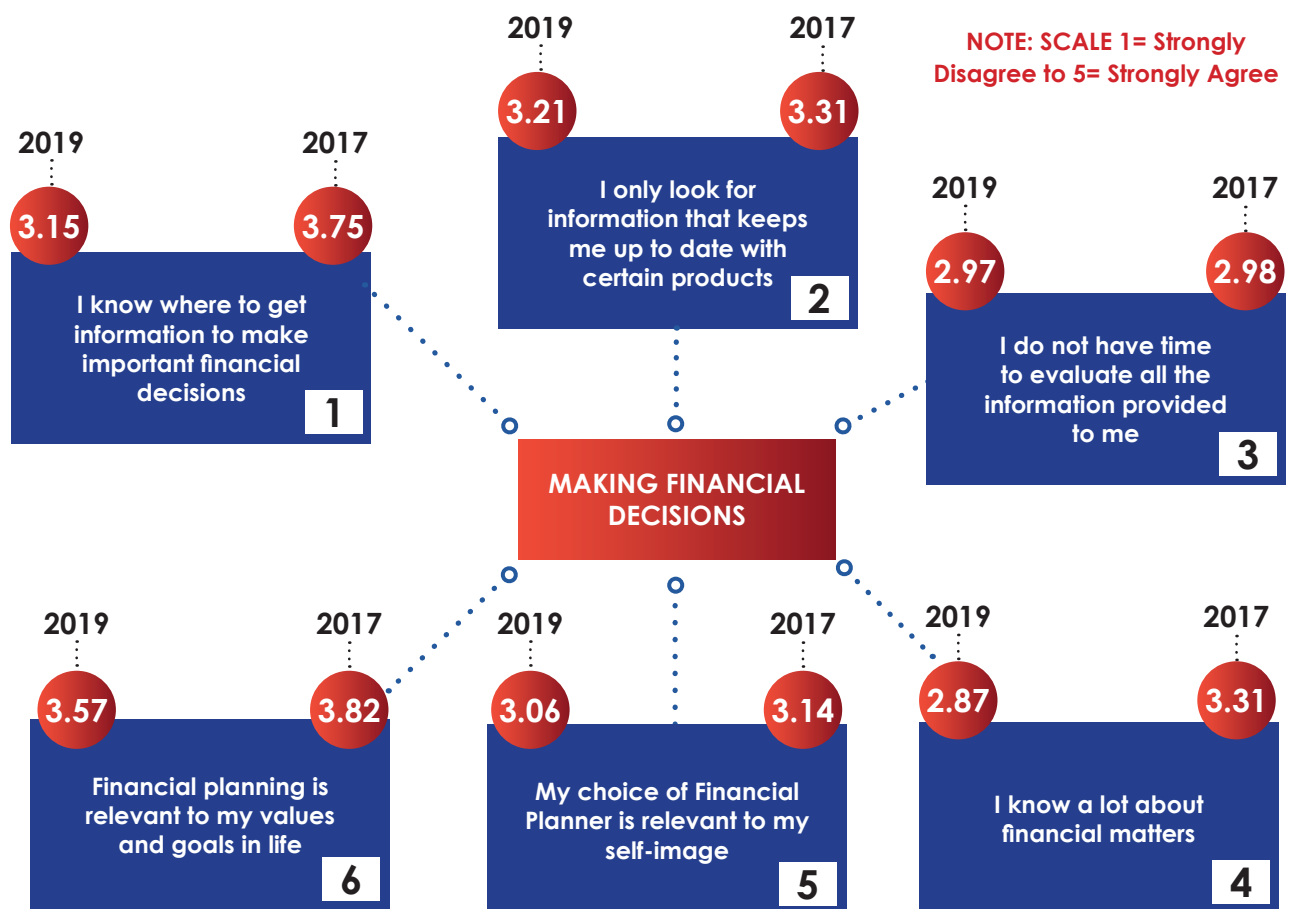
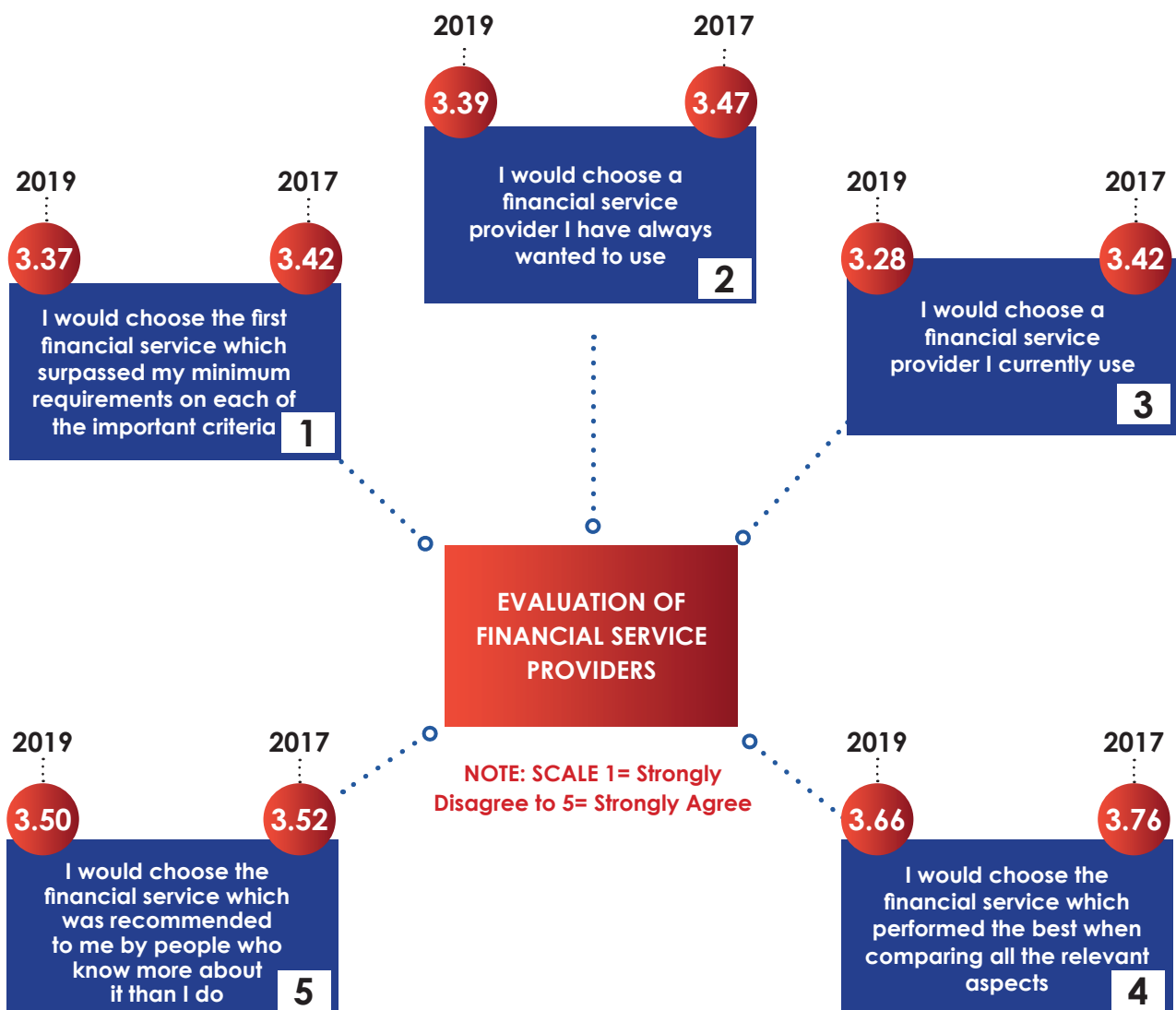


Figure 4.21 which illustrates how respondents evaluate financial service providers indicates that the most important evaluation criteria was proven superior performance, after they had compared all relevant aspects. They were more inclined to choose financial service providers recommended by others had more financial knowledge than they had.

The findings in this section are consistent with of the previous survey in terms of the positioning of each item and it also replicates the lack of confidence among respondents with inadequate financial literacy and capability.

The findings in this section demonstrate that respondents did not necessarily evaluate the important qualities of a financial planner but instead their choice of financial planners was based on past performance, which may not guarantee nor provide an indication of future performance. There exists a gap in the skills of selecting professional financial planners and more literacy programmes should be introduced to highlight the roles and importance of financial planners.

FIGURE 4.21: EVALUATION OF FINANCIAL SERVICE PROVIDERS

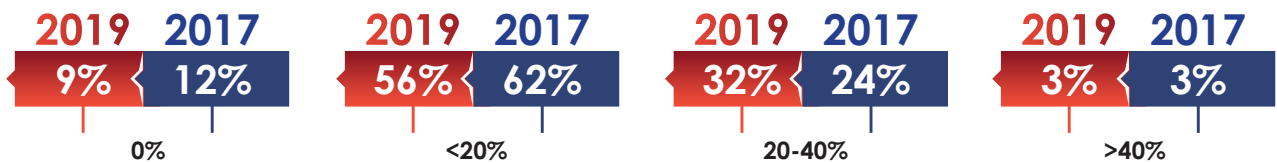


4.8 PARTICIPATION IN CAPITAL MARKET

The participation of respondents' savings and investments in the capital market is illustrated in Figure 4.22. It shows that 65 per cent of the respondents allocate nothing to less than 20 percent of their annual income to investment. Out of this number, at least 9 per cent did not invest at all and only 56 per cent invested less than 20 per cent of their annual income. This confirms that the respondents either did not have any savings to invest or did not know the significance of putting aside money for investment for the future. It must

also be stressed that the income level for the majority was low, thus they probably had little left to save and invest. Furthermore, in comparison to the 2017 survey, there was an overall decrease in the percentage of respondents that was invested less than 20 per cent of their annual income from 62 per cent to 56 per cent, and no investment from 12 per cent to 9 per cent, respectively. It is comforting to find that 32 per cent saved more than 20 per cent, an increase of 8 percentage points from the 2017 survey. Lastly, only 3 per cent assigned more than 40 per cent of their annual income to investment.

FIGURE 4.22: ANNUAL INCOME INVESTED

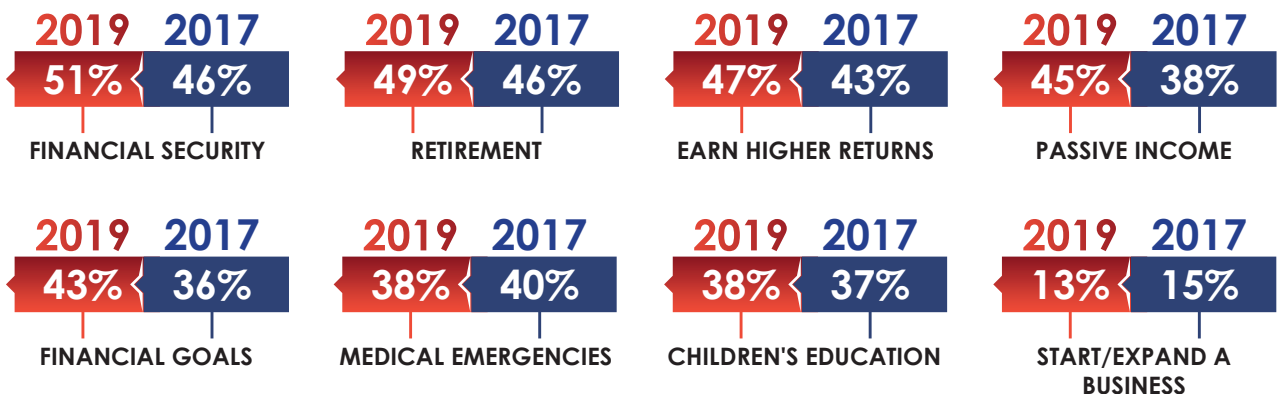


Fortunately, more than half of the respondents (51%) understood that investment is for achieving long-term financial security as detailed in Figure 4.23. In addition, 49 per cent invested for retirement; 47 per cent wished to earn higher returns; 45 per cent believed in investment for passive income; 43 per cent wished to achieve financial goals; 38 per

cent wanted prepare for medical emergencies and children's education and 13 per cent planned to invest to accumulate funds for their businesses.

In summary, respondents did know the purposes and importance of investment but their ability to apportion their income to investment was limited due to their relatively low income.

FIGURE 4.23: PURPOSE OF INVESTMENT

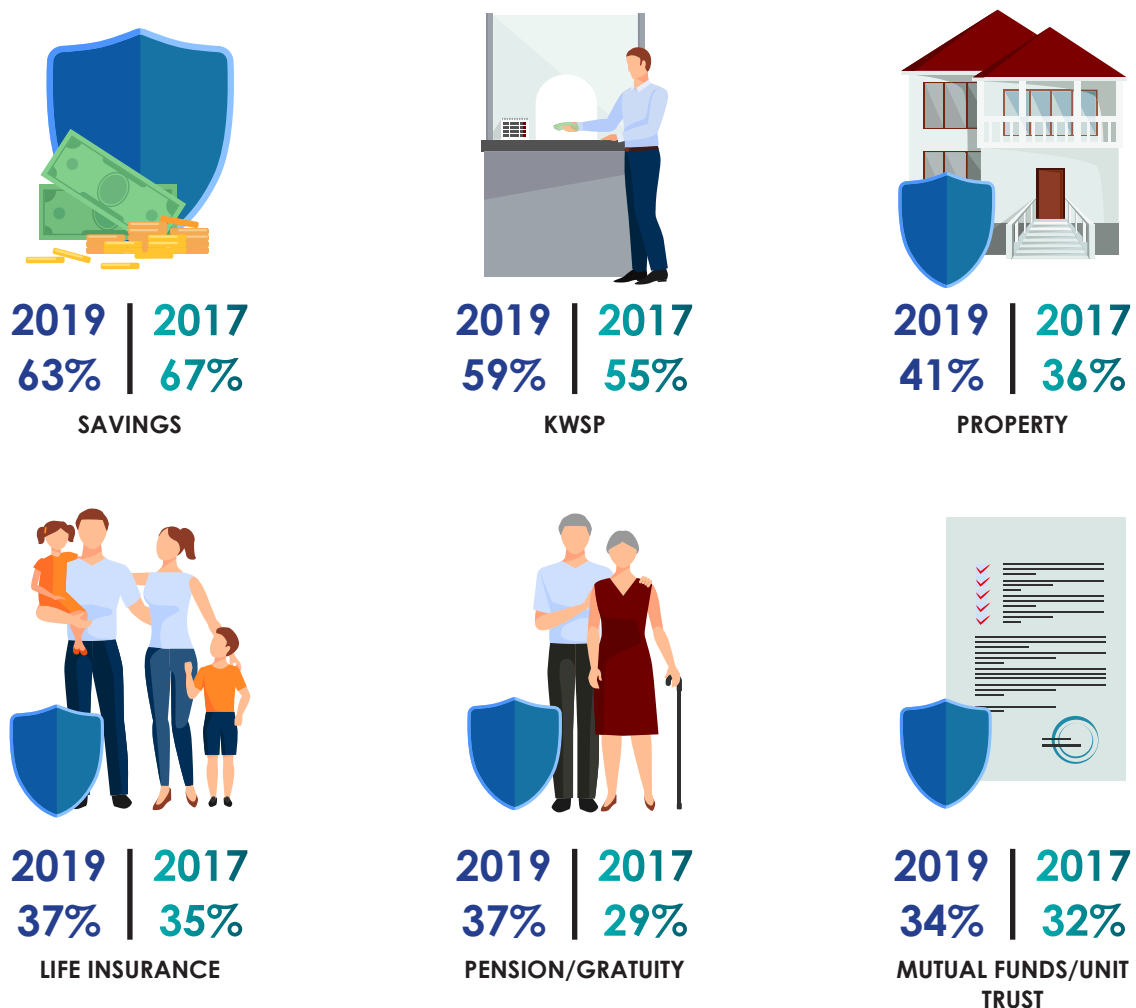


This next section on respondents' financial resources available for retirement illustrates that the majority of retirement resources came from accumulated savings (63%), and 59 per cent from funds amassed in their Employees Provident Fund (EPF/KWSP) account. Respondents were clear that they would have to depend on their own accrued savings in financial institutions and the EPF to survive upon retirement. Other financial resources for retirement included income streams from property (41%), life insurance (37%), pension (37%) and unit trusts (34%). Only public sector employees can depend on monthly pensions, but private sector employees will have to depend on other

sources. Relative to the previous survey in 2017, there appears to be a slight move of financial resources from savings to the other alternatives.

It is vital to note that if respondents do not prepare for their retirement by putting aside some money for the future in any of these alternatives, they would not have enough for survival after retirement. EPF/KWSP has constantly reminded the general public that most Malaysians have accumulated an average of only about RM35,000 in their accounts at the age of 55 and this is far from their suggested amount of RM230,000 for a comfortable retirement.

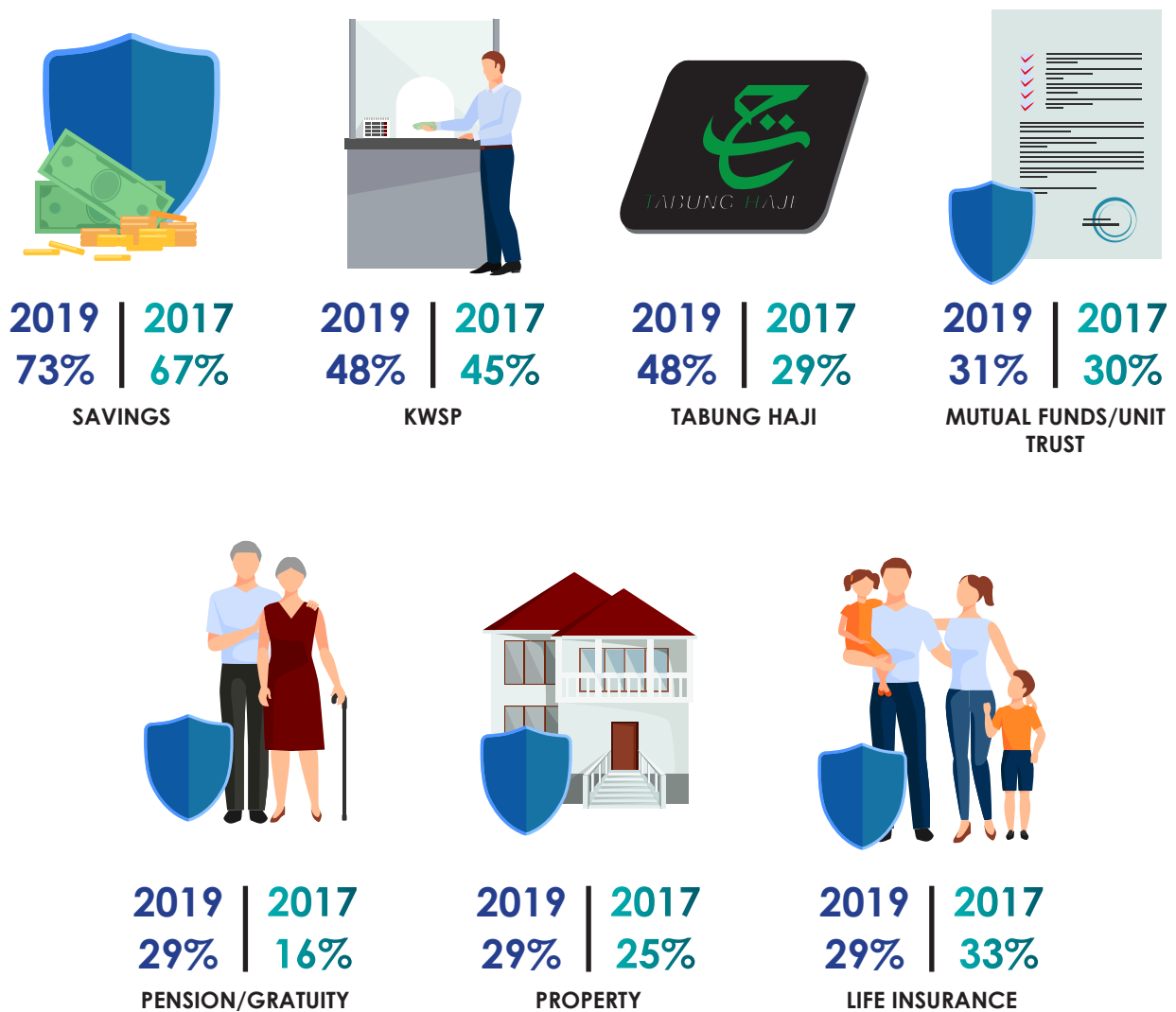
FIGURE 4.24: FINANCIAL RESOURCES FOR RETIREMENT



Similar to the two most popular types of financial resources after retirement, the top two types of respondents' savings and investment were savings (73%) and EPF (48), as displayed in Figure 5.23. Other types of savings and investments commonly

selected by repeat respondents were Tabung Haji (48%); mutual funds (31%); and pensions, property and life insurance (29% each). Compared to the previous survey, there was an overall increase in the proportion of savings in all the categories except for life insurance.

FIGURE 4.25: TYPES OF SAVINGS/INVESTMENT

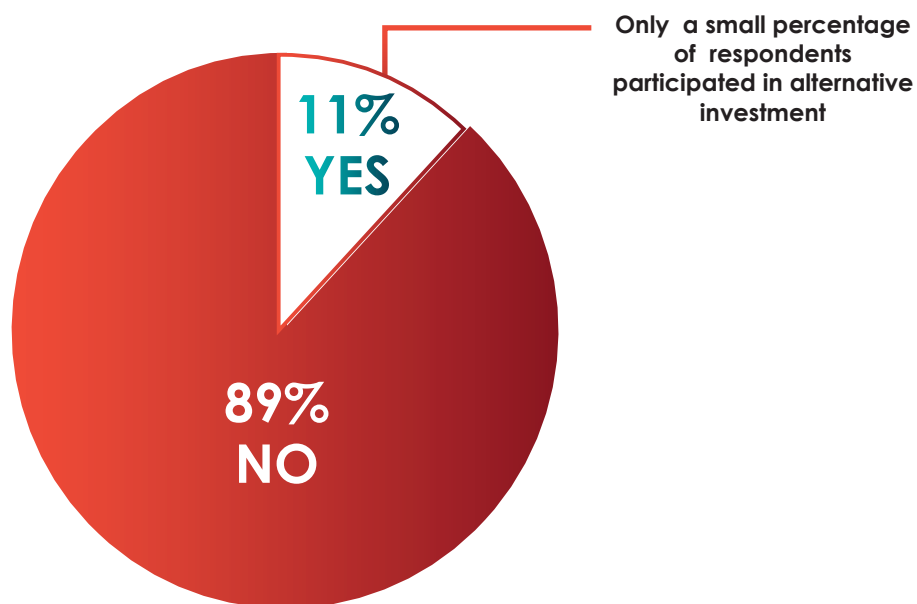


It is reassuring to observe that only 11 per cent of repeat respondents participated in alternative investments and this represented a slight improvement when compared to the survey in 2017. Improvement in financial literacy level helps prevent people from falling for investment scams that have been taking advantage of technological advancements and utilising various new and manipulative duplicitous methods in recent years.

In summary, respondents comprehended the purposes of investment, the various types of

financial resources for retirement, the different types of savings and investments, but may not possess the capacity to set aside their monthly income for investment after satisfying needs. Fortunately, not many admitted to participation in alternative investments. The results also suggest that innovative and interactive financial capability workshops and courses must be continuously made available to the general public in order to uplift their competence in managing their finances and avoid costly mistakes of being tricked into losing their hard-earned money.

FIGURE 4.26: PARTICIPATION IN ALTERNATIVE INVESTMENT



This may be good news if improved literacy level of Malaysians has prevented huge losses of hard-earned money due to scams and other illegal investments

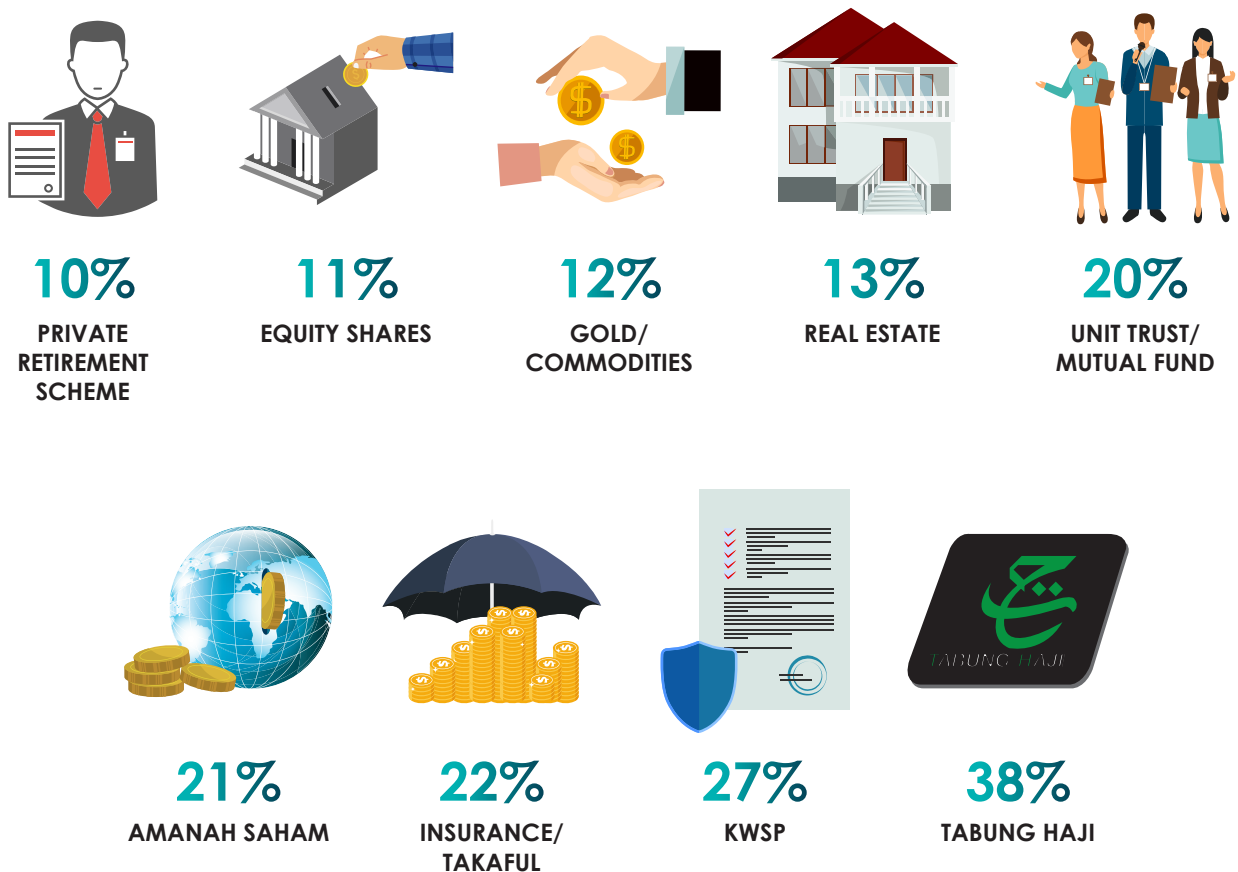
► 4.9 IMPROVEMENT OF FINANCIAL CAPABILITY

This additional section was specifically for those repeat respondents who participated in the previous survey in 2017. Five additional questions were included here which requested information on additional savings and investment and additional financial activities; improvement in the level of financial knowledge and ability to control finances; as well as any additional loans acquired after the previous survey.

Within the last 2 years, 38 per cent of repeat respondents had contributed to Tabung Haji, 27 per cent had placed funds into EPF/KWSP,

22 per cent had acquired additional insurance/Takaful, 21 per cent had invested in Amanah Saham, 20 had invested additional funds in unit trusts. These were the top five additional savings and investment avenues preferred by respondents. Furthermore, 13 per cent had participated in real estate, 12 per cent had further put money into gold/commodities, 11 per cent and 10 per cent in equities and the private retirement scheme, respectively. This group of respondents seemed to understand the significance of savings and investment for a brighter financial future with improved financial capability in planning for rainy days and retirement, and so kept funds aside in a responsible manner.

FIGURE 4.27: SAVED AND INVESTED

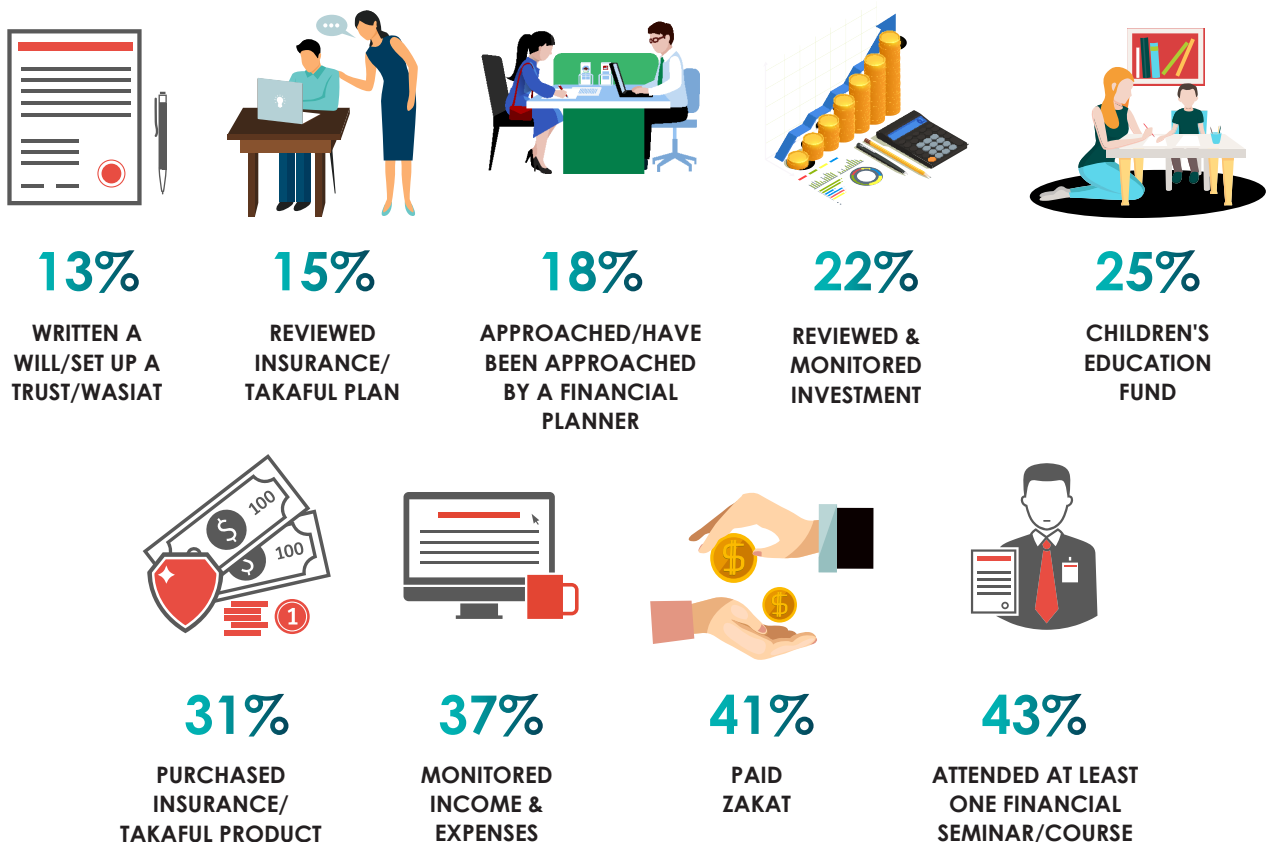


Aside from saving and investment, the respondents also had participated in activities to improve their financial capabilities as 43 per cent had attended at least one financial programme; 41 per cent admitted had fulfilled their zakat obligation; 37 per cent had acquired; admit to monitoring their income and expenses, 31 per cent had acquired insurance/Takaful to mitigate risk, 25 per cent had contributed to a children’s education fund and 22 percent had started to review and monitor their investment. After the first survey, respondents had become more aware of the consequences of financial planning and management and were willing to acquire more knowledge and pay more attention to their expenses, savings and investment. In addition, they had approached a financial planner, had reviewed their insurance/ Takaful plan and had written their Will. The current

survey reveals that repeat respondents had become meticulous in acquiring more knowledge in their finances, had made additional financial plan and acted on it.

In terms of their knowledge and control over finances, 54 per cent stated that they had become more knowledgeable in managing their finances and 47 per cent had become more in control of their financial matters relative to before participating in the survey. It is reassuring to know that about half of the respondents now have better financial literacy and capabilities in managing and controlling their finances. At the very least, they have understood the need to plan for their future through savings and investment and other financial activities for a better tomorrow.

FIGURE 4.28: ACTIVITIES



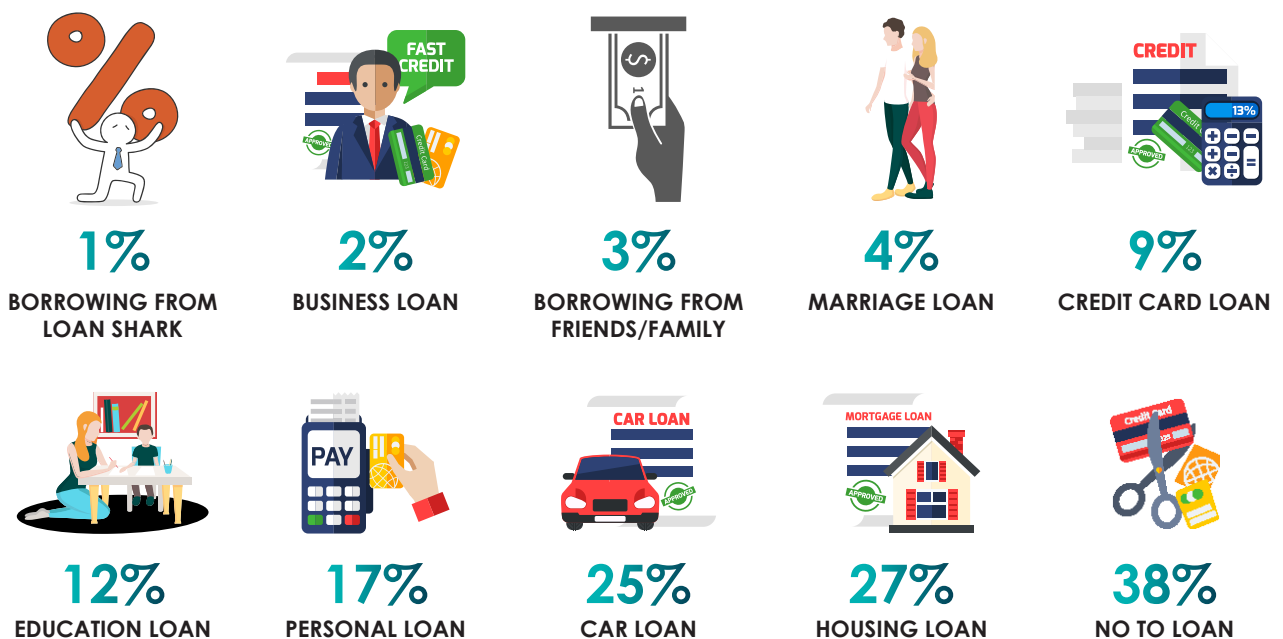
Also promising is that more than a third of the repeat respondents (38%) have not needed to acquire any additional loan since 2017. When respondents can manage their expenses in accordance with their respective income through the understanding of budgeting and planning, they may not require additional financing especially for day to day survival. Only a major long-term purchase may require them to take more loans while small items could be acquired by saving for the planned purchase in order to reduce costs. Nevertheless, with family and income growth, 27 per cent had taken a new housing loan, 25 percent a car loan, 17 and 12 per cent a personal and education loan, respectively.

Nevertheless, a small group had taken additional credit card loan (9%), marriage loan (4%), business loan (2%) and had borrowed from illegal sources (1%). Sadly, this group of respondents could be influenced by materialism and maintaining appearances of social status, not realising that additional loans may not only be burdensome in terms of debt commitment but can also increase stress, affect mental health and caused relationship problems. Clearly, that this small group of respondents need to gain more knowledge and awareness from more financial literacy programmes to improve their financial capabilities. It is recommended that public financial awareness and skills seminars and workshops be continuously provided to not only rural but also urban households to uplift the public's proficiencies in money and retirement management.

TABLE 4.4: KNOWLEDGE OF AND CONTROL OVER FINANCES

ITEM	DISAGREED	NEUTRAL	AGREED
I am much more knowledgeable in managing my finances	21 8%	108 38%	154 54%
I am now more in control of my finances	28 10%	121 43%	134 47%

FIGURE 4.29: ADDITIONAL LOAN ACQUISITION





5.0 CONCLUSION

▶ 5.0 CONCLUSION

This survey for both 1500 new respondents and 500 repeat respondents, concludes that only slightly over 40 per cent of respondents owned their own homes and more than 50 per cent saved less than 10 per cent of their annual income. It also reveals that 10 per cent or less did not have monthly savings at all and this may be due to the large proportion of them (about 50%) earning less than RM3,000 per month. Consistently, the income of about 50 per cent was barely enough for only basic needs.

In terms of assets and liabilities, about a third of the respondents had more debt than assets, affirming their relatively weak financial status. Most of them also possessed vehicle, education, personal and credit card debt. Looking ahead, this is indeed worrying when higher unemployment and economic contraction are expected due to the current pandemic which remains a key downside risk to the economy and financial stability. Further, it may render further government assistance compulsory for some lower income households to survive this challenging time.

Recent government policies to alleviate hardship during the pandemic such as easier internet withdrawal of EPF/KWSP contributions through i-Lestari and the permission to lower EPF/KWSP contribution can help those who are desperately in need. The current pandemic has also revealed the utmost significance of savings for households and each household should have at least a 6 months financial buffer to sustain over any unexpected shock. The deferment of instalment payment through Bank Negara Malaysia's (BNM) announcement of a six-month moratorium for all individual and SME loans is also a measure to reduce short-term financial burden. It is hoped that this will assist firms' survival and prevent massive layoffs to avoid drastic increase in unemployment.

In general, respondents were confident of their ability to manage their finances and were careful

with money. When it comes to respondents' financial literacy, particularly in terms of the Private Retirement Scheme (PRS), this survey reveals that most respondents (87%) were aware of and understood the reason for its existence. However, respondents gave low priority to and lacked understanding of insurance/Takaful products. In addition, they lacked understanding of EPF/KWSP and insurance nominations and investment concepts. In terms of knowledge in Shariah-compliant financial products, most respondents were literate in Islamic financial products as more than 65 per cent answered the questions correctly. The findings also reveal that the Credit Counselling and Debt Agency (AKPK) needs to deliver more awareness programmes about their existence and functions due to respondents' low level of comprehension of this organization relative to Bursa Malaysia, Securities Commission and Bank Negara.

As for financial literacy in the capital market, the survey reveals that respondents did take precaution by reading and comparing information on financial products prior to investment but they did not have full confidence in terms of making investment decisions. Unfortunately, more than half of the Malaysians in this survey had little comprehension of the time value of money (63%), while 53 per cent did not recognize the effects of inflation and that inflation erodes the value of savings and income. They generally lacked understanding of compounding effects, risk management and benefits of diversification. It must be accentuated that during difficult times, there may be a sudden rise in the types and forms of financial scams to tempt less literate investors with return rates that are unrealistic and way above acceptable levels. This is especially true when investors are searching for returns in periods of low or even negative interest rates. It is therefore vital that the level of financial literacy be strengthened and improved to avoid huge losses from unlawful investment scams.

It is essential to highlight that there is at least a quarter of respondents who did not have any plan for their finances and preferred to enjoy a comfortable life for the moment. This indicates that they may not possess any long-term financial strategy or find it difficult to learn financial issues, understand or interpret financial information. More financial literacy programmes are therefore necessary to strengthen financial knowledge and skills in planning for the future. They must realize the significance of having financial reserves during emergencies. In general, low income coupled with poor financial planning are the main causes of financial difficulty faced by borrowers, especially when households tend to overestimate their ability to cope with higher costs of living and debt obligations.

Most the respondents acknowledged that financial planners can assist in personalizing financial goals and strategies to avoid costly financial mistakes but regrettably, the top three expectations of financial planners according to the respondents are: to provide advice in the event of an unfortunate event such as disability or death; long term medical care services; and hospital and surgical benefits services. This illustrates that respondents misinterpreted the roles of financial planners in the management of financial activities. Overall, respondents understood that financial planners can help to customize financial goals and avoid damaging financial blunders, but they misinterpreted their functions and expected financial planners to perform above and beyond their advisory roles.

The survey reveals that respondents in the current study were more aware of the importance of comprehensive financial plans. They gave priority to whether the financial plan met their needs rather than the reputation of the financial planner or the branding of the financial planning company. The 4.1 Industrial Revolution has seen

the rise of Artificial Intelligence (AI) and the Internet of Things (IOT); nevertheless, it is surprising to learn that only a quarter of respondents relied on the internet to gather information on financial planning companies. The number of technical savvy investors is thus still low in the country. On a positive note, respondents viewed truthful, committed, empathetic and trustworthy financial planners as able to provide the best assistance and guidance in financial related activities.

The most popular purpose of investment is for financial security and this confirms that respondents understood the significance of future financial wellbeing. The top financial resources for retirement as well as types of savings and investment respondents possess were savings in bank accounts and the Employees Provident Fund (EPF/KWSP). Only about 10 per cent invested in unit trusts and this indirectly indicates the disappointing accomplishments of fund management companies in attracting savings and investments. These companies should encourage more Malaysians to save and invest in their products through both return performances and awareness programmes. These would eventually stimulate Malaysian investments and savings to achieve greater financial security.

Survey findings from the additional section for repeat respondents illustrate an improvement in financial capability in planning for emergencies and retirement. Respondents also admitted to setting aside funds responsibly. About 20 to 30 per cent of them had contributed additional funds to various savings and investment alternatives. They were also more aware of the consequences of financial planning and management, more willing to acquire knowledge and more meticulous in their expenses, savings and investments. There exists however a small group that committed to higher debt burden through housing, car, personal and education loans. Financial literacy programmes are consequently not only still relevant but also continuously essential in both rural and urban areas to intensify proficiencies of money and retirement management. ■



6.0

RECOMMENDATIONS



▶ 6.0 RECOMMENDATIONS

1. Develop and promote innovative, interactive and educational financial literacy programmes to enhance public understanding and knowledge on:
 - Setting and achieving financial goals
 - Risk management and insurance/ Takaful products
 - Conventional and Shariah-compliant financial instruments in investment
 - Time value of money, inflationary effects and diversification benefits.
2. Create and publicize stimulating current and novel virtual educational syllabus aggressively for all internet savvy users to access, learn and equip themselves with precise financial knowledge and skills.
3. Update and present awareness modules on avoiding the latest illegal and false investment schemes with contemporary information on these illegal activities to prevent falling into unlawful scams and traps.
4. Promote and recognize professional financial planners that provide quality advice and comprehensive financial plans to clients -by licensed financial planning companies. Emphasize the need for professional conduct; build trust and educate on the 3As (Acknowledge, Analyse and Action).
5. Endorse and advocate the six steps of the financial planning process to the public, financial service providers and practitioners for greater appreciation of the roles and functions of financial planners -by licensed financial planners, professional bodies and industry regulators.
6. Compile and disseminate booklets and brochures with the official list of licensed financial advisers and companies to alert the public on the differences licensed financial planners and single financial product service providers (tied agents).
7. Motivate and emphasize workforce training and retraining in financial planning, ethics, governance and professionalism for regulators and financial institutions, including unit trust consultants, insurance agents, AKPK officers, etc.
8. Inculcate and provide education on the habit of savings to maintain an appropriate liquidity ratio with sufficient financial buffer and manage sustainable cash flow in case of emergencies.



7.0

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▶ 7.0 REFERENCES

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APPENDIX



FELDA



GOVERNMENT
SECTOR





SME



UNIVERSITY



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