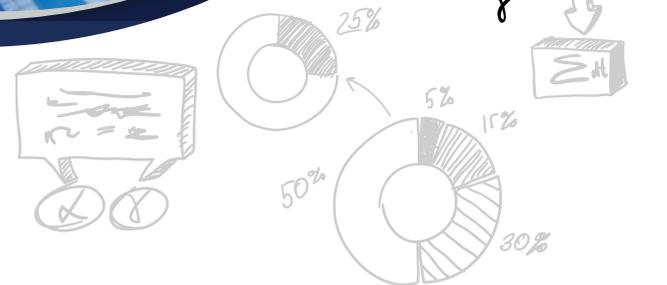


FINANCIAL CAPABILITY & UTILIZATION OF FINANCIAL ADVISORY SERVICES IN MALAYSIA



Report of National Findings 2018



CMD**F**

Dana Pembangunan Pasaran Modal
Capital Market Development Fund

MFPC

Malaysian Financial
Planning Council

Competence.Ethics.Standards

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ACKNOWLEDGEMENT

Our sincere appreciation to:-

CMDF

Dana Pembangunan Pasaran Modal
Capital Market Development Fund

ABOUT MFPC



MFPC 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 Finance Qualification 2016
Best Islamic Finance Education Provider 2015



WORLD
EDUCATION
CONGRESS ...

Best Educational
Institute in Banking
and Insurance 2016
Awards



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



MFPC | A Member



MESSAGE FROM PRESIDENT



Warmest Greetings

At the outset, on behalf of Malaysian Financial Planning Council (MFPC), I must take this opportunity to extend my sincere appreciation to the Capital Market Development Fund (CMDf) for commission and funding MFPC to undertake this study on Financial Capability & Utilization of Financial Advisory Services in Malaysia.

The first value the man on the street would require from their financial planner is something basic yet complex in nature: the individual must be trustworthy. Arguably, the respondents of this study noted trust, to be the most important element for them.

There are several other key findings that is detailed in this report. One that caught my attention is that only 75% of Malaysians are aware that not all investment schemes in Malaysia are legal. While this may be disappointing, this indicates that many Malaysians continues to be gullible to a varried number of investment scams and fall for them fundametally because they are not aware of legal financial instruments that could increase their earnings. This is a call to action both for us through our public awareness programme and for the industry as a whole to find means and ways to help Malaysians to make better financial decisions.

Tellingly, there are many experts with varied views on what may be the best plan for you as an individual. Thus, it is essential for one to

be comfortable with their choice of a financial planner.

I would like to take the opportunity to thank Assoc. Prof. Dr. Fazli Mohamad Sabri for leading the research team in this study, the MFPC National Council and the Council Secretariat for their continuous commitment in producing this report.

Last but not least, my profound appreciation also goes to everyone who contributed their expertise in ensuring this report could be completed in a timely manner.

Thank You.

Best Regards,

Michael Kok Fook On
MFPC President

FOREWORD



The Malaysian Financial Planning Council (MFPC) is greatly concerned at the alarmingly low level of financial literacy of Malaysians and the reported increasing number of Malaysians facing financial distress. In view of this, and with the objective to adopt measures to alleviate the situation, MFPC has taken the initiative to conduct a survey entitled 'Financial Capability & Utilization of Financial Advisory Services in Malaysia.'

The objectives of the survey are: 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.

The sample population for the survey comprised a wide section of the population, and was separated into four categories which were i) public sector employees; ii) private sector employees iii) FELDA/rural area residents; and iv) youth in institutions of higher learning. This was as these four categories have the potential to cover the wide range of population for the results to be generalised.

The survey sought information regarding the financial information, knowledge, and skills that the respondents possessed and their ability to evaluate their options and identify those that best suit their needs and circumstances.

The findings of the survey reveal that the respondents generally lacked financial capability as they admitted not knowing how to manage their money and did not plan ahead financially. In addition, only a small percentage had an understanding of financial products; and a majority had little confidence in financial planners and did not stay informed of changes in the financial landscape.

The survey findings underscore the critical need to raise the financial literacy of Malaysians through financial education, empowering them to become smart consumers, manage their debt, set short-term and long-term financial goals, take the necessary actions to achieve their financial goals and to plan for a more secure financial future. This will also provide them with the much-needed knowledge of the importance of saving and of making strategic investment decisions for their retirement or their children's education. Most importantly, financial education will prevent them from falling into the debt trap and falling prey to illegal investment scams, resulting in financial and emotional distress for them and their households.

Our challenge thus is to raise the financial literacy of Malaysians from all walks of life, particularly those for whom existing information resources are inaccessible or inadequate.

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

Thank You.

Best Regards,

Assoc. Prof. Dr. Mohamad Fazli Sabri
Research Head

1.0 INTRODUCTION

Malaysia was adversely affected by the Global Financial Crisis in 2008 but recovered rapidly, posting growth rates averaging 5.7% since 2010. Nevertheless, the Economic Planning Unit reported recently that the average income per person in Malaysia has fallen by as much as 15% from US\$10,345 in 2013 to US\$8,821 in 2016 (The Star, April 2017). Furthermore, the increasing cost of living experienced by Malaysians in recent years has made individuals and families more frugal in their spending.

At the same time, all these challenges have made Malaysian more desperate and prone to making imprudent financial decisions, with a number resorting to seeking quick and easy ways to make money. Malaysians generally lack clear understanding of financial risk and return, resulting in their not being able to make rational financial decisions. Many Malaysians are still susceptible to financial fraud, falling victim to financial scams. For example, there are numerous Get-rich-fast schemes which promise high returns within a very short period

of time. Many Malaysians, low income earners as well as middle income earners and professionals, continue to invest in these schemes.

The powerful combination of desperation with rising costs and promises of fast and easy money has proven to be the winning ingredients for the perpetrators of Get-rich-fast schemes over the decades, tempting Malaysians to fall into the trap of such illegal schemes. The Malaysian police recorded 1,883 cases of investment scams between January 2015 and April 2017, resulting in losses of up to RM 89 million. Data from the Commercial Crime Investigation Department, Bukit Aman, revealed that RM 23 million was lost to such schemes in 2017 alone (The Malay Mail online, May 2017). It was found that this has been due to many Malaysians lacking the financial know-how to distinguish between a scam and a legal investment. As such, there have been calls to make financial literacy education available to all Malaysians to prevent exacerbation of the situation.

A 2015 Bank Negara Malaysia (BNM) survey on

financial literacy showed that three out of four Malaysians found it difficult to raise even RM1,000 for an emergency (The Malaysian Insight, April 12). Further, less than a quarter had any kind of investment. The survey also showed that a majority of Malaysians tend to spend for instant gratification instead of planning for the long term. This can be seen where only 40% of Malaysians who consider themselves financially ready for retirement, despite the steadily increasing life expectancy of Malaysians. What little savings they have were depleted by a minor emergency such as the need to repair a vehicle or replace an electrical appliance. Moreover, the 2015 BNM survey revealed that a mere 6% of salaried Malaysians would be able to sustain themselves for more than six months if they lose their jobs. (The Malay Mail online, November 2015). The findings also showed that the majority of the over 3,000 Malaysians surveyed do not have a proper budget plan nor practise financial discipline to manage their spending and debt (The Malay Mail online, November 2015).

In addition, according to statistics of the Malaysian Department of Insolvency, the total number of bankruptcy cases administered from 2007 to 2015 is on an upward trend. Car loan defaults were the highest cause of bankruptcy every year from 2007 – 2015. The statistics also revealed that inability to service car loans caused 43,811 bankruptcy cases or 27% of the 162,977 total cases in Malaysia during the nine year period. This was followed by inability to service personal loans, which recorded 18%. The most recent data (2017) from the Malaysian Department of Insolvency shows that for the years 2016-2017, personal loans have overtaken car loans as the main reason for bankruptcy (The Edge Markets, December 2017).

All this underscores the crucial need for financial education to encourage consumers to be financially savvy in managing their finances, plan for the future and manage risks associated with financial matters. Individuals ought to be able to engage themselves in comprehensive and thorough financial planning either via self-management or by appointing a qualified financial planning practitioner. Qualified financial planners include, but are not limited to, those holding professional designations such as the Registered Financial Planner (RFP) and Shariah RFP designations from the Malaysian Financial Planning Council (MFPC).

Nevertheless, personal financial planning is found to be very much still in the infant stage in Malaysia (Gan, 2008) and Malaysians are generally found not taking ownership of their own financial affairs (Citi, 2008). Though they are aware of the importance of personal financial planning, many remain lacking in a thorough understanding of the significance of personal financial planning and of the numerous benefits that may be derived from such planning (Citi, 2008). One possible contributor to this phenomenon is the lack of information and knowledge regarding the financial literacy level of individuals in the country, and how that reflects the individual's readiness in pursuing personal financial planning.

2.0 BACKGROUND *of* THE STUDY

The increasing cost of living among Malaysians in present times has made individuals and households more conscious of their financial management. Economic challenges have made an impact on how Malaysians spend, save, invest

and manage risks in order to protect their standard of living, especially for the long term. Current higher levels of consumer indebtedness and increasing focus on individual responsibility for financial planning indicate that there is a growing

need for better financial management understanding among Malaysians. Today's consumers are also confronted with the complexity of financial products in the marketplace, thus increasing the need for them to manage their finances.

Current local data and statistics reveal that Malaysian

consumers are facing financial difficulties. Malaysia's level of household debt has been increasing at an alarming rate of 12.7% annually over the last decade, and stood at 86.8% of GDP in December 2013, making Malaysia the nation with the highest level of household indebtedness in Asia (The Star, March 20, 2014). The debt-service-ratio of households in Malaysia stood at 43.5%, above the acceptable 30% level. This means that on average, households in Malaysia utilized more than two-fifths of their monthly disposable income on servicing loans (The Star, November 22, 2014).

There are many reasons for financial difficulties. Poor financial behaviours is often accompanied with personal financial problems. One of the reasons for personal financial problems is financial illiteracy faced by individuals and households (Lusardi & Tufano, 2009). Apart from that, the combination of financial problems such as high debt, low income, and low level of financial literacy may adversely affect the financial well-being of individuals and households. Income uncertainty, rising petrol prices and physical pain for instance, have a more drastic influence on well-being. Alarmed by the high cost of living, most people have today become

more concern regarding their financial betterment and are savvier in spending so that they can live comfortably and better plan for their financial future. This is because the issue of financial problem relates to all segments of individuals and families and does not only concern lower or middle income earners but also the better-offs.

In an effort to continuously implement effective consumer financial education, BNM conducted a survey to measure the level of financial capability of Malaysian consumers a few years back (BNM, 2015). The survey found that the level of financial capability is still low, thus affecting the financial situation of individuals and households. The effects of financial incapability do not only result in financial problems for individuals, households and consumers as a whole but also lead to greater level of stress and financial exclusion (Taylor, 2012; Lenton & Mosely, 2008). Financial incapability among Malaysians is also due to a lack of financial knowledge and skills, thus leading to lower financial well-being.

In recent times, with increasing public knowledge supporting public confidence, there is higher rate of participation in capital market activities which is central to capital market development

and assists Malaysians in becoming more financially prudent and savvy. Without active and continuous participation, capital markets begin to lack products and liquidity. The financial services industry is exposed to increasing performance pressures and competitive forces in today's economy (Goergen, 2001). Modern media, such as the internet, has created new challenges for this industry (Fuchs, 2001). Established financial services organizations worldwide are today facing new business concepts, and changes in client sophistication (Davis, 2006). An increasing number of new competitors entering into the market, such as independent financial planning advisors, have changed business models and the competitive forces. In addition, financial services organizations are often times exposed to mature markets, making persistent growth therefore increasingly more challenging to achieve.

Consumers rely on investment advisors to provide appropriate, considered advice and this reliance on the quality of advice continues to grow with the increased level of investor participation in the financial market. Financial planners can play an important role by helping individuals make better financial decisions

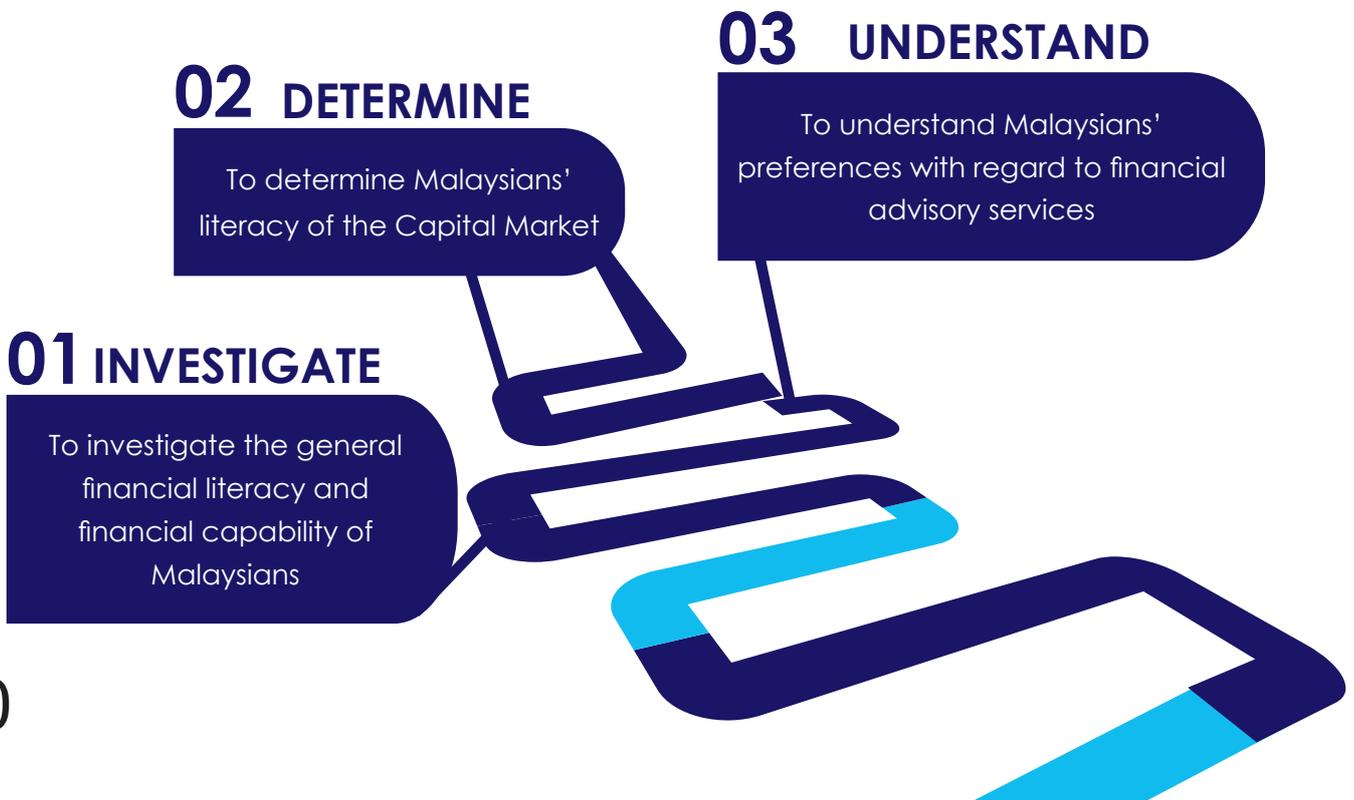
and improve their financial situations. The need for more knowledge about different aspects of financial planning services has been highlighted by scholars of many disciplines, and calls for more in-depth studies of this practice have been put forward. Findings show that important aspects of financial planning services have been previously neglected. The characteristics of both consumers and planners, as tested from the aspect of gender, are shown to have importance both for consumers and planning perceptions of different aspects of core elements of financial planning services.

Research has revealed that individual consumer characteristics affect consumer

risk assessment (Harris, Jenkins, & Glaser, 2006; Weber, Blais, & Betz, 2002), investment behaviour (Hira & Loibl, 2008; Sundén & Surette, 1998), and decisions to engage advisors (West, 2012). Furthermore, studies have shown that the portfolio performance of consumers is affected by the advice of professionals (Gerhardt & Hackethal, 2009; Hackethal, Haliassos & Jappelli, 2012; Kramer, 2012; Kramer & Lensink, 2012) and that consumers who actively seek advice achieve improved performance (Hung & Yoong, 2010) because advice has the potential to act as a substitute for financial knowledge (Collins, 2012). However, there are also possible dangers inherent in

financial planning services. Biases tend to be exaggerated instead of mitigated by the advice market (Mullainathan et al., 2012) because advisors are affected by known biases in the same way as their customers (Roszkowski & Snelbecker, 1990; Sah & Loewenstein, 2012) and misestimate the risk tolerance of their customers (Roszkowski & Grable, 2005). Substantial differences exist not only between the risk perceptions of experts and general investors (Diacon, 2004) but also between amateur and expert views of the economy (Bastounis, Leiser & Roland-Levy, 2004; Blendon et al., 1997).

OBJECTIVES *of the* **STUDY**



3.0 DATA COLLECTION & ANALYSIS

Survey research allows investigators to estimate with precision the extent to which a population has a particular attribute 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 is obtained and potential problems related to biases coverage, nonresponse, and measurement errors have been minimized. The sample data thus could be representative and generalizable to the target population. Based on the data retrieved from the Department of Statistics Malaysia, the total population for Malaysia in 2016 was 31,700,000 and the annual population growth rate was 1.5%. Hence, the expected total population in Malaysia for the year 2017 is 32,175,500. The percentage of citizens between 15-64 years of age is 69.4% or 22,329,797, the age range which comprised the population for this research. According to the sampling size calculation table by Krejcie & 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%. This study collected information from a total of 2,000 respondents in order to compensate for incomplete and unusable responses.

Purposive sampling method is adapted for this study as the sample covers a wide section of the population. The sample is separated into four categories which are i) public sector employees; ii) private sector employees iii) FELDA/rural area residents; and iv) youth in institutions of higher learning. These four categories have the potential to cover a wide range of population for the results to be generalised.

All questions in the questionnaire are developed in a close-ended form by providing possible choices of answers. This method could prevent bias and allow the data to be analysed in the most appropriate way. Data was collected from April to August 2017. A pilot study was conducted among forty respondents to check the suitability of research

instruments in a preliminary small-scale study. 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 are revised on the terms used and the instructions given after the pilot study due to respondents' problems in understanding them. This enhanced the reliability and accuracy of the questionnaire. The questionnaire is developed in both the Malay and English languages and distributed to all potential respondents. Self-administration of the questionnaires is applied and assistance and clarification are provided to those who requested assistance. Reliability tests are conducted by checking the Cronbach's Alpha coefficient of the instruments and they are all above 0.7. In addition, Statistical Package for Social Science version 22.0 (SPSS) is applied to analyse the data.

There are altogether four sources, financial planning of the respondents. The major sections in the set services, information on questionnaire is constructed of questionnaires. Section perception towards financial in English and then translated 3.1 evaluates the financial planners, financial plans and into the Malay language as this literacy of the respondents. financial planning companies, study accessed information of Section 3.2 captures the financial decisions and Malaysians from all levels of financial capability of the participation in the capital socioeconomic and education respondents while Section 3.3 market. Finally, section 3.4 background, where everyone incorporates issues in financial obtains the demographic is comfortable with the planning advisory including and socioeconomic details language. financial products information

3.1 FINANCIAL LITERACY

This section identifies the level of financial literacy of the respondents and is further divided into two parts: Part A analysis overall financial literacy and Part B covered 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 products, taxation and estate planning, and general questions on the Malaysian financial system. Part B consists of 5 multiple choice questions on the understanding of the financial institutions and markets.

Financial literacy among the respondents is measured by

testing the financial knowledge with questions developed by Sabri, MacDonald, Hira and Jariah (2010) based on the Malaysian context. The questions are concerned with the aspect of general knowledge, savings and investment, credit card, debt and Islamic banking products. In addition, new question were also developed by the committee.

3.2 FINANCIAL CAPABILITY

Section 3.2 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 are previously applied in studies on financial capability. These include Scottish Household Survey (2005-2009), British Household Panel Survey (2006) and the

Central Bank of Malaysia's Survey on Financial Literacy of Malaysian Adults (2010). Each domain consisted of five questions and the respondents were asked to rate their responses according to the Likert scale provided.

3.3 FINANCIAL ADVISORY SERVICES

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

SOURCES of INFORMATION on FINANCIAL PRODUCTS

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

FINANCIAL PLANNING SERVICES

The section on financial planning services contains five questions with answer options to obtain information on respondents' preferences with regard to financial planners. Four questions are with answer options and question number five requires the respondents to rank their expected criteria in a financial planner.

PERCEPTION TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS & 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.



FINANCIAL DECISIONS

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

PARTICIPATION *in* CAPITAL MARKET

This part aims to detect respondents' participation in the capital market and contained 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 if they participated in alternative investments.

3.4 DEMOGRAPHIC & SOCIOECONOMIC INFORMATION

Section 3.4 gathers the individual characteristics of all respondents' demographic and socioeconomic details. This section organises the background, family size, home ownership, savings, financial status, income adequacy and types of existing loans/debt.



4.0 FINDINGS

4.1 PROFILE of RESPONDENTS

4.1.1 DEMOGRAPHICS

This study collected a total of 2,000 responses from the sample which consisted of four major groups: i) public sector employees; ii) private sector employees iii) FELDA/rural area residents; and iv) youth in institutions of higher learning. The information on demographics is demonstrated in Figures 1 to 3. The sample consists of 55.3 percent married individuals and 44.7 percent who are still single. In terms of gender, a larger percentage (54%) of respondents is female. This is consistent with the national overall population averages. The study is also representative in terms of ethnicity where 64% of the sample is Malay, 27.9% Chinese, 5.9% Indians and 2.2% of other ethnicities. The highest percentage of the respondents are aged between 20 to 29 years (31.7%), followed by 30 to 39 years (24.7%), more than 50 years (18.4%), 40 to 49 years (15.3%) and less than 20 years (9.9%).

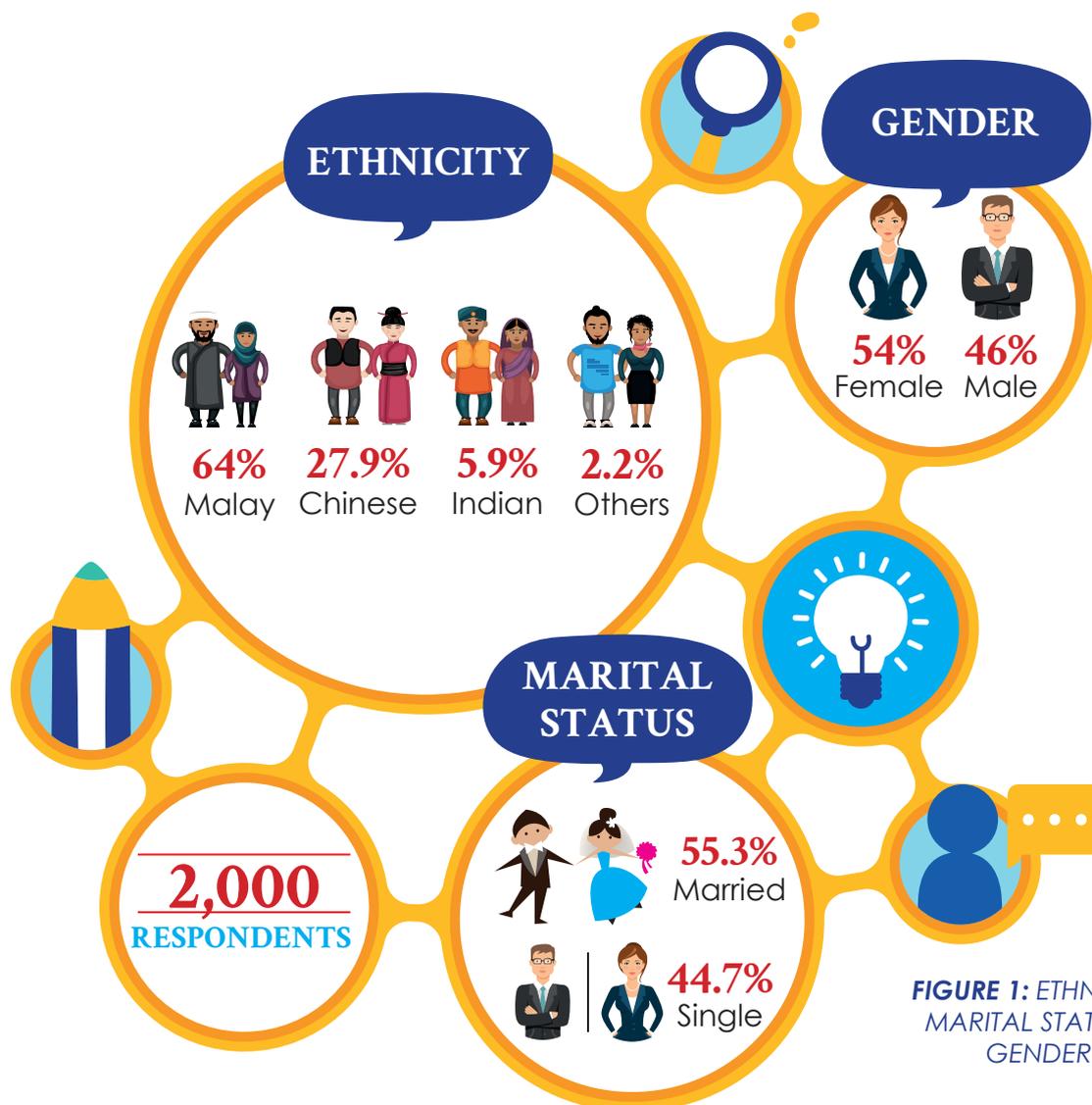


FIGURE 1: ETHNICITY, MARITAL STATUS & GENDER

As depicted in Figure 2, the highest percentage of the respondents (57%) is in the B40 category with monthly income of less than RM3,000. Respondents with monthly income of between RM3,000 to RM4,999 comprised 25.5%; those with income between RM5,000 to RM6,999 comprised 9.4%; those with income between RM7,000 to RM8,999 comprised 3.3%; and those

with income above RM9,000 comprised only 4.8%. The majority of the respondents (31.7%) are in the 20-29 year age bracket, followed by 24.7% who are between the ages of 30-39. Those who are aged above 50 years comprised 18.4%; those aged between 40-49 years comprised 15.3%; and those under 20 years of age comprised 9.9%.

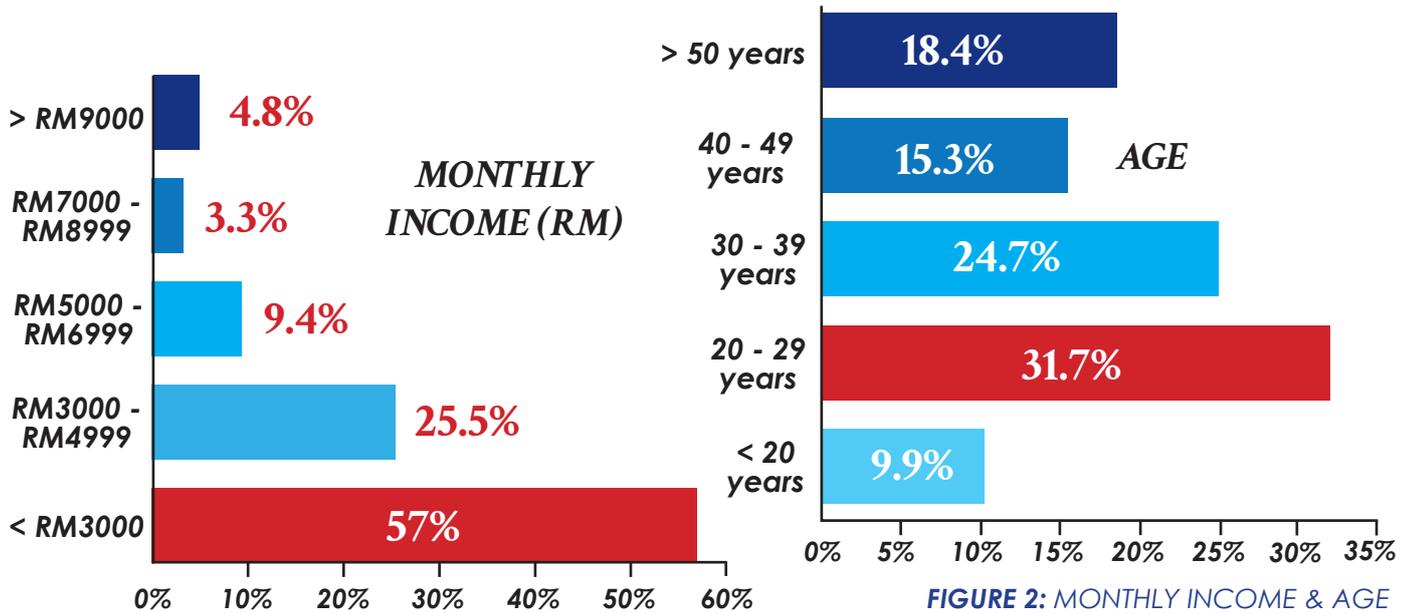


FIGURE 2: MONTHLY INCOME & AGE

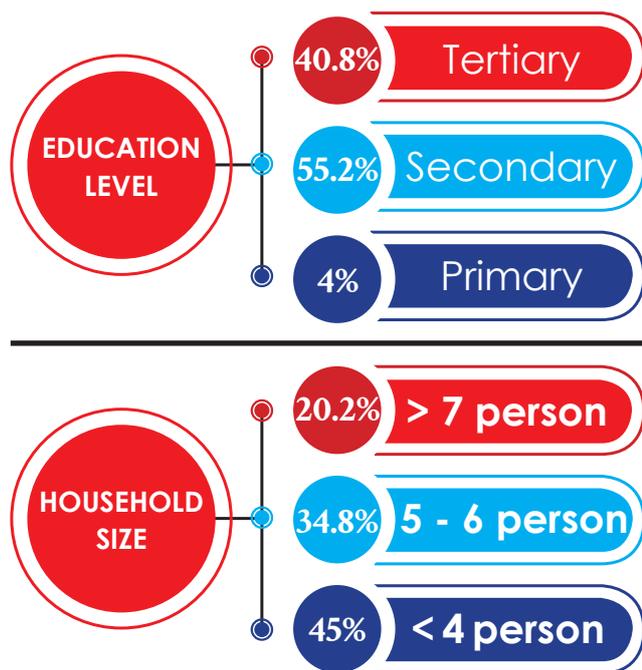


FIGURE 3: EDUCATIONAL LEVEL & HOUSEHOLD SIZE

The educational background of this group of respondents appears to fit well with the population whereby 96% have either secondary or tertiary education with only four per cent having only primary school education. In addition, 45% of the respondents are in a household size of less than four, 34.8% are those with a household size of between five to six people and only 20.2% are in a household comprising more than seven. This is very much reflective of the national household size distribution, which stands at 4.13 persons.

In summary, a higher percentage of respondents (55.3%) are married; 54% are female; 64% are of Malay ethnicity; and 56.4% are young adults between the ages of 20 to 39 years. In addition, 55.2% of the respondents possess at least secondary education and 79.8% with less than seven household members.

The socioeconomic statistics for this group of 2,000 respondents are shown in Figures 4 and 5. It is interesting to note that only 36.9% owned their own homes or have family-owned homes. The study reveals that 63.1% of respondents lived in rented accommodation. In terms of the proportion of monthly income that goes into savings, 55.3% save less than 10% of their monthly income while about 26% do not save at all. This is indeed worrying as respondents seem not to feel the need to save nor have the ability to save. As seen in figure 5, another worrying statistic is that 52.5% of the respondents have a very low asset to debt ratio. There is definitely a need for more information and guidance in financial readiness for this group of relatively younger respondents.

4.1.2 SOCIOECONOMIC INFORMATION

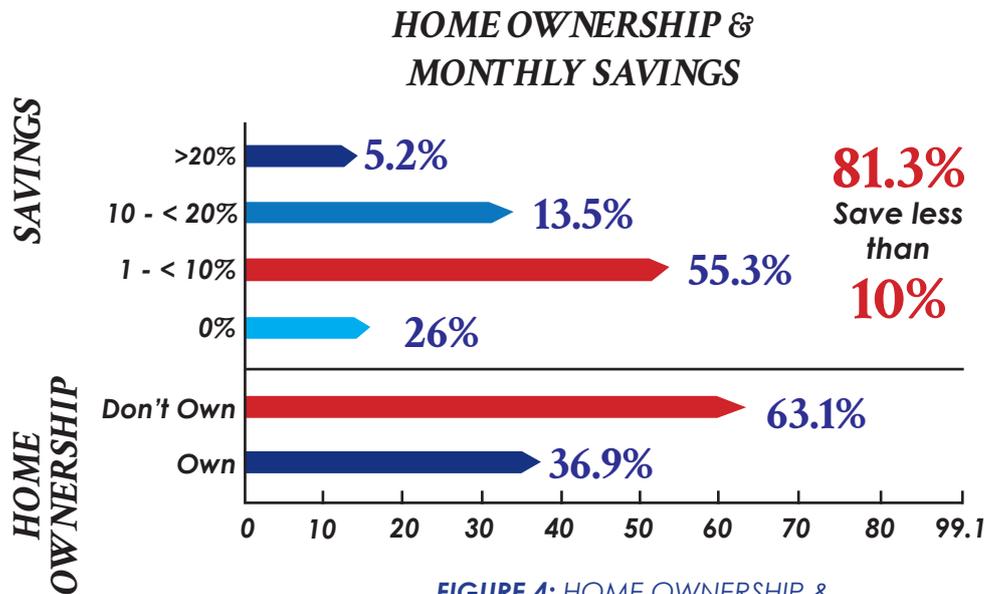
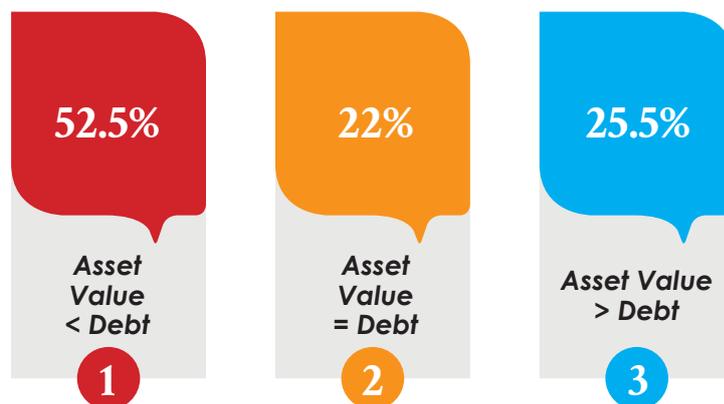


FIGURE 4: HOME OWNERSHIP & MONTHLY SAVINGS

ASSET TO DEBT RATIO



INCOME ADEQUACY

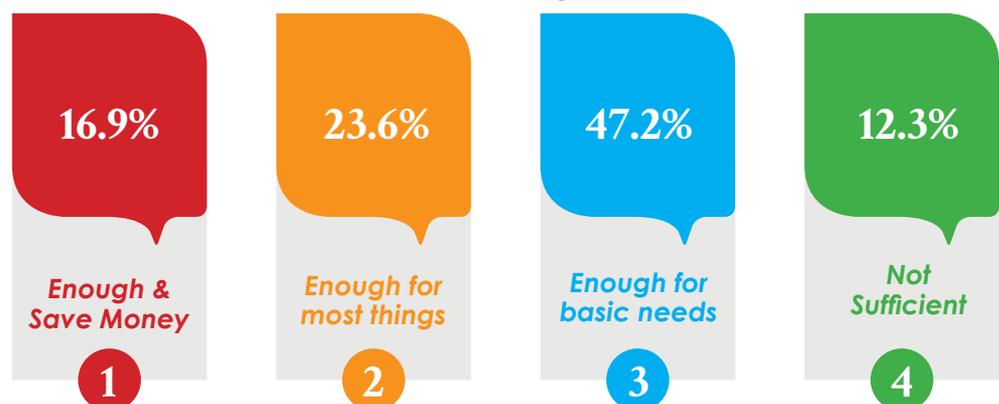


FIGURE 5: INCOME ADEQUACY & ASSET TO DEBT RATIO

Almost half of the respondents (47.2%) have income that is only sufficient for basic needs. With depressed real wage growth, the data provides an indication that the respondents are just able to meet day to day expenses with only 16.9% having enough and being able to live comfortably. A total of 12.3% of the respondents indicate that they do not have sufficient income for living expenses.

In terms of type of debt (Figure 6), the highest percentage (36.2%) are with vehicle hire purchase loan, followed by education loan (33%), housing mortgage (29%), personal loan (26.3%) and credit card debt (19.6%).

In summary, this study reveals that 47.2% of respondents have enough money to cover only

their basic needs and this may be due to the higher percentage of respondents (57%) being paid less than RM3,000 monthly. Vehicle hire purchase loan is recorded as comprising the highest percentage of respondents' debt. With the emergence of zero down payments and a reduction of sale prices, it is significant that this has encouraged Malaysians to incur debt in car purchase, having the misconception that one can afford the monthly repayments. Furthermore for the respondents' current asset to debt ratio, the majority has assets value lower than debt (52.5%). Moreover, 81.3% of the respondents either do not save or save less than 10% of their monthly income which is a major concern for the country.

TYPE of LOANS / DEBT

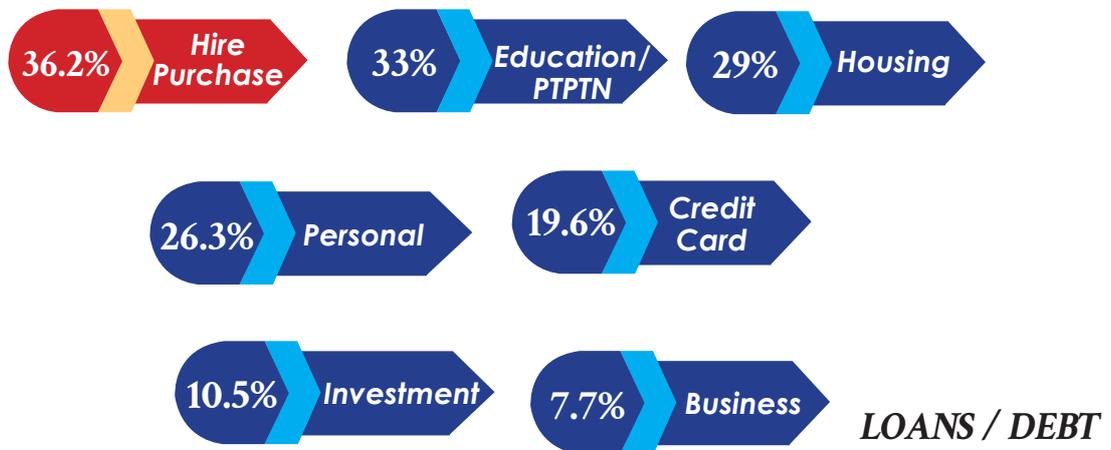


FIGURE 6: TYPE OF LOANS/DEBT

4.2 FINANCIAL LITERACY

This section on understanding the level of financial literacy of the respondents is further divided into specifics on cash flow management, credit management, savings and investment, retirement planning, risk management, taxation, estate planning and a final section on general understanding of the financial institutions.

The findings for cash flow management are shown in Table 1 and it is surprising that almost 83.7% of the respondents allow expenses to be sometimes higher than income in their general management of cash flows. The results reveal that respondents feel that it is all right to overspend, revealing a worrying trend among Malaysians. Only 16.3% of the respondents actually understand that expenses cannot be higher than income. Fortunately, the majority of them (93.5%) agree that a shopping list helps to control expenses and one needs to save before spending. The results also reveal that some 7.3%

believe in living life in the present, without the need for any preparation through savings for a rainy day. They thus do not make provision for savings from their income.

The results regarding credit management is detailed in Table 2 which reveals the majority (81.4%) understand that credit cardholders cannot spend without limit and that the longer the repayment period, the higher the cost of the overall loan. However, 18.6% still think that a credit card allows one to spend as they wish without limit while the majority (61.2%) do not understand that debt cannot be inherited from a legal standpoint. To know that in table 2, 81.3% understand the function of CCRIS, indicating that the Central Bank has been successful in explaining the functions of CCRIS. However, more can still be done as 18.7% of the respondents are unaware of CCRIS, its role and functions.

TABLE 1: CASH FLOW MANAGEMENT



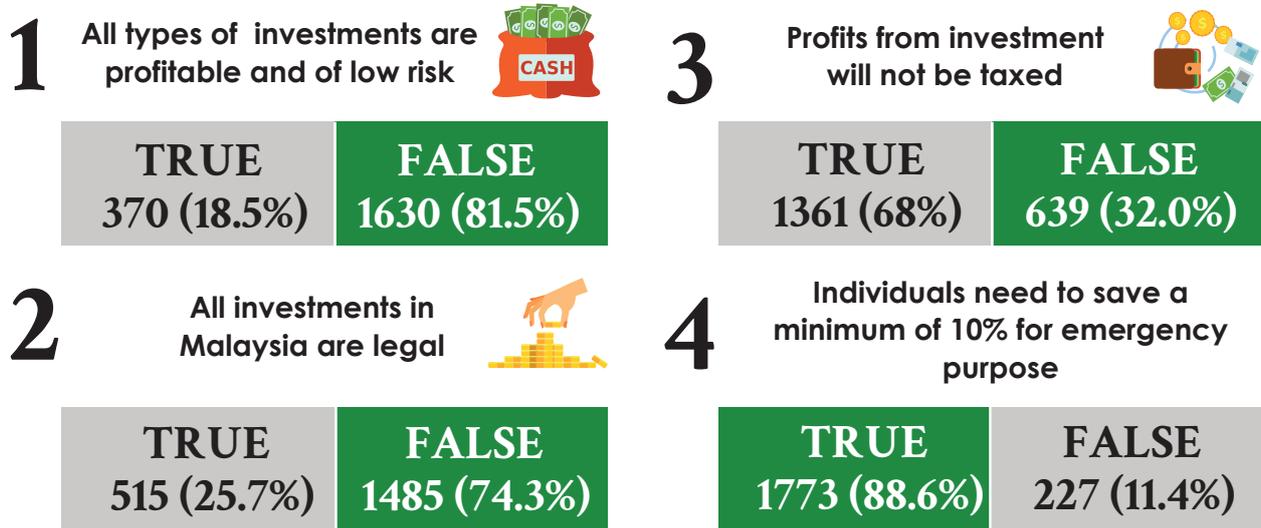
TABLE 2: CREDIT MANAGEMENT

Statement	TRUE (Count, %)	FALSE (Count, %)
Credit card holders can spend without limit	372 (18.6%)	1628 (81.4%)
The longer the repayment period, the lower the cost of the overall loan	438 (21.9%)	1562 (78.1%)
Debt cannot be inherited	776 (38.8%)	1224 (61.2%)
Central Credit Reference Information System (CCRIS) is a credit bureau that collects, processes, stores and creates credit information	1626 (81.3%)	374 (18.7%)

It is disturbing to note that 25.7% of the respondents believe that all investments in Malaysia are legal. 74.3% of the population was aware that not all investments are legal. As participants of investment instruments, they must be vigilant to various measures that may be used by unscrupulous platforms/channels that may entice them to channel their funds into illegal investment. Another worrying finding is

that 18.5% are of the opinion that all investments in Malaysia are profitable and low risk. This thinking must be corrected to help ensure that Malaysians are able to differentiate between legal and non-legal investments. It is essential that the concept of saving for emergencies is instilled into the 11.4% of respondents who did not see the need for a 10% buffer fund as an allocation for emergency events.

TABLE 3: SAVINGS & INVESTMENTS



56.2%

RESPONDENTS knew that they could NOT DEPEND on their EMPLOYEE PROVIDENT FUND (EPF)

68%

EPF MEMBERS AGED 54 have less than RM50,000 in EPF SAVINGS

With regard to the retirement planning domain of financial literacy, the study reveals that only 56.2% of the respondents know that they could not depend on their Employee Provident Fund (EPF) savings for living after retirement (Table 4). The majority (81.1%) are aware that they would need to continue working if their retirement fund is insufficient. Alarming, 43.8% of the respondents believe that they could depend on their EPF savings for their living expenses after retirement. However, this belief in the adequacy of EPF savings to meet retirement needs contradicts the findings

of a study to determine the adequacy of retirement income delivered by Ros, Noriszura & Zaidi (2017). In addition, according to the EPF, as reported by The Star in October 2017, more than two-thirds (68%) of EPF members aged 54 have less than RM50,000 in EPF savings. With the household poverty line income at RM930 monthly, RM50,000 in savings will only last 4½ years. 70% of members who withdraw their funds at age 55 used up their savings in less than a decade after retirement. Most EPF savings are therefore not sufficient to enable retirees to stay out of poverty after retirement.

As Table 4 further shows, 22.6% of the respondents are of the view that the Private Retirement Scheme (PRS) is only open to government employees. As such, the Private Pension Administrator (PPA) would need to do much more to educate Malaysians on the PRS. Whilst pointing this out, it must also be noted that the majority of the respondents (77.4%) are aware the PRS is for all. While Malaysians are generally known to be attentive to the need to take care for the elderly, the majority (84.5%) knows that having their own financial retirement plan is essential.

More than half of the respondents (57%) are illiterate in risk management as they do not understand the need to buy insurance (Table 5). For them, insurance was a “nice to have” instead of a “need to have” on their list of priorities.

TABLE 4: RETIREMENT PLANNING

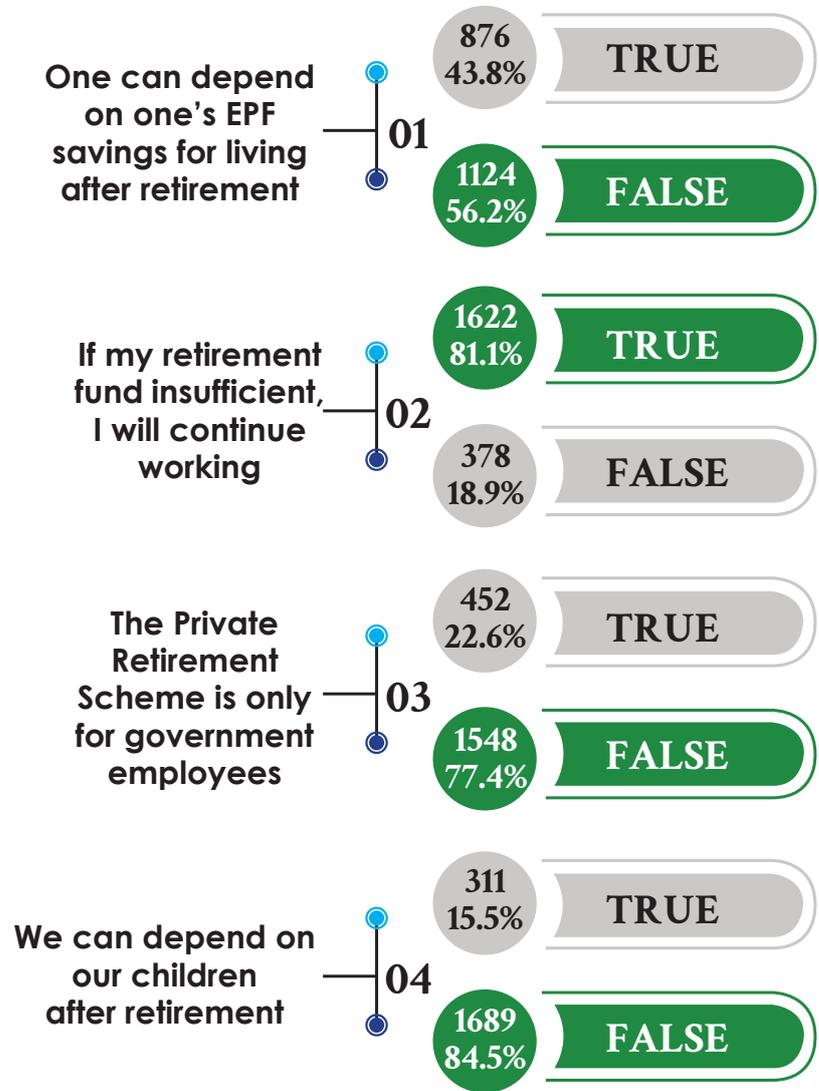
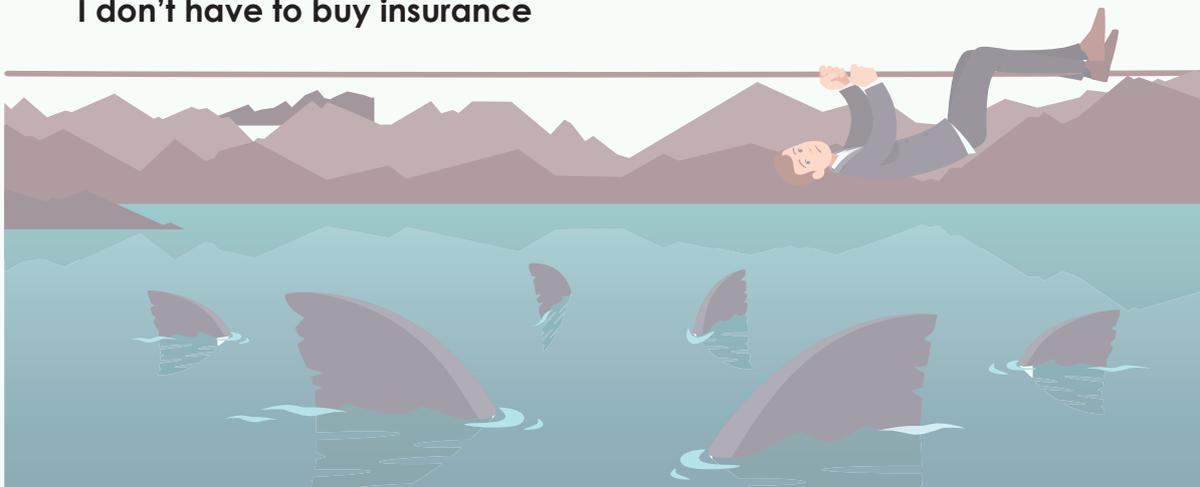
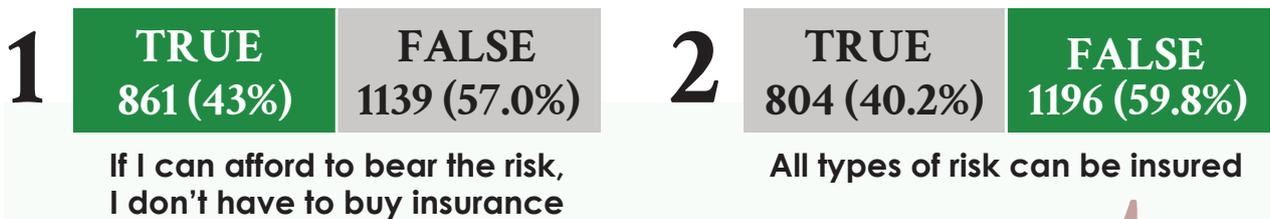
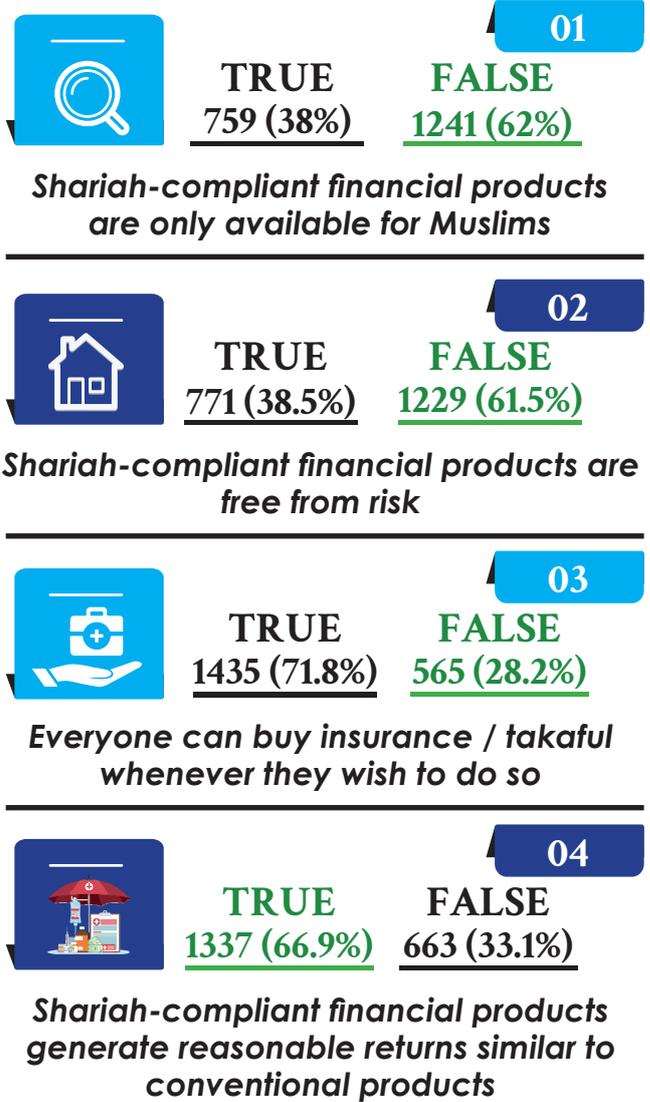


TABLE 5: RISK MANAGEMENT



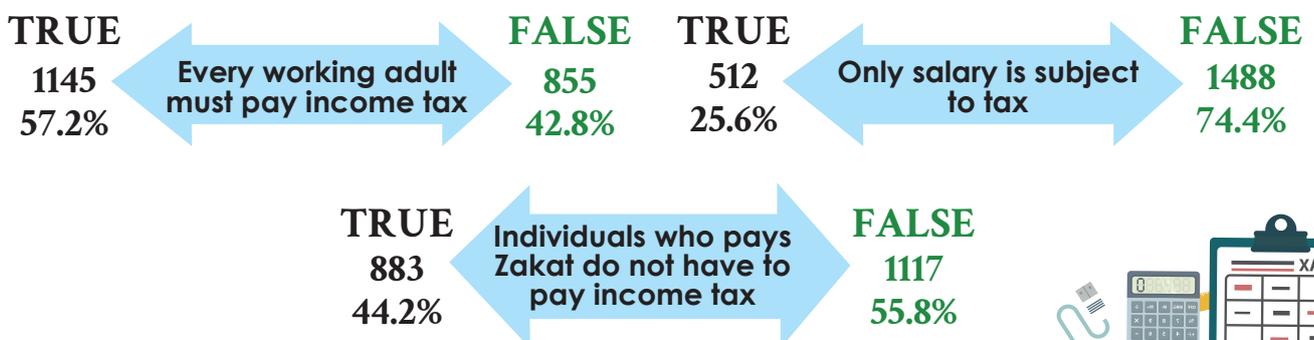
As the data in Table 6 reveals, 71.8% of the respondents believe that they could purchase an insurance/takaful policy at any point in their lifetime. Many are unaware that insurance/takaful companies perform risk analysis and implement holistic risk measuring approaches before agreeing to insure an individual. While 38% of the respondents are unaware that Shariah-compliant financial products are not limited only to Muslims, the majority (62%) are aware that Malaysians of all religious backgrounds can purchase these products, as the essence of Islamic finance is the concept of inclusiveness. With Malaysia leading in the Islamic finance front and the increasing growth of Islamic financial institutions, the general populace is aware that Shariah-compliant financial products are able to generate reasonable returns. This is as 66.9% of the respondents are aware of this. In terms of knowledge of Shariah-compliant financial products, the majority of the respondents are literate in terms of Islamic products as more than 60% answered correctly for 3 out of the 4 items in this domain. Finally, it is alarming to find 38.5% of respondents believe that Shariah-compliant financial products 100% are risk-free.

TABLE 6: SHARIAH-COMPLIANT FINANCIAL PRODUCTS



As for taxation, Table 7 shows that the respondents are generally unaware that not all working individuals would need to pay income tax. 57.2% have no knowledge of this and slightly over 40% are aware of this. In terms of knowledge of items that need to be included for tax computation, ¼ of the respondents are aware that this is not the case. Only 25.6% are of the opinion that tax computation only encompasses income from salary. More than half of the respondents (55.8%) also have the understanding that those who paid Zakat may still need to pay income tax according to their individual earnings.

TABLE 7: TAXATION



As for estate planning, about 1/3 of the respondents (36.8%) are unaware that Wills can be modified after they have been written. There remains a misconception among the respondents of the need and purpose of a Will as 52.2% of the respondents answered that one can only write a Will if one has assets. A surprising 47.8% do not know that they could also assist their loved ones by writing a Will even if they do not have assets. The respondents do not understand that nominees cannot be included in one's Will as 76.7% are unaware that a Will cannot supersede a nomination.

With regard to knowledge of financial institutions in Malaysia, only 55.8% of the respondents in this study are aware of the role of AKPK (Table 9). 44.2% of respondents thought that AKPK's role is to offer

financial assistance to support an individual in times of financial distress. Nonetheless, the respondents are aware of the roles of Bank Negara Malaysia, Bursa Malaysia and Securities Commission Malaysia, with more than half responding correctly. This reflects that the respondents do have knowledge of Malaysia's financial institutions and their respective roles and functions. However, it is also essential to note that 24.9% of the respondents thought that Bank Negara Malaysia's role is only to print currency to ensure an adequate supply in the market. Despite the assumptions of many that the majority of rural residents may be unaware of the roles of the Securities Commission; this study reveals that 84% of the respondents are aware of the existence and role of the SC.

TABLE 8: ESTATE PLANNING

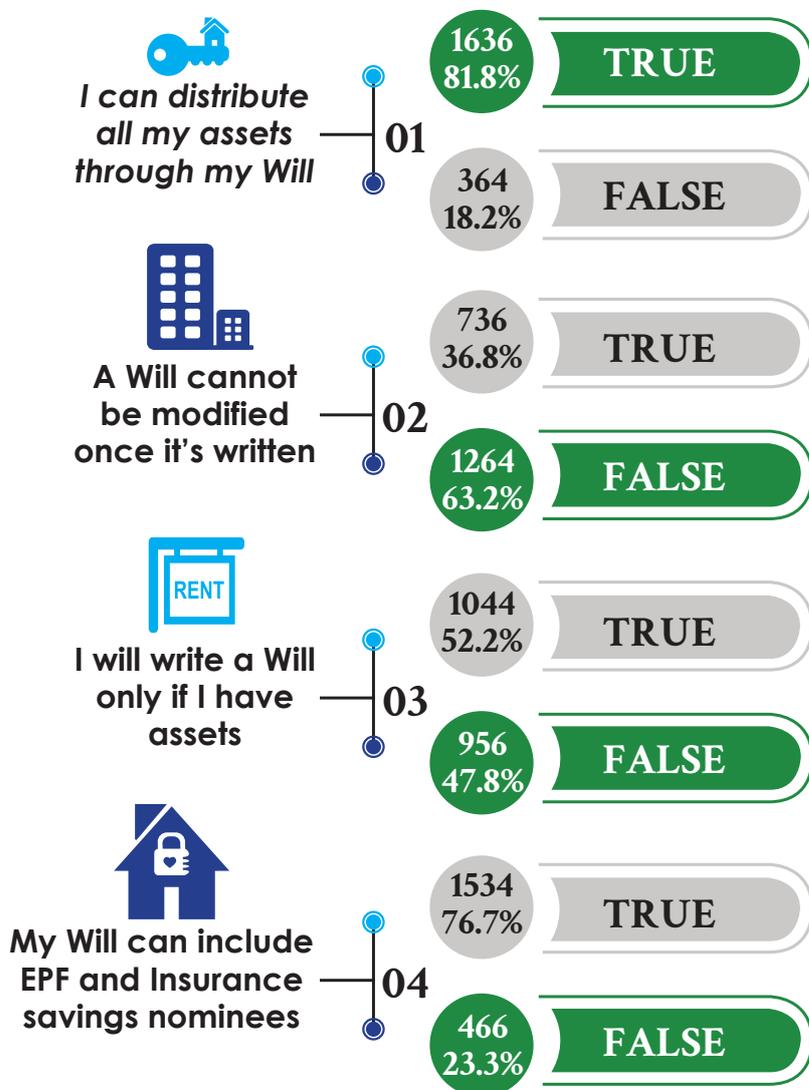
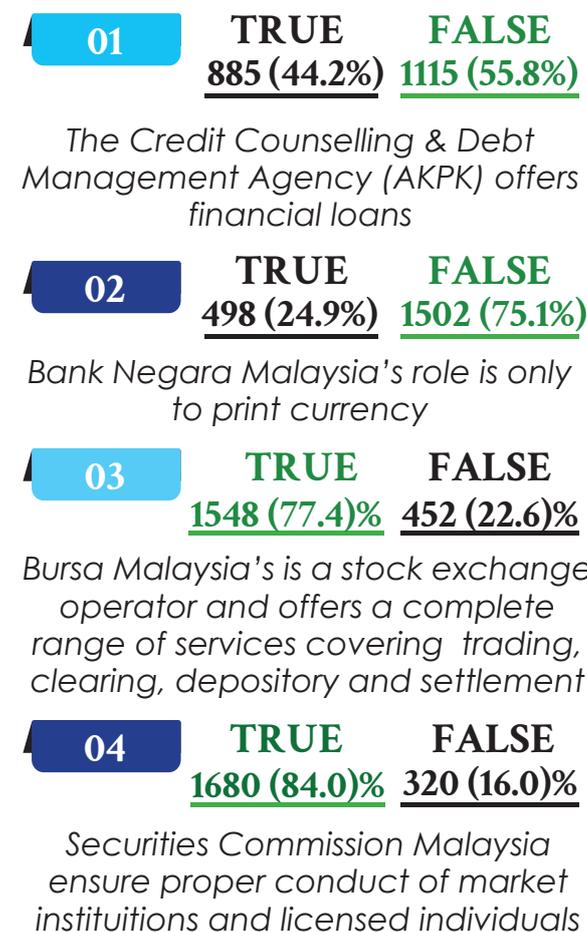


TABLE 9: FINANCIAL INSTITUTIONS



Based on the nine domains in this section, knowledge of cash flow management revealed that 83.7% of respondents have expenses higher than income. In addition, 61.2% believe that debt can be inherited. This shows there is definitely a knowledge gap on credit management. It is alarming to note more than 1/4 of respondents have the idea that all investments in Malaysia are legal. Finally, 43.8% of the respondents said

they can depend on EPF for their living expenses for retirement. Several other concerns were revealed as the respondents do not understand the difference between conventional and Islamic financial products. The overall findings in this section signify that the respondents are not fully equipped with sufficient financial knowledge to make informed decisions regarding their financial affairs.

4.3 CAPITAL MARKET LITERACY

As for capital market literacy, 81.8% of the respondents answered correctly that investing in shares is riskier than investing in unit trusts (Table 10). 65.6% understood that shares have the highest fluctuations as compared to other assets. It shows that they are aware that investing in shares has a higher risk. Nevertheless, slightly more than half of the respondents (54.9%) have the knowledge that when investors spread their

money across different assets, the risk of losing money would be decreased. Less than half of the Malaysians in this study fully comprehend inheritance and income. These findings show that Malaysians are not fully literate in the capital market. Over 55.8% of the respondents are not able to provide the correct answers to the question regarding inflation and the time value of money.

TABLE 10: CAPITAL MARKET LITERACY

	ITEM	CORECT ANSWER	CORECTLY ANSWERED (%)	WRONGLY ANSWERED (%)
1	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?	MY FRIEND	824 41.2%	1176 58.8%
2	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?	SAME	885 44.2%	1115 55.8%
3	Normally, which asset displays the highest fluctuations over time?	SHARES	1311 65.6%	689 34.4%
4	When an investor spreads his money among different assets, does the risk of losing money increase or decrease?	DECREASE	1098 54.9%	902 45.1%
5	Shares are normally riskier than unit trust	YES	1636 81.8%	364 18.2%

The Time Value of Money (TVM) is an important component of financial planning. In a basic financial question on inheritance, 41.2% are aware of this concept. However, the majority or close to 58.8% of the respondents is either unsure or appeared not to comprehend the question.

The researchers tested the respondents' knowledge on the concept of TVM by asking about the increase in wage growth and the purchasing ability of an individual in a future period. The results indicate that only 44.3% of the respondents understand the concept. This validates the answers to question 1 which also have similar findings of close to 55.7% being unaware of or simply not knowing the answer to this question.

Q: 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**?

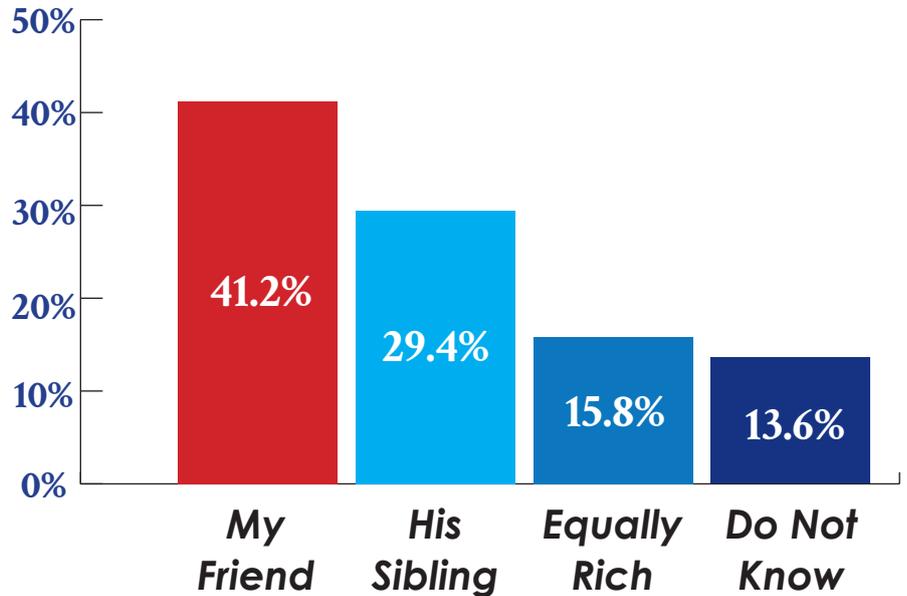


FIGURE 7: INHERITANCE

In concurrence with the general belief regarding investment in shares, most of the respondents are aware that investment in shares brings the most risk as compared to investment in other asset classes. However, it is surprising to note that some 11.3% of respondents are still unaware of this.

Q: Suppose that in the year 2025, your income doubled and prices of all goods doubled too. In 2025, how much will you be able to buy with your income?

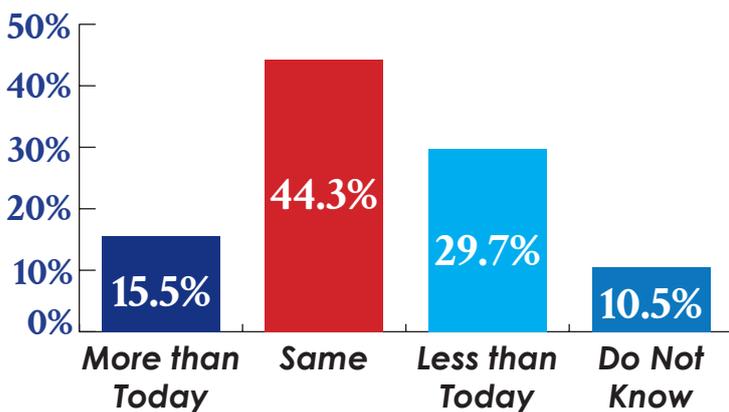


FIGURE 8: FUTURE VALUE OF INCOME

Q: Normally, which asset displays the highest fluctuations over time?

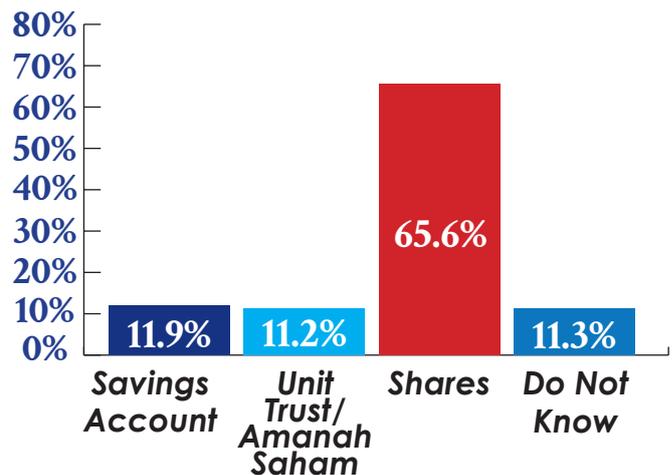


FIGURE 9: FLUCTUATIONS IN ASSET VALUE OVER TIME

Figure 10 reveals that 14.8% of the respondents do not know of risk mitigation through diversification of funds into different asset classes. 54.9% of respondents know of this and some 45.1% do not comprehend this concept.

Q:

When an investor spreads his money among different assets, does the risk of losing money increase or decrease?

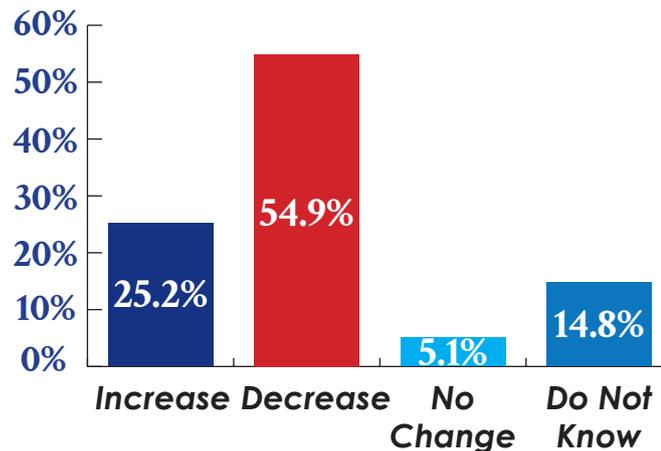


FIGURE 10:
RISK OF LOSING MONEY WITH ASSET DIVERSIFICATION

In comparing investment in unit trusts and investment in shares, the majority of the respondents are aware that investment in shares carries a higher risk. A cross tab data analysis of question 3 and question 5 reveals that the same respondents who answered they are unaware in question 3 answered 'No' in question 5 which is consistent with the general lack of financial understanding.

Q:

*Are shares generally a **RISKIER INVESTMENT** than **UNIT TRUSTS**?*

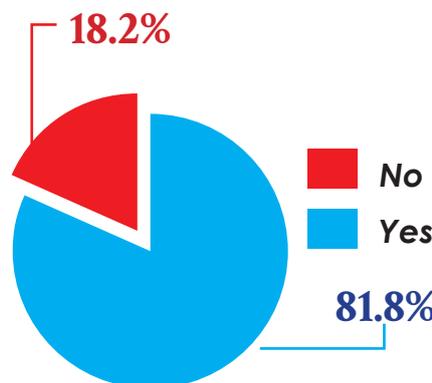


FIGURE 11:
RISK LEVEL OF SHARES VS UNIT TRUSTS

4.4 FINANCIAL CAPABILITY

Regarding financial capability in terms of managing money, the majority of respondents agree that they could manage their money in general. 70.3% of the respondents agree that they make plans for their expenses and are able to pay bills on time respectively (Table 11). A majority of them also agree that they practise financial behaviour such as reviewing and evaluating their expenses, set money aside for unexpected expenses and achieved financial goals (64.9%, 65.0%, 62.2% and respectively). All in all, they are financially capable in managing their money.

TABLE 11: MANAGING MONEY

	STATEMENT	D N (%)	N N (%)	A N (%)
1	I make plans for my expenses	143 (7.1%)	452 (22.6%)	1405 (70.3%)
2	I pay my bills on time	172 (8.6%)	420 (21.0%)	1408 (70.4%)
3	I review and evaluate my expenses	177 (8.8%)	525 (26.3%)	1298 (64.9%)
4	I regularly set money aside for possible unexpected expenses	186 (9.3%)	515 (25.7%)	1299 (65.0%)
5	I set specific financial goals and strive to achieve them	200 (10.0%)	555 (27.8%)	1245 (62.2%)

Notes: D=Disagree; N=Neutral; A=Agree

Even though they regularly set aside funds for possible unexpected expenses, 12% of the respondents feel that they might not have adequate money for this (Table 12). It is alarming to note that 14.4% of the respondents do not

make financial provision for retirement and prefer to live for the moment instead of planning for the future and this is illustrated by their desire to have a good standard of living today, now rather than later (31.6%).

TABLE 12: PLANNING AHEAD

	STATEMENT	D N (%)	N N (%)	A N (%)
1	I make adequate provision for unexpected expenses (shrinking income)	239 (12.0%)	712 (35.6%)	1049 (52.4%)
2	I make financial provision for retirement	287 (14.4%)	512 (25.6%)	1201 (60.0%)
3	I prefer to have a good standard of living today than planning for retirement	791 (40.0%)	569 (28.4%)	640 (31.6%)
4	Household income after retirement is able to guarantee a more comfortable living standard	340 (17.0%)	561 (28.1%)	1099 (54.9%)
5	Apart from contributing in pension funds, it is important for me to make my own savings	112 (5.6%)	295 (14.8%)	1593 (79.6%)

Notes: D=Disagree; N=Neutral; A=Agree

Table 13 shows that in terms of choosing a financial product, 70.8% of respondents agree that several aspects need to be considered before making a decision and 69.1% of the respondents strongly agree they read the terms and conditions thoroughly before signing. Less than half (33%) of the respondents feel that

they understood the various financial products without having to consult a financial planner or advisor, while 40.2% trusted a financial planner's recommendation. Nevertheless, a larger percentage (67.9%) compares products based on their features and price rather than brand image.

TABLE 13: CHOOSING FINANCIAL PRODUCTS

	STATEMENT	D N (%)	N N (%)	A N (%)
1	I consider several products/loans/policies/accounts from different providers before making my decision	106 (5.3%)	478 (23.9%)	1416 (70.8%)
2	I read the terms and conditions in detail before agreeing / signing	194 (9.7%)	423 (21.2%)	1383 (69.1%)
3	I understand the various financial products that I need without having to consult a financial adviser/planner	606 (30.3%)	734 (36.7%)	660 (33.0%)
4	I believe financial planners and accept what they recommend	376 (18.8%)	820 (41.0%)	804 (40.2%)
5	I compare products in terms of features and price rather than make a choice based on the brand image	166 (8.3%)	475 (23.8%)	1359 (67.9%)

Notes: D=Disagree; N=Neutral; A=Agree

As for staying informed, Table 14 below shows that 46.2% of the respondents regularly monitor financial indicators, 39.7% actively seek financial information and 45.1% keep up-to-date with financial products. These findings suggest that Malaysians do not generally stay informed regarding these matters. Nonetheless, 55.8% of the respondents show an interest to learn about and in making comparisons of financial services offered; 65.7% disclose that they would like to learn more about financial issues and how to interpret the information.

The data in this section demonstrates that the majority of the respondents are assured of their own ability to manage their money when it comes to their day-to-day financial activities. However, they do not plan their long-term financial activities because they do not plan ahead nor have long-term strategies particularly for their retirement years. Surprisingly, 34.3% do not appear to want to know more regarding financial issues and interpret the information for their own financial betterment.

TABLE 14: STAYING INFORMED

	STATEMENT	D N (%)	N N (%)	A N (%)
1	I regularly monitor financial indicators such as changes in the housing market, stock market and interest rates	338 (16.9%)	737 (36.9%)	925 (46.2%)
2	I actively seek financial information through professional advice	454 (22.7%)	751 (37.6%)	795 (39.7%)
3	I frequently keep up to date with financial products	364 (18.2%)	733 (36.7%)	903 (45.1%)
4	I am always interested to learn and make comparisons of financial services offered	245 (12.3%)	638 (31.9%)	1117 (55.8%)
5	I would like to know more about financial issues and learn how to interpret the information	159 (8.0%)	526 (26.3%)	1315 (65.7%)

Notes: D=Disagree; N=Neutral; A=Agree

4.5 SOURCES of INFORMATION on FINANCIAL PRODUCTS

Please indicate your sources to acquire knowledge or information when choosing financial products.

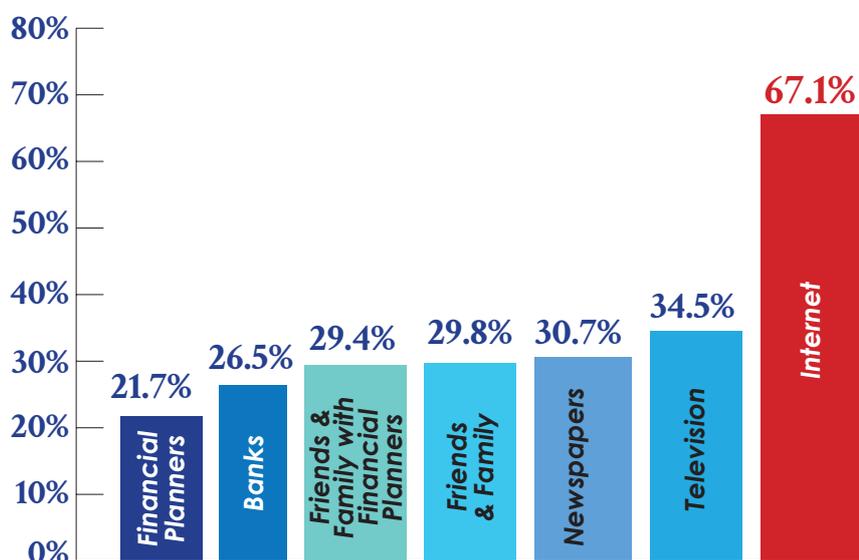


FIGURE 12: SOURCES OF INFORMATION ON FINANCIAL PRODUCTS

The majority of the respondents (67.1%) sources for information on financial products on the internet. They gain new financial information, learn about financial products, understand financial jargon and make comparisons on the available websites. This finding is not remarkable, given the fact that a large number of Malaysians are connected to the internet through their mobile devices. Surprisingly, only 26.5% and 21.7% of Malaysians consult banks and financial planners respectively for financial advice and information. With information on financial products so readily available to them, Malaysians view banks and financial planners more as places to conduct financial transactions rather than as a source of information.

4.6 FINANCIAL ADVISORY SERVICES

As seen in Figure 13, 31.9% of the respondents in this study said they have a financial planner while Figure 14 shows that only 30.6% of the respondents are aware that a financial planner is one who is an independent financial planner. An observation of the data reveals that many respondents are probably confused and misunderstood as to who is considered a financial planner. This corresponds to the results shown in Figure 15 regarding their preference

as to who they would select to go to when seeking a financial planner. Only 15.4% of the respondents state that their preference is to go to an independent financial planner to acquire financial advisory services, with 32.6% selecting 'others'. This is as they are confident of their own capability to manage their own finances and thus probably consider themselves to be financial planners.

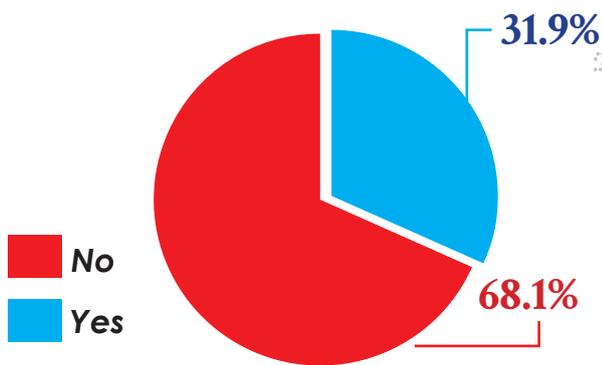


FIGURE 13: HAVING A FINANCIAL PLANNER

Q: Do you have a FINANCIAL PLANNER?

Having a FINANCIAL PLANNER



Q: In your opinion who among the following is CONSIDERED a FINANCIAL PLANNER?

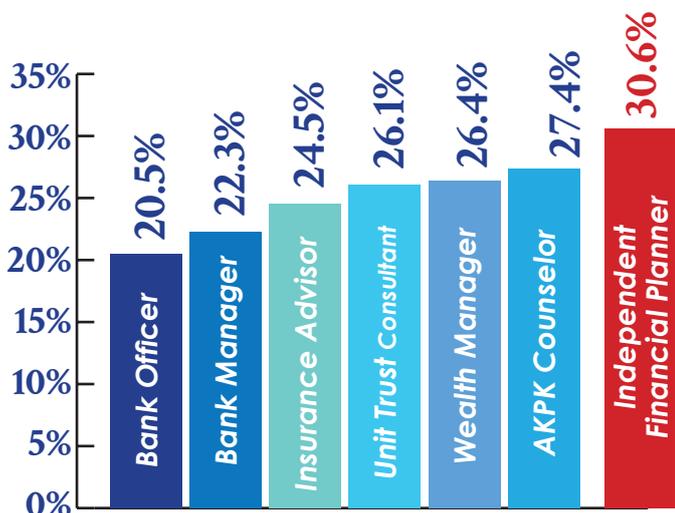


FIGURE 14:

PERSON CONSIDERED AS FINANCIAL PLANNER

Q: Who do you prefer to provide you with FINANCIAL PLANNING SERVICES?

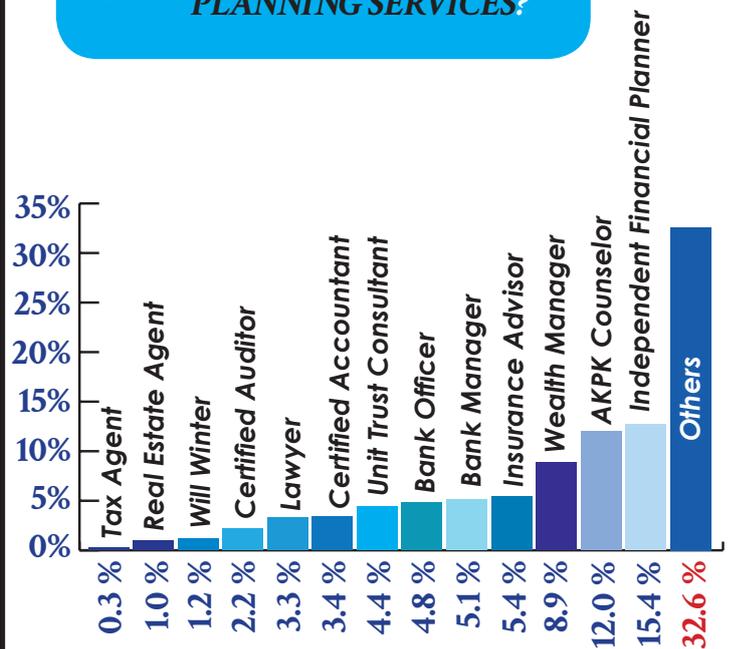


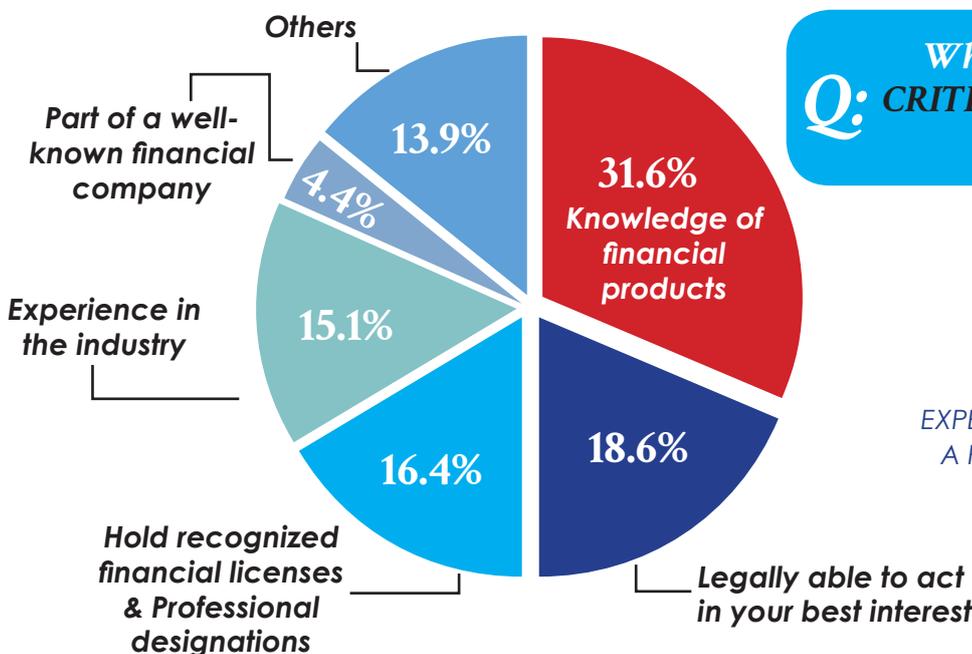
FIGURE 15: PREFERENCE OF FINANCIAL PLANNER

Majority of the respondents 80.5% (Figure 16) states that a financial planner is needed to ensure they can undertake personal financial plans/strategies. Respondents expect that they would be able to reduce the risk of making big financial mistakes with the guidance of a financial planner. According to Figure 17, 31.6% of the respondents desire that a financial planner be well equipped in knowledge of financial products. This does not mean that the respondents do not expect them to have

the approved designations, but they could have misinterpreted it to mean that financial planners are insurance agents as they expected insurance agents to have knowledge of financial products. Similarly, Figure 18 shows that 67.7% of the respondents require the services of a financial planner in the event of an unfortunate event such as a death. This clearly shows that they misinterpreted the question which refer only to management of the financial activities of a client.



FIGURE 16:
NEED FOR FINANCIAL
PLANNER



Q: What is your **EXPECTED** CRITERION for a **FINANCIAL PLANNER**?

FIGURE 17:
EXPECTED CRITERION FOR
A FINANCIAL PLANNER

Q: What are the services you expect from a **FINANCIAL PLANNER**?

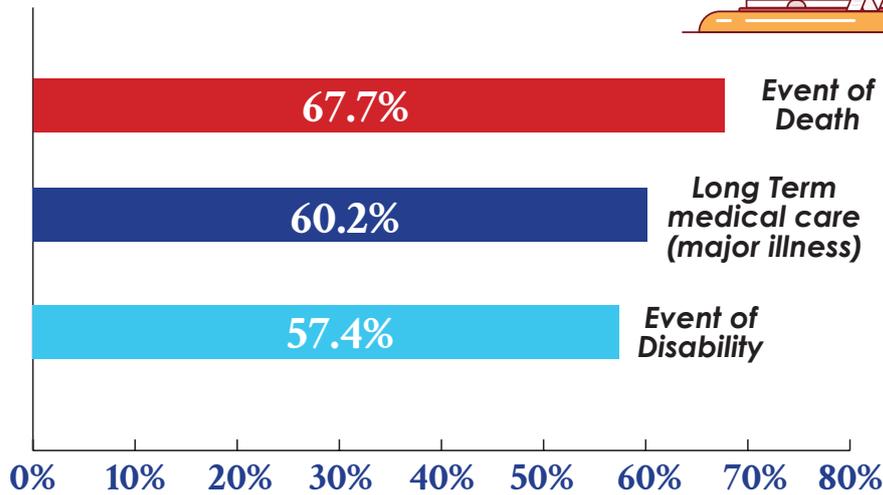


FIGURE 18: SERVICES EXPECTED FROM FINANCIAL PLANNER

4.7 PERCEPTION TOWARDS FINANCIAL PLANNERS, FINANCIAL PLANS & FINANCIAL PLANNING COMPANIES

Q: If you were considering 'choosing for the first time' or **SWITCHING TO ANOTHER** FINANCIAL PLANNER, which would be your choice?

Figure 19 shows that 43.4% of the respondents perceive that it is the financial planner himself or herself who plays an important role whenever they consider their choice of a financial planner. Clearly, a financial planner need to be compatible in order that the client can entrust their financial information to them.

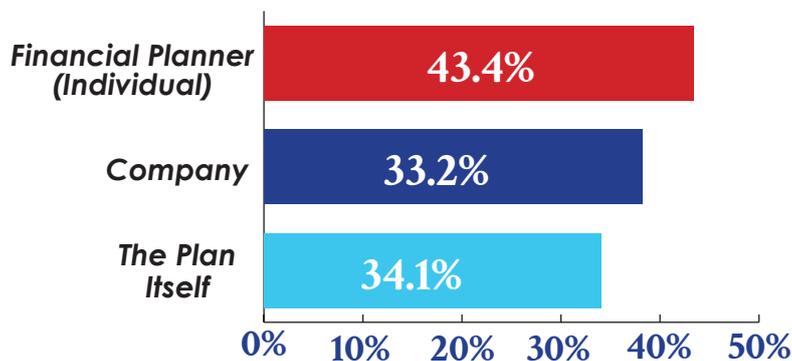


FIGURE 19: CHOOSING A FINANCIAL PLANNER

Figure 20 shows that 34.4% of the respondents' primary source of information when selecting a financial planning company is the media. This is in line with the high usage of the internet in acquiring information concerning financial products. Respondents apply the same method to gain more information on financial planning

companies. Interestingly, only 15.7% of the respondents select family and friends currently using a financial planner as a valued source of information. This relatively low response is a reflection that different individuals have different preferences. A particular financial planning company might be suitable for their friends and family but not necessarily for them.

Q: What are the **PRIMARY SOURCES** of information on the **SELECTION** of a financial planning company?

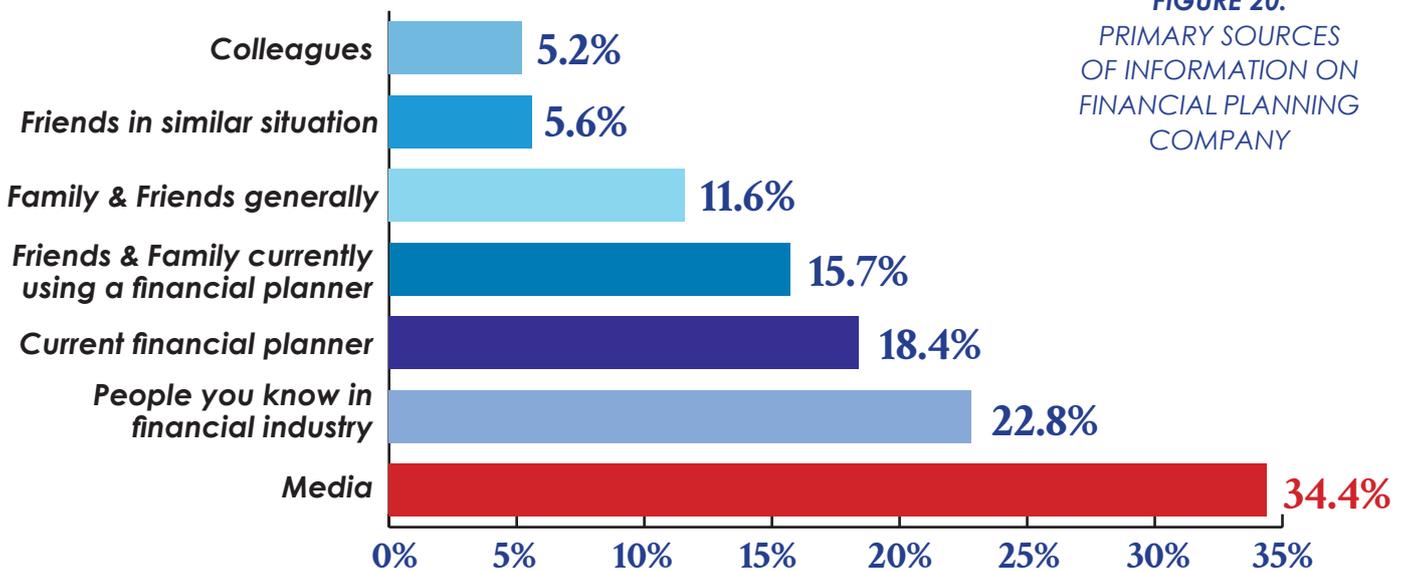


FIGURE 20: PRIMARY SOURCES OF INFORMATION ON FINANCIAL PLANNING COMPANY

The majority or 60.5% of the respondents believe that trustworthiness is most essential in choosing a financial planner (Figure 21). Despite living in this IT savvy age, they still uphold the core value of trustworthiness as a fundamental value in a financial planner. A financial planner who is truthful, committed, empathetic and trusted would provide help and guidance in their financial activities.

Q: What are the preferred qualities in choosing a financial planner?

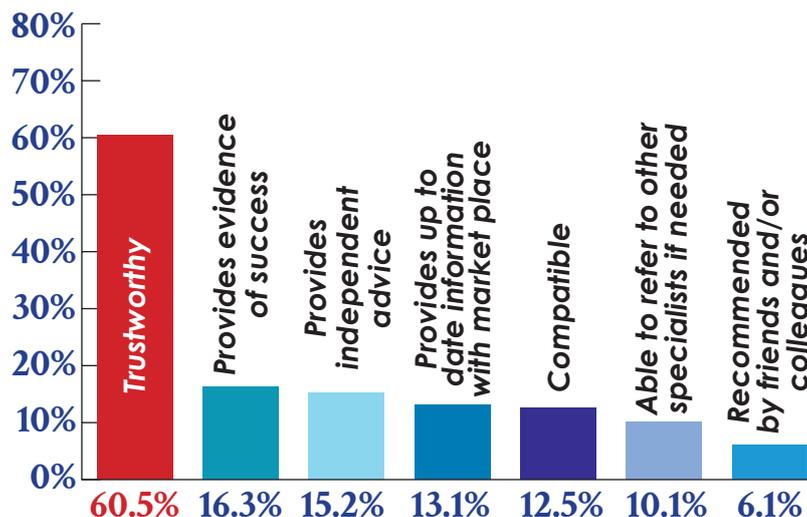
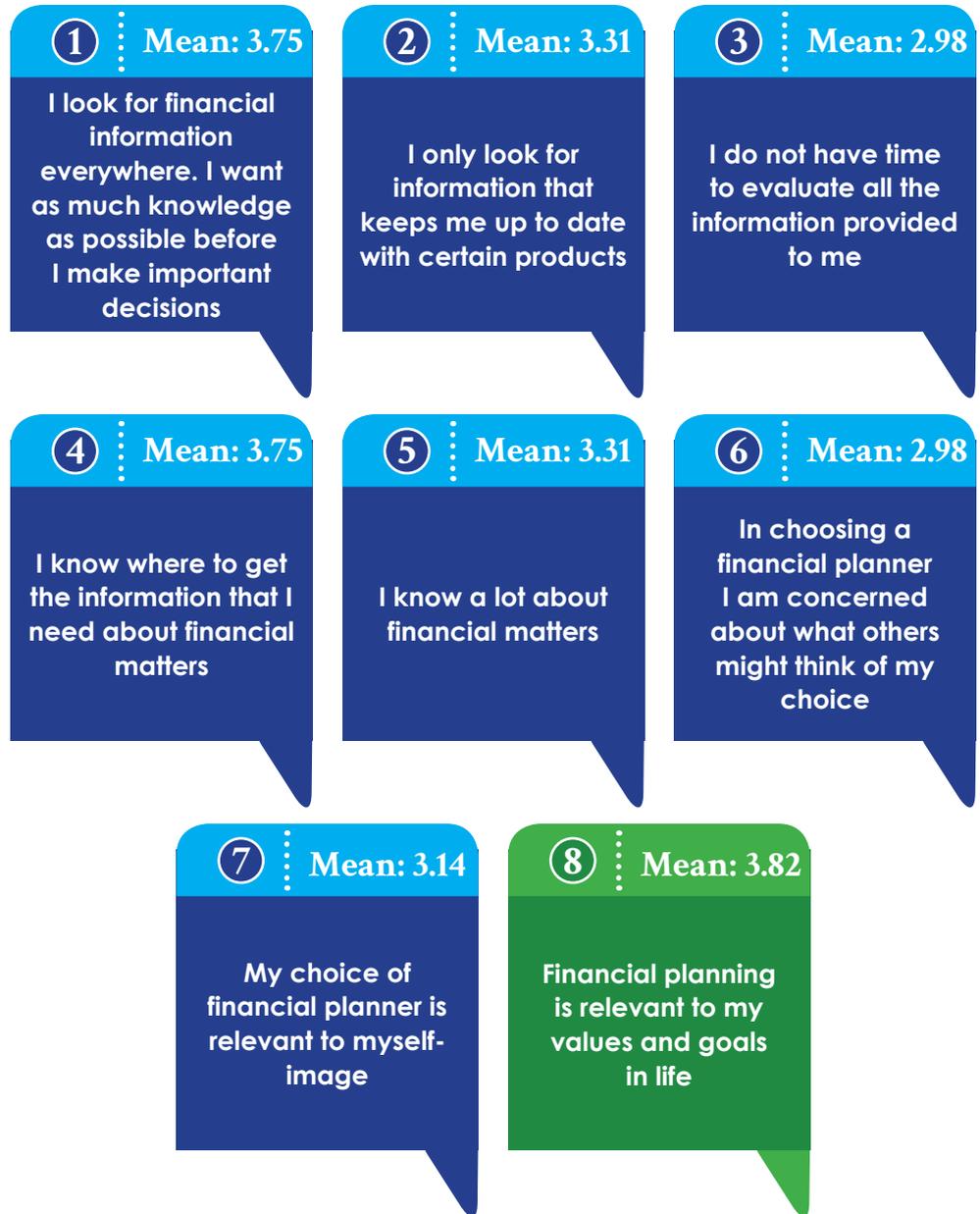


FIGURE 21: PREFERRED QUALITIES IN CHOOSING A FINANCIAL PLANNER

4.8 FINANCIAL DECISIONS

These findings show that respondents display a lot of confidence in their financial decision making. The respondents' scores show that financial planning is relevant to their values and goals in life (mean score of 3.82) and that they seek as much information as they could prior to making decision (mean score of 3.75). They moderately keep up to date with information pertaining to certain products (3.31).

TABLE 15: MAKING FINANCIAL DECISIONS



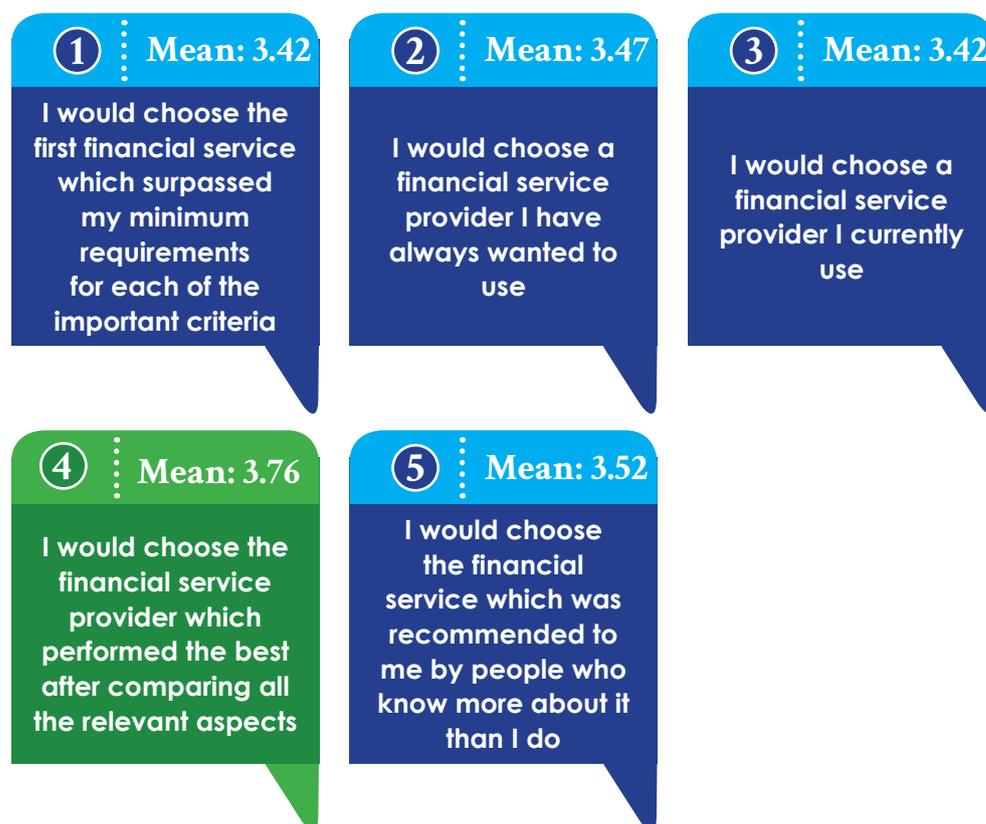
Notes: Scale 1= Strongly Disagree to 5 = Strongly Agree

A core finding is that the respondents make financial decisions based on historical data and performance. They also tend to look to people who know more regarding financial matters and trust their advice before making and taking decisions on their own. This indicates that a lot of them do not know enough about

financial matters but have the desire to know more and look for information. A point to note is that while historical performance could be used as a gauge, it should not be relied upon in the making of financial decisions. Past performance may not necessarily be indicative of future performance.

With regard to making an evaluation of financial services providers, the respondents choose the financial service provider which performed the best after comparing all the relevant aspects reflecting their self-confidence in making their own financial decisions. They will accept recommendation by people who know more about it.

TABLE 16: EVALUATION of FINANCIAL SERVICE PROVIDERS



**Notes: Scale 1= Does not reflect my opinion
Scale 5= Reflects my opinion**

4.9 PARTICIPATION IN CAPITAL MARKET

Figure 22 reveals that 11.9% of the respondents do not set aside any income for investment and 73.4% allocate less than 20% of their income for investment. As the majority of the respondents earn less than RM3000 in monthly income, they would likely find it difficult to put aside more than 20% of their annual income for investment. However, as Figure 23 shows, they begin to save at an early age as 62.4% of the respondents have begun to save when they are younger than 30 years of age. Despite the respondents not feeling confident in planning ahead especially for retirement, they do have

the intention to save or invest for retirement. This is shown in the finding that 46% of them mention that they invested for retirement purpose (Figure 24). In addition, 67.4% state that their savings are their major financial resource for retirement. Figure 25, as such, the majority do not use their savings to diversify into other forms of investment. The reason could be that they are not aware of the different types of financial resources available to them. This finding can be supported by the 70% of respondents who said that they are not involved in any alternative investment. However, 30% of respondents are involved in some form of unregulated alternative investment (Figure 27).

Q:

What is the percentage of your **ANNUAL INCOME** you set aside for investment purpose?

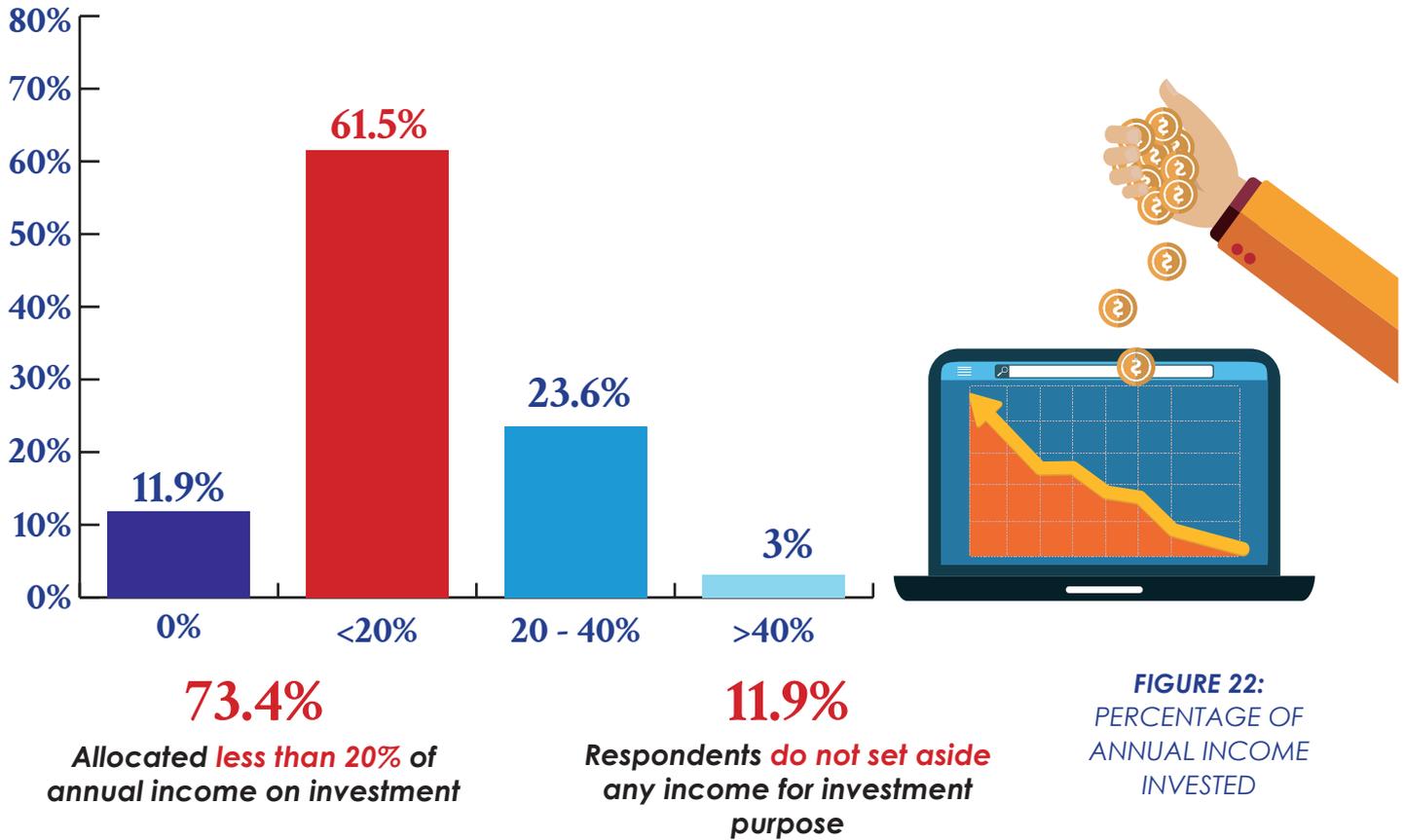


FIGURE 22: PERCENTAGE OF ANNUAL INCOME INVESTED

Q:

At what **AGE** did you **START PARTICIPATING** in **SAVING/THE CAPITAL MARKET?**

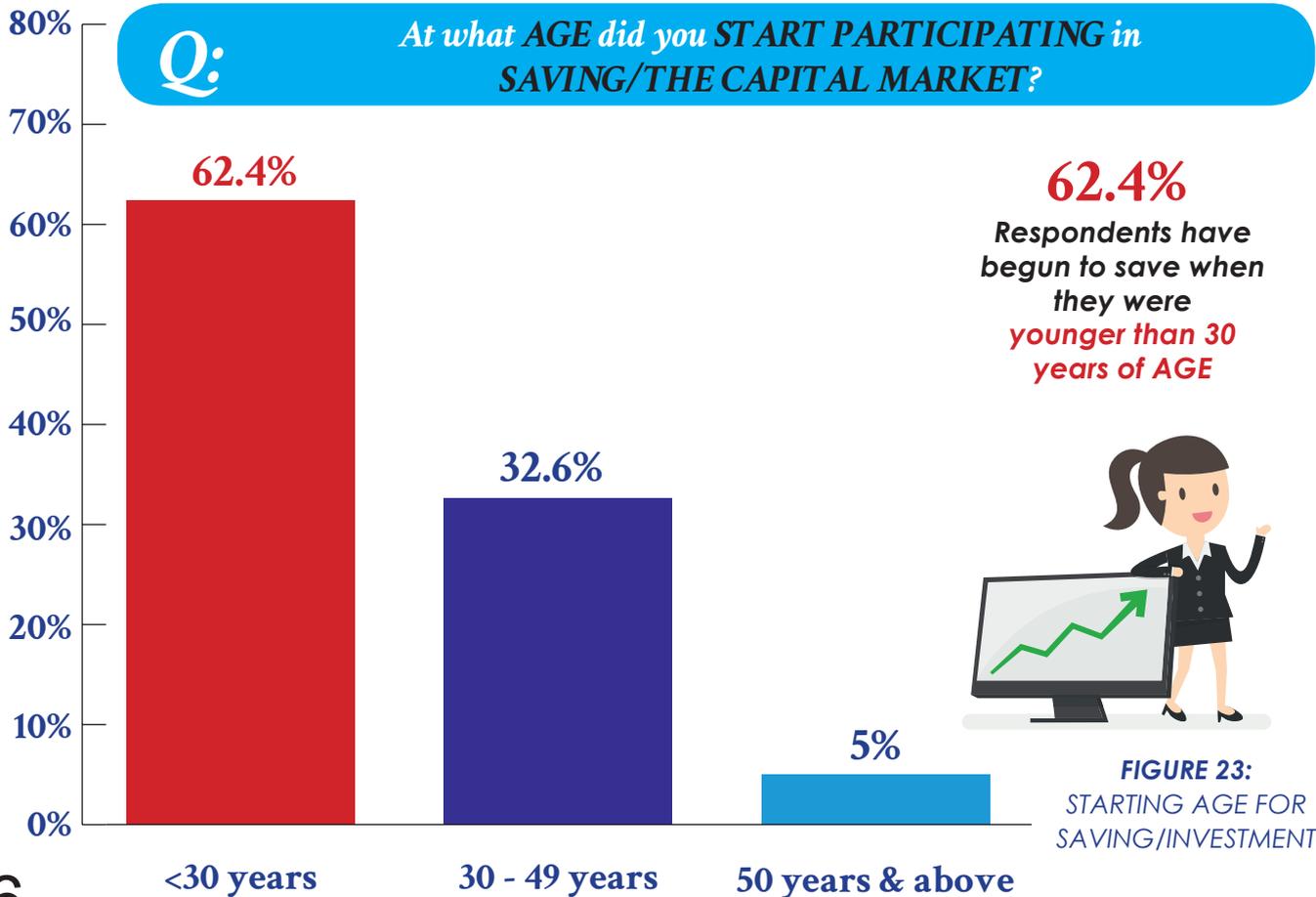


FIGURE 23: STARTING AGE FOR SAVING/INVESTMENT

Q: What are the **PURPOSES** of your **INVESTMENT FUND**?

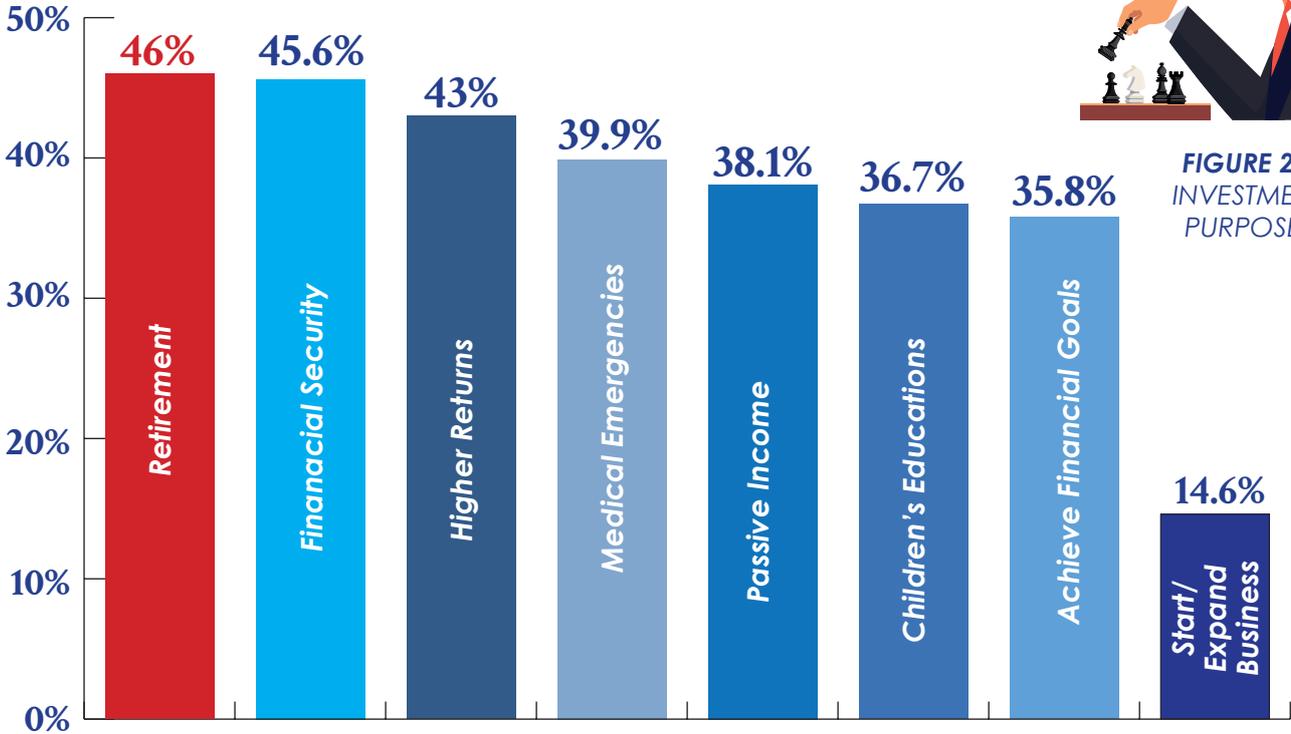


FIGURE 24: INVESTMENT PURPOSES

Q: What are your **FINANCIAL RESOURCES** for **RETIREMENT**?

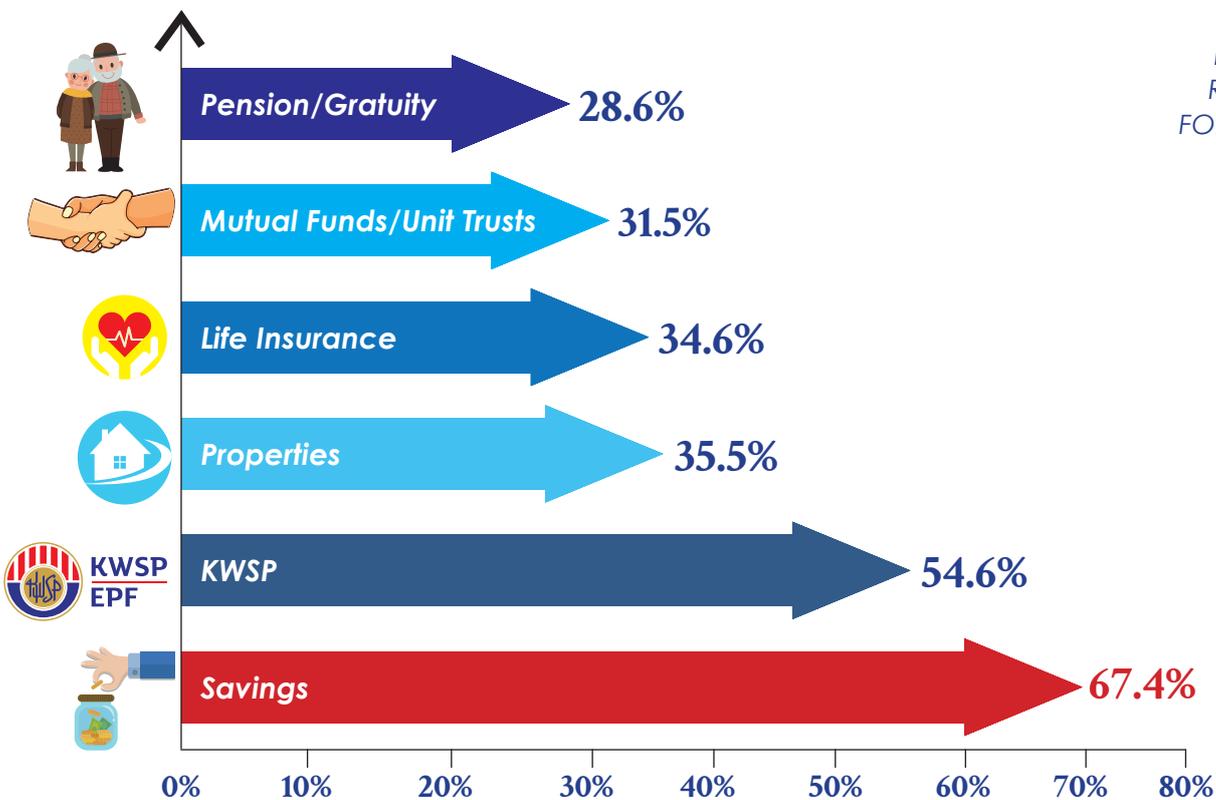


FIGURE 25: FINANCIAL RESOURCES FOR RETIREMENT

Q:

TYPE / TYPES OF SAVINGS AND INVESTMENTS that you possess

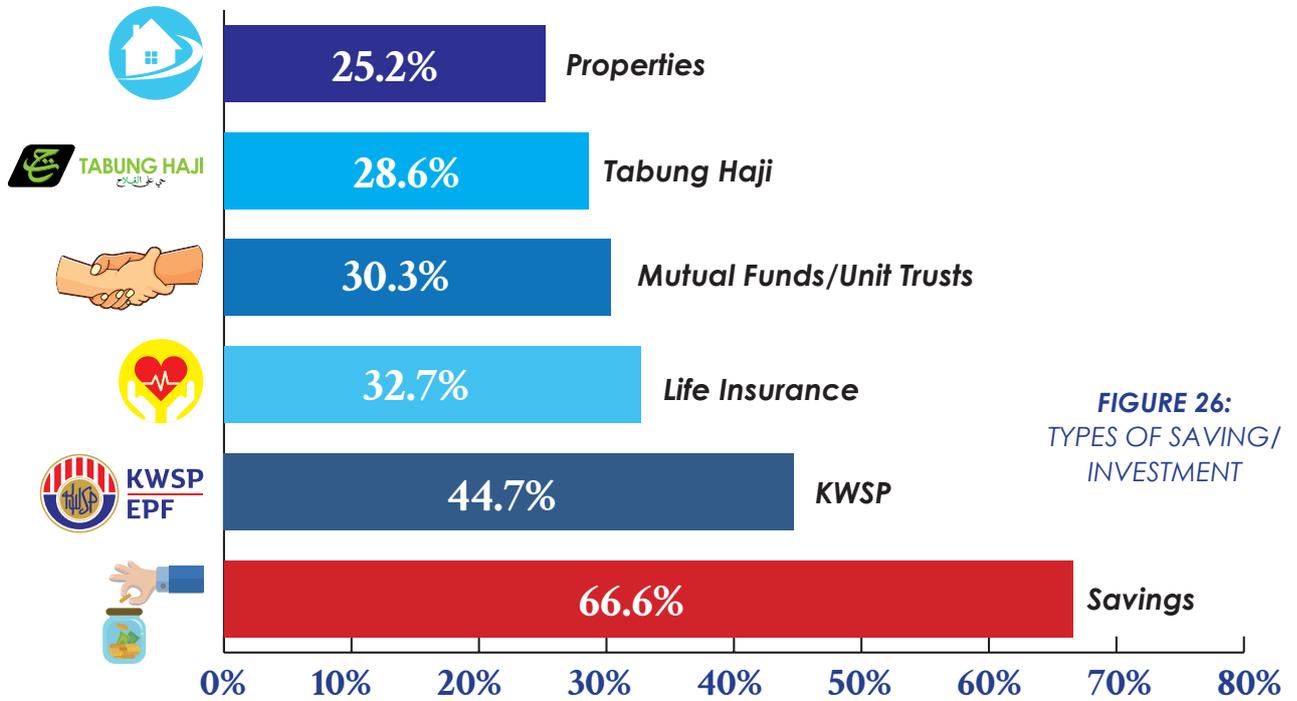


FIGURE 26:
TYPES OF SAVING/
INVESTMENT

Q:

Do you PARTICIPATE IN ANY ALTERNATIVE INVESTMENTS?

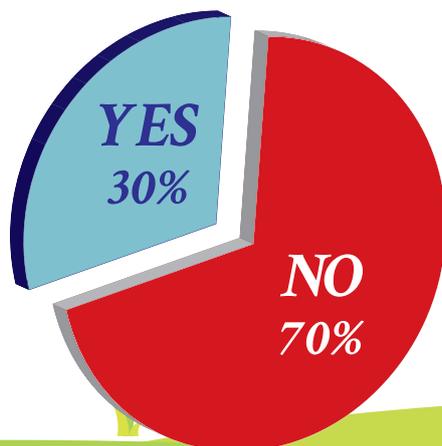


FIGURE 27:
PARTICIPATION
IN ALTERNATIVE
INVESTMENTS



5.0 CONCLUSIONS

The survey found that 57% of the respondents received monthly income of less than RM3,000; thus, the majority of them only have enough money to sustain their basic needs. In addition, more than 81.3% of them have a savings ratio of less than 10% of their income and it is therefore not surprising that only one third of them owned their own home. In view of this, the authorities have a responsibility to ensure sustainability of jobs and income for the general public for them to sufficiently meet their basic needs including food and shelter so that they can continue to sustain a basic standard of living.

The findings in the section on financial literacy show that more than 80% believed that expenses can sometimes be higher than income; and they could depend on their EPF savings to meet living needs after retirement (43.8%), and that they (43%) do not need insurance if they could afford the risk. An important and surprising finding is that a large proportion (44.2%) of them believe that AKPK offers financial loans. The section on financial literacy in the capital market reveals alarmingly that the respondents (58.8%) have little knowledge of the time value of money, inflation (55.8%) and have inadequate understanding of risks and investments.

With regard to financial literacy and education, it is vital that the values of financial sustainability are disseminated so that Malaysians understand that one's income must always be able to cover expenses and one must never live beyond one's means. Malaysians must be educated to control their credit card spending, save for rainy days and unexpected incidents, and have enough insurance to cover unforeseen circumstances. Malaysians should also be educated on retirement planning as

well as on estate planning for their golden years and beyond. Some basic understanding of the types of financial institutions and their functions is definitely necessary so that one knows where to seek assistance when the need arises. Most importantly, a basic understanding of risks and investment is vital in order not to fall prey to unscrupulous investment schemes.

The respondents generally lacked financial capability as only 60% of respondents admit knowing how to manage their money; about 40% prefer a good standard of living now rather than planning for retirement; only 33% acknowledge understanding financial products; about 60% have little confidence in financial planners; and the majority admitted that they do not stay up to date with financial products.

It is therefore not surprising that with the majority of respondents not knowing how to manage their money and with little incentive to seek financial knowledge, Malaysia reports so many cases of bankruptcies. The authorities need to do much to disseminate the appropriate information on the various types of financial products, authorized and qualified financial planners and their services, and the risks of investments so that people can make informed financial decisions. Government agency like AKPK should disseminate information regarding their services not only those educated and living in urban areas but most importantly to those in the rural areas.

The findings in the section on financial advisory services are in line with developments among youth whose main source of information is the internet and the media. As such, the need is for the media to be responsible in reporting factual and reliable information while for the authorities, the need is to ensure that correct

information is provided on the internet. The authorities also have to provide a reliable centre of financial information and assistance so that people do not fall for wrong advice.

This survey provides evidence that the majority of the respondents' financial resources for retirement comprise of their personal savings and EPF. This is consistent with the respondents' two top investments being their savings and EPF.

It is disappointing to observe that there is a

general lack of understanding of qualified and licensed financial planners. This calls for more to be done to educate the people as to who they can depend on when they have queries on financial planning because a surprising 12% of the respondents believe that they could go to AKPK for financial planning services and more than 30% resort to other avenues for that. Especially appalling is the finding that 30% of respondents still fall for alternative illegal investments which promise high returns.

RECOMMENDATIONS

1. Continuous financial education for the public to create awareness of the importance of setting financial goals and taking the necessary actions to achieve their financial goals.
2. The development of financial literacy programmes tailored to meet the differing needs of the various segments of society is highly encouraged. The training format should be kept simple and relevant to the participants' day-to-day lives. Emphasis should be on learning by doing and linking to the benefits, and knowing how to use available financial products and services.
3. There is still a lack of financial understanding in differentiating between legal investments and scam schemes in Malaysia with quite a number falling into these traps. The undesirable result of this is that one out of four investors has the potential to enter into a "Get-rich-fast scheme". Hence, our recommendation is for the SC to aggressively interact with the general public to educate them on the real nature of investment as compared to potential scams. Intermediaries such as MFPC can be appointed as ambassadors to bridge the information and knowledge gap on behalf of the SC.
4. Financial education should be made mandatory in continuous professional development and personal growth programmes in the public and private sectors.
5. On-the-job training should be provided to enhance skills and ensure relevant personnel perceived to be financial planners i.e. AKPK Counsellors and Wealth Managers are professionally certified. At the least, they should be made to acquire RFP or Shariah RFP qualification so as to promote financial planning and provide quality and appropriate advice to the public.
6. Continuing Professional Development (CPD) programmes should be developed to enhance technical and product knowledge.
7. Regulators should implement talent development schemes to support a more dynamic financial advisory sector. This can be done through upgrading the skills and competency of the existing workforce and

encouraging industry-ready graduates to enter the profession.

8. The Private Pension Administrator (PPA) should collaborate with relevant stakeholders to promote greater awareness of the PRS and planning for retirement.
9. SC should collaborate with relevant stakeholders to conduct nationwide roadshows on the importance of investment and the pitfalls of unregulated investments.
10. To add value to the regulatory functions of the SC, a move towards becoming a more investor-friendly organisation is highly recommended. This can be done through collaborations with financial planning organizations/experts such as MFPC to continuously organize financial literacy programmes throughout Malaysia. This is in addition to conducting public seminars and SC open days for the general public.

The reason for this recommendation is the drawback of the seemingly current focus being on policy making at the top level.

More efforts to channel information from the SC directly to the general public via intermediaries is required as a gap clearly exists between the SC and individual capital market users (investors).

11. The development of digital financial management and trading games should also be encouraged particularly in view of the growing number of IT savvy Malaysians, especially among the young.
12. In the capital market, employees who deal with shares, options, futures, asset management must be required to be licensed by SC. For many years, the banking industry has made wealth management in the context of insurance and unit trusts as products that provide revenues for banks from commissions or fee income. Our recommendation is for industry players to focus more on a holistic approach in terms of the necessary qualification and capital markets knowledge for these personnel. ■

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APPENDIX



FELDA



GOVERNMENT SECTOR



SME PRIVATE SECTOR



UNIVERSITY STUDENTS



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