



My Money & Me Guide



Endorsed by:



FEN FINANCIAL EDUCATION NETWORK



Persatuan Insurans Hayat Malaysia
Life Insurance Association of Malaysia



AFA
ASSOCIATION OF FINANCIAL ADVISERS

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1. Overall Financial Planning



Objectives:

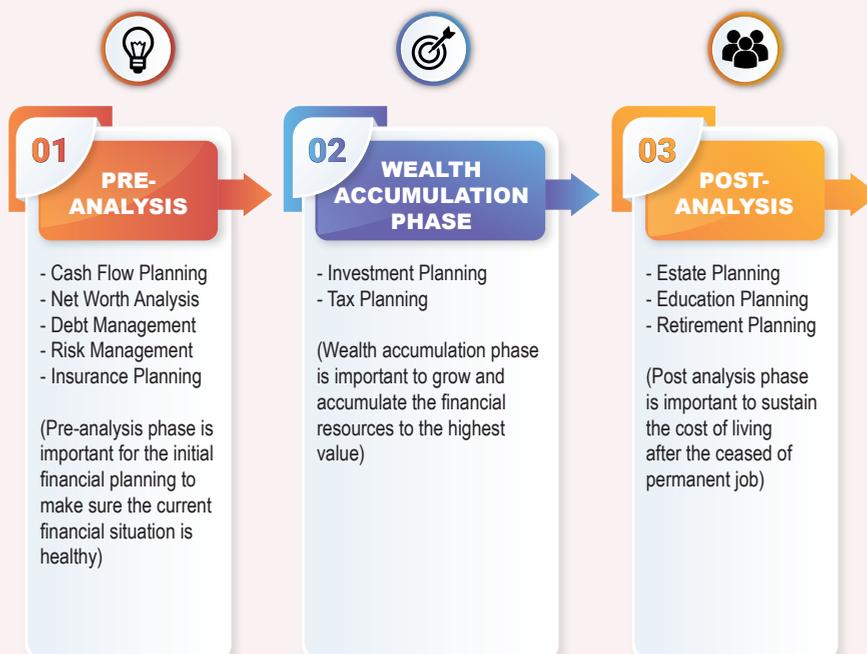
a. Introduction to Financial Planning: Introduce readers to the concept of financial planning and its importance in achieving financial stability and long-term goals.

b. Basic Financial Concepts: Break down key financial concepts such as cash flow and net worth planning, risk management and insurance planning, investment planning, tax planning, estate planning, education planning and retirement planning.

c. Actionable Steps: Offer readers actionable steps and tools to start their financial planning journey, including creating a budget, setting financial goals, understanding different savings and investment options, and protecting against financial risks through insurance.

2. Coverage Inclusion

Financial Statement Analysis, Debt Management, Risk Management and Insurance Planning, Investment Planning, Tax Planning, Estate Planning, Education Planning and Retirement Planning.



3. The Eight Pillars of Financial Planning



4. Key Needs of Financial Planning

Priority

Cash Flow

Objective

- To have a yearly cash surplus.

Purpose

- Spending within your means.

Principle

- Maintain a yearly minimum cash saving of 3 to 6 months from cash outflow as an emergency fund.
- Maintain a minimum of 10% of total income as savings (exclude EPF).



How to achieve?

Consider:

- Monthly budget
- Bank savings/ Malaysia savings bond/ Sukuk



- Assets invested must be cash equivalent, high liquidity and capital protected.

Timeframe

- Short-term goal is to achieve cash surplus within a year.

Priority

Financial Position

Objective

- To obtain positive net worth.

Purpose

- To increase the assets.

Principle

- Maintain yearly total assets which exceed total liabilities.
- Maintain a yearly maximum of 50% of total liabilities to total assets ratio.

How to achieve?

- Consider the additional resources for different personal assets such as Unit Trusts, PRS, money market instruments, shares, insurance products and EPF self-contribution - (Pg15).

Items in Assets and Liabilities



Net Worth Calculator



Timeframe

- Short-term goal is to achieve positive net worth within a year.



Priority

Debt Management

Objective

- financing needs at the lowest cost in the long term.

Purpose

- Do not over-borrow money.

Principle

- A maximum of 35% of the debt service ratio.
- A maximum of 15% of the non-mortgage debt service ratio.

Explanation on ratios



How to achieve?

- Prioritize paying off high interest debts (e.g., credit card), to avoid high interest charges.
- Consider topping up the loan principal to reduce high interest charges (when cash surplus is available).
- Prioritize low effective annual interest rate for loan, taking into account the effects of compounding.

Timeframe

- Medium-term goal is to meet financing needs at the lowest cost within one to three years.



Priority

Investment Risk Management

Objective

- To identify personal risk tolerance level.

Purpose

- To avoid over-exposure to risks.

Principle

- **Very low risk** profiling with possible asset allocation (Equity: 0%-10%; Fixed Income and Money Market Instruments: 90%-100%).
- **Low risk** profiling with possible asset allocation (Equity: 10%-30%; Fixed Income and Money Market Instruments: 70%-90%).
- **Medium risk** profiling with possible asset allocation (Equity: 40%-60%; Fixed Income and Money Market Instruments: 40%-60%).
- **High risk** profiling with possible asset allocation (Equity: 70%-90%; Fixed Income and Money Market Instruments: 10%-30%).
- **Very high risk** profiling with possible asset allocation (Equity: 90%-100%; Fixed Income and Money Market Instruments: 0%-10%).

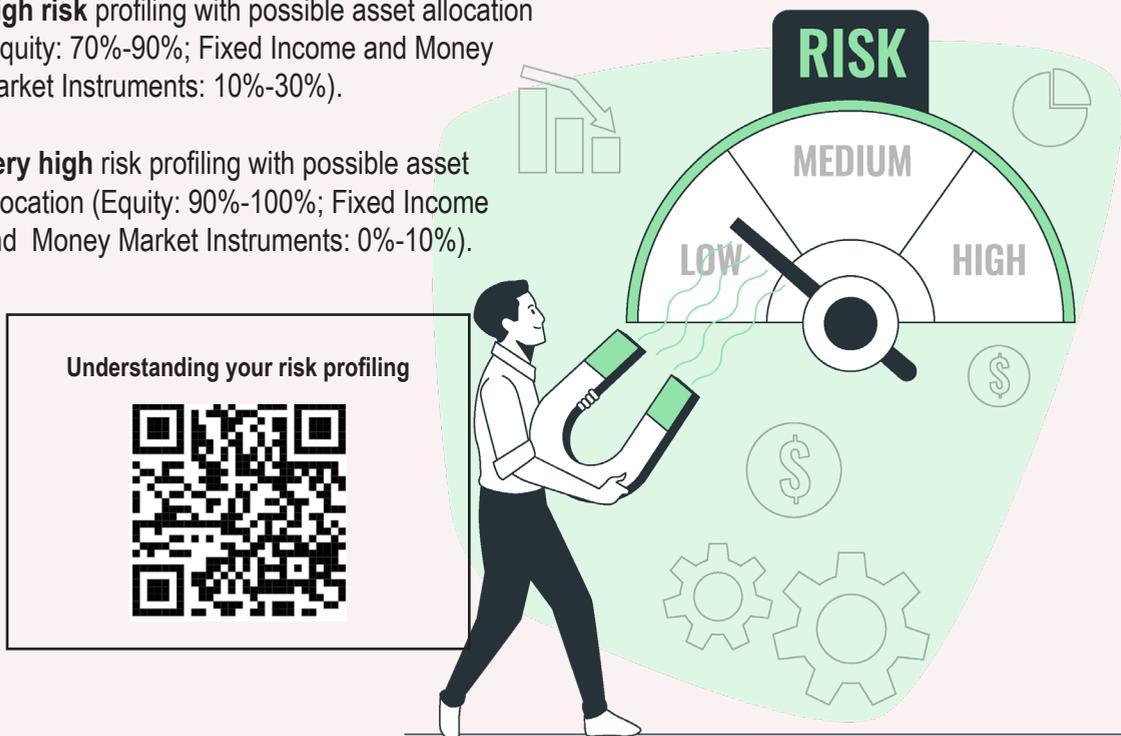


How to achieve?

- Avoid riskier assets if risk tolerance is low and time horizon is shorter.

Timeframe

- Short-term goal is to identify personal risk profiling within a year.



Priority

Insurance / Takaful Planning

Objective

- To have sufficient insurance / takaful coverage.

Purpose

- To protect you from life's uncertainties, total permanent disability and critical illness.

Principle

- Sufficient insurance / takaful coverage = Total available resources for insurance / takaful > total insurance / takaful needs.
- To allocate at least 5% to 10% of total income for insurance / takaful premium.
- Priority of coverage : 10x annual income for death and total permanent disability; and 4x annual income for critical illness.



How to achieve?

Consider additional resources:

- Insurance / takaful products, unit trusts, PRS, money market instruments, shares, property investments and EPF self-contribution.
- Avoid risky assets if risk tolerance is low and time horizon is shorter.

Timeframe

- Short-term goal is to have sufficient insurance / takaful coverage within a year.



Priority

Investment Planning

Objective

- To accumulate wealth.

Purpose

- To increase returns on investments.

Principle

- Rebalance portfolio with suitable risk
Refer to investment risk management - Pg8.
- Maintain a minimum of 10% of total income as annual savings (exclude EPF).

Example of Investment Portfolio Rebalancing



Types of Investment Assets



How to achieve?

Consider investing:

- Unit trusts, PRS, money market instruments, shares, property investments and EPF self-contribution.
- Avoid risky assets if risk tolerance is low and time horizon is shorter.

Timeframe

- Medium-term goal is to increase the return within one to three years.



Priority Tax Planning

Objective

- To achieve tax savings.

Purpose

- To fully utilize tax reliefs.

Principle

- To utilize all tax reliefs.

- To be aware of the rate of tax on chargeable income.



How to achieve?

Consider utilizing:

- tax reliefs such as life insurance premiums, expenses on medical treatment, fees paid to childcare center, etc.

Timeframe

- Medium-term goal is to achieve tax savings within one to three years.



Priority Estate Planning

Objective

- To distribute all assets efficiently.

Purpose

- To distribute all assets to designated beneficiaries.

Principle

- Nomination is documented for insurance and EPF.
- Will is documented for immovable property (houses, buildings) and moveable assets (cars, shares, investments, etc).



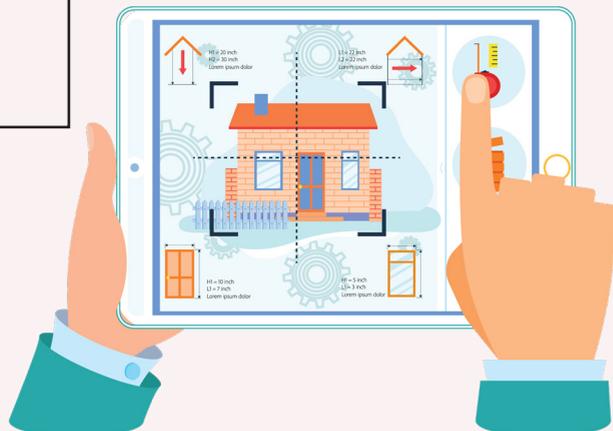
How to achieve?

Consider making:

- Will, EPF and Insurance nomination
- Lasting Power of Attorney

Timeframe

- Medium-term goal is to manage all estates within one to three years.



Priority

Education Planning

Objective

- To accumulate sufficient education funding.

Purpose

- To allow children to receive tertiary education for desired professions or courses.

Principle

- Sufficient education funding =
total available resources for education > total education needs (to have at least 5% to 10% extra).
- Maintain a minimum of 10% (exclude EPF) of total income as annual savings.

How to achieve?

Consider investing:

- National saving of SSPN, unit trusts, money market instruments, education insurance policy

Types of Assets
for Education



SSPN Info



Tax Reliefs SSPN



Timeframe

- Long-term goal is to accumulate sufficient education funding before the eldest child starts tertiary education.



Priority Retirement Planning

Objective

- To accumulate sufficient retirement funding.

Purpose

- To allow the individual to retire at the desired age and financial level.

Principle

- Sufficient retirement funding = total available resources for retirement > total retirement needs (to have at least 5% to 10% extra).
- Maintain a minimum of 10% (exclude EPF) of total income as annual savings.

How to achieve?

Consider investing:

- Unit trusts, Private Retirement Schemes (PRS), money market instruments, retirement insurance policy, EPF self-contribution, investment property, etc.

Types of Assets for Retirement



PRS Info



EPF Self-contribution



EPF and your Retirement



PRS and your Retirement



Timeframe

- Long-term goal is to accumulate sufficient retirement funding before the retirement age of 60.



5. Financial Planning for You

- The financial planning industry is evolving and is set for a bright future with great demand and healthy growth.

5.1 Malaysia Financial Sector Blueprint 2022-26 - A Boost For Digital Finance

- Bank Negara Malaysia (BNM) launched Malaysia's five-year Financial Sector Blueprint (FSB) during the opening of MyFintechWeek in January 2022.
- MyFinTechWeek, the flagship event of BNM, had a theme of advancing digitalisation for recovery, sustainability and inclusion. Digitalisation is at the financial forefront of every nation, including Malaysia, to overcome the changing economic and financial landscape in the aftermath of the Covid-19 pandemic.
- The FSB will act as a catalyst for Malaysia's Digital transformation in general and boost financial innovation and economic transformation.



5.2 Obstacles to Achieving Financial Objectives

It seems that goals and objectives are not that easy to achieve. We do not have statistics that show how many people will achieve their goals in life but we do know of many who fail to achieve their goals. What are the principal reasons for this?

- Personal obstacles
- Lack of confront
- Procrastination
- Ineffective communication
- Confusion in the financial services environment
- Inflation and taxes



5.3 Financial Literacy

As our economy continues to progress, greater opportunities are created to pursue our life goals and achieve financial independence. The financial decisions we face on a daily basis enable us to do this. Whether we are deciding on who to save with, or planning for retirement and other financial needs, the financial decisions we make today can have lasting effects on our well-being.

Confidence and capability to manage our finances are essential life attributes to attain and sustain a good quality of life. Financially literate individuals make informed financial decisions throughout their life stages, which leads to sustained improvements in their standard of living. Financially capable households interact responsibly with financial service providers, which in turn builds financial resilience.

By improving the ability, capability and desire of Malaysians to take charge of their financial destinies, stronger communities are fostered to create a brighter future for all and not just a few.



5.4 Scam Activity

According to Bukit Aman, there have been over 90,000 online fraud cases from 2017-2021, involving RM3.3b in losses. The problem has worsened to such an extent that Bank Negara has issued a strict directive to all Malaysian banks to migrate away from the use of SMS-based authentication in online banking services.





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