MFPC
Malaysian Financial Planning Council
Competence.Ethics.Standards

My Money & Me Guide



Endorsed by:

FEN Financial Education Network

Persatuan Insurans Hayat Malaysia
Life Insurance Association of Malaysia

Malaysian Takaful Association

AFA Association of Financial Advisers

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My Money & Me Guide - 1st Edition 2024

MY MONEY AND ME GUIDE 2024

I congratulate the Malaysian Financial Planning Council (MFPC) on taking the bold step of developing this Financial Planning Guide to provide comprehensive and accessible information on various aspects of financial planning to the person-in-the-street. It is a guide which is designed for the ordinary consumer, to empower individuals from all walks of life to make informed financial decisions, and achieve greater financial security and well-being.

Financial planning used to be considered as something relevant only to those who were already well-off or had assets which required managing. Today, however, financial planning makes sense to everyone, as we must provide for ourselves and our loved ones in an environment of uncertainty and disruption. Financial planning, with its focus on preserving value and sustaining growth, becomes a necessity.

This resonates completely with the MADANI Economy framework, which seeks to strengthen all aspects of the lives of ordinary consumers. With its focus on financial planning, including aspects like financial statement analysis, debt management, risk management & insurance planning, investment planning, tax planning, estate planning, education planning and retirement planning, MFPC's My Money and Me, Financial Planning Guide 2024 is well-positioned to strengthen the financial literacy of all Malaysians.

I commend MFPC on its ongoing efforts at increasing the financial literacy of Malaysians particularly through its UNESCO commended My Money and Me programme. It is my hope that through the Council's appointment by UNESCO Entrepreneurship Education Network (EE-Net) as the Chair in Malaysia for a three-year period (2024-2027) your programmes will further help Malaysians to comprehend the basics of personal financial management.

The guide is endorsed by the Financial Education Network (FEN) of Bank Negara Malaysia (BNM), the Securities Commission (SC), the Life Insurance Association of Malaysia (LIAM) and the Malaysian Takaful Association (MTA).



The My Money and Me, financial Planning Guide 2024 is yet another example of MFPC untiring efforts to improve financial literacy, uplift the economy and improve the well-being of all Malaysians. I look forward to seeing more of such creativity and innovation in the future.

YB Datuk Seri Amir Hamzah Azizan
Minister of Finance II

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1. Overall Financial Planning



Objectives:

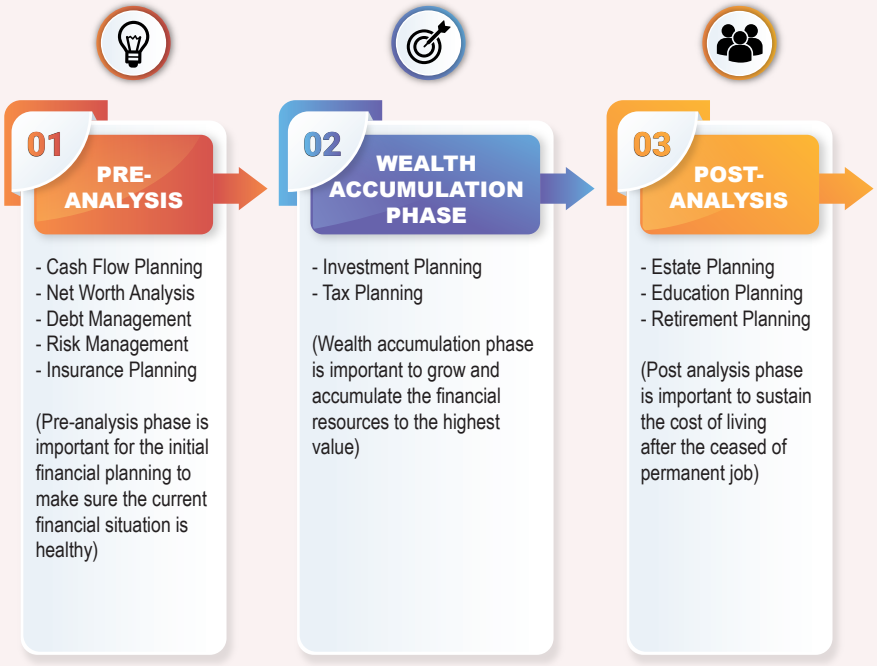
a. Introduction to Financial Planning: Introduce readers to the concept of financial planning and its importance in achieving financial stability and long-term goals.

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).

Items in a Cash Flow



Emergency Funds



How to achieve?
Consider:
• Monthly budget

• Bank savings/ Malaysia savings bond/ Sukuk

Malaysian Sukuk Info



Bonds & Sukuk Market



• 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.

Net Worth Calculator

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

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%).

Understanding your risk profiling

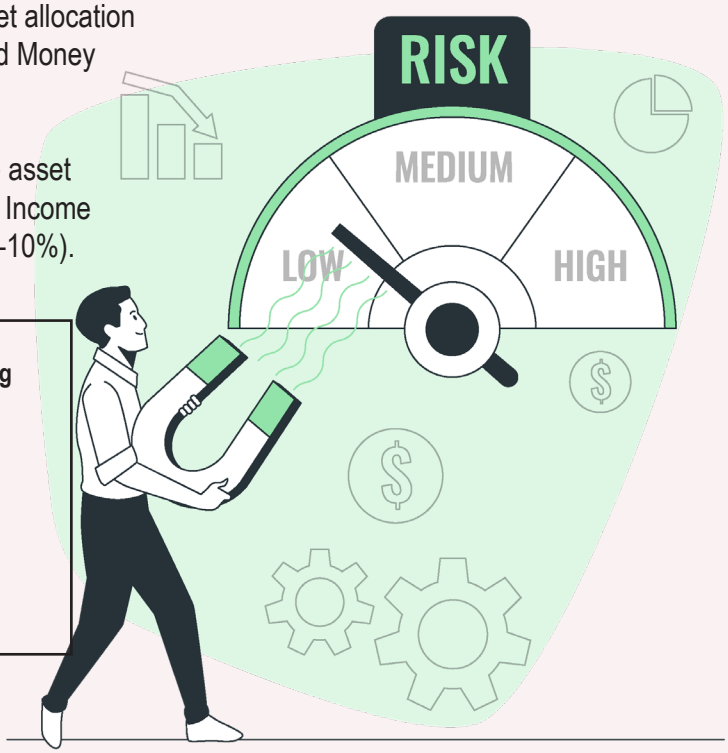
Understanding Assets Allocation

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.

Insurance Info

Introduction to Takaful

Coverage for Death

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.

Tax Reliefs

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

Tax Rates

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).

Will Writing

Understanding Hibah and Faraid

Unclaimed Money Info

Estate Planning

How to achieve?

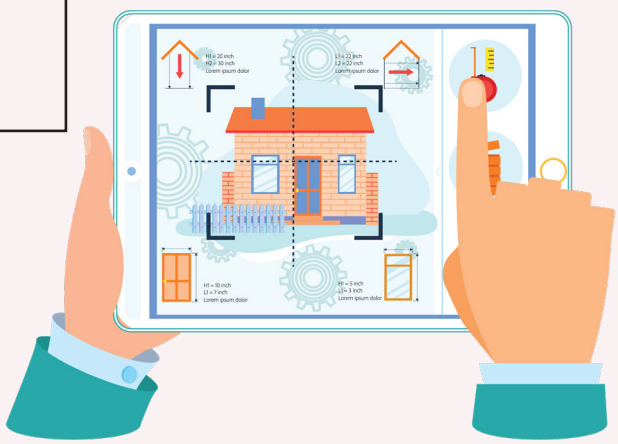
Consider making:

• 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.

Keutamaan

Perancangan Persaraan

Matlamat

• Menyediakan dana persaraan yang mencukupi.

Tujuan

• Mempastikan seseorang itu bersara pada umur dan kedudukan kewangan yang diinginkan.

Prinsip Utama

• Mempunyai dana persaraan mencukupi = jumlah sumber persaraan > jumlah keperluan persaraan (menyediakan sekurang-kurangnya 5% hingga 10% lebih)

• Mempastikan simpanan tahunan sekurang-kurangnya 10% dari jumlah pendapatan.

Bagaimana ianya dicapai?

Seharusnya melabur:

• Unit amanah, Skim Persaraan Swasta (SPS), instrumen pasaran wang, polisi insuran persaraan (spt. anuiti), simpanan kendiri dalam KWSP, pelaburan hartanah, dsb.

Jenis-jenis aset untuk persaraan

Maklumat berkenaan Skim Persaraan Swasta (SPS)

Maklumat berkenaan simpanan kendiri KWSP

KWSP dan Persaraan anda

Skim Persaraan Swasta (SPS) dan Persaraan anda.

Jangkamasa

• Matlamat jangkamasa panjang adalah mempastikan dana persaraan mencukupi sebelum mencecah umur persaraan iaitu 60 tahun



5.Financial Planning for You

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

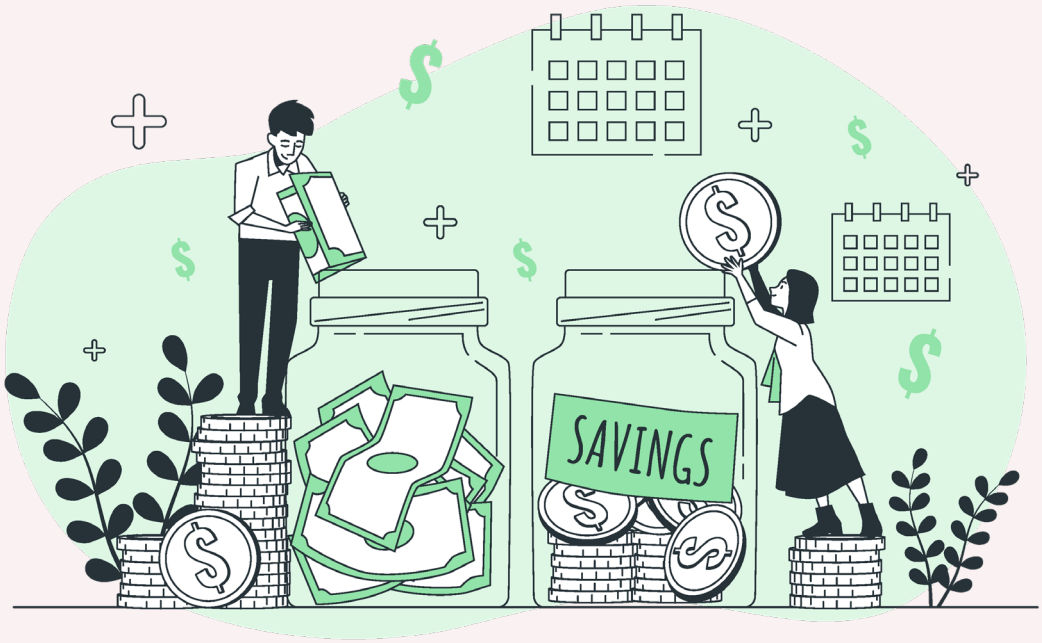
5.1 Malaysia Financial Sector Blueprint 2022-26 - A Boost For Digital Finance

- 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.

Malaysia Financial Sector Blueprint



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

Financial Objectives



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.

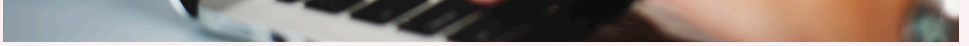
National Strategy for Financial Literacy (2019 - 2023)



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.

Online Fraud Cases



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