The New York Times - BNM:Only 40% Malaysians Financially Ready For Retirement

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This could be a result of lack of financial planning when they were younger, says deputy governor

by PREMALATHA JAYARAMAN

THERE is a growing concern on the lack of attention to long-term financial planning among Malaysians, as only 40% of the population are ready for retirement, said Bank Negara Malaysia (BNM).

"A recent focus group discussion with retirees shows that they would still rely on their children, or purchase using credit in the event of emergency or for higher value items."

"This could be a result of lack of financial planning when they were younger," BNM deputy governor Abdul Rasheed Abdul Ghaffour said.

"Therefore, financial education introduced from an early age and throughout life events is certainly essential."

Abdul Rasheed said this during the launch of "Financial Management for Retirement Module — Shaping the Future Starts Now" last Friday.

"With sufficient basic financial knowledge and relevant skills — ingrained into the younger individuals' behaviour and attitude — they will be more prepared and empowered to lead a healthier financial lifestyle as they move into adulthood," he added.

Based on BNM's observations, there are five major issues regarding financial literacy of the population including having inadequate knowledge on financial matters.

The central bank also said a significant majority of Malaysians display short-sighted tendencies and are inclined to "live for the moment" — that is to only focus on instant gratification at the expense of long-term financial planning.

To improve financial literacy among the people, BNM in collaboration with the Education Ministry has successfully integrated basic financial education elements into the school curriculums beginning 2014, which will be expanded to all primary and secondary school levels from 2021.

"Most financial decisions are influenced greatly by a person's behaviour and attitude. Notably, this will require a behavioural change from within, which can be harder to initiate but not impossible to achieve," he said.

"When equipped with the relevant knowledge and skills, an individual would acquire a positive attitude and be able to make financial decisions rationally and responsibly, for his wellbeing in the short and long terms."

The deputy governor further said government agencies, schools, families, workplaces and the financial service industry play an important role in building financial capability and elevating financial literacy of the population.

Thus, he said an inter-agency collaboration that provides various touch points at different platforms is needed to increase the impact of financial education initiatives for the public.