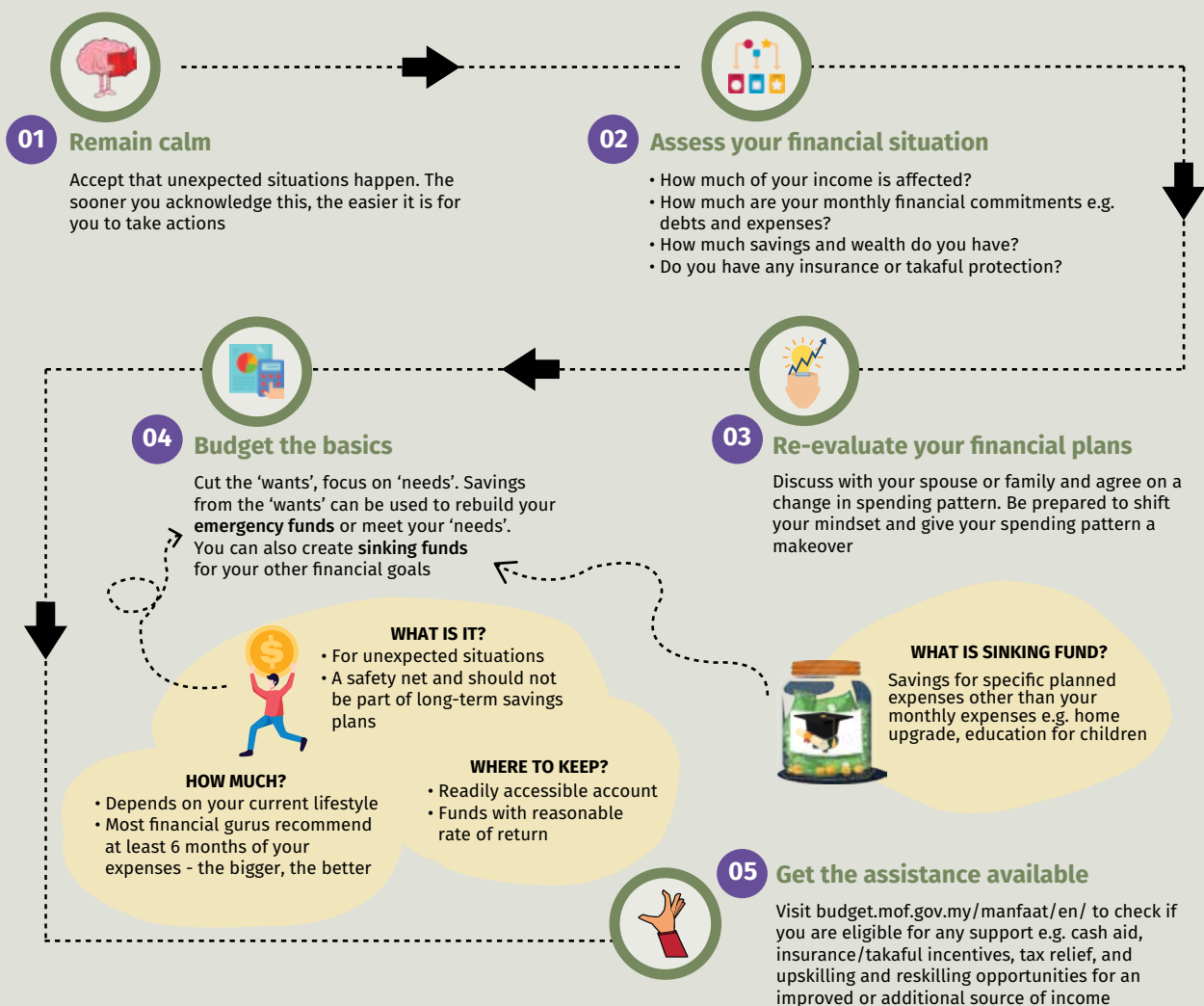


Regaining Personal Financial Control During Challenging Times

The year 2021 remained highly challenging. The emergence of new COVID-19 variants, the reimposition of containment measures, a higher level of unemployment, and the unanticipated floods have affected most of us in every aspect of life, from physical and mental well-being to financial hardship. While the Malaysian economy is on its recovery path in 2022, many are still recovering from the financial challenges, depleted savings, and sudden changes in their daily lives.

Unexpected situations can come in many ways. Some can be life-altering like the pandemic, while others could affect financial plans made earlier and require adjustments to those plans. Here are some immediate steps you can take to get a fresh start and regain control of your finances when facing an unexpected situation.

Diagram 1: Take a Step Back to Move Forward



Source: Bank Negara Malaysia

The first step to getting back on track financially is to be aware of the issue, recognise that changes need to be made and be disciplined. At the same time, we need to learn how we can manage our finances to improve our financial position. Managing financial challenges can be daunting, but with the right mindset, information and knowledge, we can be more confident of getting back on track financially and building greater resilience against unexpected situations. Small, incremental changes over time can make a big difference.

There are many money management tips that can help you strengthen your financial foundations. For those who have had to draw on their savings to cope with unexpected events, a key priority is to rebuild savings to make sure you will have that buffer to draw on again the next time you are in need.

Diagram 2: Rebuild Your Savings

You can build your savings a little at a time over 3 years

Prioritise building emergency funds

- Start by estimating necessary expenses, such as repayment of debts, groceries, education, and health-related - set aside enough each week for these expenses
- Track your spending to reduce unnecessary expenses - this can expedite building your emergency funds

Create sinking funds

Plan and list your one-time, irregular and specific spending

A	B	C	D	E	F
	Sinking Fund	Goal (RM)	Target Date	Saved (RM)	Balance (RM)
1	School reopening - shoes, bag, fees	1,000	February	1,000	0
2	Hari Raya Aidilfitri	2,000	March	1,000	1,000
3	Car - takaful and road tax renewal	1,000	June	200	800
4	Birthday present Mama	250	July	100	150
5	Home-related expenses	1,000	September	200	800
6	Private Retirement Scheme	3,000	December	500	2,500
				Total	5,250

Keep a record of your savings and expenses

Use spreadsheets, envelope budgeting, personal finance apps to help you monitor your finances

Spend within your income

Think before you spend. Focus on your needs rather than wants. Small spending adds up. Review expenses to identify 'leaks' and convert them into savings

Take advantage of digital tools


Some are as simple as budget trackers, while others have the ability to predict consumers behaviour for better financial decision-making


If you overspend once in a while, don't be discouraged. It happens even to those who habitually plan their financial affairs. Don't give up - all you need to do is to bounce back quickly and get back on track


Source: Bank Negara Malaysia


Another key to achieving financial well-being is to grow your wealth, similar to how a business owner grows and expands his business. This means doing more with your savings by diversifying and growing your money.


Diagram 3: Striking a Balance Between Saving and Investing


- 


Take charge and make decisions that will help your finances grow in the future
- 

Do comparison shopping for financial products that suit your goals and risk appetite
- 

Look out for opportunities to increase your income. Acquire new skills and vary your income source
- 

Learn how to manage finances from credible and reliable sources e.g. Financial Education Network's website www.fenetwork.my
- 

Learn about changes in the investment landscape including on cryptocurrencies. Be vigilant and only deal with licensed or authorised entities or individuals. Learn more from www.investsmartsc.my
- 

Be aware that higher returns will come with higher risks. Make sure your investment choices are compatible with your financial goals and the risks you are willing to take
- 

Be wary of financial scams. Refer to the appropriate authority if in doubt

Enforcement agencies	 BANK NEGARA MALAYSIA <small>CENTRAL BANK OF MALAYSIA</small> Bank Negara Malaysia	 <small>KEMENTERIAN PERDAGANGAN DALAM NEGERI DAN HAL EHRAL, PENGUJURA</small> Ministry of Domestic Trade and Consumer Affairs	 SSM <small>SURUHANJAYA SYARIKAT MALAYSIA COMPANIES COMMISSION OF MALAYSIA (Agensi di bawah KPDNHEP)</small> Companies Commission of Malaysia	 Suruhanjaya Sekuriti <small>Securities Commission Malaysia</small> Securities Commission Malaysia	 Royal Malaysia Police
Financial fraud related to	<ul style="list-style-type: none"> • Deposit taking • Foreign currency trade (Forex) 	<ul style="list-style-type: none"> • Direct selling/MLM • Pyramid scheme • Scratch and win • E-commerce 	<ul style="list-style-type: none"> • Interest scheme • Kutu scheme 	<ul style="list-style-type: none"> • Stock/derivative offers • Unit trusts/private retirement schemes • Digital asset (bitcoin) • Peer-to-peer financing and equity crowdfunding 	<ul style="list-style-type: none"> • Fraud cases (investments, loans, gambling, e-commerce, etc.)
Aid channels through	1-300-88-5465 bnm.my/LINK	1-800-886-800 e-aduan.kpdnhep.gov.my	03-22994400 aduan@ssm.com.my	03-62048999 aduan@seccom.com.my	CCID Scam Response Centre: 03-26101559/03-26101599 semakmule.rmp.gov.my

Source: Bank Negara Malaysia

Most of us have debts but it is important not to let the debts derail our lives. Hence, managing debt in line with what you can afford is very important.

Diagram 4: Practise Responsible Borrowing



Pay on time. If you have missed a payment, try to pay as soon as possible to avoid any fees and late payment charges



Evaluate your ability to repay. Experts recommend savings to be at 10%-20% of your income. Although experts suggest that total debt be below 40%, do consider your expenditure too before committing to any financing

On average, expenditure on basic necessities accounted for 30% of monthly income
Average Monthly Individual Income and Expenditure by Income Group

(RM)	Gross Income	Net income after statutory deductions ¹	Savings (10% of net income)	Expenditure			Maximum monthly loan repayment
				Total	Basic ²	Discretionary ³	
<3,000	2,053	1,844	184	1,281	798	483	379
3,000-5,000	3,859	3,386	339	2,204	1,299	905	843
5,000-10,000	6,740	5,576	558	3,291	1,847	1,444	1,727
>10,000	15,970	11,808	1,181	6,522	3,484	3,038	4,105

1) Statutory deductions include taxation and contribution to Employees Provident Fund
2) Basic expenditure includes (i) food and non-alcoholic beverages; (ii) housing rental and maintenance; (iii) water, electricity, gas and other fuels; (iv) transportation; (v) communication services; (vi) education; (vii) healthcare
3) Discretionary expenditure refers to lifestyle spendings such as entertainment, clothing and hobbies

Source: Bank Negara Malaysia, Household Income and Expenditure Survey (2019) by Department of Statistics Malaysia

Assess the maximum loan amount you can afford after setting aside at least 10% for savings



Prioritise paying off debt with higher interest/profit rates



When buying goods or services on instalments e.g. buy now pay later, make sure you can afford the full price, not just the instalment amount. Focus on when the payments are due to avoid charges and debt piling up



Seek help early when facing financial difficulties

Talk to your bank as soon as you face or anticipate any problems in repayment

Contact Credit Counselling and Debt Management Agency (AKPK) for financial advice

Lodge a complaint with BNMTLELINK bnm.my/RAsurvey if you have issues with your banks



Regularly re-visit your debt management plan taking into consideration current and expected financial circumstances in the future

AKPK provides free services on financial education, financial advisory, and debt management for individuals and micro, small and medium enterprises



Know your rights when dealing with debt collectors

If you experience any of these, you should lodge a complaint with your bank

- Ask for an authorisation card and written notice from your bank.
Debt collectors are not allowed to do the following:
- ✓ Use threatening or abusive language to intimidate you
 - ✓ Force their way into your property
 - ✓ Destroy or remove your personal belongings
 - ✓ Visit you at your workplace unless you are not contactable at your place of residence, or you have agreed to the visit
 - ✓ Harass your family members, neighbours, friends or employer for information on your whereabouts
 - ✓ Contact you at unreasonable hours except between 8:00 am and 9:00 pm
 - ✓ Repeatedly approach or contact you with the intention to harass

Source: Bank Negara Malaysia

Many factors can determine your financial well-being including your state of physical and mental health, how you live your daily life and the extent to which others including your loved ones depend on you. Protecting your health and wealth against known risks therefore could be the most important decision you make to safeguard your financial future and provide for your loved ones.

Diagram 5: Cover Yourself and Your Loved Ones

- Understand the importance of insurance and takaful protection - it gives you financial protection against your known risks and can help you avoid serious financial hardship when unexpected events happen



Find out about affordable protection for your needs including

- insurance/takaful products e.g. *Perlindungan Tenang*
- social protection by Social Security Organisation (SOCSO) e.g. *SPS Lindung* for self-employed and gig workers



Ask the insurance/takaful agent the right questions before purchasing a policy. Read the product disclosure sheet provided by the insurance/takaful agent to understand the main features and risks of the product



Review your coverage regularly to ensure you are sufficiently protected against risks you may face. Your risks can change over time

- Does the policy cover the risks that I want to insure?
- How much coverage should I have?
- How much premium do I need to pay? Can I afford it in the long-term?
- What are the exclusions under the policy?
- What is the claim process like, documentation needed and how long will it take?

Checklist

- Know your risks - health, flood, fire, accidents
- Choose which types of coverage you need
- Shop around for affordable options that suit your needs
- Seek information/advice from reliable sources e.g. www.mycoverage.my
- Obtain insurance/takaful to cover your risks
- Review your coverage and risks regularly

- Understand the importance of estate planning to protect the welfare and interests of your loved ones after your demise, especially your spouse and children

Source: Bank Negara Malaysia

Your retirement may seem far away, but it is best to start your retirement plan as early as you can, not just a few years before you retire. Whether you are a regular nine-to-five worker or run a gig business, you need to create a solid retirement fund that will help you secure a comfortable living after you retire.

Diagram 6: Setting Your Retirement Lifestyle From Today



Envision the kind of retirement life you want and develop a realistic plan to reach your goal



Resist the temptation to early withdraw your retirement savings unless it is absolutely necessary



Consider the impact of hidden costs that can reduce the value of your retirement savings when you decide how to invest for your retirement. This includes inflation, fees and charges



- Learn about retirement schemes available from Retirement Fund (Incorporated), Employees Provident Fund and Private Pension Administrator Malaysia
- If a holistic retirement planning is needed, refer to licensed financial planners

Source: Bank Negara Malaysia