

Report: Gen Y living on financial edge
MalaysiaKini.com
Oct 15th, 2015

Malaysia's Gen Ys are experiencing significant financial stress early in their life, with many living beyond their means and trapped in emotional spending, revealed a think-tank study.

According to Asian Institute of Finance's (AIF) research, the majority of respondents are relying on high cost borrowings, with 38 percent taking out personal loans and 47 percent engaging in expensive credit card borrowings, while, worryingly, only 28% felt confident in their financial literacy.

The AIF study was undertaken to have a better understanding of Malaysian Gen Ys' financial intelligence and their attitude towards finance.

The "Finance Matters: Understanding Gen Y – Bridging the Knowledge Gap of Malaysia's Millennials" report presented the results of the surveys conducted, with the participation of over 1,000 young professionals aged between 20 and 33 in Malaysia.

The report provides the financial services industry with an insight into the financial attitudes, knowledge and behaviour of this generational group.

The report was launched by the chief executive officer of AIF, Raymond Madden, at the International Future Global Economics Development Conference at Chiang Mai University, Thailand, on Oct 14.

The conference, organised by the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, in collaboration with the Supply Chain Economics Research Centre and Chiang Mai University, aimed to examine current global economic issues.

In a statement today, AIF said Gen Ys in Malaysia make up the largest consumer pool, have high spending power but are also lacking confidence in financial literacy as the majority of them (58 percent) rated themselves as having average financial knowledge.

Instant gratification

The research also revealed a picture of a generation living with a "buy-now-pay-later" culture and tied to the basic want for instant gratification.

"An alarming 75 percent of Gen Ys have at least one source of long-term debt, such as car loans, education loans and mortgages, while 70 percent who own credit cards tended to pay the minimum monthly payment and 45% did not pay debt on time at some point."

As a result, many Gen Ys stay in debt using credit card lending much longer than they ever intended, said the report.

"They tend to be confident of their financial knowledge. Growing up in a Do-It-Yourself world with information at their fingertips and where technology is second nature, they are wary of seeking financial advice and they prefer to do their own financial planning."

The report said only 37 percent sought financial advice from a professional adviser or planner and only 26% who dealt with a financial adviser said they trusted the advice they received.

"Instead, Gen Ys rely on their family, friends and co-workers as their primary source of financial information and advice."

Despite being the most educated generation to date, the research indicated that Gen Ys are accruing debt at an earlier age and lack understanding when it comes to financial planning, said Madden.

"Many of them are on the back foot when it comes to long-term financial security as they accrue debt before they even enter their professional careers.

"Managing money well and making sound financial decisions are essential life skills that must be learned over a lifetime to ensure financial fitness in the future.

"With the ever-increasing complexity and diversity in financial products and markets, the Generation Ys are more likely to bear more financial risk than previous generations. This points to a critical need for behavioural changes in money management," said Madden.

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd
Source: <http://www.malysiakini.com/news/315854>