

Malaysia's Gen Y in debt, living on the edge, survey reveals

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Malaysian young adults are accruing debt at an early age, a survey by the Asian Institute of Finance (AIF) has revealed, while some 40% are spending more than they can afford.

The survey among Malaysian "Gen Y" respondents between the age of 20 and 33 were living on the "financial edge" and were facing money stress, with the majority living on high cost borrowing of loans and credit cards.

"Our study reveals that 75% of Gen Ys have at least one source of long-term debt and 37% have more than one long-term debt obligation. Long-term debt obligations include car loans, education loans or mortgages," AIF said in its report "Understanding Gen Y – Bridging the Knowledge Gap of Malaysia's Millennials", released today.

"To offset this debt, they are relying on high cost borrowing methods - 38% of Gen Ys reported to taking personal loans, while 47% are engaged in expensive credit card borrowing."

Their debt woes, AIF said, were the result of "impulse-buying" behaviour, besides easy access to personal loans and credit card financing.

"The impulse buying behaviour of this young consumer is tied to the basic want for instant gratification, which is exacerbated by easy access to the world of online shopping. As a tech-savvy generation, these young adults draw on technology for everyday tasks.

"This includes seamless online purchasing, which encourages the 'buy-now-pay-later' behaviour amongst this generation of consumers. Reliance on credit cards for online purchasing has further encouraged this behavioural trait," the report, targeted at banking, financial and learning institutions, said.

The report said around 16-17% was spent on maintaining lifestyles, 24% on loan repayments and 30% to 31% on living expenses, with little difference between male and female respondents.

There were also indications that there is a steady rise in loan repayment levels as Gen Ys go up the income bracket.

Of the 1,011 young professionals interviewed, 60% were single while the majority (43%) earned between RM1,500 and RM3,000. Some 32% earned between RM3,100 and RM4,500, and 8% earned below RM1,500.

The survey also showed that 40% of respondents were spending more than what they could afford, while only 30% said they were living comfortably within their current

income.

"This approach therefore feeds on their impulse-buying behaviour. As a result, many of them stay in debt using credit card lending much longer than they ever intended."

"Only 30% of Gen Ys surveyed said they live comfortably within their current income, suggesting a generation that is experiencing financial stress. It suggests that they have little knowledge about how to make wise purchasing decisions," the report said.

Despite this, AIF said Gen Ys were much better at saving than it was believed, as 64% said they saved a portion of their income every month, with the majority keeping aside at least 20% of what they earned.

"The survey findings also reveal that Gen Ys' appetite for savings grows with age. The highest proportion of savers was the 27 to 33 years age bracket (57%). Studies on Gen Y savings habits also show that, although they do develop good saving habits, these savings tend to be focused on short-term goals."

However, AIF expressed worry that youths seemed to be skeptical of professional advice by financial advisors and planners, with only 37% seeking consulting such services on money matters.

Instead, more youths (51%) tended to discuss these things with family and friends.

"This lack of engagement with financial advisors probably stems from their skeptical view of the value of financial advice itself as many of them believe they can find this information more easily by themselves. Again, this is a reflection of the DIY world they grew up with.

"The majority (63%) of Gen Ys who did not opt to seek advice from financial advisors or planners cited 'prefer to do it on my own', 'not interested' and 'too expensive' as the top 3 reasons for not using the latter's services," the report said.

Those that do seek advice from experts ask about savings and investments (56%), advice on mortgages or loans (41%) and retirement planning (32%).

As a recommendation, AIF said Gen Ys should look into consulting qualified financial advisors to get the information and confidence they need to make educated investment decisions.

"Grab opportunities to gain financial management knowledge from mainstream channels such as from higher learning institutions," it said. – October 15, 2015.

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