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PETALING JAYA: Young adults need to be equipped with the essential financial knowledge to avoid them from falling into "financial trap" that usually snares them at a later stage in life.

Statistics from Credit Counselling and Debt Management Agency (AKPK) showed that 44% of its debt management programme (DMP) customers were 30 to 40 years old, mainly males (67.9%) and earning below RM36,000 nett a year. Only 16% of the DMP customers were below 30 years old.

Chief executive officer Akwal Sultan said many young adults aged 30 and above came to AKPK when they had lost control of their finances, which might have started at an earlier age.

"They could have taken control of things earlier if they were aware of the steps needed to lead a prudent lifestyle," he told *StarBiz*.

Akwal said although there was a general consensus that young adults had issues in managing their money, especially when it involved credit card, the overall non-performing loan statistics of credit cards was only 1.9%.

"It is only pockets of young adults that have problems with credit cards, contributed mostly by a lifestyle issue," he said.

Akwal added that only 9.4% of those under the DMP faced credit card problems while 73.5% faced difficulties in managing a combination of debt, which include car loans, credit cards, personal loans and housing loans.

Thus, Akwal said there was a need for a more effective financial education programme for the young generation.

"Although it is currently being taught in schools, it is still not a subject by itself and thus does not have the desired results. At the tertiary level, the need for an effective financial education programme becomes more critical as having graduates savvy in this area will better equip them to handle their finances.

"In short, financial education is a baseline education that all individuals, especially today's young adults, should have," he said.

National deposit insurer Malaysia Deposit Insurance Corp (PIDM) chief operating officer Md Khairuddin Arshad said sound financial knowledge, particularly about savings and prudent spending, must be inculcated among the young generation.

"Knowledge about deposit insurance should also be part of this foundation, especially as our youths prepare themselves for working life.

"By the time they take up their first job and start a family, they should already be capable of making smart and informed financial deci-

Financial knowledge crucial for youngsters

Many are seeking advice on debt management



Mohamed Akwal Sultan says young adults should take control of their finances.



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sions and continue to do so throughout their lives," he said.

OCBC Bank (M) Bhd head of wealth management Ong Shi Jie said the younger generation needed to obtain basic money management skills which included budgeting, the use of credit cards and accounts checking, and the importance of savings.

"In the course of our lives, we will eventually need a credit card, mortgage or a savings account to manage our finances.

"In this regard, it remains strange that the basic skills of managing finances have not been institutionalised into our education system," she said.

Ong said most young adults fell into the "financial trap" the minute they landed a job because the first thing they normally did was to apply for a credit card.

"This gets them into the vicious cycle of succumbing to all their wants, not needs. So, before they make their first investment or sav-

ing, they're saddled with credit card debts and a loan for a depreciating car value.

"It's no wonder why people worry about retirement plans 10 years too late. They're paying for the 'sins' of their early years," she said, adding that such financial traps needed to be pre-empted by instilling sensible money management habits in children.

Although Malaysia has one of the highest personal savings rates in the world, Ong said this had been largely driven by Government policies as opposed to a higher level of financial knowledge like in other countries.

"There is definitely room for improvement as far as the current level of financial knowledge among our young adults is concerned," she said.

In terms of programmes, AKPK's ongoing focus is to provide financial education to post-secondary and tertiary level audiences where numerous financial education programmes are already in place since its incep-

tion four years ago.

These include National Service interactive workshops and module infusion in 31 institutions of higher learning. Bank Negara has also recently announced that a new financial capability programme will be launched next year, to be offered by AKPK.

As for PIDM, it has implemented an education programme for secondary school and tertiary students throughout Malaysia as part of its ongoing initiatives to further enhance public understanding of deposit insurance.

PIDM MoneySmart project seeks to instil the habit of savings and prudent financial management among students in schools and higher-learning institutions.

For OCBC, one of its recent initiatives is the OCBC Mighty Savers. For example, its OCBC Mighty Savers Weekend offers basic banking products and services to children at selected branches on every first weekend of the month.