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Foreword

I write this brief foreword for the inaugural issue of the Malaysian Financial Planning Council's Journal of Wealth Management and Financial Planning (JWMFP) with great pride and pleasure. JWMFP is indeed another groundbreaking achievement among MFPC's many in our noble mission to ensure the propagation of financial planning knowledge and uplift the financial planning profession. The publication of this Journal will also add to our 10th anniversary celebrations.

JWMFP, the first of its kind in the country, will undoubtedly capture the pulse of the profession. It is aimed at a myriad readership: financial planning professionals, academics, industry players, researchers, students and aspiring financial planning professionals, to name but a few. As JWMFP features articles from the entire spectrum of financial planning and wealth management, we are certain all our readers will find articles of interest in this issue and in all the issues to come.

My gratitude goes to the Editorial Board, the contributing writers, reviewers and all the others who have worked so hard to ensure the timely publication of the Journal.

Best regards

Md. Adnan Bin Md. Zain

President of Malaysian Financial Planning Council

Managing Editor's Note

I am pleased that through the support from MFPC'S National Council (NC) this publication has become a reality.

It is my ardent hope that the Journal becomes a source of additional reading material for industry professionals. This Journal intends to provide research - based benchmarks and studies for public, corporate and academic reference. The Research & Publication committee is looking at various means of ensuring that the Journal will be made available to a wider audience. Towards this end, the committee is looking at possible synergies with institutes of higher learning.

I wish to place on record my sincere appreciation to the Editorial Board and the secretariat team for putting this together.

Best wishes

Low Kai Foo

Managing Editor cum Vice President Research & Publication Committee

Journal of Wealth Management & Financial Planning (JWMFP)

Malaysian Financial Planning Council Publication (MFPC)

Journal of Wealth Management & Financial Planning (JWMFP) is a peer-reviewed research and practitioner journal, which will be published annually by Malaysian Financial Planning Council (MFPC). JWMFP – the official publication of MFPC is aimed at establishing an academic and practice guide for the fast growing Financial Services industry. The price of the journal is RM25.00 per copy. For manuscript submission information, refer to the inside back cover of the journal.

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Malaysian Financial Planning Council

Unit 22, Level 22, Menara One Mont' Kiara (1MK)

No. 1, Jalan Kiara, Mont' Kiara

50480 Kuala Lumpur

Email: mfpc@mfpc.org.my

Tel: +(603) 6203 5899

Fax: +(603) 6201 2669

Website: www.mfpc.org.my

Printer

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57100 Kuala Lumpur, Malaysia

Tel: +(603) 7987 0966

Fax: +(603) 7984 0966

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Editor-in-Chief's Note

I am delighted with MFPC's publication of the first issue of the Journal of Wealth Management and Financial Planning (JWMFP). It was first conceptualized some 10 months ago when the Research and Publication Committee suggested we publish reading material to benefit practitioners and academicians alike. Thanks to the support of the Editorial Board, the journal has been published in time for MFPC's celebration of our 10th Anniversary. The concept is now a reality.

This first issue of the journal comes with eight informative articles on various topics related to wealth management and financial planning. The first compares the dimensions used in conventional housing loans and Islamic home financing from the practitioner's perspective when dealing with Islamic financial debt planning analysis. Further, the growing popularity of coffee drinking in Malaysia has attracted a number of local and international retailers to invest in specialist coffeehouse chains, leading to the article based on the role of the Stimulus, Organism, and Response (SOR) Model, focusing on the specialist coffeehouse store. With longer life expectancies, women live more years in retirement and thus are at greater risk of outliving their assets. This prompted the research conducted to try to understand what factors affect financial well-being among working women, the topic of another article. Planning for future financial needs is indeed crucial in achieving financial security during retirement, thus the next article that focuses on Malaysian public sector employees' perceived financial preparedness for their future needs and their implementation of their personal financial plan. Two other articles are on the issue of the payment of fees for Islamic Wealth Management services, and on the steps we can take to ensure our retirement years are financially secure. Also included in this first issue are two book reviews, one of *Thirty Years' Experience in Stock Investment* and the other of Robert Kiyosaki's *Cashflow Quadrant: Rich Dad's Guide to Financial Freedom*.

My heartfelt thanks to the many reviewers and authors for helping us make the publication of JWMFP possible within a short period of time.

Do write to us at mfpc@mfpc.org.my and gives us your views and feedback to further improve the journal. We look forward to a JWMFP of greater value and wider readership.

With all good wishes.

Mohamad Fazli Sabri Ph.D

Editor-in-Chief

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A Practical Comparison between Conventional Housing Loans and Islamic Home Financing

Khoong Tai Wai¹

¹*Institute of Malaysian & International Studies,
Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia*

ABSTRACT

The purpose of this study is to compare the dimensions used in conventional housing loans and Islamic home financing from the practitioner's perspective when dealing with Islamic financial debt planning analysis. Embedded mixed method design was used, in which one data set provides support for the other data set. Initially, four documents were reviewed using purposive sampling and the samples underwent content analysis. In addition, qualitative semi-structured interviews with two participants through purposive sampling were conducted to clarify the documents studied. The study reveals that conventional housing loans and Islamic home financing have a great range of interpretation dimensions. Some share common dimensions even though different terms are used. The main findings of the study are that the dimensions that are needed for Islamic financial debt planning analysis are type of financing principles, financial variables, and early settlement clauses. While the results cannot be generalized from the wider samples, the researcher found that the views of practitioners are important in debt planning analysis.

Keywords: Conventional Housing Loan, Dimensions, Islamic Home Financing, Practitioner

INTRODUCTION

Islamic financial planning was introduced in Malaysia as early as 2001 by a group of Shariah advisors and practitioners. The core of Islamic financial planning practice is the planning itself, while the practitioner planner needs to analyse, organize, and implement the financial aspects of the customer. The drawing line of an Islamic financial plan should be implanted with Islamic values and principles that are aligned with Shariah requirements (Sulaiman, 2011). Currently, the four major areas of Islamic financial planning are risk and takaful planning, Shariah investment planning, zakat and tax planning, and Shariah estate planning (Malaysian Financial Planning Council, 2013). Islamic wealth management is related to and essential for Islamic financial planning. However, for comprehensive planning, it should cover Islamic debt planning.

Currently, housing debt is still the largest household debt in Malaysia. Up till 2011, housing debt comprised 45 per cent of total household debt (Rating Agency Malaysia, 2012). In order to tap into this profitable debt financing, Islamic financial institutions (IFIs) introduced Islamic home financing (IHF). In fact, IFH was introduced

in 1983 with the inception of the first IFI in Malaysia. *Bai' Bithaman Ajil* (BBA) financing is perhaps the most popular product used by Malaysian IFIs in providing IHF to the community. However, due to few issues, the topography of IHF has changed into alternative forms of financing such as *Musharakah Mutanaqisah* (MM). No matter what the form of financing, IFIs need to balance out the profit-making activities and the social context (Dusuki & Abdullah, 2007), which need to be aligned with *Maqasid al Shariah*.

With the launch of the Shariah Registered Financial Planner (Shariah RFP) designation by the Malaysian Financial Planning Council (MFPC) in 2008, 267 practitioners qualified for the designation by 2012. However, many of these practitioners were originally practising conventional financial planning, the root of financial planning. The question arises as to whether conventional financial planning practitioners understand the Islamic financial planning dimensions and can provide sound advice on comprehensive Islamic financial planning to their customers. This is because the subject of debt planning is not included in the Shariah RFP programme.

This study compares conventional housing loans (CLs) and IHF from the practitioner's perspective in dealing with Islamic financial debt planning analysis. The study addresses the dimensions of IHF which can contribute to a deep understanding of debt analysis. This study is guided by the main research question 'What are the main dimensions that are essential for Islamic financial debt planning analysis?' Thus, the objective of this study is to compare the dimensions used in CLs and IHF for debt planning analysis. This study will contribute significantly to the relevant authorities, institutions, body of knowledge, and academicians. Eventually, this study is expected to contribute towards producing more effective practitioners who are in harmony with the aspiration of Islamic finance education.

LITERATURE REVIEW

Mortgage Reduction Planning (MRP)

In the Malaysian financial system, Mortgage Reduction Planning (MRP) strategies have been successfully employed for more than 10 years for individuals to acquire homes. The strategies involve restructuring the existing loan arrangement plan using a few techniques. The main technique is an increment of the monthly repayment to repay the principal amount. In CL, there are no issues in the implementation of MRP techniques into debt analysis due to the clarity of interpretation of the legal clauses in CL documents.

Islamic Housing Financing (IHF)

The present study is a further study of Meera and Dzuljastri's (2009) study on comparisons between CL and IHF financing. In their theoretical-practical discussion, Meera and Dzuljastri highlighted the issues faced in IHF financing. With regard to the issue of repayment, they stated the importance of rebate if early settlement is made; however, they did not explain further how this could be done. Thus, the present study discusses the issue of early settlement in IHF from a practical perspective.

BBA is the most popular mode of Islamic financing in Malaysia. Until May 2010, total financing given by Islamic Financial Institutions based on BBA principles remained dominant, constituting 33.0 per cent (Kuwait Finance House, 2010). BBA is a sale contract in which the payment of the price is deferred and payable at

a certain time in the future. It is not a type of sale but it is a mechanism of payment settlement that provides a financing scheme to the buyer to pay on a deferred payment basis, instead of paying the whole amount in one lump sum (Lahsasna, 2010), which is not practical for customers. From the IFI perspective, liquidity management issues arise in the case of BBA with fixed financing. On the other hand, customers face high financing cost with early redemptions (Meera & Dzuljastri, 2009). From the Shariah perspective, the *Bai' al 'Inah* issue has been long debated. Due to the various issues in BBA, an alternative form of financing was needed to fulfil market demand.

The alternative, *Musharakah Mutanaqisah* (MM), is a type of partnership in which ownership is transferred to one party, the customer, as a diminishing partnership whereby a product becomes fully owned by the customer. It is a combination of sale and sharing contracts whereby the ownership is transferred through sale, in which this transfer can be done through a profit sharing arrangement. However, MM housing financing only came into the Malaysian context when Kuwait Finance House introduced it in 2006. Then, RHB Islamic followed with a similar concept in 2007 (Kuwait Finance House, 2010).

The difference between MM and BBA financing can be inferred. While MM financing is a joint ownership of the property, BBA financing is a debt-type financing similar to CL. For the IFI, the profit of BBA fixed profit rate financing is the IFI fixed selling price which cannot be changed but the rent of the property can be revised any time. Thus, a customer opting for BBA financing is obliged to pay the fixed amount in the event of early repayment (Abdul, Othman, Mohd., Arshad, Sahri & Yaakub, 2012). On the other hand, a customer in an MM contract can withdraw from the contract in the middle if he or she gets into difficulties. In BBA financing, the customer owns the house immediately after the contract; however, in MM financing, the customer becomes the full-owner of the house at the end of the tenure. Therefore, MM financing should be a better alternative to BBA home financing due to the feature of flexibility for the customer since they can pay the rentals according to the market price (Meera & Dzuljastri, 2009). In addition, MM financing is globally accepted but BBA financing is only accepted within Southeast Asian countries. The Bank Negara Malaysia

(BNM) Financial Stability and Payment Report (2007) studied the MM financing contract, explained in detail the methodology, the associated risk and risk mitigation if an IFI wished to offer MM financing (BNM, 2011). This further strengthened MM financing as a new type of IHF.

The latest study on IHF from the practical aspects is by Hassan (2011). In his study, he made critical appraisals and analysed the features of IHF from the perspective of the Shariah, ownership transfer and legal documents, profit charged and instalment, and redemption and early settlement. He gave some recommendations regarding calculations that enable IFIs to mitigate the risk. One of the examples is the customer increasing the monthly repayment amount using the time value of money. However, he limited the discussion on full settlement by refinancing. Most past studies limit the discussion to examining the issue of early settlement to full settlement using refinancing.

METHOD AND MATERIALS

This study adopted the embedded mixed method design, a design in which one data set provides a supportive, secondary role in a study based primarily on the other data set. Firstly, a quantitative documents study was adopted for this study. The purpose was to gain clarification of the legal documents. For this purpose, purposive sampling was first conducted to select legal documents from firms endorsed by MFPC and specializing in debt planning. The four documents were obtained from selected conventional and Islamic banks. The selected legal documents for both CL and IHF are discussed below. These documents then went through content analysis.

Second, a semi-structured interview was conducted with two selected participants experienced in debt planning. This was to gain validity and explanation from the documents study finding.

In the documents study, all the four documents were chosen using purposive sampling. They were divided as two CL and two MM financing. All four documents were from local banks. In terms of year topography, all documents taken were from 2013, to reflect current insight. MM financing was recognized by the BNM Shariah Advisory Council (SAC) in 2006. In addition, the

BNM Financial Stability and Payment Systems Report 2007 spells out a comprehensive on the application of MM (BNM, 2007). Thus, the reason for the documents from 2013 used in this study.

In the qualitative study, purposive sampling was adopted. Participants were chosen based on years of experience in the debt planning industry as those in the industry perhaps have the best and clearest understanding of the needs (Tierney & Burleson, 2010). Further, those staff with experience in the area covered in this study (Tierney & Burleson, 2010) also contribute to a better exploration of the dimensions of IHF.

FINDINGS AND DISCUSSION

In the first section (Table 1), the researcher illustrates a practical scenario of housing financing for the amount of RM280,000. Let's take the following example as an illustration. Mr. Ali, the customer, buys a house at the market price of RM350,000. The customer places 20% (RM70,000) as down payment to the vendor. He finances the remaining RM280,000 either through CL or MM financing. For simplicity, let's assume that annual profit rate (APR) is 8% while the financing period is 30 years. A CL will provide a RM280,000 loan to the customer with the aforementioned interest for the period. The difference between this amount and the original RM280,000 is RM459,634.40, which is the profit for an Islamic bank. The profit in CL financing is the interest which is recognized with the lapse of the loan. Using MM financing and assuming the price and the down payment to be the same, we have two portions of the monthly payment, the agreed rental payment and the money to buy back the IFI's shares of the house within the 30 years. In the practical scenario, in order to make the IFI more competitive than a conventional bank, the monthly payment is of the same value as the CL repayment. The distinguishing MRP feature between CL and MM financing is with regard to the balance of financing before the end of the contract. From the calculation, CL uses daily-interest calculation. MM financing which uses profit-leasing portions, also makes the calculation in a manner similar to that done by CL. The purpose is to make it as competitive as CL in the marketplace.

In the next section (Table 2), the researcher discusses the terms and conditions stated in the legal documents.

Table 1: Comparison between CL and MM

	CONVENTIONAL LOAN	MUSHARAKAH MUTANAQISAH
PRICE OF PROPERTY	RM350,000	RM350,000
Down payment to vendor (20%)	RM70,000	RM70,000
Financing amount to customer	RM280,000	RM280,000
Monthly repayment	RM2,054.54	RM2,054.55
Tenure (years)	30	30
Total payment (30 years)	RM739,634.40	RM739,634.40
Bank profit (APR profit rate 8%)	RM459,634.40	RM459,634.40
If terminated after 10 years of repayment-		
(1) Total payment by customer	RM492,174.12	RM492,174.12
(2) Bank profit (APR profit rate 8%)	RM212,174.12	RM212,174.12

As mentioned earlier, the purpose is to clarify if they align with the theoretical stand-point when there is early settlement. Initially, the researcher conducted a document study by comparing CL and MM financing. Second, the researcher had qualitative semi-structured interviews with practitioners to gain clarification. These findings are based on practical aspects to support the academic discussion.

Findings from Documents Study

In the documents study (Table 3), all the four documents were distributed into two CL and two MM financing. All four financing were from local banks. For more insight, both financing each have one property under a master title and one property under a strata/individual title. The property under the master title is labelled CL 1 and MM 1, while the property with strata/individual title is labelled CL 2 and MM 2.

Before the legal documents, a Letter of Offer is provided to the customer. For CL financing, the legal document is the loan agreement itself for both the property with master title and that with strata/individual title. For MM financing, more documents are required because of the transaction mechanism. In the case of MM financing of the property with master title, the main legal documents comprise the Musharakah Agreement, First/Third Party Deed of Assignment, Purchase Undertaking, Ijarah Agreement, and Service Agency Agreement. On the other hand, MM financing of the property with strata/individual title includes *Musharakah* Agreement, Limited Declaration of Trust, First/Third Party Legal Charge, Purchase Undertaking, *Ijarah* Agreement, and Service Agency Agreement. Since the intention (*niat*) is an extremely important element in Islam, this is stated in the *Musharakah* Agreement. The agreement spells out the purpose of this joint venture, which is to

facilitate the ownership of the property by the customer. However, the joint venture is not deemed to constitute a partnership in accordance with any common law principles relating to partnership. Thus, no party has any binding authority under any common law.

The findings show that the dimensions used by both MM and CL financing are similar. The CL documents state the total loan amount, which is the amount borrowed by the customer. Since the interest is calculated by the reducing balance method, the customer is charged at the balance end. In the current Malaysian context, the calculation is on a daily interest basis. However, this is not the scenario in MM financing, where the total loan amount is termed 'initial financing value'. As stated in the documents, this initial financing value is the margin of financing of the property before adding other sums such as *takaful* contribution.

The interest rate is stated clearly in the CL documents, termed 'base lending rate' (BLR). In Islamic theory, the floating profit rate should be termed 'base financing rate' (BFR). Both MM financing aligned with the Islamic dimensions. Both MM used the term 'Islamic bank rate' (IBR) to replace the term BFR. The profit rate for CL ranged between BLR-1.90% to BLR-2.20%, and for MM financing it ranged between BFR-2.00% and BFR-2.30% respectively. From the customer's point of view, it seems that MM financing offers a rate comparable to that of CL.

Even though not all customers apply risk planning, all the documents clearly show that risk planning terms are used. For CL, the insurance is termed 'mortgage reducing term assurance' (MRTA), while for IFH it is termed 'liability reducing term takaful' (LRTT) or 'mortgage reducing term takaful' (MRTT).

Table 2: Main Legal Documents for MM

DOCUMENTS	EXPLANATION
Letter of Offer	A formal agreement letter by IFI informing the customer of entering into an IHF financing arrangement
<i>Musharakah</i> Agreement	Under the Shariah principle of <i>Musharakah Mutanaqisah</i> , IFI (<i>musharik</i> 1) and customer (<i>musharik</i> 2) agree to enter into a joint venture (<i>Musharakah</i>) for the purpose of facilitating the ownership of the property
First/Third Party Assignment	Customer as beneficial owner assigns absolutely to IFI the assigned property
Purchase Undertaking	Customer wishes to give IFI irrevocable purchase in respect of the <i>Musharakah</i> unit
<i>Ijarah</i> Agreement	Under the Shariah principle of <i>Ijarah</i> , IFI as lessor will lease its respective stake in the property to customer as lessee
Service Agency Agreement	Under the Shariah principle of <i>Wakalah</i> , customer is appointed by IFI as service agent, in which the customer shall assume the responsibility of assisting the bank in carrying out and performing all major maintenance required

Table 3: Comparison between CL and MM Legal Documents

	CL 1	CL 2	MM 1	MM 1
Financing years	June 2013	July 2013	June 2013	July 2013
Loan amount / Initial financing value	RM450,600.00	RM397,605.00	RM 409,074.00	RM385,973.00
Interest rate / <i>Ijarah</i> rate	BLR – 1.90% (daily interest calculation) (BLR = Base lending rate)	BLR – 2.20% (daily interest calculation) (BLR = Base lending rate)	IBR – 2.00% (IBR = Islamic bank rate) Ceiling rate: 10.25% Floor rate: 0.00%	IBR – 2.30% (IBR = Islamic bank rate) Ceiling rate: 10.25% Floor rate: 0.00%
Period (months)	360	300	300	360
Insurance / Takaful	Mortgage Reducing Term Assurance (MRTA)	Mortgage Reducing Term Assurance (MRTA)	Liability Reducing Term Takaful (LRTT)	Mortgage Reducing Term Takaful (MRTT)
Monthly payment	RM2,354	RM2,201.00	RM2,311.00	RM1,923.70
Prepayment clauses	Advance payment	Advance payment with rebate clauses	Advance payment with <i>Ibra'</i> clauses	Advance payment with <i>Ibra'</i> clauses
Main legal documents	Loan Agreement	Loan Agreement	<i>Musharakah</i> Agreement, First/ Third Party Deed of Assignment, Purchase Undertaking, <i>Ijarah</i> Agreement, Service Agency Agreement	<i>Musharakah</i> Agreement, Limitation Declaration of Trust, First/Third Party Legal Charge, Purchase Undertaking, <i>Ijarah</i> Agreement, Services Agency Agreement

The period and repayment financing amount are mentioned in detail in the financing documents to avoid uncertainty. All the documents use a single repayment amount. However, a clause mentions that the calculation is based on the floating rate, thus it may vary when the rate changes. In CL, the repayment amount is fixed throughout the period loan. This repayment amount includes repayment for two portions – interest

payment and principal reduction. On the other hand, in MM financing the repayment amount is also for two portions – *Ijarah* rental and price to purchase the IFI's *Musharakah* unit. In practice, the *Musharakah* unit is mentioned in percentage terms for easy purpose.

Early settlement dimensions are much considered by practitioners in the MRP strategy. For CL, the extra

payment is treated as advance payment in the suspense account, even though the calculation should be based on the reducing balance method. This means the extra payment made by the customer will be put in a suspense account. This money is kept until the banks thinks fit towards the settlement of any liabilities due to the bank. Later, the money is treated as advance payment for the loan. This seems not to be in alignment with the reducing balance method principle. For both MM financing, the guidelines mention the use of rebate (*ibra'*) by IFI but do not state how the extra payment in the suspense account is treated. Although the documents do highlight the *ibra'* clauses, this is subject to the absolute discretion of the IFI.

Findings from Semi-Structured Interview

Further, this study conducted interviews with practitioners to explain the dimensions. This involved interviews with two top management staff from two financial planning firms, specializing in debt planning and endorsed by MFPC to conduct activities relating to financial planning. Thus, the data from the documents study can further be clarified. The participants are labelled as PAR1 and PAR2.

Why IHF terms and conditions are important for Islamic financial debt planning analysis.

First of all, both participants agreed that understanding the dimensions in the terms and conditions of the legal documents is important for debt planning analysis. In addition, the participants stated that those dimensions are essential in both conventional and Islamic financial planning. With regard to how essential an understanding of the dimensions is, PAR1 gave it a score of 90 per cent. He said that he would recommend his colleagues in the firm to learn those basic dimensions. As for PAR2, he stated that he understood the importance and this was because of his work experience and his company management's inculcation of lifelong learning within the organization.

Secondly, both participants stated that understanding the dimensions in the terms and conditions of the legal documents is important to enhance the performance of the employer and the firm.

PAR2 is quoted as saying:

'As Islamic financial planning is still in its infant stage, and we (firm) are in the services industry, staff should

demonstrate strong technical skills, as they (staff) need to deal with both internal and external parties. Thus, it may enhance the performance of the individual. Subsequently, this will reflect the overall performance of the firm.'

Thirdly, the understanding enables a smooth daily internal job routine.

PAR1 stated that:

"Ways of communicating really influence the daily tasks. Using the same language (of those dimensions) enables employees to communicate effectively and prevent misunderstanding."

Fourthly, as marketing tools, the knowledge acquired is needed to develop and maintain the customer base.

This was highlighted by PAR2, who was looking at this from the marketing point of view. He is quoted as saying:

'Marketing services is not same as marketing products. Customers may turn to competitors when they (customers) are unhappy with the marketer. The worst condition would be when our agent does not understand the key dimensions and is unable to explain these to them (customers).'

What are the dimensions in the IHF terms and conditions that are essential to be understood by a practitioner?

Both participants interviewed stated the following IHF dimensions are essential for a practitioner to understand:

1. Type of financing principles

Both participants agreed that the type of financing structure. Practitioners need to understand PAR1 said that the customer generally does not understand the principles behind the agreement. What is important for them is the fund provided to them to obtain the desired house.

PAR2 said:

"Understanding the financing principles itself enables the agent have a complete idea of the financing itself. Thus, he (agent) can share this with the customer and build confidence (in the debt analysis) between them."

2. Financial variables

Conventional financial variables consist of present value, repayment, tenure, and interest. These are essential in determining the financial analysis.

PAR2 explained:

'In our practice, we use the conventional variables such as PV (Present Value), FV (Future Value), PMT (Payment), I (Interest), and N (Number of time periods). Besides the manual calculation, our software has been able to only recognize the (conventional) variables since 10 years ago. An understanding of the Islamic variables will definitely make it easier for agents to work. For example, when we first encountered Islamic financing, our agents were unable to key-in the variables into the system as they did not know which the variables were!'

The floating profit rate has been used extensively in IHF in Malaysia since the regulator (BNM) gave IFIs the approval to use this rate instead of a fixed rate. The profit rate enables practitioners to conduct mortgage audit on the facilities after repayment for a time period.

PAR1 stressed:

"(Mortgage) Audit is essential to determine if the repayment aligns with the profit rate. We do encounter cases where the calculation of the IFI was not in alignment with our calculation. When we wrote to the IFI to enquire (on behalf of the client), the IFI admitted it was their (IFI) mistake!"

3. Early settlement and *ibra'* clause

From the practitioner's perspective, early settlement can be done through monthly extra payment using the 'dollar-cost leveraging' concept.

PAR1 explained:

"In theory, the treatment of the extra payment (from the customer) is supposed to reduce the huge amount of the principal as in a conventional loan balance reducing calculation method. However, when we deal with Islamic loans, we have to take into consideration the early settlement clause too. The treatment of the extra (monthly) amounts which may be kept in the suspense account does not profit the customer."

PAR2 added,

'For example, in a conventional loan, the extra payment is treated as advance payment, which means it is only used to pay future monthly instalments. How does the balance reducing calculation come into this scenario? When we do the mortgage audit (for the customer), it does not show the reduction in the total interest payable to the bank. This is the same with Islamic financing.'

CONCLUSION & IMPLICATIONS

Due to time and situation constraints, researcher found conducting this small scale study still very useful in contributing to an understanding of the important dimensions of IHE which practitioners need. It appears that all participants interviewed stressed that an understanding of the dimensions is essential to achieve comprehensive debt planning study. In the participants' experience, CL which is in a mature stage is more profitable for the customer. MM financing, which uses profit-leasing portions, seems competitive with CL package. The potential of MM financing as an alternative to CL for new house financing has the competitive edge. The main findings are the dimensions needed for Islamic financial debt planning analysis are: type of financing principles, financial variables, and early settlement clauses. Further studies should concentrate on the calculation of the debt planning and the financing behaviour of the customer as related to financial planning. Finally, caution is warranted in the interpretation of the findings of this study, as the Islamic financial planning learning experience pattern will develop as it matures. ■

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The Mediating and Moderating Role of Mood in Stimulus – Organism – Response Model

Goi Mei Teh¹, Vigneswari Kalidas² & Muhammad Zeeshan³

^{1,2,3}Infrastructure University Kuala Lumpur, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Malaysia

ABSTRACT

The popularity of coffee drinking in Malaysia has attracted a lot of local and international retailers to invest in specialist coffeehouse chains. This study adapts the Stimulus – Organism – Response (SOR) model which has been used widely in the retailing environment. Past studies have suggested the role of mood in the SOR model. However, inconsistency in the findings regarding the role of mood in the SOR model has led this study to examine how mood is related to stimulus and response. A consumer intercept survey was conducted to collect data and a total of 377 questionnaires collected from customers of an international and a local coffeehouse chain. The Structural Equation Model was performed to analyse the data. The results indicate that mood has a mediating effect on the influence of stimulus towards customer response. Implications are suggestions to specialist coffeehouses for successful businesses.

Keywords: Stimulus, Organism, Response, Mood

INTRODUCTION

The coffee drinking culture has become popular in Malaysia, attracting a big number of specialist coffee retailers to invest in the store environment. In 2011, coffee sales were RM37.28 million and are projected to increase to RM42.90 in 2016 (Business Monitor International Ltd, 2012). Business Monitor International Ltd (2012) reports that Malaysia's café culture boom is likely to slow down marginally, but customers will look for premium coffee products and brands. In a competitive environment, local coffeehouses have to put in a lot of efforts to create a unique store environment to attract patrons. Old Town White Coffee coffeehouse has established itself as one of the largest operators of café chains in Malaysia with a total revenue of RM255.133 million (Insage.com, 2011). The competition is getting harder with specialist international brand coffeehouses such as Starbucks and Coffee Bean increasing their investment in Malaysia. Starbucks, the largest coffeehouse in the world, entered the Malaysian market in 1998. In 2013, Starbucks had 129 stores operating in Malaysia (Starbucks.com, 2013) and Old Town White Coffee, a Malaysian local coffeehouse, had franchised 224 stores (Starbucks.com, 2013). The competition between international and local coffee-house has been getting tougher. This work represents a rare study of the SOR model focusing on the specialist coffee house store.

Past literature has suggested that the Mehrabian and Russell affect model can be adopted to understand the effect of environments on customer behaviour (Baker, Levy & Grewal, 1992; Vieira, 2013). Most research in retailing has adopted the Mehrabian and Russell affect model and introduced the Stimulus–Organism–Response (SOR) model that requires a stimulus, a set of mediating variables, and behavioural responses (Spies, Hesse & Loesch, 1997; Turley & Milliman, 2000; Yoo, Park & MacInnis, 1998; Vieira, 2013). The model indicates that the environment created (S – Stimulus) can influence customer mood and emotion (O – Organism) and evoke behaviour response (R – Response). Although a lot of research has adopted the SOR model in retailing, the results are inconsistent and no general model has been introduced. Gardner (1985) suggested that researchers can investigate the role of mood in understanding consumer behaviour, since small changes in environments may influence consumers' mood.

Past literature indicates that moods have consistently been shown to play an important role in the retail shopping experiences as an organism in the SOR model (Arnold & Reynolds 2009; Elen, D'Heer, Geuens & Vermeir, 2013; Gardner, 1985; Turley & Milliman, 2000). Gardner (1985) indicated that mood has an important effect on consumer behaviour, especially in the service industry. Arnold and Reynolds (2009) explained that very few studies have examined how mood influences

customer response. Past literature has suggested that two types of role are played by mood between stimulus and response. Firstly, mood has been identified as the mediator (Fiore & Kim, 2007; Gardner, 1985; Lam, Chan, Fong & Lo, 2011). Secondly, mood plays as the role of moderator (De Rojas & Camarero, 2008; Elen et al., 2013). Based on the contradictions in past literature results, additional study is needed to better understand how mood influences the relationship between stimulus and response. Therefore, this study aims to fill the gap to identify the role of mood in the SOR model.

LITERATURE REVIEW

The influence of the Mehrabian and Russell affect model has never been denied by past literature. The SOR model consists of stimulus as an independent variable, organism as mediator, and response as the dependent variable (e.g., Turley & Milliman, 2000; Yoo et al., 1998; Vieira, 2013). Most past literature, except for Daunt and Harris (2012), Lin (2004), and Wong, Osman, Jamaluddin and Chan (2012), has agreed on the three basic variables in developing a retailing model. The dimensions of each variable are varied in past literature (Table 1). For that reason, Turley and Milliman (2000) reviewed literature from 1975 to 1997 on the effect of atmosphere on buying behaviour. This study further reviews literature after 1997 that relates to the adaptation of the SOR model in service industries (Daunt & Harris, 2012; Dong & Siu, 2013; Kim & Moon, 2009; Lam et al., 2011; Walsh, Shiu, Hassan, Michaelidou & Beatty, 2011). Although a number of studies have been conducted on the adaptation of the SOR model in the service industries, current research does not provide an explanation for the effect of mood.

Table 1 shows that emotion has been suggested as playing an important role in the SOR model. Most past literature agrees on the role of emotion as the mediator between stimulus and response (e.g., Lin, 2004; Yoo et al., 1998; Vieira, 2013; Walsh et al., 2011). Gardner (1985) explained that emotion is different compared to mood. Mood usually affects the behaviour of customers more directly and indirectly. Since the impact of the stimulus is beyond a customer's emotion, the effects of mood cannot be denied. For that reason, Moody, Kinderman, and Sinha (2010) introduced both mood and emotion as the mediator. Spies et al., (1997) claimed that very little research had introduced mood as the mediator in the SOR model. The effect of mood on consumer behaviour has been an important issue in retailing studies (Gamble, Garling, Vastfjall, & Marell, 2005) and has been central in studies of retailing model (Arnold & Reynolds, 2009).

Spies et al., (1997) and Gardner (1985) indicated very few studies have attempted to investigate the effects of store environment on customers' mood as the mediator. Spies et al., (1997) specified that mood mediates the relationship between the store atmosphere and the customer's satisfaction and purchasing behaviour. Swinyard (2003), and Yildirim, Akalin-Baskaya and Hidayetoglu (2007) indicated that consumer mood is influenced by the store atmosphere. As a consequence, mood has been found to be associated with customers' evaluation (Bambauer-Sachse & Gierl, 2009; Gardner, 1985). Additionally, Arnold and Reynolds (2009) found mood is directly influenced by marketing stimulus and influences customer reaction. The above findings lead to the following hypothesis:

Table 1: Summary of SOR model

CITATION	INDUSTRY	STIMULUS	ORGANISM	STORE ATTITUDES
Yoo et al (1998)	Retailing	1. Product Assortment 2. Value of Merchandise 3. Salesperson Service 4. After Sale Service 5. Facilities 6. Atmosphere 7. Store Location	Positive Emotions Negative Emotions	Store Attitudes
Turley and Milliman (2000)	Review Past Literature	1. Exterior 2. General Interior 3. Store Layout Interior Displays 4. Human Variables	Employees Customers	Employees Customers
Lin (2004)	Review	1. Visual cues 2. Auditory cues 3. Olfactory Cues	—	1. Emotional response 2. Cognition 3. Behavioural

Kaltcheva and Weitz (2006)	Experiment, participants' view computer screens	Environment characteristics	Arousal Pleasantness	Shopping behaviour
Fiore and Kim (2007)	Literature	1. Ambient cues 2. Design cues 3. Social cues	1. Cognition 2. Consciousness 3. Affect 4. Emotion	1. Actual resource expenditure 2. Perceived resource expenditure 3. Behavioural intentions 4. Composite measures
Kim and Moon (2009)	Restaurant	1. Facility Aesthetics 2. Layout 3. Electric Equipment 4. Seating Comfort 5. Ambient conditions	Pleasure-feeling Perceived Service Quality	Revisit Intention
Lam et al. (2011)	Casino	1. Ambience 2. Navigation 3. Seating Comfort 4. Interior décor 5. Cleanliness	Customer Satisfaction 1. Cognitive 2. Affective	1. Desire to Stay 2. Intention to revisit
Walsh, et al. (2011)	Coffee Shops	1. In-store music 2. In-store aroma 3. Merchandise quality 4. Service quality 5. Price	Emotions (Arousal, Pleasure)	Outcome 1. Store satisfaction 2. Store loyalty
Daunt and Harris (2012)	Hospitality	1. Physical Servicescape 2. Social Servicescape	–	Customer disaffection (Inequity, Dissatisfaction)
Wong, et al. (2012)	Shopping mall	1. Mall/store quality 2. Quality of merchandise 3. Convenience 4. Enhancements 5. Price orientation	–	Shopping enjoyment
Dong and Siu (2013)	Theme park visitors	1. Substantive staging (background, functional) 2. Communicative Staging (Employee behaviour, employee image, cultural, atmospherics)	Service experience Evaluation	1. Experience Intensification 2. Experience Extension
Vieira (2013)	Past literature review	The Environment Characteristic	Emotional - Pleasure - Arousal - Dominance	Shopping Behaviour

H1: Mood has mediating effect on the influence of stimulus towards customer response.

Gamble et al., (2005) found the moderating effects of mood on consumer choice. Based on previous findings, different results were reported by De Rojas and Camarero (2008), and Elen et al., (2013), who suggested that mood plays a role as moderator between stimulus and response. Elen et al., (2013) indicated various explanations for mood effects on consumer behaviour. The study explained that people have a tendency of not using cognition, but rely more on their mood in processing information. Because of the influence of mood on information processing, the study suggested that mood plays a role of moderator in consumer behaviour. Based on the suggestion above, the following

hypothesis was developed. Figure 1 illustrates the research framework.

H2: Mood has a moderating effect on the influence of stimulus toward customer response.

METHOD & MATERIALS

A total of 400 questionnaires were distributed using consumer intercept to the customers of an international and a local coffee houses. Both of these were selected because they are the largest international and local houses in Malaysia. This exclusion is based on the suggestion by Malhotra (2002). The customers were selected because they are directly involved in the service operation and are knowledgeable about the

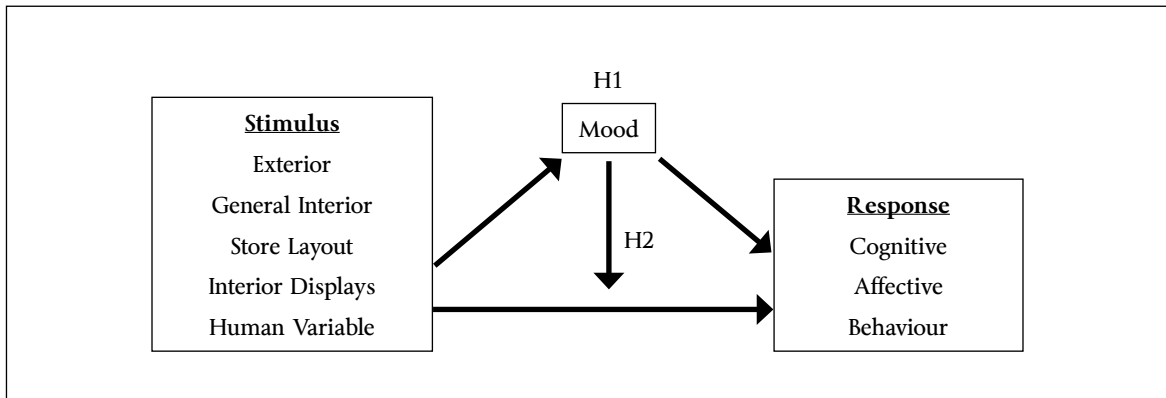


Figure 1: Research Framework

subject under study. The sample was not randomly selected; convenience sampling was adopted. Out of 400 questionnaires distributed, 377 (94.25%) were usable and valid for analyses while 23 had to be dropped due to incomplete response. The usable questionnaires obtained were above the acceptable response rate of 70% as suggested by past literature. Respondents consisted of 50.90% from the international coffee house and 49.1% from the local coffeehouse.

The instrument was developed based on previous studies, which consists of three variables, namely stimulus, mood, and response. The items assessed five dimensions of the stimulus, including exterior, interior, layout, display, and human. The stimulus consists of 33 items from past literature (Daunt & Harris, 2012; Dong & Siu, 2013; Kim & Moon, 2009; Lam et al., 2011; Lin, 2004; Turley & Milliman, 2000; Wong et al., 2012; Yoo et al., 1998; Walsh et al., 2011). The mood consists of 6 items and the items were adopted from Bambauer-Sachse and Gierl (2009), and Kim and Mattila (2010). The response consists of three dimensions (cognitive, affective, and behavioural) and 17 items adopted from Bruggen, Foubert, and Gremler (2011). A five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree was used.

The results of the reliability test show Cronbachs alpha for dimensions of organizational climate that ranged from 0.62 to 0.89 (Table 2). Confirmation Factor Analysis (CFA) was performed to check the validity of the instrument. All items were loaded above 0.50 and the Average Variance Extracted (AVE) was above 0.50 (Table 2). Therefore, no items needed to be dropped from the factors. The results of the standard deviations

(SD) and skewness values did not suggest problems with the assumptions of normality.

FINDINGS AND DISCUSSION

Structural Equation Model (SEM) test was performed to investigate the mediating and moderating role of mood on the influence of stimulus towards customer response. Table 3 presents the results. Both the goodness-of-fit index (CFI) and normed fit index (NFI) values exceeded the recommended 0.90. The root mean squared error of approximation (RMSEA) for mood as a moderator between stimulus and response was slightly high compared with an accepted level of 0.08, but for mood as the mediator role was less than the recommended value. Overall, the proposed model provided an acceptable fit to the data.

The hypothesized relationships in the model were assessed and the results are shown in Table 4. With respect to the mediating effect of mood, the stimulus significantly influenced the response ($\beta=0.49$, $p=0.001$). The stimulus significantly and positively influenced mood ($\beta=0.89$, $p=0.001$), and the mood significantly influenced the response ($p=0.26$, $p=0.001$). The regression weight for mood as mediator was significant ($p<0.01$), but not significant as moderator ($p>0.05$).

To determine whether the influence of the stimulus on response is partially mediated by mood, bootstrapping was employed and found the standardized indirect effects of stimulus toward response equal to 0.22. Therefore, mood was found to play a role as mediator between stimulus and response. Figure 2 illustrates the role of mood as mediator and Figure 3 illustrates the role of mood as moderator. These results suggest

Table 2: Descriptive Analysis

VARIABLE	DIMENSIONS	NO. OF ITEMS	CRONBACH'S ALPHA	AVE	MEAN	SD	SKEWNESS
Stimulation	Exterior	6	0.78	0.60	3.37	0.67	-0.16
	General Interior	11	0.87	0.61	3.43	0.64	-0.43
	Store Layout	7	0.81	0.62	3.37	0.63	-0.31
	Interior Display	3	0.75	0.71	3.38	0.77	-0.28
	Human Variable	6	0.84	0.69	3.38	0.71	-0.27
Organism	Mood	6	0.85	0.59	3.37	0.72	-0.43
Response	Cognitive	4	0.81	0.73	3.41	0.77	-0.28
	Affective	4	0.81	0.73	3.47	0.75	-0.32
	Behavioural	9	0.91	0.73	3.28	0.76	-0.27

that mood does not play a dual role in influencing the relationship between stimulus and customers' response.

Hypothesis 1 (H1) is supported and consistent with Arnold and Reynolds (2009), Bambauer-Sachse and Gierl (2009), Spies et al. (1997), and Swinyard (2003). The indirect effect of mood was found to answer Gardner's (1985) doubt. Hypothesis 2 (H2) was not supported and not consistent with De Rojas and Camarero (2008) and Elen et al., (2013). The results should come as no surprise, because the review of past literature of Fiore and Kim (2007) and Turley and Milliman (2000) found mood not listed as the moderator. Three possible moderators were identified from past literature, namely personal traits, demographic characteristics, and market segments (Fiore & Kim, 2007).

CONCLUSION & IMPLICATIONS

This study provides two conclusions. First, the results show that stimulus directly influences customer mood and has an indirect influence on customers' cognitive, affective, and behavioural responses. Second, the results found that mood does not play a role as moderator between stimulus and response as claimed by past literature.

This work represents a rare study of the SOR model focusing on the specialist coffeehouse store. This study further verifies the findings of past studies which confirm that the role of mood between stimulus and response. The results of this study contribute to theories of how mood influences the relationship between stimulus and response. The conceptual framework tested in this study helps explain the relationships of mood as the mediator in enhancing customers' response. Although

Table 3: Fit Indices of the Model

	χ^2	df	χ^2/df	GFI	NFI	RMSEA
Mediating	97.26	25	3.89	0.94	0.97	0.08
Moderating	143.69	25	4.64	0.93	0.97	0.09

Table 4: Regression Weights of the SOR Model

Mood		Mediator			Moderator		
Path		Estimate	SE	p	Estimate	SE	p
Mood	← Stimulus	0.89	0.054	0.001**	1.09	0.55	0.05*
Response	← Mood	0.26	0.045	0.001**	0.26	0.06	0.07
Response	← Stimulus	0.49	0.062	0.001**			
Response	← Stimulus*Mood				-0.16	0.14	0.25

Note. *p<0.05, ** p<0.01

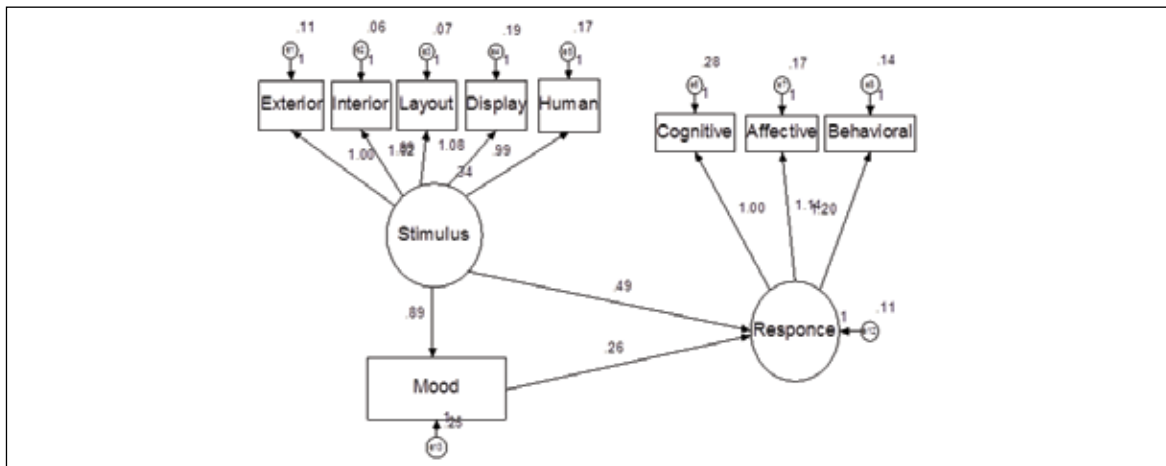


Figure 2: Mood as Mediator

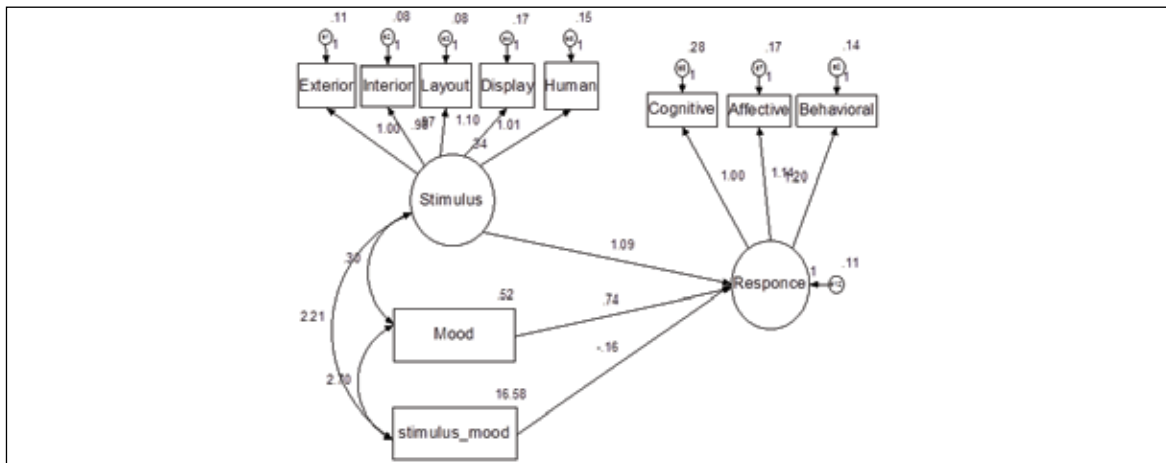


Figure 3: Mood as Moderator

stimulus directly influences customer response, the stimulus by the retailer has a stronger influence on the customer's mood. Specialist coffeehouses invest a lot of money to ensure that their customers have an excellent environment while dining in their stores. This study provides insight into how customer mood influences customer response towards the store environment. Retailers can use different elements of the store environment to influence the mood of the customer. An employee that serves customers directly plays an important role to ensure the customer keeps a positive mood.

There are ample opportunities remaining for further research. First, the model may help researchers develop future research in identifying the role of mood in the

SOR model. Moreover, future research may investigate new mediators and moderators in the SOR model. Second, the model can be tested with other coffeehouse stores involving more brands. Since the samples used in this study were only from two coffeehouse stores, the sampling may be biased. For the sake of generalisation, future studies should collect data that involve more stores. Another limitation pertains to the measurement of mood. Past literature shows the redundancy of items that load on the variables between mood and emotion. Future research may consider developing better instruments that clarify the dimensions of the organism. Finally, a moderator can be introduced in the model. Most past studies suggested various types of moderator such as personality, culture, and customers' involvement level. ■

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The Effects of Financial Literacy, Financial Management and Saving Motives on Financial Well-Being among Working Women

Mohamad Fazli Sabri^{1,2} & Teo Tze Juen³

^{1,3}Department of Resource Management and Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia, 43400 Serdang, Selangor, Malaysia

²Sustainable Consumption Research Centre
 Faculty of Human Ecology, Universiti Putra Malaysia

ABSTRACT

The increased cost of living for Malaysians has made individuals and households more aware of the importance of managing their finances. The purpose of this study is (1) to identify the levels of financial literacy, financial management, saving motives and financial well-being of working women; (2) to explore the differences in financial well-being based on demographic characteristics of working women; (3) to identify the determinants of financial well-being among working women. The sample consisted of 447 women working in public agencies located in four states in Peninsular Malaysia, selected through the multi stage sampling technique. Data was collected through self-administered questionnaires. The results of this study show that respondents with moderate levels of financial literacy and financial well-being score a high level of financial management. There are statistically significant differences in financial well-being between married and single respondents (marital status), and between those with different educational levels (total years of education). There are significant relationships between financial literacy, financial management and saving motives with financial well-being. Demographic characteristics (age, educational level and marital status), financial literacy, financial management, and saving motives have significant influence on financial well-being as saving motives are a major contributing factor to financial well-being in terms of independent variables. Overall, age is the greatest predictor of financial well-being among working women.

Keywords: Financial Literacy, Financial Management, Saving Motives, Financial Well-Being

INTRODUCTION

As we move into the 21st century, many countries in the world including Malaysia are experiencing growing ageing populations i.e. a growing number of older persons, due to improvements in general health care. The Department of Statistics, Malaysia estimates about six per cent of the total Malaysian population comprised persons aged 60 years and above in 2000. This means that one out of every sixteen persons in Malaysia today is sixty years or older. As people expect to live longer than before, they also face greater chances of experiencing poverty and outliving available income and assets. In terms of the life expectancy of the different genders, Malaysian women have consistently outlived men by four years or more in the past 20 years. In 2012, life expectancy at birth for men was recorded at 72.6 years but the national average for women was

77.2 years. The 2000 Census recorded 1,620,500 persons aged 65 years or over and 840,600 of them were women (Department of Statistics, 2013). This means that 51.9% of the elderly population in Malaysia is female.

Older Malaysians need basic knowledge about money as they might have financial problems without this (Chen & Volpe, 1998). For instance, most working people (before becoming senior citizens) invest their savings passively, entrusting some government body or financial experts to do it for them while they wait for the gains from dividends or returns. However, previous surveys reveal that a majority of retirees spend almost all of their Employees Provident Fund or EPF savings within a few years after retirement (Mazanah & Mazalan, 2002). Lack of personal financial knowledge limits personal financial practices and may cause financial problems, resulting in lower financial well-being. As such, financial

literacy is very critical to maintain a high quality of life during retirement.

With the size of the female population having increased from 11.5 million in 2000 to 13.9 million in 2009, women continue to be a primary force in influencing the development of future generations and contributing to the economy. The participation rate of women in the labour force increased from 44.7% in 1995 to 45.7% in 2008, and the number further improved to 49.5% in 2012 (Department of Statistics, 2012). However, a large number tend to exit the labour force early due to family and personal commitments. Although on average, the mean wage disparities between women and men decreased from a ratio of 1:1.16 in 2006 to 1:1.08 in 2009, the rate of decline has been slow. Furthermore, 155,600 women were unemployed in 2009, including 16,182 married women, 2,178 widows and 2,956 divorcees.

With longer life expectancies, women live more years in retirement and thus are at greater risk of outliving their assets. Women earn less than men in nearly all occupations. Lower earnings over the course of their careers have a negative impact on women's financial well-being. With income that is only a fraction of men's, women are more likely to live in poverty and depend on Social Security to make ends meet. As empowerment of women is a key agenda in the Tenth Malaysian Plan (2011-2015), the Government will increase their efforts towards addressing issues confronting women to enable them to realize their full potential and participate more effectively in the economic and social development of the country.

Lack of planning has important consequences for saving and portfolio choice; those who do not plan tend to accumulate far less wealth than those who plan, and non-planners are also less likely to invest in stocks and tax-favoured assets (Lusardi & Mitchell 2007). Therefore, there is a need to increase Malaysian women's knowledge and understanding of what they have at present and whether this will allow them to live comfortably during their later life. When an individual does not have proper knowledge of planning for later life, they might think that depending solely on their pension after retirement is enough for them to live. According to Malaysia-based research, older people have a low level of financial literacy. (Chan, Masud, Hamid, & Paim, 2010).

The Federation of Malaysian consumers Associations' (FOMCA) 2011 report found consumers have poor financial management. The report revealed that 72% of consumers are not well prepared in their retirement planning. This situation should be improved as according to Taylor-Carter, Cook and Weinberg (1997), planning for retirement life should not be done in a short term period as long term financial management will enhance planning for retirement.

Khan, Zakaria, Abdullah, Hassan, and Yaacob (2011) reported that Malaysia has a high savings rate. This shows that Malaysians are aware of the importance of saving towards financial well-being. However, the saving motives remain unknown as they are personal. Unexpectedly, higher saving motives can result in a healthy lifestyle as a good and comfortable lifestyle indicates a good condition in financial well-being (Haron, Sharpe, Abdel-Ghany & Masud, 2012). Borzi (1995) says that people tend to have a positive mind if they are confident of saving enough for their later life. However, the survey findings also show there are people who have not started to save funds for their retirement life.

Objectives:

1. To assess the financial literacy levels of working women
2. To investigate the financial management activities performed by working women
3. To determine saving motives among working women
4. To determine financial well-being among working women
5. To identify the factors affecting financial well-being among working women

LITERATURE REVIEW

Financial Well-Being

The terms "financial well-being" and "economic well-being" were used interchangeably in past research (Fergusson, Horwood, & Beautrais, 1981; Hong & Swanson, 1995). Financial well-being is a wide concept which includes several dimensions (Taft, Hosein, Mehrizi, & Roshan, 2013). Traditionally, financial well-being has been viewed from the material perspective, which includes income and expenditures (Fergusson

et al., 1981). A more modern definition suggested by Van Praag, Frijters, & Ferrer-i-Carbonell (2003) includes other non-material areas in the idea, and defines financial well-being as satisfaction with job, financial situation, house, health, leisure, and environment. Joo (2008) stated that financial well-being is a feeling that comes from the ability to meet the needs to get a healthy financial situation and this only happens when the individual is satisfied and feeling comfortable with their current financial situation.

As suggested by Lusardi and Mitchell (2006), those who report poor retirement planning can be considered people who have a low level of financial well-being. Beehr (1986) developed a model in order to explain the attitudes of pre-retirees towards retirement. Beehr (1986) proposed the influences of personal factors and environmental factors on pre-retirees' retirement decisions. According to Beehr's model (Beehr, 1986), one's financial well-being can greatly affect one's retirement decisions. Positive financial well-being will push the individual to leave the workplace (retire) while negative financial well-being will pull the individual to stay in the workforce. For instance, those with positive financial states are more likely to plan for early retirement voluntarily (Beehr, 1986; Kimmel, Price, & Walker, 1978). In contrast, those who suffer from financial hardship are less likely to retire (Kimmel et al., 1978). Moreover, results reported by the National Senior Productive Ageing Centre (2012) show that retirement status has an effect on financial well-being. Non-retirees report lower financial well-being but retirees report higher financial well-being.

Financial Literacy

Lusardi (2009) found that individuals with high financial literacy are more likely to prepare and plan for their future. The complexity of the financial world is the main barrier for people to fully understand financial concepts (Samy, Nagar, Huang, & Tawfik, 2008). Failure to acquire financial knowledge will increase the risk of having a bad quality of life in later years. In addition, past research claimed that women tend to report lower financial literacy than men (Lusardi & Mitchell, 2008). Based on the findings of Lusardi and Mitchell (2008), many women fail to answer questions regarding finance correctly. As financial literacy is a significant predictor of financial well-being, women might have lower financial well-being due to poor financial literacy (Taft et al., 2013).

Apart from that, Theodos, Kalish, McKernan and Ratcliffe (2014) reported both married and single women show different levels of financial knowledge and of financial well-being at the same time. Nyamute and Maina (2011) argued that people who are financially literate are able to understand the benefits of advance well prepared planning. Despite the importance of financial literacy towards financial well-being, it is important to take note that many people are financially illiterate (Taft et al., 2013).

Financial Management

Those who implement financial management regularly are perceived to have more positive retirement preparedness (Kim, Kwon & Anderson, 2005). This is as retirement planning requires long term financial planning and frequent involvement in financial management, leading to a high level of financial well-being. Long term commitment to financial planning will enhance and strengthen pre-retirees' confidence in their retirement plan (Taylor-Carter et al., 1997). However, Lytton and Porter (1995) stressed that not many people practise financial management as suggested by educators and researchers. A gap exists between knowledge and action (Commission for Financial Literacy & Retirement Income, 2013).

Although many people understand the importance of financial management, not many people actually apply the knowledge into real actions. However, a recent study conducted by Zaimah, Sarmila, Lyndon, Azima, Selvadurai, Suhana and Er (2013) found that most female teachers in Malaysia reported healthy financial practice. The respondents reported especially good results in the cash management dimension (as compared to planning, saving, and credit card dimension). For example, more than 80% of the respondents pay utility bills and loan instalments on time. As the findings of Zaimah et al. (2013) contradict the arguments of Lytton and Porter (1995), further study on this issue will be beneficial.

Savings Motive

Based on the findings of Kim et al. (2005), individuals with high savings are more likely to show more satisfaction in their later life. This is because people often view saving as the main preparation for retirement. As people save and accumulate retirement wealth, they will feel confident and comfortable for having sufficient funds to live during their golden years. In turn,

improving an individual's financial well-being can help them to develop suitable saving motives for themselves (Yao, Wang, Weagley & Liao, 2011). As setting a goal for saving motives is a main requirement before starting to save, people who save without motives will have less financial well-being (Lewis & Messy, 2012).

METHOD & MATERIALS

The sample in this research consisted of 447 women working in public agencies located in four urban areas in Peninsular Malaysia in the states of Penang (North), Johor (South), Terengganu (East) and Perak (West). Samples were selected using multistage sampling technique. At the second stage of random sampling, government agencies located in urban areas were randomly selected. Then, the selected agencies were contacted and the purpose of the study was explained to the person in charge. Once approval was given, enumerators were sent at the appointment times given. The data was collected using self-administered questionnaires which were distributed through the human resource department personnel of the selected agencies. The data was coded and analysed using SPSS to identify the determinants of financial well-being among working women.

Variable Measurement

Financial Well-Being

The measurement of financial well-being was adapted from Financial Well-Being Scale developed by O'Neil, Prawitz, Sorhaindo, Kim and Garman (2006). This consists of twelve statements with a ten-measurement scale to determine respondents' attitude, behaviour and confidence from financial aspects. Scale 1 is the lowest score and scale 10 is the highest score. Some examples from the items are: "Have confidence to control your finance" and "Confident of having enough money to be comfortable during old age". The respondents were asked to choose the most suitable answer for them in each statement given to describe their financial situation. In this section, financial well-being was divided into three categories, namely low mean score (12-48), medium mean score (49-85) and high mean score (86-120). The Cronbach's alpha reported was 0.798.

Financial Literacy

Financial literacy was measured by an instrument developed by Sabri and MacDonald (2010). Thirty-four statements were given to respondents to measure their level of financial literacy. Respondents were asked to decide if the statements given were true or false. One point was given to statements answered correctly and zero points were given for wrong answers. Higher percentage scores indicated a higher level of financial literacy. In this section, financial literacy was divided into three categories, namely low mean score (0-11), medium mean score (12-23) and high mean score (24-34). The average score was 18.17, with a standard deviation of 5.34. The Cronbach's alpha reported was 0.781.

Financial Management

Financial management in this study was measured by using an instrument involving thirteen items with two scales developed by Hogarth and Anguelov (2004). Respondents were asked to choose the statements which fit them best. Examples are, "Clear all bills in time" and "Plan before taking any loan". In this section, financial management was divided into three categories, namely low mean score (0-4), medium mean score (5-9) and high mean score (10-13). The average score was 9.54, with a standard deviation of 1.873. The Cronbach's alpha reported was 0.468.

Saving Motives

Saving motive in this study was measured by using an instrument involving thirty two items adapted and adopted from Haron et al. (2012). Respondents were asked to choose the saving motive which fit them best. Then, all thirty two items were grouped into four main reasons to save: saving for emergency, saving for retirement, saving for family and saving for other purpose. Furthermore, for the purpose of regression analysis, the variables were grouped into two categories, one as saving for retirement and zero for otherwise.

FINDINGS AND DISCUSSION

Respondents' Profile

Table 1 shows the respondents' profile in terms of demographic characteristics. The results show that 36.9% respondents were in the 30 to 39 age range. The mean age of the respondents was 35.80 years. Most of the respondents were Malay (88.8%), followed by Chinese (2.2%) and Indian (2.2%), and one was in the "Other" category (6.7%). 72.2% of the respondents were married and 24.7% of the respondents were single. As for the educational background of the respondents, 51.4% respondents had completed secondary school. 79.9% respondents came under the RM1, 000 to RM3, 000 monthly income range. 21.3% respondents had a

Table 1: Respondents' Profile

BACKGROUND	FREQUENCY (N=447)	PERCENTAGE (%)
AGE		
20 – 29	140	31.3
30 – 39	165	36.9
> 40	142	31.8
Mean= 35.80		
ETHNIC		
Malay	397	88.8
Chinese	10	2.2
Indian	10	2.2
Other	30	6.7
EDUCATIONAL LEVEL		
Primary School	1	0.2
Secondary School	228	51.4
Tertiary	215	48.4
MARITAL STATUS		
Married	521	72.2
Widowed	15	2.1
Divorced	8	1.1
Single	178	24.7
MONTHLY INCOME (RM)		
Below 1,000	13	2.9
1,000 – 3,000	357	79.9
3,001 – 5,000	95	21.3
Above 5,001	5	1.1
Mean= 2,233.58		

monthly income of RM3,000 to RM5,000. Only 1.1% of the respondents earned above RM5,001. The mean for the respondent's monthly income was RM2,233.58.

Financial Status

Table 2 shows the financial status of the respondents. Respondents were asked about the percentage of their monthly savings. The results show that slightly more than half (58.5%) of the respondents saved at least 1 to 10 per cent of their income. 27.9% of the respondents saved about 10 to 20 per cent while 8.4% of the respondents were able to save more than 20 per cent of their income. 5.2% of the respondents never saved.

Table 2: Financial Status

VARIABLES	FREQUENCY (N=447)	PERCENTAGE (%)
PERCENTAGE OF MONTHLY SAVING		
0%	23	5.2
1% - <10%	258	58.5
10% - <20%	123	27.9
>20%	37	8.4
ASSETS TO DEBT RATIO		
Assets < debt	102	23.3
Assets = debt	157	35.8
Assets > debt	179	40.9
INCOME ADEQUACY		
Not enough	40	9.0
Just enough for basic needs	198	44.6
Enough for most things	129	29.1
Enough to buy all the things wished for and can save money	77	17.3
PERCENTAGE OF MONTHLY LOAN PAYMENTS (INCLUDING PAYMENT OF HOUSING OR LAND)		
0%	17	3.9
>0% - <20%	123	27.9
20% - <40%	164	37.2
> 40%	137	31.1

The respondents were also asked about the adequacy of their current income. Most respondents (44.6%) felt that their current income was just enough to meet their basic needs only while 29.1% of the respondents said that their current income was enough for most things and 17.3% of the respondents were able to buy anything that they wished and they could save as well. 9.0% of the respondents stated that their current income was not

enough to meet their basic necessities. As for financial status, the results show that 40.9% of the respondents had more assets than debt, whereas 23.3% of the respondents had fewer assets than debt. Only 35.8% of the respondents had an equal amount assets and debt. In terms of percentage of monthly loan payments, 34.5% of the respondents fell into the 20% to 40% category.

Financial Literacy Level

General knowledge

Respondents were given nine statements related to general knowledge. There was an interesting outcome in this general knowledge subscale. 65% of the respondents did not have knowledge of bankruptcy as they gave the wrong response to the statement "Individuals who are declared bankrupt are not allowed to apply for a loan of more than RM1,000". Only 34.5% respondents gave the correct response to the statement "A person may be declared bankrupt for failing to pay debts of RM30,000".

Credit Card

Five statements regarding credit cards were given to the respondents. Table 3 shows that only 34.1% respondents knew that a yearly income of RM24,000 was the minimum requirement for credit card application. 79.9% respondents thought that a credit card holder can spend without limit while only 26.6% respondents

understood that the statement "owning a credit card will increase one's purchasing power" was not correct.

Debt and Loan

Six statements were used to test respondents on their knowledge of debt and loan. Only 30.2% respondents agreed with the statement "Buying goods on credit will reduce purchasing power in the future". This revealed that a large number of respondents did not understand that buying on credit might affect their purchasing power in the future. On the other hand, 90.6% respondents gave the correct response to the statement "The cost of cash purchase is lower than credit purchase".

Islamic Banking and Products

Eight statements on knowledge of Islamic banking and products were given to respondents. Results in Table 3 reveal that respondents were not very knowledgeable of Islamic banking and Islamic financial products. Only 22.6% of the respondents gave the correct response to the statement on interest rates and return on deposits with an Islamic bank. 30.6% respondents gave the correct response to the statement "Takaful uses a combination of Tabarru' (donation) obligation of mutual help, mudharabah (profit-sharing) and wakalah between the operator and the insured". More than half of the respondents (54.6%) knew that the takaful plan is divided into two (general takaful and family takaful).

Table 3: Financial Literacy (n=447)

NO.	ITEMS	CORRECT ANSWER	CORRECTLY ANSWERED n (%)	WRONGLY ANSWERED n (%)
1. GENERAL KNOWLEDGE				
a.	Counselling and Debt Management Agency (CCDMA) offers financial loans	False	179 (40.1)	267 (59.9)
b.	An increase in food prices will reduce purchasing power	True	309 (69.1)	138 (30.9)
c.	A balance sheet shows the financial status of a person	True	330 (73.8)	117 (26.2)
d.	A statement of cash flows (earning) shows the income and expenses of the family on a certain date	True	326 (73.1)	120 (26.9)
e.	The Central Credit Reference Information System (CCRIS) is a credit bureau that collects, processes, creates credit information	True	178 (40.0)	267 (60.0)
f.	A guarantor for a loan can also be declared a bankrupt	True	331 (74.5)	113 (25.5)
g.	Individuals who are declared bankrupt are not allowed to apply for a loan of more than RM1,000	True	156 (35.0)	290 (65.0)
h.	A person may be declared bankrupt for failing to pay debts of RM30,000	True	154 (34.5)	292 (65.5)
i.	A family does not need a Will	False	389 (87.8)	54 (12.2)
2. CREDIT CARD				
a.	A credit card holder can spend without limit	False	357 (79.9)	90 (20.1)
b.	Owning a credit card will increase one's purchasing power	False	119 (26.6)	328 (73.4)

c.	Cash withdrawals using a credit card is a form of low-cost financial resource	False	272 (61.1)	174 (38.9)
d.	There is no charge for cash withdrawals using a credit card	False	294 (65.8)	153 (34.2)
e.	Credit card applicants should have at least a yearly income of RM24,000	True	152 (34.1)	294 (65.9)

3. DEBT & LOAN

a.	Buying goods on credit will reduce purchasing power in the future	True	135 (30.2)	312 (69.8)
b.	A high deposit payment will reduce the cost of a loan	True	343 (76.7)	104 (23.3)
c.	The cost of a cash purchase is lower than that of a purchase on credit	True	405 (90.6)	42 (9.4)
d.	The longer the repayment period, the lower the overall cost of a loan	False	334 (74.7)	112 (25.1)
e.	A person can spend more than 40% of his net income to pay monthly instalments	False	147 (33.1)	297 (66.9)
f.	The interest rate for unsecured loans such as personal loans is usually lower than the interest rate for secured loans such as home loans	True	146 (33.1)	295 (66.9)

4. ISLAMIC BANKING & FINANCIAL PRODUCTS

a.	Islamic banking is interest-free	True	219 (49.5)	223 (50.5)
b.	Deposits with Islamic banking have higher interest rates and different returns	False	100 (22.6)	343 (77.4)
c.	Islamic banking borrowing costs are not fixed and depend on the business outcome	False	124 (28.0)	319 (72.0)
d.	The concept of Islamic banking investment is based on profit sharing (mudharabah) only	True	178 (40.2)	265 (59.8)
e.	Takaful uses a combination of tabarru' (donation) obligation of mutual help, mudharabah (profit-sharing) and wakalah between the operator and the insured	True	186 (42.1)	256 (57.9)
f.	Takaful funds can only be invested in instruments that meet Shariah requirements	True	214 (48.3)	229 (51.7)
g.	There are two takaful plans: general takaful and family takaful	True	242 (54.6)	201 (45.4)
h.	A takaful contract is based on the principle of utmost good faith (trust) which means you need to disclose all relevant information	True	135 (30.6)	306 (69.4)

5. SAVING & INVESTMENT

a.	We have overspent when we withdraw money from our savings to buy daily necessities	True	365 (81.8)	81 (18.2)
b.	Storage is surplus income after deducting expenses	False	78 (17.5)	367 (82.5)
c.	The interest rate for a savings account is higher than the interest rate for a fixed deposit account	False	212 (47.5)	234 (52.5)
d.	All forms of investment are always profitable	False	227 (51.2)	216 (48.8)
e.	A family is recommended emergency savings of at least 3 months' income	True	360 (81.3)	83 (18.7)
f.	EPF contributions are just enough to meet our requirements during old age	False	359 (81.4)	82 (18.6)

Table 4: Level of Financial Literacy (n= 435)

Saving and Investment

Six statements on saving and investment were given to the respondents. Only 47.5% of the respondents gave the correct response to the statement "The interest rate for a savings account is higher than the interest rate for a fixed deposit account. Slightly more than half of the respondents (51.2%) provided the correct response to the statement "All forms of investment are always

VARIABLE	n	%
FINANCIAL LITERACY		
Low (0-11)	30	6.9
Moderate (12-23)	341	78.4
High (24-34)	64	14.7
Mean= 18.17, SD.= 5.3358		
Min.= 5, Max.= 34		

profitable", revealing that respondents clearly did not understand that not all investments are profitable.

Table 4 shows the financial literacy scores by categories. The results indicate that most of the respondents (78.4%) had a moderate level of financial literacy. 14.7 % of the respondents had the highest level of financial literacy while 6.9% of the respondents had a low level of financial literacy. Therefore, the results reveal that most working women have a moderate level of financial literacy.

Financial Management

Table 5: Financial Management

ACTIVITIES	YES n (%)	NO n (%)
Keep an expenses record	392 (88.5)	51 (11.5)
Plan for expenses or budget	429 (96.8)	14 (3.2)
Loan payment/ credit made on schedule	353 (79.9)	89 (20.1)
Clear all bills in time (utility bills)	421 (95.2)	21 (4.8)
Have financial goal	427 (96.6)	15 (3.4)
Own insurance/ <i>takaful hayat</i>	233 (53.0)	207 (47.0)
Own insurance/ <i>takaful kesihatan</i>	233 (52.8)	208 (47.2)
Have a will	122 (27.8)	317 (72.2)
Keep record of debt payment	329 (74.6)	112 (25.1)
Have a debt list	296 (67.0)	146 (33.0)
Plan before taking any loan	391 (88.5)	51 (11.5)
Have a financial plan for needs for short-term goals	355 (80.1)	88 (19.9)
Have nominated beneficiaries	230 (52.0)	212 (48.0)

Table 5 shows that 88.5% of the respondents always kept their expenses record updated. A huge number of respondents (96.8%) always planned their expenses or budget. The results also show that only a small number (27.8%) of respondents had prepared their will. This indicates that most respondents were not aware of the importance of preparing a will. However, 90.5% respondents always tried to settle their loans early. This good habit should always be maintained. Only 25.1% respondents did not keep a record of their debt payment and 11.5% respondents never planned before they took a loan.

Table 6: Financial Management Level (n = 435)

VARIABLE	n	%
Financial Management	392(88.5)	51(11.5)
Low (0 - 4)	6	1.4
Moderate (5 - 9)	196	45.1
High (10 - 13)	233	53.6
Mean= 9.54, SD.= 1.8728		
Min.= 4, Max.= 13		

Table 7: Saving Motives

ITEMS	n	%
Main reason to save money		
Saving for emergency	56	12.6
Saving for retirement	184	41.3
Saving for family	188	42.2
Saving for other purpose	17	3.8

Based on the results shown in Table 6, many respondents (53.6%) fell into the category of a high level of financial management. Only a few respondents (1.4%) revealed a low level of financial management. 45.1% of the respondents displayed a moderate level of financial management. In sum, most working women displayed a high level of financial management.

Saving Motives

As Table 7 shows, 41.3% of the respondents stated their saving purpose was saving for their retirement funds. 42.2% of the respondents said they saved for the family, for example for children's education funds, preparation for the birth of a baby and so on. 3.8% of the respondents responded that their saving motive was for other purpose, for example for vacation funds, for renovation of home and so on.

Financial Well-Being

The respondents' financial well-being was measured with twelve statements indicating their financial status. The respondents were asked about their satisfaction with their current financial situation, current financial adequacy and how confident they were of having enough money to cover their life after retirement. The highest mean score (6.78) as shown in Table 8 was for the ability to manage personal finances. The mean score of 4.00 represented that few respondents faced a problem in paying their bills frequently. Apart from that, the respondents had high confidence they could easily get RM1,000 for emergency use (mean= 6.16) and they also had confidence that they had enough money

Table 8: Financial Well-Being Mean Scores and Standard Deviation

NO.	STATEMENT	MEAN SCORE	STANDARD DEVIATION (SD)
1.	Overall financial situation	6.15	1.837
2.	Today's financial situation	5.55	2.082
3.	Current financial situation	6.13	1.761
4.	Current financial adequacy	6.09	1.631
5.	Have enough money to pay off debt/ loan	5.96	1.682
6.	Have enough money to cover retirement life	6.16	1.809
7.	Income earned that covers expenses for a month	4.96	2.020
8.	Paying monthly bills (electricity, telephone, instalment, credit card)	4.00	2.265
9.	Ability to control personal finances	6.72	2.010
10.	Ability to manage personal finances	6.78	1.971
11.	Easy to get a sum of RM1, 000 for emergency	6.16	2.328
12.	Concern on overall personal finances	5.78	2.055

Table 9: Level of Financial Well-Being (n = 442)

VARIABLE	n	%
Financial Well-being		
Low (12 - 48)	25	5.7
Moderate (49 - 85)	361	81.7
High (86 - 120)	56	12.7
Mean= 70.44, SD.= 1.3130E1		
Min.= 32, Max.= 104		

Table 10: Multiple Regression

VARIABLE	B	SEB	β
Age	.301	.068	.223***
Educational Level	.764	.218	.176**
Marital Status (Married)	4.446	1.455	.154**
Financial Literacy	.297	.118	.121*
Financial Management	1.112	.324	.160**
Saving Motives	4.608	1.228	.175***
R^2	.211		
Adjusted R^2	.199		
F	18.468***		

Note. *p < .05, **p < .01, ***p < .001

for their retirement life as the mean score for this was also 6.16. This action of saving money for retirement needs to start as soon as possible as starting to save earlier can increase one's retirement funds (Kim, Kwon, & Anderson, 2005) and will also lead to a higher level of financial well-being.

Table 9 shows that most of the respondents (81.7%) had a moderate level of financial well-being. 12.7% of the

respondents had a high score for level of financial well-being while 5.7% of the respondents had a low score for level of financial well-being. Hence, a large amount of working women displayed a moderate level of financial well-being and only small amount of working women had a high level of financial well-being.

Based on the multiple regression results in Table 10, six variables contributed 19.9% of the variance towards financial well-being. This happened as some other potential factors affecting financial well-being were not discovered. By referring to the table of Coefficient, the Beta value shows which variable makes the strongest unique contribution to explain the dependent variable and the significant value will explain whether the variable makes a significant unique contribution to the prediction of the dependent variable. Out of three demographic characteristics, two demographic characteristics (educational level and marital status) were significant at the 0.01 levels. Meanwhile age contributed the most to the variance. By comparing the beta coefficients among those three significant variables, age had a slightly higher influence on the financial well-being of working women compared to educational level and married status with beta values of .223, .176 and .154 respectively. From the results obtained, the total of three independent variables, financial literacy, financial management, and saving motives were also significant. Overall, saving motives was the greatest predictor towards financial well-being among working women (Beta= 0.175).

The results show that age contributes most significantly towards financial well-being, which means the older the person, the higher the financial well-being. Marital status also contributes to financial well-being as a married couple can achieve higher financial well-being more easily. Apart from that, educational level also makes a unique contribution to financial well-being. The positive correlation between education and financial well-being indicates that a higher educational level could allow people to easily reach comfortable financial well-being.

The results are consistent with previous literatures (Taft et al., 2013; Sabri & Falahati, 2012; Yao et al., 2011), which state that financial literacy, financial management and saving motives positively predict financial well-being. Results indicate that those with a higher level of financial literacy and a higher level of financial management have greater financial well-being. Individuals who have knowledge of the various aspects of finances, particularly in relation to their financial needs are more likely to make the right decisions and to be capable of using the skills to manage their personal finances. In addition, a high level of financial management can help the individual to manage their finances through budgeting and intensify their efforts to generate income and protect their future financial needs.

CONCLUSION & IMPLEMENTATION

The purpose of this study was to assess the levels of financial literacy, financial management, saving motives and retirement confidence of women working in the public sector. The results reveal that a majority of the respondents (78.4%) fell within the category of moderate level of financial literacy and 81.7% of the respondents fell in the category of moderate level of financial well-being. This indicates that people need to receive more guidance on financial literacy and financial management for financial well-being. Respondents who had a low level of financial management are encouraged to participate in programmes related to financial management. 53.6% of the respondents had a high level of financial management. This indicates that these respondents are well prepared in their financial aspects with their management skill.

The findings of this study indicate that the financial literacy of working women are at a moderate level as some of the financial aspects are present at a low level. This can be seen when respondents were not able to provide the correct answers for the financial literacy scale in terms of general knowledge of bankruptcy. Moreover, many working women have a low understanding of the basic concepts of credit cards as a number of them did not know that using a credit card will not increase their purchasing power and a number did not know about the minimum income requirement when applying for a credit card.

The financial management of working women needs to be improved in order to help them improve their ability to manage their finances and increase their financial well-being in the future. They need to avoid making wrong decisions that may affect their future financial well-being. For instance, managing well their personal finances in advance can make them feel confident as they will be well prepared for their retirement, increasing their financial wellbeing as well. The findings in this study revealed that working women scored the highest in level of financial management. However, only a few of the respondents had prepared their will and around half of the respondents had prepared their bequest for their next generation.

The saving motive was the most unique predictor towards financial well-being in this study. As suggested by previous research, goals of saving for retirement need to be enhanced and encouraged in order to increase personal financial well-being (Yao et al., 2011). However, the findings of this study demonstrated that a quarter of the respondents were saving for retirement purpose.

Women need to have a better understanding of financial well-being. This study revealed a moderate level of financial well-being among women. Some respondents faced the problem of paying their bills in time and some had the problem of not having enough money to cover their expenses. These findings suggest that the relevant organizations in Malaysia need to take actions to improve the financial literacy and financial management of working women in order to enhance their financial well-being.

However, there are some limitations in this study as this study only focussed on four variables (financial

literacy, financial management, savings motives and financial well-being). More variables (for example, ethnicity, gender difference, income, duration of pre-retirement financial planning, etc.) could be added to determine more aspects of financial well-being. So, many uncertainties still remain in this study. Other than that, there may have been respondents' bias as the questionnaire was a self-reported questionnaire. There could also have been misunderstandings in the meaning of the content of the questionnaire or an overestimation of their ability to live well during retirement life.

The findings of this study can benefit both society and the government. People can be made more aware and knowledgeable by understanding the importance of how being prepared for retirement can affect financial well-

being. Working women need to increase their financial knowledge in order to improve their financial well-being. They can enhance their financial knowledge by attending courses or talks related to financial well-being. Apart from that, the saving habit needs to be instilled at an early age so that they have more time to start their saving and reach their saving goals as well. Financial education should be fostered in the workplace as it will be easy to reach working women during working hours. According to Garman, Kim, Kratzer, Brunson, & Joo (1999), attending financial education programmes can enhance the financial well-being of individuals. Hence, the government should carry out more activities related to financial planning to increase people's awareness of the importance of financial wellbeing. ■

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Malaysian Public Sector Employees' Financial Preparedness and Personal Financial Plan Implementation

Husniyah Abdul Rahim^{1,2} & Mohamad Fazli Sabri^{3,4}

^{1,3}Department of Resource Management and Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia, 43400 Serdang, Selangor, Malaysia

^{2,4}Sustainable Consumption Research Centre of Excellence (SCoRE)
Faculty of Human Ecology, Universiti Putra Malaysia

ABSTRACT

A stable economic situation would minimize uncertainties in a longer time horizon. A stable economic situation and job security enable individuals to plan effectively for their future life. This study aims to determine the perceived financial preparedness of employees in the Malaysian public sector regarding their future needs based on age, differences in future financial preparedness and financial plan implementation based on each financial dimension among the identified financial adequacy groups. Multistage sampling based on states, departments and name lists was employed in this study resulting in 472 usable self-administered questionnaires. Slightly more than half of the respondents perceived their future financial preparedness was adequate based on their current personal financial preparation. Among those who perceived their financial preparation as adequate for their old age, financial preparedness tended to increase with age and all aspects of perceived future financial preparedness achieved scores above mean. This shows that the financially adequate respondents were confident that they were prepared in all aspects of financial preparedness. They were most confident about their preparation for health needs, expenses and emergency fund during their retirement or old age. Financially adequate respondents also saved more than the financially inadequate group, had better cash-flow, had more investments and subscribed to insurance for protection. Although public sector employees are supposed to be financially prepared for their old age through their present job security and pension scheme, they are still financially ill-prepared, especially the younger employees. This study suggests that early intervention programmes by employers and financial institutions would enable the potential ill-prepared to take advantage of the time value of money.

Keywords: Financial Preparedness, Personal Financial Plan, Public Sector

INTRODUCTION

The stability in the economic situation would enable financial products and services to be extended to customers for their own benefit through their life cycle. Various products and services offered by financial institutions for a longer time horizon have been developed to consider risks or uncertainties faced by individuals. Economic risks as faced by individuals in daily life are loss of job, sickness, bankruptcy, failure of loan repayment, poverty and hardship or pauperism at old age (Goldsmith, 2009). As for public sector employees, the risks faced are protected by having job security through permanent jobs. Furthermore, the national pension scheme for these employees would

assist in reducing such risks. Similar to private sector employees, the long term savings of those who opted for the Employees Provident Fund are also protected. Hence, a stable economic situation together with job security enables individuals to plan effectively for their future life.

Financial preparation for specific financial needs by individuals would increase their ability to handle such situations financially. Planning for future financial needs is indeed crucial for those with constrained financial resources; hence, a longer time frame is required for such families to be able to achieve financial goals. It is thus critical to address actions contributing to the adequacy of future financial needs earlier in one's life.

In order to be able to consume more in the future, individuals have to decide on how much not to consume in the present. This decision maximises the expected satisfaction or the expected utility gained from the consumption over the planning horizon of the decision maker. It involves the theory of choice where individuals choose to allocate scarce resources and distribute wealth among one another.

In the long run, individuals have to make decisions whether to consume now or choose to save and later consume more. Thus, individuals have a choice between current consumption and future consumption, which depends on the time preference of consumption and different degrees of risk aversion (Copeland, Weston & Shastri, 2005). Time preference of consumption of an individual, on the other hand, depends on the individual's preferred time horizon (Bryant, 1990). Future-oriented time horizon individuals sacrifice current consumption for increased future consumption. Alternatively, present-oriented time horizon individuals prefer current consumption as opposed to future consumption. Present-oriented time horizons are in line with the perceptions of teenagers who demand instant gratification (Herbig, Koehler & Day, 1993) and would prefer not to sacrifice current needs and wants.

However, in any circumstances whether the preference is for current consumption or future consumption, an individual may have some kind of financial plan, be it simple or comprehensive. In developing a financial plan, various aspects of financial management strategies are involved, such as a strategy to obtain maximum return from income, to increase income. Protection against financial risk and to create savings. Individuals may use credit wisely in purchasing assets, for example in using credit to purchase a house or car as compared to purchasing electrical goods or furniture on credit. Investment may be a choice to increase income among individuals who become investors in equity shares, unit trust and other types of investment. Protection against financial risk may be obtained through insurance or takaful policies, namely life insurance or takaful, health insurance for family members or credit insurance for personal loan and housing loan. Having a budget will enable individuals to control spending as well as set a saving level.

Whether individuals are prepared financially for their future undertaking would be reflected in the financial plans that individuals have implemented. To what extent do individuals work out their financial plan through the products and services available to them? Hence, their perception of their financial preparedness for their old age should be identified earlier. This study aims to determine individuals' perceived financial preparedness for their future needs based on age, differences in future financial preparedness and financial plan implementation based on each financial dimension among the identified financial adequacy groups.

LITERATURE REVIEW

Planning for financial needs for old age requires a detailed plan. Financial planning for the individual, namely personal financial planning (PFP) as stated by Altfest (2004) originates from both the economics and finance fields, which involve the contributions of Becker and Modigliani. As an economist, although Becker was interested in the macroeconomic effects of human capital and education decisions, the decisions made by individuals involved planning of their finances. Through the life-cycle hypothesis of savings, Modigliani stated that decisions on consumption and savings are based on lifetime income and consumption. Hence, allocation of lifetime income is distributed in financial planning. Individuals make planning in an efficient manner which includes the identification of specific financial goals such as saving for children's education and having specific methods of savings. A comprehensive plan is later designed, implemented and monitored to achieve the stated goal with the possibility of being reviewed (Kapoor, Dlabay & Hughes, 2004). Thus, this activity enables the family to be financially prepared for their future by planning ahead.

Old age financial resources among 1,726 elderly respondents aged more than 60 years old were identified in a 1999 study carried out by Institute of Gerontology as reported by Husniyah and Jariah (2002). The analysis found that less than one-third reported obtaining income from their own earning while slightly more than half indicated receiving money from their daughter or son. Slightly more than half of the elderly reported that they had been working previously. The results indicated that the majority of the elderly including those who were working previously depend on their children to support

them. The respondents were not limited to public sector retirees only. Further analysis revealed that almost one-fifth of the elderly respondents indicated that they did not have enough money for food. More than one-third of the elderly indicated that their income would last only for daily needs and more than half of the elderly were facing difficulties in their living. This reflected that these elderly had not saved enough, which may have been due to low income or not having a secure job. Without sufficient funds, these older people will not be able to live a comfortable life.

Past studies on the effect of age on financial status during retirement or old age focused on net worth, debt-to-asset ratio and debt-to-income ratio. A study on retirees and non-retirees comparing their levels of net worth revealed a non-significant difference between retirees and non-retirees (Lahey, Kim & Newman, 2003), suggesting that net worth was not affected by age. Thus, retirees may not be financially prepared for their retirement life. An earlier study on debt-to-asset ratio of farmers found it to be negatively related to age (Scannel, 1990). Older farmers were having lower debt-to-asset ratio as compared to younger farmers. This result led to the conclusion that older farmers were more financially well off than younger farmers.

Among US households, Sumarwan and Hira (1992) identified the debt-to-income ratio of households' money managers. They found that older money managers with higher household income had smaller debt-to-income ratio compared to younger money managers with lower household income. Hong and Swanson (1995) obtained similar results regarding the relation of age to debt-to-income in their study on elderly women above 55 years old. The debt-to-income of the elderly was negatively related to their age. Other variables studied were levels of income and emergency fund which were positively related to the elderly.

Apart from financial ratios used to study financial status, there was a study on the savings of households during the period 1952 to 1999 among the population in Taiwan. Older individuals were found to have a higher savings rate; however, the savings rate was reduced due to social security provisions and enhanced credit availability (Athukorala & Tsai, 2003). Similarly, a local study on household microdata in Malacca by Ariffin, Wook, Ismadi, Mohd Saladin, and Nor Ghani

(2002) concluded that age was positively related to consumer savings. Concurrently, another local study revealed that age was significant in predicting financial wellness (Mohd. Fazli, Jariah, Karen & Laily, 2008). These studies supported that age was a significant factor in predicting objective financial well-being. However, from these studies, the extent of financial adequacy during old age is unclear.

A study on specific financial practices among US households by Xiao, Sorhaindo, and Garman (2004) found that having developed a plan for an individual's financial future was among the three financial behaviours that increased financial satisfaction. Meanwhile, budgeting, preparing cash-flow statement, comparing the income-expense statement to the budget and estimating net worth were found to be essential to effective financial management (Davis and Weber, 1990). Another study revealed that among female participants in the Women's Financial Information Program (DeVaney, Gorham, Bechman & Haldeman, 1996), saving regularly increased their feeling of satisfaction about their finances. Baek and DeVaney (2004) found that those paying off outstanding credit card balances, saved for future expenses, saved regularly, and spent less than their income were more likely to meet the liquidity ratio guideline than those who did not. These findings suggest that households involved in those practices are more likely to experience good financial well-being.

An earlier study in the US found that younger managers rather than older ones were more likely to have written financial plans (Titus, Fanslow & Hira, 1989). Only one-fifth of the money managers who were mainly young had written financial plans for them to review. This revealed that younger people rather than older ones developed a financial plan. However, a study on spending plan specifically found that older women were more likely to use a spending plan (DeVaney et al., 1996). Budgeting classified as short-term planning was practised by these older women.

Local studies on personal financial planning have not been extensive. One of those carried out was a study by Mohamad Fazli and Jariah (2003) on personal financial planning among university students in Malaysia. The results revealed that students incorporate several activities of planning such as having financial goals, planning the usage of money, implementing their

financial plans and making regular savings. The study further identified differences among ethnic groups i.e. Malay, Chinese and Indian students, taking into account an item on planning before making any financial decisions. Another study was conducted by Husniyah, Mohd. Fazli and Ahmad Hariza (2005) on the setting of financial goals and planning to increase income among families.

One local study focused on specific financial goals such as on education planning and retirement planning (Nurizan, Aizan & Norisma, 2004). This descriptive study on the retirement preparation of public sector employees revealed that the employees had financial goals such as savings for retirement, child education, pilgrimage to Mecca and for small business capital. Another study that looked at the extent of financial planning found that household income had a negative relationship with financial planning (Husniyah et al., 2005). Households with higher incomes were concluded to be less involved in financial planning as compared to households with lower incomes.

A later study found similar results, concluding that those earning less are more likely to have a comprehensive financial plan (Husniyah and Mohd. Amim, 2013). High involvement in financial planning by low income earners may be due to the financial constraints that they face. Furthermore, the study found that financial stability predicted comprehensive financial planning, suggesting that lower income workers experienced better financial stability as compared to those earning more (Husniyah & Mohd. Amim, 2013).

Even though the financial practices may be in the form of a financial plan that individuals develop, the outcome from financial practices was not studied in most of those studies. However, studies on the effect of financial practices found that having a financial plan and savings were consistently related to financial satisfaction. Another study determining the effect of financial practices on financial well-being was by Husniyah and M. Fazilah (2011) who found a significant positive effect of investment on Malaysian employees' financial well-being, among other dimensions of financial practices. These studies only determined the effect of financial practices on the respondents' current status of financial well-being and not on their expectation of their future financial well-being.

METHOD & MATERIALS

This empirical study investigates public sector employees residing in Peninsula Malaysia via a multistage random sampling on the states, departments and name lists. Five states were randomly selected from 12 states in the first stage of sampling, followed by the selecting of one urban and one rural area from each state and later choosing a department from the public sector in each area. A liaison officer at each of the selected departments was appointed to assist in the random sampling of respondents in those departments, with a target of 50 respondents from each department.

Data derived via 472 self-administered usable questionnaires inquired on respondents' background, perceived financial preparedness for old age and present perceived financial practices. Perceived financial preparedness for old age was assessed using the ordinal scale of adequacy and was also based on adapted financial dimensions. Financial practices as a measure for implementing a financial plan were determined through the extent of financial activities performed. A pre-test was conducted among public university staff in 2012 for face validity prior to data collection and the internal consistencies of the items for each dimension of financial practices was justified with commensurable reliability scores of more than 0.6 (Nunnally, 1994), between 0.648 to 0.784.

The five dimensions of financial practices resulted from factor analysis on 22 items with two items dropped. KMO measure of sampling adequacy was 0.868 with a significant Bartlett's test of sphericity ($\chi^2 = 3531.783$; sig = 0.0001). The cash flow dimension consisted of six items as follows: pay bills before due date, have good recordkeeping, make written budget, unwritten budget, identify amount of income, spend according to budget. The credit management items were: plan before taking credit/loan, have a list of debt, keep repayment bills and repay loan according to schedule. The savings dimension comprised three items: make plan to save for long-term, save for long-term and save for emergency fund. Investment dimension items were: invest in various types of investment, invest in unit trust and invest in equity shares. Insurance items were: purchase insurance for transportation/house, oneself, family members and for credit/loan.

Apart from describing the distribution of the variables measured, a chi-square test determined the association between financial adequacy groups and respondents' age groups. The financial dimensions that were perceived to be more prepared and to be more implemented by the two financial adequacy groups were identified using independent sample t-test. For this purpose, the respondents were categorized into two groups based on their responses to "In your opinion, will your current financial preparation be able to prepare adequate money for your old age?" Those who responded "inadequate" were in the financially inadequate group while those who responded "adequate" and "more than adequate" were in the financially adequate group.

Table 1: Profile of Respondents

BACKGROUND OF RESPONDENTS	FREQUENCY (n = 472)	PERCENTAGE (%)
AGE (YEARS)		
19 to 29	124	26.0
30 to 39	124	26.9
40 to 49	116	24.9
50 and more	102	21.9
GENDER		
Male	310	65.7
Female	158	33.5
EDUCATION		
Non-graduate	389	82.8
Graduate	81	17.2
MARITAL STATUS		
Single	93	20.0
Married	373	80.0
FAMILY SIZE		
1 to 3	38	8.8
4 to 6	228	53.0
7 to 9	130	30.2
10 to 13	34	7.9
WORKING EXPERIENCE (YEARS)		
< 0 to 10	247	52.7
11 to 20	95	20.3
> 20	127	27.0
MONTHLY HOUSEHOLD INCOME		
< RM 3,500	278	58.9
≥ RM 3,500	194	41.1

FINDINGS AND DISCUSSION

Profile of respondents

The distributions of the respondents' background are displayed in Table 1. The age of the respondents were distributed almost evenly across the four age groups, with slightly more young respondents. The average age of the respondents was 39 years. Two thirds were male respondents and only one-fifth of them were graduates. The majority of the respondents had a small family of six or less and were married. Slightly more than half of the respondents had working experience of 10 years or less and had a monthly household income of less than RM3,500, which is below the mean income of the Malaysian population. The low income is justified with

Table 2: Old Age Financial Preparedness

Old Age Financial Preparedness	Frequency (n = 472)	Percentage (%)
Inadequate	203	43.0
Adequate	256	54.2
More than adequate	13	2.8

the education background and the age of the majority of the respondents.

Financial preparedness

Financial preparedness of the respondents was determined from the responses for "In your opinion, will your current financial preparation be able to prepare you adequately for your old age?", which are displayed in Table 2. Slightly more than half of the respondents perceived their future financial preparedness was adequate based on their current financial preparation. It seems that less than half of the respondents who perceived themselves as less financially prepared had not been preparing much for their old age. Only a very small portion of the respondents reported they perceived themselves as having prepared more than enough for their retirement. This was most probably the response from those near retirement age. The preparation of the public sector employees in this study are better than the outcome from a study by Institute of Gerontology (Husniyah & Jariah, 2002) where more than half of the elderly aged above 60 years stated that they were having financial difficulty. However, the elderly respondents were not limited to public sector retirees only.

Table 3: Financial Information

FINANCIAL INFORMATION	FREQUENCY (N = 472)	PERCENTAGE (%)
SAVING PER INCOME RATIO		
0%	53	11.2
< 20%	278	58.9
20% - < 40%	119	25.2
≥ 40%	22	4.6
INSURANCE PREMIUM PER INCOME RATIO		
0%	137	29.0
< 20%	226	47.9
20% - < 40%	93	19.7
≥ 40%	16	3.4
NET WORTH		
Negative (Asset value < Debt value)	149	32.5
Zero (Asset value = Debt value)	161	35.2
Positive (Asset value > Debt value)	148	32.3
FINANCIAL RESOURCES DURING RETIREMENT		
Pension/Gratuity	404	85.6
EPF	85	18.0
Investment	41	8.7
Savings	175	37.1
Retirement Account in Bank	26	5.5
Life Insurance/Takaful	60	12.7
Children	40	8.5

With regard to respondents' financial information, Table 3 shows that less than one-third of the respondents saved more than 20 per cent of their income. According to DeVaney (1993), the monthly savings ratio should be at least 10 per cent of the monthly income. A majority of the respondents (58.9%) saved less than 20 per cent while 11.2 per cent of the respondents saved nothing. As for those who purchased life insurance or takaful, the majority paid monthly insurance premium of less than 20 per cent of their income. Less than one-third of the respondents did not purchase any life insurance. Almost a quarter of the respondents paid quite a large amount of monthly premium for their life insurance, more than 20 per cent of their income.

Positive current net worth was only experienced by one-third of the respondents. However, as slightly more than half of them were still young, they were most probably

Table 4: Old Age Financial Preparedness Based on Age

Age (years)	OLD AGE FINANCIAL PREPAREDNESS		CHI-SQUARE TEST	
	Financially inadequate n = 203 n (%)	Financially adequate n = 263 n (%)	χ^2	Sig. (p)
19 to 29	63 (50.8)	61 (49.2)	12.371	0.006
30 to 39	62 (50.0)	62 (50.0)		
40 to 49	47 (40.5)	69 (59.5)		
50 and more	31 (30.4)	71 (69.6)		

at the early stage of loan repayment. Those that were near retirement might have paid a large portion of their loans, which contributed to the one-third having positive net worth. With a majority of them in the pension scheme and to be receiving a lump sum of gratuity upon retirement, this may have contributed to their perception of their future financial preparedness.

Table 4 shows the results of old age financial preparedness based on age. The perception of being financially adequate in terms of financial preparation increased with age. More older respondents confidently perceived their financial preparation as enough to support their future financial needs. The longer the time horizon towards retirement, the less confident they felt in terms of their financial preparation. Thus, young employees were found to be less confident of their future financial preparedness, which may have been due to the longer time period to old age. As the time value of money plays a main role in savings, the current total amount of savings is lower at a younger than at an older age. This study revealed a positive association between age and future financial preparedness.

Approaching retirement, older respondents may have saved and accumulated assets for longer. Their amount of savings would be at the highest level, which may be higher than the amount targeted to save. In terms of accumulation of fixed assets, the assets may have been financed through loan products. The owner's equity value of the asset would have increased over time since the first loan repayment, and this would have contributed to the confidence of the owner in terms of future financial preparedness. The trend of increasing

Table 5: Differences in Future Financial Preparedness between Financial Adequacy Groups

ASPECTS OF PERCEIVED FUTURE FINANCIAL PREPAREDNESS	OLD AGE FINANCIAL PREPAREDNESS		t- Test	
	FINANCIALLY INADEQUATE (n = 203) MEAN	FINANCIALLY ADEQUATE (n = 269) MEAN	t	Sig. (p)
Savings level	2.71	3.39	-7.659	0.000
Debt level	2.99	3.16	-1.908	0.057
Investment level	2.66	3.14	-5.200	0.000
Income level	2.80	3.49	-8.107	0.000
Asset level	2.88	3.42	-6.209	0.000
Health level	3.29	3.59	-3.795	0.000
Emergency fund level	3.11	3.54	-5.243	0.000
Expenditure level	3.04	3.55	-6.342	0.000

* Mean score reference = 3.0

confidence with age was as expected; however, only 69% per cent of the respondents in their fifties and above were confident that they were adequately financially prepared for their old age. Since the time horizon to retirement is shorter for those who are near retirement age, not much can be done to ensure financial adequacy during retirement.

The aspects in which they were either financially not prepared or financially prepared are displayed in Table 5 which shows the differences in future financial preparedness for each financial dimension between financial adequacy groups. Among the financially adequate respondents, all aspects of perceived future financial preparedness were above the mean score of 3.0. This showed that the financially adequate respondents were confident that they were prepared for all aspects of financial preparedness. They were most confident with their preparation for health needs, expenses and emergency fund during their retirement or old age. Their perception of their preparation for health needs can be justified by the pension scheme for public employees providing free medical treatment in public hospitals and clinics. As there would be fewer dependents during retirement due to children joining the work force, the family expenses would be lower during retirement and as such they foresaw a low demand for emergency funds.

The result for emergency fund preparation for old age in this study is similar to the result from the study by Hong and Swanson (1995) on emergency fund preparation for older women above 55. The results in

Table 4 show that future financial preparation increased with age and Table 5 reveals that savings was among the aspects that contributed to financial preparedness. It can thus be deduced that savings increase with age. Past studies have consistently found that savings increase with age (Ariffin et al., 2002; Athukorla & Tsai, 2003; Mohd. Fazli et al., 2008).

Those respondents that perceived themselves as not prepared adequately for their future needs were less prepared in terms of savings, debt, investment, income and asset. They were actually least prepared in their savings as compared to the other aspects, particularly health. Even for financially inadequate respondents, health needs can still be supported in their old age due to the free medical treatment available for those who opt to receive a pension rather than contribute to EPF. What had they actually done to arrive at their perception of financial preparedness? The following section covers the financial practices performed by respondents according to the two groups of financial adequacy.

IMPLEMENTED FINANCIAL PLAN

Table 6 gives the results of the differences in the financial practices of the financially adequate and the financially inadequate groups. The individual financial plan will be transformed into the individual financial practices. Table 6 shows that between those in the financially inadequate and the financially adequate groups, there are differences in tendency to save, cash-flow management, investment and insurance practices.

Table 6: Differences in Financial Plan Implemented Between Financial Adequacy Groups

DIMENSIONS OF IMPLEMENTED FINANCIAL PLAN	FINANCIAL PREPAREDNESS		t- Test	
	FINANCIALLY INADEQUATE (n = 203) MEAN	FINANCIALLY ADEQUATE (n = 269) MEAN	t	Sig. (p)
Savings (3 items)	10.97	11.73	-3.047	0.002
Cash-flow (6 items)	20.61	21.68	-2.460	0.014
Credit (4 items)	13.94	14.10	-0.0459	0.646
Investment (3 items)	6.73	7.48	-2.923	0.004
Insurance (4 items)	11.91	12.90	-2.698	0.007

*scores ranges from 1 to 5 for each item

Financially adequate respondents saved more than financially inadequate respondents, had better cash-flow management, and had more investments and insurance coverage. The respondents made more savings to achieve the financial goals they had set in their financial plan, written or unwritten, and spent wisely. Investment was used as a strategy to increase their income in the long run. Protection against risks through purchasing insurance either for their transportation, house, themselves or family members made respondents feel more secure. For accumulating fixed assets, insurance was purchased as a guarantee for loan repayment to the loan provider in case of the policy owner's death. The results on savings and investment are consistent with past studies (Baek & DeVaney, 2004; DeVaney et al., 1996; Husniyah & Fazilah, 2011).

However, in terms of credit, neither group was different in managing their credit. The use and management of credit did not make any difference to the perception of financial adequacy for old age. The extent of managing credit for the financially inadequate group was almost the same as for the financially adequate group. Credit management did not contribute to the preparation for financial needs. As such, involvement in credit or loan would not affect their financial preparation for old age.

CONCLUSIONS AND IMPLICATIONS

More than half of the respondents perceived themselves as having adequate preparation for their retirement even though slightly more than half were young employees. There was a trend of increasing confidence in financial preparedness contingent on age; however, not all respondents who were in their fifties were confident that they were financially adequate for old age. As these respondents were nearing their retirement

age, they are in a critical situation as not much can be done to ensure they achieve financial adequacy during retirement.

Due to this, early intervention programmes should be undertaken especially in the case of those having low income so that they can benefit from the time value of money. They need a longer time to save for their retirement financial needs as compared to high income employees. The awareness of having to start saving early is crucial for them and the responsibility to educate them should be shared by the employer. Financial institutions can tap into this issue for their own benefit by offering retirement savings products for young employees instead of offering them for employees nearing retirement age. This will indirectly contribute to the economic growth of the country.

The financial plan developed by individuals should comprise the various aspects of financial matters other than just having a savings plan. Investment and insurance planning should be considered for a more comprehensive plan. Even for public employees with guaranteed financial resources upon retirement, their current financial standing may not be sufficient to cover their retirement financial needs upon retirement. Other sources for future financial needs should be prepared earlier in their lives. Although public employees are supposed to be financially prepared for their old age through their job security and pension scheme, they are still financially ill-prepared, especially the younger employees. Early intervention programmes by employers and financial institutions will enable them to take advantage of the time value of money. Future studies may want to focus on the suitability of available financial products in the market in fulfilling employees' long-term financial needs planning. ■

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Fee Payment in Islamic Wealth Management Services

Anuar Shuib¹

LUTC-F, ChFC, RFP, Shariah RFP, IFP, EMFP (OUM)

VKA Wealth Planners

*¹E-7-27, 101 Boulevard, Jalan Kenari 5, Bandar Puchong Jaya,
47170 Puchong, Selangor*

INTRODUCTION

Islamic Wealth Management (IWM) is a relatively new term in the wealth management industry except for those who keep updated on developments in the global financial industry. The phenomenal growth in the Islamic Wealth Management industry, both in Malaysia and worldwide has resulted in a parallel increasing need for professionally qualified human capital. To meet this need, IBFIM was set up in 2001 and INCEIF was set up by Bank Negara Malaysia (Central Bank of Malaysia) in 2006. IBFIM and INCEIF have trained students from 70 countries around the world, helping to ease this shortage.

MALAYSIA OUTLOOK

Various Islamic Wealth Management products are introduced each year to satisfy the growing need. However, as mentioned earlier, the challenge lies in meeting the growing need for more professionally qualified Islamic Financial Intermediaries. In Malaysia today, there are only a very small number of Independent Wealth Management Intermediaries and only 19 firms have so far been approved by Bank Negara Malaysia.

IWM is a controlled industry in Malaysia. Bank Negara Malaysia approves Financial Adviser firms and Securities Commission Malaysia issues the licence to Financial Planning firms to practice IWM business.

Many firms still focus on product peddlers since most of the firm's founders were formerly Agency Leaders from various Insurance/Takaful and Unit Trust companies. They cannot just instruct their agents who are insurance/takaful or unit trust agents to simply transform their

way of doing business from single product selling to multi products selling without preparing them. The agents need to be transformed from being agents to being advisors. They must understand the clients' needs rather than just understand the products. Time will be needed to provide them with the required training and knowledge.

INCOME SOURCE FOR FINANCIAL INTERMEDIARIES

Insurance/Takaful Agent

Insurance/Takaful agents are contracted with insurance/takaful companies as agents representing the company. They are paid commission based on the products sold to clients. How is the commission derived? It comes from the fee charged to the client and the cost is borne by the client. Can Insurance/Takaful companies reduce that cost if there is no agent's commission? They certainly can. But the challenge is that if the agent is not paid, no one would want to be an agent and thus the products cannot be sold via intermediaries.

Let us look at another issue. The insurance/takaful agent has a commitment to the company they represent as stated in the "Maintenance of Contract". The agent must generate a certain amount of sales to maintain the contract with the company they represent, failing which the contract can be terminated. Once the contract is terminated, the client list which was originally brought into the company's account by the agent is owned by the company. This leaves the agent with nothing; all their efforts in getting clients for the company will stop generating any income for them.

This is a real issue since the agents will need to strive for new business, which is translated into new clients every year and being unable to provide their services to the clients due to their limited capacity to serve each client, they may thus end up neglecting their clients. This will eventually result in neglected clients having a negative impression of the industry. A study by LIMRA highlights that the optimum number of clients per agent is 300 clients per agent, a number that productive agents can easily reach within less than 3 years.

Unit Trust Agents

Unit trust agents face a similar issue concerning their earning as they, too, receive their remuneration through commission from the unit trust company they represent. The unit trust company will need to charge a fee to clients in order to pay the agents their commission. The commission can be up-front or as trailer which is annual and depends on the amount of funds staying in the Unit Trust company's book.

These agents also need to maintain their contract with the unit trust company by bringing a minimum amount of new business to the company, failing which the agent's contract can be terminated.

Financial Advisers

Financial Advisers are intermediaries who represent the client and provide clients with advice regarding their insurance/takaful needs. They must not represent any insurance/takaful company as then they will be advising the client on which insurance/takaful product or company that suits the client's needs. They must represent the interest of the client to seek the best solution available.

They cannot maintain a contract with any insurance/takaful company since that will be in conflict with their main task which is to represent their client and not any insurance/takaful company.

They will ensure that insurance/takaful company will not have direct access to the client's details unless the client allows it and the financial adviser is willing to provide those details. The financial adviser must protect the clients' information and must not reveal it to any third party including any insurance/takaful company unless required by law or allowed by the clients.

Insurance/takaful companies are not allowed to directly communicate with the client without the knowledge of the intermediary since client ownership is the financial adviser's and not insurance/takaful company's.

Financial Planners

Financial Planners are intermediaries who represent clients, giving them financial planning advice and they may charge fees. Financial planners may recommend any product available to best meet the client's need. The product provider must not communicate with the client unless with the knowledge of the financial planner.

Corporate Unit Trust Advisers

These are intermediaries who represent their client and provide advice on the unit trust product that best meets the client's needs. The product manufacturer or the unit trust company will pay them commission on upfront fee and trailer fee on the product sold to the client. Corporate unit trust advisers cannot represent any unit trust company since that will create a conflict of interest as the corporate unit trust adviser is representing the client and not the company.

Fee Payment in Islamic Wealth Management

In Islamic Wealth Management, the product is considered secondary and advice is the main concern. It is more process oriented for each client and therefore the advisor has a heavy responsibility as the client's future depends on the planning and implementation as the result of the process.

IWM cannot be on a commission basis since the licensed/approved IWM practitioners will need to take the client through the processes, which will be very time consuming, depending on the complexity of the client's situation. During the initial interview with the client, the practitioner needs to ascertain the terms and conditions of the engagement to avoid misrepresentation. Once the clients understand these, they will generally agree to the fee involved as long as there is a basis for it. If they do not understand the basis for the fee, the client will in most cases reject the fee. However, it must be remembered that none of the financial services provided by financial intermediaries are free of charge. The cost must be borne by someone. In the case of insurance/takaful agents, the commission cost is already built into the premium and thus the

client actually bears the cost of the services provided by the insurance/takaful agent to enable the agent to receive the commission. The same is true in the case of unit trust agents where there's an upfront sales charge imposed per unit sold to the client, which varies from 3% to 6%. This will be used to pay for costs, among which is the agent's commission.

Among the fee payment methods practised in the IWM industry are:

1. Project Basis

IWM practitioners will inform the client of the work that needs to be performed to satisfy the client's objectives and thus all the cost involved will be borne by the client. This method requires the practitioner to tell the client of the time and the processes involved and the total cost upon completion of the project. The project can be "a la carte" such as only helping the client to plan their investment needs or it can be comprehensive, where the practitioners will look into every aspect of the client's wealth and produce comprehensive IWM reports and actions. The project time frame normally varies, depending on the task required and can be within a month to 24 months. The IWM practitioner will dictate the cost and once the client agrees, will start the work and normally, the client is required to pay the initial fee before the IWM practitioner begins the job.

2. Hourly Basis

The IWM practitioner may inform the client of his hourly cost. The IWM practitioner will inform the client upfront regarding his time cost and the estimated time frame needed for the work the client needs so the client will know the total cost for the IWM practitioner to complete the task.

3. Asset Value Basis

The IWM practitioner will inform the client the fee rate they charge the client, which is dependent on the value of the assets the client has. The IWM practitioner will show the client the band of assets value and the percentage of the fee charged. For example: for RM100K and below: RM2500, above RM100K to RM1Million: 2%, above RM1Million to RM5Million: 1.5% and above RM5Million: 1%.

4. Package Basis

The IWM practitioner will inform the client of the cost of the package. For example, for a Risk Management package the fee can be RM2500; For an Investment package, the IWM practitioner will charge another RM2500 as a retainer fee. Normal case for this type of fee the IWM practitioners will limit the work they perform to avoid overpromising the client. There are a few other IWM packages offered to clients.

5. Hybrid

This is the use of a combination of the methods above to charge the client. Upon the client's agreement, they will dictate whether to have an upfront fee or not.

IWM thus gives practitioners and clients choices. Furthermore, with advances in technology and the widespread availability of the Internet, clients and practitioners can communicate almost instantaneously and a fast response by the practitioner is needed to enhance the client-practitioner relationship and provide a better understanding of the job agreed upon.

IWM practitioners cannot provide free services to clients since the only remuneration they receive is the client fee. They must therefore come up with a fair fee system. As for the clients, they will understand that the payment of fees is essential and will in return provide them value from the services provided to them by IWM practitioners. With this understanding, practitioners can better promote the industry and the clients can have a better understanding of what they can get by having IWM practitioners as their financial advisors to better strengthen their future financial position.

CONCLUSION

For the agency system, unit trust agents and insurance and takaful agents get remuneration in the form of commission. For IWM practitioners and conventional/ Islamic Financial Advisors, their remuneration is in the form of a fee. Both costs are transferred to clients and for them, there is no difference between the two. The difference lies in the quality of service provided-whether the practitioner delivers quality service or does not deliver on their promises to the client. To be a successful Islamic Wealth Management Financial Advisor, one has to certainly provide quality services. ■

Financial Planning to Make Our Retirement Years Golden Ones

Dato' Steve Ong¹
 CFP

¹Private Pension Administrator (PPA)

*Level 6, Menara Mudajaya, No.12, Jalan PJU 7/3, Mutiara Damansara
 47810 Petaling Jaya, Selangor*

INTRODUCTION

Ask anyone about the importance of planning for their retirement and the answer is a resounding "Yes, it is important". Yet, no matter how crucial retirement planning is, most people do not seem to have the urgency to equip themselves with a proper retirement plan that will see them through a financially secure retirement. There is a reluctance to plan for the future as retirement often seems to be a faraway notion but the reality is that it will come sooner than we think. The adage that "people don't plan to fail but fail to plan" is a good reminder that our retirement future needs to be addressed now with a proper retirement plan and action in order to ensure that the future does not come as a "surprise" but that we have the ability to influence it now.

In trying to understand the mindset of Malaysians on the subject of retirement and why they lack interest in taking control of their financial future, the Private Pension Administrator Malaysia (PPA), has found five common excuses which are based on unfounded assumptions or myths concerning retirement and retirement planning. These, together with a lack of urgency often lead people to procrastinate taking action now to secure their retirement plans.

THE 5 RETIREMENT MYTHS

Myth #1 – My EPF is enough for my retirement

Malaysians have the mindset that their Employees Provident Fund (EPF) savings will be enough to take care of them through their retirement years. The common assumption made is that their EPF contributions will be adequate for them to replace their earned income

when they retire. However, people should take note that their EPF contributions may or may not be sufficient to replace their earned income. EPF statistics for 2011 show that a whopping 72% of EPF members who are at the pre-retirement age of 54 have savings of just RM50,000 and below. Coupled with that, 50% of retirees spend their entire EPF savings within 5 years.

Myth #2 – My children will care for me when I retire

Many people make the assumption that their children can take care of them during their old age; however, due to the escalating cost of living, some children find it difficult to even provide for their own family, what more for their own old folks.

Myth #3 – It is too early / late to start saving for retirement

Some people think it is too early for them to start saving for retirement. Others think it is too late and they cannot do much even if they were to start now. There never is a perfect time, but it is necessary to start. Everyone should aim to have their money work harder for them. Think of the benefits of compounding interest. Starting a retirement nest egg early, even when you are in your 20s, gives you the full benefits of compounding. No matter when you start saving, time and the wonder of compounding are your best friends when it comes to retirement saving.

Myth #4 – I can still work after I retire

Working in your golden years is a matter of preference. Choosing to work after retirement is one thing, but being compelled to work just to survive is another. If you run out of funds, you will find yourself in the unfortunate position of having to work. And there is no certainty that you will find a job.

Myth #5 – I can spend less when I retire

People have the impression that they can cut back on their expenses when they retire. But in reality, if someone is already used to a certain lifestyle, it is not easy to adjust. In addition, we live in a rising inflation environment and medical cost is continuously increasing, making it imperative to plan our finances adequately for retirement.

THE BIG RETIREMENT PROBLEM

Research has shown that the reason many people around the world do not plan adequately for their retirement and arrive at their retirement with little or no wealth is mainly due to the lack of financial literacy and being woefully under-informed about the basic financial concepts. Financial illiteracy may stunt people's ability to save and invest for retirement, undermining their well-being in old age. Experts often point to poor financial decision-making as a cause of the retirement security crisis and which renders retirees the most vulnerable to economic hardship in retirement. The problem becomes more critical as retirees move away from professionally managed pension toward do-it-yourself financial planning. This is telling as statistics show more than half of retirees in Malaysia spend their entire EPF savings within 5 years. It is easy to fall into the trap of depleting one's retirement savings if one treats the savings as a windfall and not keep it invested to garner passive income.

While the above retirement issues have been commonly raised, the lack of interest and urgency in people to take planning for their retirement seriously suggests that there is a need to bring the retirement issues to a personal level whereby individuals can find out for themselves what they need to focus on to properly plan for their retirement. PPA has come out to help individuals plan for their retirement by focusing their attention on 3 main issues that must be addressed now; otherwise, they may contribute towards making retirement a big problem later.

ADEQUACY – HOW MUCH IS CONSIDERED ENOUGH AS MONTHLY INCOME FOR RETIREMENT?

Firstly, people need to ask whether they have adequately planned for their retirement income to replace their earned income, so as to continue to enjoy their current standard of living. The rule of thumb is 2/3 replacement income ratio of our last drawn salary, i.e. if a person earns RM10,000 before he retires, he will need about RM7,000 as his monthly

retirement income to continue to enjoy relatively the same standard of living he has become accustomed to. How much a person needs for their retirement - whether it is RM800 or RM8,000 - really depends on their pre-retirement lifestyle, health situation and family dependents. Without sufficiently replacing their earned income when they retire, retirees will have to cut back on their living standard or fall into dependency on others to take care of them especially if they are no longer fit to work to earn their own income.

SUFFICIENCY – HOW LONG SHOULD YOUR RETIREMENT FUND LAST?

Secondly, people need to ensure that their income is sufficient to last them for the whole duration of their retirement years. The key issue here is outliving your retirement funds, which would leave people very vulnerable and running out of income to support themselves when they are older. Malaysians are living longer. The current average life expectancy of Malaysians is about 75 years and this number is expected to increase to beyond 80 in a few years to come if medical marvels continue to keep us healthy. This means that with the current retirement age of 60, on average, Malaysians would have to allocate enough savings to sustain 20 to 30 years of their retirement life so they do not have to outlive their savings.

SUSTAINABILITY – HOW DO PROTECT MY RETIREMENT FUND AGAINST INFLATION?

Finally, people need to have retirement income inflation adjusted. Inflation has a subtle and quiet way of increasing the cost of living and eroding our purchasing power. While RM1 million seems a lot today, it may not buy a lot ten years down the road. As such, we need to make sure our money works hard for us by ensuring the growth rate of our retirement savings and investments is higher than that of inflation; otherwise, inflation will erode the standard and quality of our retirement life over time.

If the concerns of adequacy, sufficiency and sustainability of retirement income are not addressed now with proper planning for retirement, people will be leaving it to chance that "things will turn out all right" for them when they retire. Leaving one's retirement to chance may put one in financial jeopardy, resulting in old age dependency and poverty. It is with this in mind that the PPA is addressing the issues of inadequacy of savings among the elderly, longer life expectancy, inadequate savings due to shorter period

of savings and longer period of spending by promoting awareness and education to empower the public to take control of their retirement lives. For these reasons, the Private Retirement Scheme (PRS) was launched to promote saving and investing adequately to the public. Malaysians now have two pillars for their retirement, namely the mandatory EPF scheme which is the 1st Pillar and the voluntary PRS scheme which is the 2nd Pillar. In time to come, every working Malaysian ought to have two retirement schemes that will provide financial security for their retirement.

To address the three big retirement income problems of adequacy, sufficiency and sustainability, Malaysians need to ensure that they have the 2/3 income replacement ratio. The assumption behind the 2/3 replacement income ratio is that there will be a 50% reduction in all your work related expenses, while retirement expenses such as leisure, travel and healthcare will increase by 20%.

Based on PPA's calculation, in order to achieve the 2/3 replacement income, Malaysians should side aside 1/3 of their current monthly salary when they start their career. For someone who is already in the mid-career stage, more needs to be set aside. While 1/3 or 33% of monthly salary may seem like a lot, most Malaysians would already have set aside at least 23% contribution in EPF (Statutory minimum: 12% employer's contribution, 11% employee's contribution). As such, to meet the 1/3 or 33% requirement, one needs to allocate another 10% in a saving and investment scheme that provides return that beats inflation without taking too much investment risk.

HOW TO PLAN FOR YOUR RETIREMENT?

SAVE – Accumulating funds for retirement needs to be a disciplined and regular activity to accumulate the desired retirement nest egg. Smart retirement planning suggests that we set aside an additional 10% of our take-home pay for retirement. We also need to be very clear on the purpose – that it is for retirement only and not for other purpose. At PPA, we strongly encourage members to make regular monthly contributions in a PRS to inculcate the habit of saving for retirement, whether they are starting young in their 20s or later in their 50s. The longer the time horizon in saving for your retirement, the more savings you will attain

to replace your income at retirement. Regular contributions will help to “dollar cost average” your savings, a technique designed to reduce market risk through systematic regular contributions at pre-determined intervals and set amounts.

INVEST – While saving is setting aside money, investing it provides compounding growth. Money that is saved and invested has the potential to enjoy compound growth and potentially higher return than money parked in bank deposits, to at least beat inflation. When investing, people need to ask what their retirement objective is – for pre-retirement accumulation capital growth or retirement income generation. In addition, people will need to customize their retirement investment plan according to their age, lifestyle and financial circumstances. Before making an investment decision, you should consider the different types of risks that may affect you and learn to manage risks by way of diversification, managing the performance of your investment and knowing the choices that are available to you.

RETIRE – Retirement is not a destination but a long journey. The 30 to 35 years' pre-retirement phase is a crucial time for a person to accumulate adequate funds for retirement. But it does not stop there. Retirement also means that during the golden years (also known as de-cumulation phase), one is able to manage one's retirement savings in order to stretch a good 20 years. To best way to do so is to keep your savings invested as passive income and make monthly withdrawal of a set amount, enough for your use as expenditure. This is to ensure that your money continues to work hard for you and for you to spend only on necessary things post-retirement.

ENJOY – Retirement should be the most exciting phase in our life but it requires having the income and financial security to make our retirement years golden ones. The end objective of retirement planning is to ensure that we enjoy our golden years with adequate, sustainable and inflation adjusted income.

The accumulating years, during which we seem to be sacrificing our immediate consumption for our future consumption, are the only sure way to provide enjoyment for our retirement years. Malaysians can now take control of their retirement by following PPA's simple formula for successful retirement – S.I.R.E (Save. Invest. Retire. Enjoy). ■

Thirty Years' Experience in Stock Investment

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Leow Hon Wei¹
RFP, CFP

¹*Twintech International University College of Technology (Twintech)
Sri Damansara Campus
Faculty Business and Finance
Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur*

INTRODUCTION

This book on stock investment focuses on the subject of company stock analysis, investment analysis and stock price forecasting based on fundamental analysis.

This book broke the sales record with 10,000 copies sold in Malaysia after its launch and was a best seller in 2004. Leng Yan was a chief editor in a popular local newspaper, writing articles on investment.

Leng Yan's book contains useful information on applicable investment strategies and eliminating time constraints, knowledge accumulated from his thirty years of experience in the share market.

INTRODUCTION

The book is divided into six parts. The first part discusses the investor's perception and attitude towards shares and the share market. The second part provides an explanation of the essentials of investment knowledge and issues. Next, he gives the reader an understanding of share trading and share management, while in the fourth and fifth parts he shares his experiences with readers.

The writer's main objective in this book is to share his knowledge of investment with investors and traders. He believes that financial independence can be achieved with the correct attitude towards share investment and the right investment concepts.

SHARE AND SHARE MARKET

The first part of the book tells us that investors should apply the top down approach (economic analysis, industry analysis and company analysis) in investment. Understanding the company first before participating in the share market has always been considered a good strategy since fluctuations in the economy will directly affect industry performance and this is beyond the control of investors. Therefore, he places emphasis on company analysis as a strategy to help avoid losses through understanding the nature of the business, the future of the business, company management performance and the company's financial position.

INVESTMENT KNOWLEDGE AND ISSUES

The second part of the book continues with basic investment knowledge. For example, you are encouraged to understand the selection of ordinary shares that comprise blue chip, growth stock, and cyclical stock. He also talks about bonus issue, right issue, warrant, bond and so on. In addition, readers are advised to analyse different issues based on price per earnings ratio (PE ratio), net tangible asset (NTA), dividend yield and intrinsic value in order to make the right decision on share investment.

SHARE TRADING AND SHARE MANAGEMENT

The third part of the book is divided into a few sections. First, as some investors may have problems in applying investment knowledge, doing “homework” frequently is a priority before any investment decision is made. Information collection such as obtaining the company’s annual report is the preliminary step. An analysis of this information helps to reduce the chance of losses. After analysing the price per earnings ratio (PE ratio), net tangible asset (NTA), and dividend yield and so on, investors should invest in shares that are below the intrinsic value. Third, we have to consider capital guaranteed, growth and dividend. Next, to diversify your investments, develop an investment portfolio by creating a list of stock with high potential buy. There is no perfect investment strategy in the world, but the author tries to help readers reduce the inherent risk.

AUTHOR’S STRATEGIES

In the fourth part of the book, he guides us on how to search for potential shares to buy. We must analyse the business culture of the company nature of the industry in different economic situations such as a normal market, a bull market and a bear market because different conditions will have different implications. After this application of strategies, make sure of the capital guaranteed for whatever share you invest in. Do not borrow to make an investment; the impact may be huge and unpredictable due to debt.

Contrarian + Growth + Timing = Wealth
(ceteris paribus)

AUTHOR’S FORMULA

In the last part, based on his thirty years of experience, he has created a formula for investors to follow:

The formula helps investors beat the market to earn good returns. “Contrarian” means buying low during a period of economic turmoil and selling high during a boom economy and this is subject to the potential company only. “Growth” means investing only in a company with a good financial track record. “Timing” means to realize gain, long term investment is better than short term investment.

CONCLUSION

I found this book very useful for beginners as it gives detailed but clear and simple guidance on fundamental analysis in share investment based on his experiences. Thirty years’ experience is vital for any investment. As I was reading the first chapter, I was interested to continue as the contents are useful.

However, I felt this book would have been better if the author had included technical analysis. For instance, it would be good to know how to use company analysis, industry analysis and economic analysis (fundamental analysis) to decide at what price to buy a share, and the best timing. Overall, I found this book enjoyable and informative and will recommend it. ■

Cashflow Quadrant: Rich Dad's Guide to Financial Freedom

Title : Cashflow Quadrant: Rich Dad's Guide to Financial Freedom
Author : Robert T. Kiyosaki and Sharon L. Lechter
Publisher : TechPress, Inc. 6611 N 64th Place Paradise Valley, Arizona 85253 USA.
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Thechinamoorthy A/L Subbiah Chettiar¹
CFP, ChFc, CLu, ChIFP, RFP, SHARIAH RFP, AEPP

¹*Money Matters Corporation Sdn. Bhd.*
 56-1, Persiaran 65C, Pekeliling Business Centre,
 Off Jalan Pahang Barat, 53000 Kuala Lumpur

INTRODUCTION

Kiyosaki's book is divided into three parts and comes in 251 pages. The book is packed with the mental, emotional and educational processes that Kiyosaki learned from his rich dad and his poor dad. In part one of this book, he writes about the major differences between people in each of the four quadrants. He explains why some people are comfortable in a certain quadrant while some others are stuck within a certain quadrant without even realizing it. Why has security become more important than freedom? Hence, the book brings greater clarity as to which quadrant we are in today and where we want to be or should be in the next five years. Part two of the book is about personal change. It is about "who you are today" and "who will you be in the future?" Why must one change one's pattern of thinking, which is often so hard to do? Part three talks about the steps one can take on to move to the right side of the quadrant.

I found the book to be inspiring and an excellent guide to move away from being caught in the "rat race". Most of us today have been caught up in the "rat race" of being the fastest and strongest without knowing what we should be doing to achieve financial freedom. He goes on to explain more about the four cashflow quadrants which he had elaborated in his first *Rich Dad Poor Dad* book.

The four cashflow quadrants are E (Employee), S (Self Employed), B (Business Owner) and I (Investor). E and

E	B
S	I

S are on the left side of the quadrant whereas B and I are on the right side of the quadrant. The book guides readers on the why and how one must and can move from the left side of the quadrant to the right side of the quadrant to achieve financial freedom, which will allow us to do what we truly love.

THE CASHFLOW QUADRANT

For those who have not read *Rich Dad Poor Dad*, it was about the different lessons Kiyosaki learned from his two dads on the subject of money and choices in life. One of his dads was a school dropout but was highly successful and the other was highly educated but poor. What were their choices in life? What was their perception of money? What made one rich and the other poor? One was looking for job security and the other was other willing to take risk...why? All these choices will determine one's destiny not only in achieving financial freedom but also in becoming the person one really wants to become someday.

What happens to most people is that as their income increases, their work load and level of stress also increase. Therefore, although they become financially more successful, they don't have time to enjoy the things they have always wanted to enjoy. As we grow older, we must become financially free and that is the reason why Kiyosaki preaches that one must move from the E and S quadrants (left side) to the B and I quadrants (right side). Almost 98% of people are on the left side of the quadrant. The sad thing is not that a large percentage of people are in the left side of the quadrant but that that many people continue to stay in the same quadrant all their life.

LEFT QUADRANT: E (EMPLOYEES) - YOU HAVE A JOB

The Employee quadrant is the largest among the four quadrants. Most people are stuck in this quadrant for too long. Job security and a steady stream of income may be the driving factor why people tend to stay in this quadrant. People in the E quadrant make money for those in the B and S quadrants. They also tend to work harder and longer to make money for them. As a result, they usually end up not having enough time for family, leisure and not caring about their health. The feeling of job security and employment benefits will keep them where they are for a long time. Although this is a difficult quadrant, a person in this quadrant too can become a successful B or I while they are in the E Quadrant. However, a mindset overhaul is required to get them change their thinking pattern.

LEFT QUADRANT: S (SELF EMPLOYED) - YOU OWN A JOB

Kiyosaki calls this group of people the "do-it-yourselfers". Most self-employed people are people with small businesses. They would like to have some control over the income they can earn. They know the harder they work the more they can earn. Many professionals such as lawyers and doctors fall into this category. People in this category are also caught up with time as they are constantly seeking more time all their life to make more money. I think that this is probably the most dangerous quadrant to be in as people in this quadrant are neither in business nor in employment. They are a mixture of the E and the S quadrants. They

may earn a good income and may also get a taste of achievement and success but not financial freedom. This is simply because most people in this quadrant are drowned with work as their position has become irreplaceable. They don't think of building a system to leverage on time and effort.

RIGHT QUADRANT: B (BUSINESS) - YOU OWN A SYSTEM AND PEOPLE WORK FOR YOU.

This group of people are almost the opposite of those in the S quadrant. They create systems and make the systems work for them. Some small businesses and almost all large businesses fall within this category. They are also more willing to hire people and delegate all their work unlike those in the S quadrant who like to do it themselves. As a result of having proper systems in place, they may not be involved actively in the business, which in return gives them the time to focus on other things in life. People in this quadrant have the highest success rate of moving to the I quadrant.

RIGHT QUADRANT: I (INVESTORS) - MONEY WORKS FOR YOU.

People in this group are people who have achieved financial freedom. Investors use money to make money and they don't have to work as their money works for them. One can be in any quadrant (E, S or B) at this very moment but one ultimately must make plans to move to the I quadrant (Investor). Kiyosaki further elaborates that the difference between the poor and rich is what they do during their spare time. This allows them to leverage on time to focus on the things that are more precious or valuable such as family, leisure even personal development. This is the very difference between the rich and the poor, which is so evident. It is about how much time you have with you without you worrying about having to work to find the income.

According to Kiyosaki, there are 7 levels of investors:

Level 0: Those with nothing to invest

Level 1: Borrowers

Level 2: Savers

Level 3: "Smart" Investors

Level 4: Long-term Investors

Level 5: Sophisticated Investors

Level 6: Capitalists

The most important question the reader must ask after reading about the 7 levels of investors is “Where am I now?” or “What level of investor am I now?” If you are in Level 1, 2 or 3, you have to get to work and review your position and goals. People in these levels must also totally revamp their mindset and habits to move and become a higher level of investor. Although this part of the book is very interesting, there are not many guidelines and methods as to how one can move to be a higher level of investor.

In part two of the book, Kiyosaki writes more about self-development, character and attitude building to become a successful investor. In my opinion this part is written well and inspiring although it does not talk too much about financial education that is required for one to move into the next quadrant. Most of the content is about “what you can become” and not about “how you can become”. The notions of Other People’s Time (OPT) and Other People’s Money (OPM) are again expressed in this book as in the *Rich Dad Poor Dad* book. Although those concepts look exciting on paper, they may be a little challenging to execute in a real life situation. This is primarily because of the difference in the financial systems of countries. Some of his thoughts and ideas may be not applicable in the Malaysian financial system.

In the third part of the book he writes about how one can become a successful B (Business) and I (Investor). This part of the book is very well written and exciting to read but again there is limited information on ‘the real how-to’. He writes about the “The 7 Steps to Finding Your Financial Fast Track”. All the 7 steps are very much based on the core values of successful investors, like knowledge, skill, attitude and habits.

STEP 1: IT’S TIME TO MIND YOUR OWN BUSINESS: Generally people become programmed in the way they have been brought up and the environment they live in. Therefore, traditionally, people find a good secure job and stay there comfortably for a long period of time. During this period they breach some basic fundamentals of moving to the next quadrant. They stay as employees and debtors too long; they consume more and they also pay too much in taxes. Therefore, they need to strategise and start planning how they can move to the next level rather than stay fixed in the E quadrant. They need to start to take action and set clear financial goals.

The ultimate purpose should be the creation of passive income, more than what is required to maintain your desired standard of living.

STEP 2: TAKE CONTROL OF YOUR CASH FLOW: Investors need to understand the difference between good debts and bad debts. Credits card balances and having invested in depreciating assets that are not producing income are some examples of bad debt. Such bad debts will halt our cash flow and will bring about financial deadlock if we allow it to grow.

STEP 3: KNOW THE DIFFERENCE BETWEEN RISK AND RISKY:

Kiyosaki writes that people always say “Investing is risky”. It is not that investment is risky; it is their financial literacy level that makes it so. Financial literacy will allow the investor to make better decisions and understand the risk he or she is taking. The question is “Are you just taking risk or are you taking calculated risk”? Hence, to calculate a particular risk we need to equip ourselves with sufficient knowledge and information. Although we understand that risk cannot be totally eradicated, with sufficient knowledge, it can be minimised. Understanding risks gives us more choices in a variety of investment options.

STEP 4: DECIDE WHAT KIND OF INVESTOR YOU WANT TO BE:

Assessing and understanding your current position is of utmost importance in deciding to move to the next quadrant and even in becoming the next level of investor. Time is always a key component for most investment vehicles to grow. Investors are more at risk if they don’t make decisions fast to learn, improve and keep up to date with market conditions. Being financially illiterate is more risky than the investment itself.

STEP 5: SEEK MENTORS:

Seek Mentors: Kiyosaki had two mentors (Rich Dad and Poor Dad) and both taught him valuable lessons in life and investing. Having mentors who have successfully made it into quadrants B and I will make a great deal of difference in the journey to financial freedom. We need to list a few mentors who can not only guide us but also help us to stay away from temptations.

STEP 6: MAKE DISAPPOINTMENTS YOUR STRENGTH:

At the beginning of these seven steps, he alerts beginners to take “baby steps” in making this journey to financial freedom successful. There will be difficult moments along the way. He says investors have to expect it, recognise it, learn from it and develop strength to become better and stronger. Go back to step 5 to get advice from your mentors. There is a sentence in the book which I liked the most and it is: “The size of your success is measured by the strength of your desire, the size of your dream, and how you handle disappointment along the way”.

STEP 7: THE POWER OF FAITH:

His final words in this book are some words of wisdom and encouragement for investors to work on moving towards financial freedom. In order to do this, investors have to firstly believe in themselves and that it is possible for anyone to achieve financial freedom, no matter in whichever quadrant they may be right now in their lives. We must have faith in all the calculated decisions made. Our thoughts and beliefs are reflections of what to expect in the future.

CONCLUSION

In conclusion, Kiyosaki’s book is not only excellent reading material but it is also an inspirational guide to achieve financial freedom. Many people have always wondered why some work less but earn more and are financially more secure than others. The answers to this question lies this complete guide to financial freedom. It is a book recommended for people who are ready to move beyond job security, people who are ready to make professional and financial changes to achieve the ultimate destiny of financial freedom. It provokes the thinking of those who spend lavishly on assets that will depreciate and those who consume more and more of what they earn to satisfy their current living standard.

Although many ideas are a repetition of what can be found in his earlier book (Rich Dad Poor Dad), his writing has inspired me to plan and create passive cash flow for the future. Making progress to achieve your financial freedom is like running a marathon. You may not be the leader of the race now but you are sure to win the gold medal at the end of the race. While you run the race, many may give you the impression of their financial freedom. This may even create temptations to throw you off-track. During these moments, true financial freedom seekers will stay focussed on their race as they have greater clarity of their financial freedom destiny. The book will definitely be a great source of inspiration and information and be an eye opener to all, from high school students to employees, professionals, entrepreneurs and even investors. ■

About JWMFP

Journal of Wealth Management & Financial Planning is a peer-reviewed research and practitioner journal, which will be published once a year by Malaysian Financial Planning Council (MFPC). JWMFP – the official publication of MFPC is aimed at establishing an academic and practice guide for the fast growing Financial Services industry.

All articles will be blind-reviewed and publication decisions are the responsibility of the editor-in-chief and editorial board members.

The Journal provides research based benchmarks and studies for public, corporate and academic reference. The Journal covers the entire spectrum of the Financial Services industry i.e. Insurance, Unit Trusts, Stock Markets, Wealth Management, Banking, Macro Economy, Infrastructure and IT, Practice Management, etc. JWMFP will also published book reviews, news and views. JWMFP features original research and concepts of effective approaches to education and practice concerning all aspects of financial planning and management. Readers can expect to find detailed recommendations for education and practice. JWMFP will also feature book reviews, news and views.

Objective

JWMFP is a unique publication that captures the pulse of the emerging and promising Financial Planning Profession in Malaysia.

It provides a vibrant forum for discussion of issues of concern to various interest groups, a platform for cross-pollination of ideas and perspectives. The Journal also endeavours to bring together aspiring and practising Financial Planners on a common platform.

Editorial Criteria

JWMFP encourages submission of both normative and empirical research on topics including:

- Household Portfolio Choice
- Retirement Planning and Income Distribution
- Saving and Investment
- Wealth Creation and Distribution
- Individual Financial Decision Making

- Household Risk Management
- Life Cycle Consumption and Asset Allocation
- Investment Research Relevant To Individual Portfolios
- Household Credit Use and Debt Management
- Takaful, Zakat And Islamic Banking
- Tax and Estate Planning
- Professional Financial Advice and Its Regulation
- Behavioural Factors Related to Financial Decisions
- Financial Education, Literacy and Capability
- Other topics are of Interest to Scholars and Practitioners in the field of Personal and Family Finance
- Book reviews

Key Journal Audiences

- Academics
- Practicing Financial Planners
- Financial Service Providers
- Insurance Advisors
- Other Securities Industry Professionals
- Financial Planning Consultants
- Regulators
- Educators

Review Process

Manuscripts are subject to double-blind peer review at the discretion of the Editor. Papers submitted to JWMFP must not have been published or submitted for publication elsewhere until an editorial decision is rendered on the submission. Successful authors will be required to submit final versions of their papers in MS word, and to assign copyright to the journal's publisher.

MFPC is an independent body set up with the noble objective of promoting nationwide development and enhancement of the financial planning profession. MFPC provides an evolving set of Best Practice Standards and Code of Ethics that must be adhered to by Registered Financial Planner (RFP) and Shariah RFP designees. This requirement is aimed at ensuring that the public will be served with the highest quality of financial planning services. MFPC was registered on 10th of March, 2004 under the Societies Act, 1996.

About MFPC

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Registered Financial Planner (RFP)

The Registered Financial Planner (RFP) programme was introduced and launched by the Governor of Bank Negara Malaysia, Y.Bhg. Tan Sri Dato' Sri Dr Zeti Akhtar Aziz in November 2002.

The RFP designation has been approved by Bank Negara Malaysia (BNM) in March 2005 as the prerequisite qualification for licensing applications.

The RFP designation has also been duly approved by Securities Commission for the application of the Capital Markets Services Licence (CMSL) in view of the introduction of the Capital Markets and Services Act 2007.

The RFP serves as a mechanism for the MFPC to help fulfil the national objectives of making Malaysia a Centre of Educational Excellence. The RFP signifies the twin pillars of professionalism in financial planning – Professional Education and Practice Excellence. Most importantly, the concept of the RFP is defined by Malaysians who understand our values and needs.

As of September 2012 RFP designees are also licensed Private Retirement Scheme (PRS) distributors/consultants. The Federation of Investment Managers Malaysia (FIMM) which regulates PRS consultants grants RFP designees automatic recognition as PRS consultants.

Affiliate RFP

The Affiliate RFP designation was launched by Y.B. Dato' Mustapa bin Mohamed, Minister of International Trade and Industry on 6 December 2007. It was introduced in recognition of the commitment and diligent work of students undertaking the RFP programme.

Affiliate RFP designation is conferred to Members who have passed Module 1: Fundamentals of Financial Planning and one other module of RFP Programme. The Affiliate RFP serves as a measure to inject a new force of human capital into the industry.

RFP Programme (7 Modules)

- Module 1 : Fundamentals of Financial Planning
- Module 2 : Risk Management & Insurance Planning
- Module 3 : Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Financial Planning

Shariah Registered Financial Planner (Shariah RFP)

In line with the national agenda to make Malaysia an Islamic Financial Centre and to promote advancement in Islamic transactions and businesses, MFPC developed the Shariah RFP Programme as a practical professional programme for practitioners to equip themselves with Takaful and Islamic financial planning principles and knowledge. Y.B. Dato' Seri Mohamed Khaled Bin Nordin, Minister of Higher Education launched the Shariah RFP Programme on 21 August 2008.

Affiliate Shariah RFP

In response to the market demand and environment changes locally and internationally, MFPC introduced the Affiliate Shariah RFP designation to members who have passed Module 1: Fundamental of Shariah Financial Planning and one other module of the Shariah RFP Programme. Affiliate Shariah RFP aims to provide a pool of qualified practitioners to venture into the Shariah financial planning profession in Malaysia.

Shariah RFP Programme (7 Modules)

- Module 1 : Fundamentals of Shariah Financial Planning
- Module 2 : Risk & Takaful Planning
- Module 3 : Shariah Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Shariah Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Shariah Financial Planning

Paper Submission

Guidelines for Authors:

General

The manuscript sent to this journal must be original work that has not been published or accepted for publication in other journals. The paper should be written in English.

Manuscripts

Prepare the entire manuscript, including the text headings, references, tables, figures, and appendixes according to the most recent edition of the Publication Manual of the American Psychological Association (APA Style).

Order

- The order of the manuscript should be similar to:
 - Title page with title and three to five key words
 - Abstract (start on a separate page, numbered page 2)
 - Text (start on a separate page, numbered page 3)
 - References (start on separate page)
 - Appendixes (start each on separate page)
 - Endnotes (list together starting on a separate page)
 - Acknowledgements (start on a separate page)
 - Tables (start each on a separate page)
 - Figures (start each on a separate page)

Manuscript

- 3000 to 8000 words or between 5 to 15 pages including an abstract, texts, tables, footnotes, and references.
- Title should not exceed 20 words, and abstracts should not exceed 250 words

Font

- The manuscript should be in MS Word format,
- Times New Roman
- 12 point font, and
- One and a half spacing.

Supportive Illustrative

- Authors are encouraged to provide supportive illustrative material with manuscript.
- Tables, graphs, maps and drawings should not be separate from the body of the text.
- For the presentation of quantitative data, graphs are preferred to tables because they contain more information and are easier to edit and reproduce.

References

The Journal of Wealth Management & Financial Planning (JWMFP) follows *The Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources. The following guidelines may be helpful for those who have used this formatting style.

Reference citations within the manuscript should read as:

"Smith (1999) reported that . . . and Blarney and Jones (2001) concluded that . . ." Should Smith be cited again in this same paragraph, it would not be necessary to again to cite the 1999 date. "This problem has been studied previously (e.g., Black et al., 1998; Smith & James, 1999; Jones, Smith, & White, 2001)." The use the Black et al. reference would indicate that the complete list of authors has appeared previously in the manuscript.

References should appear at the end of the article as follows:

The list of references should appear at the end of the main text (after any appendixes, but before tables and legends for figures). References should be one and a single space and listed in alphabetical order by author's name. Articles by the same author should be listed in descending order ranked by least current date and where applicable, alphabetized by the second author. Hanging indents should be used in the reference list. Selected examples follow, although the manual offers many examples of different print and media publications.

Book

Silva, F. (1993). *Psychometric foundations and behavioural assessment*. Thousand Oaks, CA: Sage.

Chapter in a Book

Roszkowski, M.J., Snelbecker, G.E., & Leimberg, S.R. (1993). Risk tolerance and risk aversion. In S.R. Leimberg, M.J. Satinsky, R.T. Leclair, & R.J. Doyle, Jr. (Eds.), *The tools and techniques of financial planning* (4th ed., pp. 213-226). Cincinnati, OH: National Underwriter.

Journals Paginated by Issue

Archuleta, K.L., Grable, J.E., & Britt, S.L. (2013) Financial and relationship satisfaction as a function of harsh start-up and shared goals and values. *Journal of Financial Counselling and Planning*, 24 (1), 3-14.

Print Article Retrieved from an Internet Source

Garmaise, E. Long-run planning, short-term decisions: Taking the measure of the investor's evaluation period. *Journal of Financial Planning*, 19(7), 68-75. Retrieved August 23, 2007, from http://www.fpanet.org/journal/articles/2006_Issues/jfp0706-art8.cfm

Equation / Mathematical Sentences

All symbols or mathematical should follow the correct format. Mathematical equations have to be prepared using MathType. A single mathematical symbol can be done by inserting symbol in Ms-Word. Each mathematical sentence should begin at the first tab after skipping one line. If it is referred in the texts, the equation should be numbered in the bracket and right aligned.

Use of (. . .) Symbol

For indication "and so forth, particularly in mathematical sentences, use the conventional standard three dots (. . .) only. For example: The equation is true for $x = 1, 2, 3, \dots$. The fourth dot in this example which is of one space distance from the other three dots is the full stop.

Diagram / Illustration

The diagram or illustration should preferably be prepared in black and white only. If the diagram is reduced in size for publication purpose, it has to be clear and sharp so that it can be easily noticed.

Proofreading

Articles accepted for publication will be edited by the editorial board. Authors will only be required to ascertain the validity of facts in the proof. Two copies of the proof will be sent to the author. The author is required to sign his/her name on one of the proofs and return it to the editor after making sure that there is no factual error. JWMFP is the rightful owner of any article published.

Submission of Manuscript

Three copies of the complete manuscript (one original and two copies) should be sent to:

Editor-In-Chief (Journal of Wealth Management & Financial Planning)Malaysian Financial Planning Council

Unit 22.7, Level 22, Menara One Mon't Kiara (1MK),
No. 1, Jalan Kiara, Mon't Kiara,
50480 Kuala Lumpur.

Email: mfpc@mfpc.org.my

Tel: +(603) 6203 5899

Fax: +(603) 6201 2669

Manuscript should preferably be sent electronically via email. Manuscript should be sent in both Ms-Word and pdf format. Manuscript that contains complex equations and / or diagrams is advised to be submitted in printed as well as electronic versions.

News & Views

Guidelines for Authors

All persons writing and/or submitting articles or any other materials in any form (texts, illustrations, diagrams, statistics, etc) for publication in the *Journal of Wealth Management & Financial Planning (JWMFP)* and for storage in the MFPC publication database are required to adhere strictly to the following guidelines:

What Constitutes under the News and Views Column?

Topic Areas

The news and views column is a practitioner focused section covering Malaysian economy/Asian economy and international business topics. This could include local financial news and issues that is timely to be shared with individuals in the financial landscape.

"News" could include any financial related news which comprises of any aspect of financial planning, wealth management, investment banking, and regulatory changes. "News" submitted should be something of general interest or an issue that is currently new in the marketplace. Eg: Clawing back of Commission from agents is a new issue in Malaysia.

Objectivity

"Views" could be an opinion piece detailing the practitioner's outlook to a particular issue. Any finance related issue which deals with Financial Planning would be accepted. The inclusion of the section News and Views is to deliver essential market information and views that is of good faith for Financial Planners. The focus of this article should help a financial planners better serve their clients and contribute to the common good of the Financial Planning industry.

Style

JWMFP places strong emphasis on the literary quality of submission under the News and Views column. All submission will be vetted through a committee made up of local and international academic practitioners. This column will have a more readable style compared to an academic article. Write the way you talk and Keep it Short and Simple (KISS)

Length

Articles for the news and views column should not exceed 3,000 words. Succinct introduction as a summary would help readers digest the content of the article.

Review

The review process normally takes 1-2 weeks and the MFPC will inform you if the submission will be printed. Authors are not allowed to submit their work elsewhere until an editorial decision is made. To ease the reviewing and editing of submission please follow the guidelines. The Editorial Board will make necessary changes to ensure the readability and clarity of articles.

Referencing

If necessary when a source is cited, all referencing should be attached to the write up. The general accepted referencing style should follow The *Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources.

Book Reviews

Author Guidelines

1. A book review for this journal should run one to three pages (font Times New Roman, size 12, single space; or roughly 500 to 1500 words) at most. Please contact the editor with any other questions.
2. The review should be submitted in typewritten copy and submit your review via e-mail attachment to mfpc@mfpc.org.my.
3. The heading for this review should include bibliographic information about the book, such as:
 - Author
 - Date of publication
 - Title
 - Edition (if any)
 - Place of publication
 - Publisher
 - Number of pages
 - Price (if applicable)

Example:

Robert T. Kiyosaki (2012). *Retire Young Retire Rich: How to get Rich Quickly and Stay Rich Forever!* NY, USA, Warner Books, 376 pages. \$9.73.

4. Write your review with two goals in mind, namely to report basic information about the book and more, importantly, to evaluate the book. Do not abstract the book, but be sure to indicate the range and nature of its contents. The exact information will vary according to the kind of book, but in all cases it includes the book's purpose or main theme, and the way in which the author(s) seeks to achieve the purpose or develop

the theme. Summarize the book's main conclusion but be brief. Place the book in the perspective of related literature by comparing it with other books on similar topics. Tie together any issues raised in the review, and end with a concise comment on the book. If you like, you can offer advice for potential readers.

5. Avoid quoting long passages from the book you are reviewing. Paraphrase when possible. Always give the page number of the quote in parenthesis.
6. Because Journal of Wealth & Financial Planning is an interdisciplinary publication, please avoid overly technical language understandable to only a few specialists.
7. Avoid using references and footnotes. If quotation from another work is absolutely necessary, please incorporate the reference into the text. The form of the reference should be:

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Unit 22.7, Level 22, Menara One Mon't Kiara (1MK)
 No. 1, Jalan Kiara, Mon't Kiara
 50480 Kuala Lumpur
 Email: mfpc@mfpc.org.my
 Tel: + (603) 6203 5899
 Fax: + (603) 6201 2669

Shariah RFP Capstone Programme


 A Premier Financial Planning
Designation of MFPC

“A Swift Path Forward to Shariah Financial Planning”

In line with the Malaysian New Economic Model to increase the pool of well-trained and educated human capital in Malaysia as well as to address the critical need for qualified Shariah financial planners in order to position Malaysia as the regional hub for Islamic finance, MFPC has designed a six days intensive programme, the Shariah RFP Capstone programme. Shariah RFP Capstone programme is a fast track pathway for existing practitioners, accountants, lawyers or academicians to become a qualified Shariah financial planner. Participants of Shariah RFP Capstone programme who has successfully passed all the assessment and examination shall be conferred with Shariah RFP designation.

Preparatory Class - Day 1

- What is Islam and Shariah
- Concepts of Wealth in Shariah
- Concepts in Islamic Transactions
- Shariah Framework of Financial Planning
- Regulatory Framework & Shariah
- Guidelines for Financial Planners

Preparatory Class - Day 2

- Risk Management in Islam
- Takaful: Shariah Compliance Issues
- Takaful Model
- General Issues in Takaful
- Takaful: A Comparison with Insurance
- Zakat for Individuals in Malaysia

Preparatory Class - Day 3

- Basic Concepts in Islamic Investment
- Time Value of Money: The Islamic Perspective
- The Islamic Capital Market in Malaysia
- Investment in Shariah Based Unit Trusts
- Investment in Sukuk & Other Fixed Income Securities
- Investment in Real Estate
- Islamic Structured Investment Products

Preparatory Class - Day 4

- Concepts and Challenges in Islamic Estate Planning
- Hibah
- Islamic Trust
- Waqf
- Wasiyyah
- Faraid

Preparatory Class - Day 5 and 6

- Setting Goals, Objectives & Priorities
- Gathering Relevant Data and Information
- Analyzing Information & Assessing Financial Status
- Developing and Presenting a Financial Plan for Implementation
- Executing the Financial Plan
- Monitoring Execution, Reviewing, and Shariah Compliance of the Financial Plan

Entry Requirements

- Min 3 years' full-time working experience and
- RFP, CFP, CFP (Part 1) or
- Member of MIA, MICPA, CPA (Aust.), ACCA, LLB Shariah, Bar Council, ICSA and CIMA or
- Relevant Bachelors Degree, Master or PhD.

Assessment Method

- 100 multiple choice question within 3 hours (for preparatory class)
- Project paper on Financial Plan



For enquiries, please contact
Education and Training Dept. at 603 - 6203 5899

Objectives

- To increase the pool of experts in the Islamic Capital Market through training and education.
- To provide an understanding of the influence of Shariah in the business context and prepare financial practitioners to hold key positions in the Islamic Finance and Takaful industries.
- To provide an international benchmark qualification that will equip candidates with a practical understanding of Shariah financial planning.
- To introduce more competitive and innovative Shariah financial products and services.
- To increase efforts in enhancing the awareness of Malaysia's Shariah financial planning at the domestic and international levels.
- To establish strategic alliances between Malaysia and other Islamic countries.

Recognition

Shariah RFP Capstone is recognised by  BANK NEGARA MALAYSIA as an approved qualification for Financial Advisor Licence.

Registered Financial Planner (RFP) Capstone Programme “A Swift Path Forward to RFP Designation”

In line with Malaysia New Economic Roadmap to increase a pool of well-trained and educated human capital in Malaysia and to address the critical need for qualified Financial Planners as to position Malaysia as the regional hub for Banking and Finance, MFPC has designed a 6 days RFP Capstone programme which is a fast track pathway for Senior Executive and Regulators in the Financial Services Industry, for example Bank Negara, Securities Commission, Inland Revenue Board of Malaysia, Employees Provident Fund, Financial Services Institutions and Higher Learning Institution. Participants of RFP Capstone programme who has successfully passed all the assessment shall be conferred with RFP designation.

Day 1

- Financial Planning Environment, Phenomenon & Process
- The regulatory environment for Financial Planners
- Ethics & Professionalism
- Personal Financial Statements
- The Economic Environment and its Impact on Financial Planning
- Cash Flow Management
- Risk Management & Life Insurance Planning
- Estate Planning Issues, Process, Personalities and Instruments
- Retirement Planning Tools & Processes
- Risk Management
- Insurance Need Analysis
- Annuities
- General Insurance Product in Insurance Planning
- Legal Principles and relevant legislation in Insurance
- Consumer Protection and Life Insurance Industry Code of Practice

Day 2

- Quantitative Techniques in Investment
- Financial Statement Analysis
- Investment and Share Market
- Basic of Equity Valuation
- Technical Analysis
- Derivatives Securities
- Unit Trust & Real Estate
- Basic Concepts of Portfolio Management

Day 3

- Introduction to Malaysian Income Taxation
- Computation of Chargeable income – the basic format
- Employment & Investment Income
- Business Taxation
- Taxation of Individuals
- Taxation of Partnership
- Taxation of Companies
- Taxation of Trust, Estates & Settlements
- Overview of Zakat
- Types of Zakat
- Zakat Calculation
- Zakat and Income Tax
- Zakat and Tax Planning

Day 4

- Understanding Estate Planning
- Testacy & Intestacy
- Trusts
- Powers of Attorney
- Personal Representatives – Duties & Powers
- Estate Planning for Business Owners
- Retirement Issues & Process
- Approaches for Determining the Required Retirement Capital
- Risk and “Risk Profiling” in Retirement Planning
- Investment Basics and Strategies in Retirement Planning
- Construction and Management of Retirement Portfolio
- Strategy to Meet Shortfalls in Retirement Capital
- Retirement Schemes for Individuals
- Managing Consumption Credits in Retirement Planning
- Debt Management in Retirement Planning

Day 5 & 6

- Financial Planning Process: An Overview
- Client-Financial Planner Relationship
- Data Gathering I: Legal Aspects & Process
- Data Gathering II: Setting Clients Goals, Objectives & Priorities
- Analyses of Client's Data & Strategic Issues
- Financial Plan Preparation
- Financial Plan Implementation
- Financial Plan: Monitor & Review
- Example of a Comprehensive Financial Plan

Entry Requirements

- Minimum 3 years' full-time working experience in a financial related industry and
- Shariah RFP, CFP, ClFP (Part 1) or
- Members of MIA, MICPA, CPS (Aust.), ACCA, Bar Council, ICSA, MAICSA, CIMA or
- Relevant PhD, Masters or Bachelors' degree



Objectives

- To increase a pool of Professional Financial Planners in the Capital Market through training and education
- To provide a qualification that will equip candidates with a comprehensive and practical understanding of financial planning
- To update participants with current innovative financial planning tools
- To elevate Financial Planning Literacy

Course Fee:
RM 2,500

Recognition

RFP Programme is recognised by **BANK NEGARA MALAYSIA** and **Suruhanjaya Sekuriti** as the approved qualification for Financial Advisor Licence and Capital Market Services Licence respectively.

5 % discount for registered MFPC members only

For enquiries, please contact
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Malaysian Financial Planning Council

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Unit 22.7, Level 22,

Menara One Mon't Kiara,

50480 Kuala Lumpur

Tel: 03-6203 5899

Fax: 03-6201 2669

Email: mfpc@mfpc.org.my

Website: www.mfpc.org.my