

**Personal Financial Planning:  
A Comprehensive Guide to Personal Financial Planning in Malaysia**

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### **Introduction**

Joyce Nga's *Personal Financial Planning: A Comprehensive Guide to Personal Financial Planning in Malaysia* is a long-awaited book on Personal Financial Planning in the Malaysian context, which will help readers gain in-depth understanding of the financial planning process, step by step. The book covers the process from setting financial goals until the accomplishment of objectives using the SMART model by understanding the financial planning environment in Malaysia, which is covered in the beginning of the book. The author also highlights the role of the financial planner and the general principles of the code of ethics in dealing with clients who seek their services. In addition, the book provides basic understanding of how to manage personal finances with basic money management skills such as cash flow management and its purposes. In order to explain personal financial statements, the book then introduces various personal financial ratios to capture the status of an individual's financial position.

### **Chapter 1: Introduction to Personal Financial Planning**

In Chapter 1, the author explains that the financial planning process consists of 6-steps.

These are aligned with Maslow's Hierarchy of Needs for a clearer explanation. In addition, she explains the importance of planning and highlights the obstacles faced in successfully implementing the plan. In elaborating the role of the financial planner and the services they provide, she allows the reader or client to better comprehend the value of the contribution of the financial planner. As the services are not provided for free, she introduces the methods of remuneration for financial planners at the end of the chapter.

### **Chapter 2: Managing Your Personal Finances**

The fundamentals of personal financial planning are illustrated well in Chapter 2, covering the monthly cash flow statement, the net worth statement and the personal financial ratio. The author also explains the macro and micro factors affecting financial planning. These include the various life stages, the numerous finance indicators and the impact on individuals which need their attention. The example used to explain the Time Value of Money (TVM) together with the written formula provides an in-depth understanding of the concept. To allow the reader to apply TVM, the author includes examples of the use of TVM in 1) Retirement Planning, 2) Life

Insurance coverage needs , 3) Housing loan installments and 4) Bond Calculation. The case study at the end of the chapter serves well for the readers learning and understanding.

### **Chapter 3: Managing Consumer Credit**

This Chapter introduces the various types of consumer credit and explains the rate of calculation and the impacts. The author provides self-diagnosis tools to determine if there is a debt situation. The services provided by AKPK (Agensi Kaunseling dan Pengurusan Kredit) are recommended as a debt solution.

### **Chapter 4: Tax Planning**

Chapter 4 covers the threshold for tax payment , which is above RM34,000, and also introduces the various taxes i.e. SST (Sales and Services Tax) and RPGT (Real Property Gains Tax). The author stresses the difference between tax evasion and tax avoidance for the reader's information. She then goes on to give various examples of tax computation to further explain taxation matters.

### **Chapter 5: Investment in Bonds and Shares**

Here, the author illustrates the need for investment and then goes on to introduce investment in shares and in bonds. The types of risk posed by the various investment classes are also explained. This is done by illustrating the calculation of the rate of return for all the different investment classes. The Chapter also covers the functions of FTSE Bursa Malaysia KLCI to clearly explain investment activities and different stock characteristics.

### **Chapter 6: Investment in Unit Trusts**

Unit Trusts are investment schemes that

collectively pool money from institutional and retail investors to invest in asset portfolio. Here, the author deals with the licensing of UTCs (Unit Trust Consultants) for undertaking the business and then introduces the various types of unit trusts. She also discusses in detail the various investment strategies and provides a step-by-step description of the unit trust buy-and-sell process.

### **Chapter 7: Investment in Real Estate**

Many Malaysians own property which is likely be their largest tangible asset to serve various purposes in their financial planning. The author highlights a few reasons, for example as a hedge against inflation, as a stream of passive income or even as tangible collateral. Since this involves long-term planning, she discusses the many factors to be considered like the interest rate, the Central Bank and government policies, population growth, among others, including financial factors and non-financial factors. This Chapter also introduces various schemes such as RTO (Rent-to-Own), BTS (Build-Then-Sell) and DIBS (Developer Interest Bearing Scheme) for consideration and the various loans (conventional and Islamic) available in Malaysia. Besides the repayment cost, the author also highlights other costs associated with buying a house and the risk of investing in property compared to just renting a house.

### **Chapter 8: Life, Medical and Takaful Insurance**

Beside explaining the key purpose of insurance in this Chapter, the author explains the need to be insured by working out the cost that might be incurred if one is not insured. As there are various types of risk the different types of insurances and their purpose are covered here.

### **Chapter 9: General Insurance**

Here, the author introduces the key statutes governing the insurance business in Malaysia, like the FSA 2013 (The Financial Services Act 2013). She also discusses the guidelines issued by Bank Negara Malaysia in the context of underwriting and claims.

### **Chapter 10: Estate Planning**

This chapter starts by introducing terms such as “Administrator”, “Executor” and others and introduces various estate planning instruments like “Will”, “Trust”, etc. for Muslims and non- Muslims. The Chapter then details the relevant processes with and without the instruments, how to deal with the issues involved and highlights the advantages and disadvantages involved.

### **Chapter 11: Retirement Planning**

Here, the author covers retirement planning in Malaysia, which has become important due to Malaysians’ longer life span and the problem of insufficient retirement funds. The author also highlights the possible options if one is deemed not to have sufficient funds for retirement. They may, for example opt to continue working beyond retirement age. She covers the factors affecting retirement funds, such as inflation, longevity risk, healthcare and medical concerns, and long-term care, highlighting them with supporting data. For better understanding of the major steps in Retirement Planning, she provides examples of relevant computation.

### **Chapter 12: Overview of Islamic Wealth Management**

Chapter 12 starts with an introduction to the basic concept of Islam and Shariah Law in relation to wealth. The author explains the importance of wealth purification and zakat and the instruments used for these purposes. Various Islamic terms like *Mudharabah* (profit sharing only) are introduced and illustrated with examples, helping to explain the concept and the related calculation. The author also highlights the difference between conventional and Islamic banking products at each stage of wealth management i.e. Wealth Protection and Distribution. A general explanation of Islamic inheritance laws i.e. *faraid* and types of *faraid* heirs is also provided.

### **Conclusion**

The book can serve as a starter for people who are new to financial planning. Financial planners can also gain more information regarding financial planning so they can better serve their clients. After reading the book, both planners and clients can gain understanding of their “roles” in financial planning and will be able ask the relevant questions, leading to better communication. To end, I would like to say that the issue is there is no failed plan but people fail to plan ■