

PRIME NEWS

'Gen Y failing in money matters'

SURVEY: 'Buy now, pay later' attitude keeping millennials deep in debt

FAREZZA HANUM RASHID

KUALA LUMPUR
news@nst.com.my

THE Gen Y in Malaysia, comprising teenagers to those in their 30s, are experiencing huge financial stress early in their life, with many living beyond their means and trapped in a dangerous spiral of emotional spending, a new study showed.

An Asian Institute of Finance's (AIF) study revealed that this was caused by a "living in the moment" attitude among millennials who sought instant gratification through

a "buy now, pay later" culture.

AIF's survey reached 1,000 professionals aged between 20 and 33 and found that 75 per cent had at least one source of long-term debt, such as car loans, education loans and mortgages.

Seventy per cent own credit cards and 45 per cent said they had missed debt payments at some point.

The study's report, "Finance Matters: Understanding Gen Y — Bridging the Knowledge Gap of Malaysia's Millennials", showed 38 per cent of respondents had taken out personal loans and 47 per cent engaged in expensive credit card borrowings while only 28 per cent felt confident about their financial literacy.

The report was launched by AIF chief executive officer Dr Raymond Madden, who spoke at the International Future Global Economics Development Conference at Chiang Mai University in Thailand on Wednesday.

The conference, aimed at examining global economic issues, was organised by Universiti Sains Islam Malaysia's (Usim) Faculty of Economics and Muamalat, in collaboration with the Supply Chain Economics Research Centre (SCERC) and Chiang Mai University.

"Despite being the most educated generation to date, our extensive industry research indicated that Gen Ys were accruing debt at an earlier age and lack understanding when it comes to financial planning.

"Many were on the back foot when it came to long-term financial security as they accrued debt before they even entered their professional careers," Madden said at the conference.

He said managing money well and making sound financial decisions were essential to ensuring financial fitness in the future.

"With the ever-increasing complexity and diversity of financial products and markets, millennials are more likely to bear more financial risks than previous generations, which calls for a critical need for behavioural changes in money management," Madden added.

Malaysia's Gen Y make up the largest consumer pool in the country, with the highest spending power but lacking in confidence in financial literacy — the majority (58 per cent) rated themselves as having average financial knowledge.

Growing up in a world with in-

formation at their fingertips and where adapting to technology is second nature, they were, however, wary of seeking financial advice and preferred to plan their finances on their own.

Only 37 per cent sought professional financial advice and only 26 per cent who dealt with a financial adviser said they trusted the advice received.

Instead, they relied on family, friends and co-workers as their primary source of financial information and advice.

"We hope our study will inspire policymakers and financial institutions to seek innovative approaches that will have a meaningful impact in the financial future of Gen Ys and we have made a number of recommendations in our report.

"Understanding the financial literacy levels of Gen Ys can better equip organisations in understanding this demographic group."

28pc

Percentage of
millennials
confident about
their financial
literacy