

POLITEKNIK MERLIMAU MELAKA

# PERSONAL FINANCIAL MANAGEMENT

Cetting Smart With Your Money

Pn.Siti Zahrah Binti Salihan En.Mohd Noor Hamam B Saeman

# PERSONAL FINANCIAL MANAGEMENT

POI

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Siti Zahrah Binti Salihan Mohd Noor Hamam B Saeman

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Personal Financial Management Getting Smart with your Money



POLITEKNIK MERLIMAU

(online)



PLANNING

CHAPTER 1

FINANCIAL

## WHAT IS FINANCIAL PLANNING?

Involves Questions On Future, Dreams And Goals

- Need a financial plan because it's easier to spend than to save;

- Want a financial plan since it helps you achieve financial goals;

- Use financial planning, not to make more

money, but to achieve goals;

- Control your finances or they will control you!

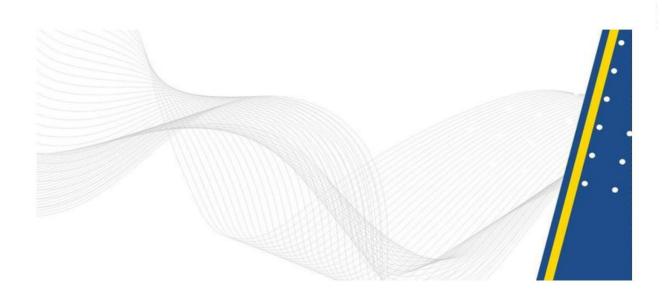


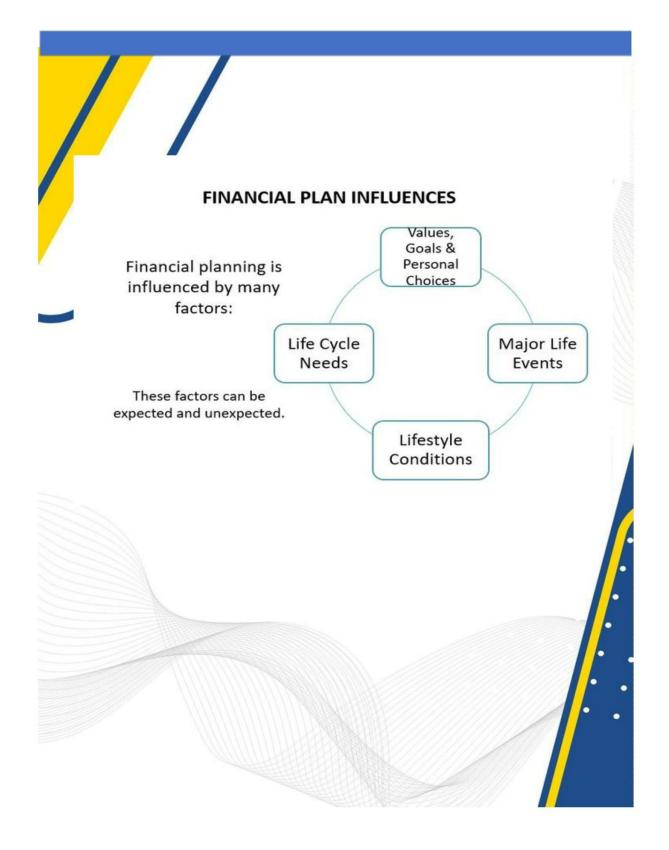


# Five Steps of Financial Planning Process

## FIVE BASIC STEPS TO PERSONAL FINANCIAL PLANNING

- Assess where you are financially right now
- Define your financial goals
- Develop a plan of action
- Implement your plan
- Review your progress, re-evaluate & revise your plan

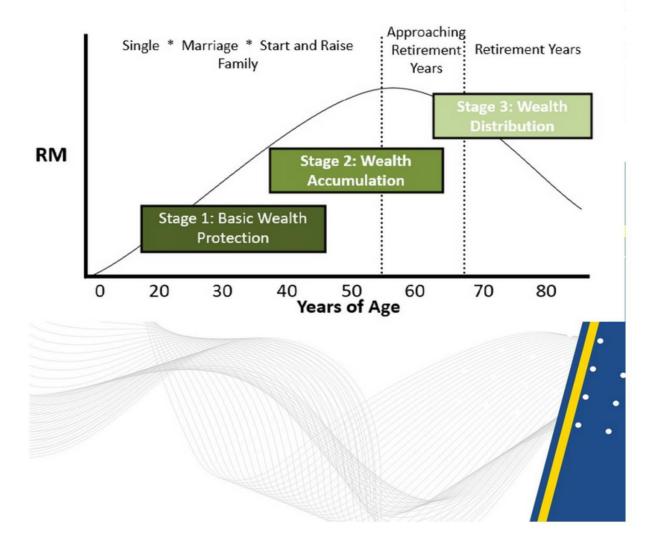








### AN INDIVIDUAL'S FINANCIAL LIFE CYCLE



# AN INDIVIDUAL'S FINANCIAL LIFE CYCLE

#### Stage 1: Basic Wealth Protection

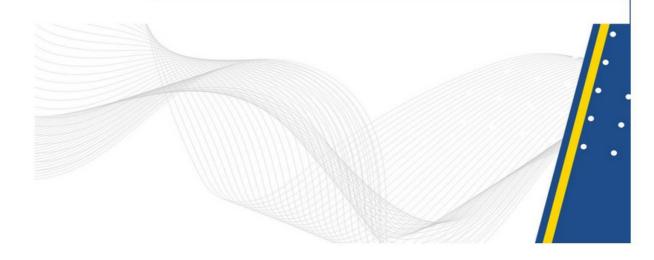
In this stage, the individual should be focusing on building financial security.

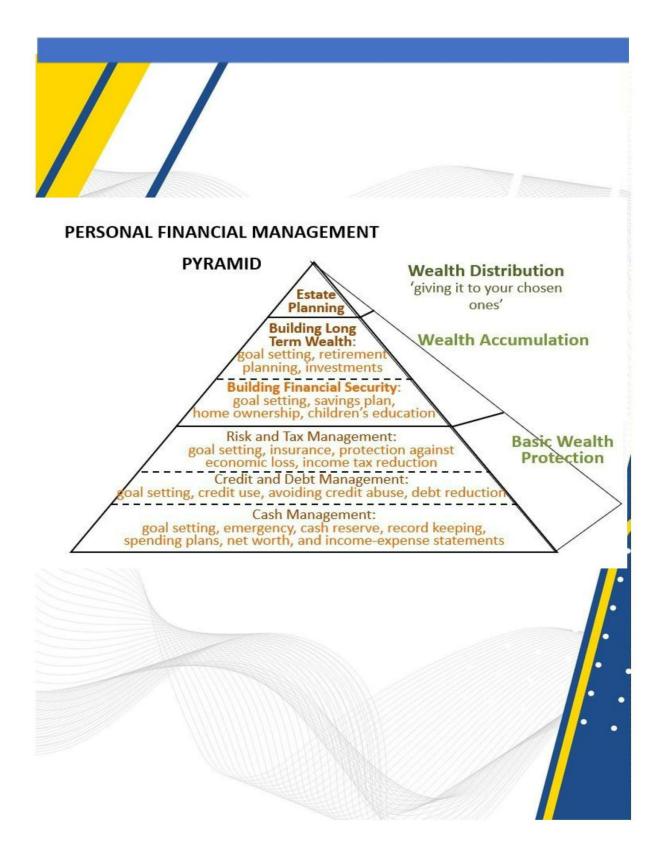
### Stage 2: Wealth Accumulation

In this stage, the household head has reached peak earning years, is accumulating wealth, and approaching retirement.

### Stage 3: Wealth Distribution

This stage involves the consumption of wealth, usually during retirement





# Life Cycle Event Activity

People in certain age groups tend to have similar life cycle needs

What activities and events require financial planning during each stage?

- Secondary School Ages 13-17
- Young Adult Ages 18-24
- Adult With or Without Children Ages 25-34
- Working Parent or Adult Ages 35-44
- Midlife Ages 45-54
- Pre-Retirement Ages 55-64
- Retired Ages 65 and older

Conventional Financial Planning Needs • Secondary School Ages 13 – 17 Preparing for career Evaluating future financial needs and resources – Exploring financial systems – banks, etc.

Conventional Financial Planning Needs • Young Adult Ages 18 – 24 Training for a career Determining insurance needs Establishing credit Establishing savings Creating a spending plan Developing a personal financial identity Developing a personal financial system Conventional Financial Planning Needs

 Adult with or Without Children Ages 25 – 34

Child-bearing

Child-raising

Starting an education fund for children

Expanding career goals

Managing increased need for credit

Discussing and managing additional insurance needs

Creating a will

# Maximizing financial management by all members of household

Conventional Financial Planning Needs

Working Adult or Parent Ages 35 – 44

Upgrading career training

Building on children's education fund

Developing protection needs for head-ofhousehold

Need for greater income due to expanding needs

Establishing retirement goals

**Conventional Financial Planning Needs** 

• Midlife Ages 45 – 54

Assisting with higher education for children Investing

Updating retirement plans

Developing estate plans

**Conventional Financial Planning Needs** 

Preretirement Ages 55 – 64

**Consolidated assets** 

Planning future security

Re-evaluating property transfer

Investigating retirement part-time income or volunteer work

Evaluating expenses for retirement and current housing

Meeting responsibilities of ageing parents

Conventional Financial Planning Needs

Retired Ages 65 and older

Re-evaluating and adjusting living conditions and spending as related to health and income

Adjusting insurance programs for increasing risks

Acquiring assistance in management of personal and financial affairs

Finalizing estate plan

Finalizing will or letter of last instructions

BENEFITS OF FINANCIAL PLANNING Better Control Of Your Financial Affair Better Relationship With People Around You Freedom From Financial Worries More effective in Obtaining , Using & Protecting Your Financial Resources



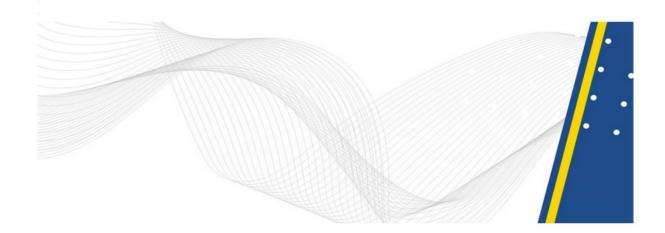


## TIME VALUE OF MONEY

- Money At Present Time Is Worth More Than Same Amount Of Money In The Future

## POWER OF COMPOUND INTEREST

- The Earlier You Start Saving, The Greater Interest Accumulated
- Compound Interest Is A Double-edge Sword



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Let's assume the following hypothetical scenarios for three individuals, each with different financial situations:

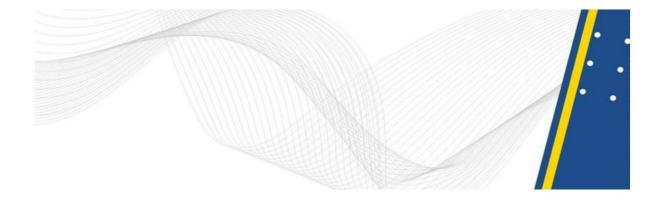
Person A	Person B	Person c
Initial Investment: \$10,000	Initial Investment: \$5,000	Initial Investment: \$20,000
Interest Rate: 5%	Interest Rate: 8%	Interest Rate: 4%
Time Period: 10 years	Time Period: 15 years	Time Period: 20 years

Now, let's calculate the future value of their investments using the compound interest formula:

FutureValue=P(1+r/n)(n\*t)

Where:

P is the initial investment (principal amount). r is the annual interest rate (expressed as a decimal). n is the number of times the interest is compounded per year. t is the number of years.





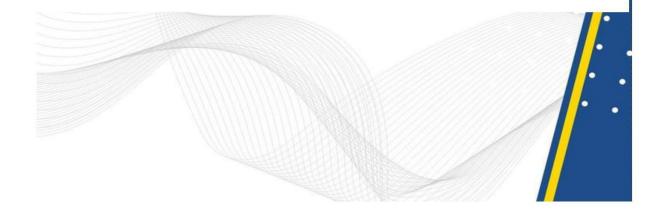
Let's calculate the future values for each person:

Person	Initial Investment (P)	Interest Rate (r)	Time Period (t)	Future Value	
Person A	\$10,000	5%	10 years	Future Value of A	
Person B	\$5,000	8%	15 years	Future Value of B	
Person C	\$20,000	4%	20 years	Future Value of C	

Please note that to calculate the actual future values,

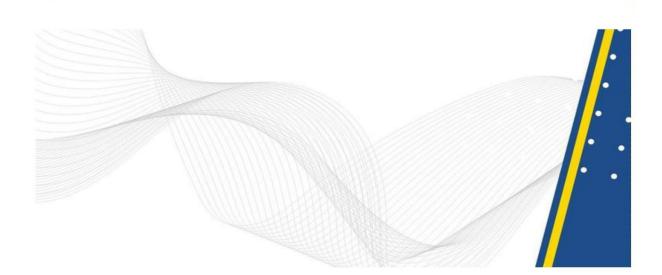
you need to substitute the values of P, r, and t into the compound interest formula. If you have a specific set of values you would like to use, feed free to provide them, and have accepted with the coloulations.

feel free to provide them, and I can assist you with the calculations.



# 

Wherever you are in your financial journey, a financial plan can help you identify your goals — and show you where you are today and outline what you need to do to reach your goals. Most importantly, a financial plan will provide you with a road map of clear action steps to get you from here to there.





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here ...







# POWER FROM YOUR MONEY

# Step 1: Assess Where You Are Financially Right Now



ncome is steady

Cash flow happens

- Examine your current financial situation
  - Identify your active and passive income
  - Identify fixed, variable and discretionary expenses
  - Determine net worth (Asset – Liabilities = Net Worth)
- Assess your financial situation using careful record keeping

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## **Benefits Of Careful Record Keeping**



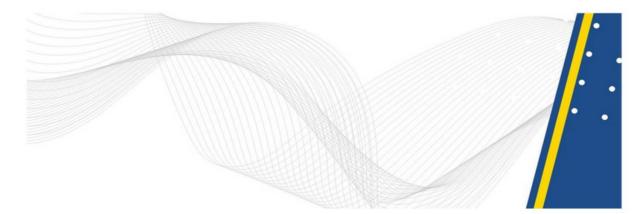
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You will be able to:

- Handle daily financial activity, including payment of bills on time.
- Plan and measure financial progress.
- Complete required tax reports.
- Make effective investment decisions.
- Determine available resources for current and future buying.

### What To Keep In Your Home File

- Items you refer to often.
  - Personal and employment records.
  - Money management records.
  - Tax records.
  - Financial services records.
  - Consumer purchase, auto and credit records.
  - · Housing records.
  - Insurance records.
  - Investment records.
  - Estate planning and retirement records.



## Step 2: Define Your Financial Goals

#### Step 1

- I Identify and write down your goals, e.g.
  - buy a new car
  - save for the down-payment for a new house
  - go on holiday
  - pay off credit card debt
  - plan for retirement.



#### Step 2

Break each goal down into those that are short-term (less than 1 year), medium-term (1-3 years) and long-term (more than 3 years) so that they are easier to monitor and achieve.



#### Involves:

- Questions On Future, Dreams, Values
- Determining between "Needs" and "Wants"
- Prioritizing the wants and needs to help set your goals
  - Short term goals (within a year)
  - Mid-term goals (2-5 years)
  - Long term goals (5-10 years or more)





## SMART Financial Goals

<b>S</b> pecific	• State exactly what is to be done with the money involved.	
<b>M</b> easurable	Write the exact dollar amount.	
<b>A</b> ttainable	• Determine how it can be reached, which is often determined by the individual's budget.	
Realistic	• Do not set the goal for something unattainable or unrealistic.	
Time Bound	• Specifically state when the goal needs to be reached.	



I

## Step 3: Develop a Plan of Action



## Involves:

Prepare a spending plan or budget to estimate monthly income and expenses Keep it simple Involve all affected parties in process Identify ways to decrease

spending and increase income

# Step 4: Implement Your Plan

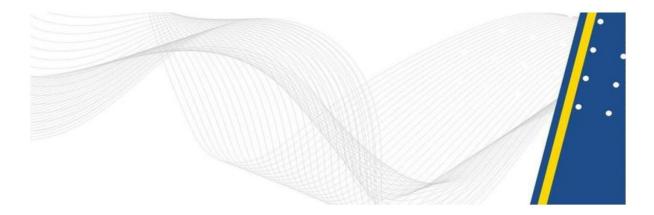
Involves:

Keep a personal spending diary Write down what you spend in a typical day Keep track of everything you spend

Keep goals in mind and work towards them



y spending Plan	tor faronaly		Orean)				My Notes
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	Expected Income:
				L	L	1 -	
							Total expected intome: \$
							Expected Income:
-	-		-			1 -	
							2
				<u> </u>		1 -	
							Total expected expenses: \$
							Money Left Over:
							Expected income:
							Balance =
		L				-	<ul> <li>Money left over (C) can be put into savings, p toward an item your family has agreed to save</li> </ul>
							or both.
							Plans for Leftover Money:
						+ <u> </u>	End-of-the-Month Checkup:
							Actual income (black):
							Actual expeases (red): -
							Balance: =



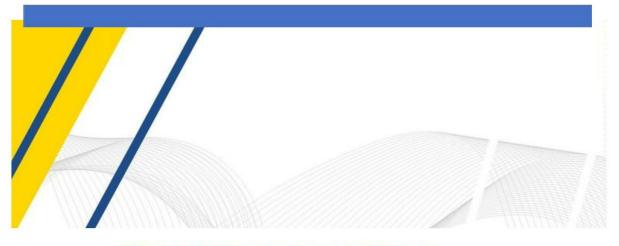
### Step 5: Review Your Progress, Reevaluate, and Revise Your Plan

Review progress and be prepared to formulate a different plan

The last step in financial planning often returns to the first. No plan is fixed!

Goals are fantasy without a plan

**Involves:** 



### TRACKING YOUR CASH FLOW

Total Cash Inflows > Total Cash Outflows = Cash Surplus

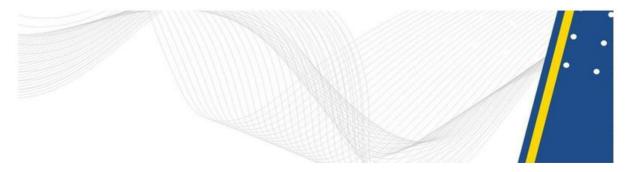
Keep up the good work!

Total Cash Outflows > Total Cash Inflows = Cash Deficit

You may want to review your spending

A Budget is a tool to help you achieve cash surplus





# WHAT IS A BUDGET ?

A plan for managing your cash flow and used to estimate your future income and expenses.





- 1. List down all your sources of income
- 2. List down your expenses
- 3. Determine your net cash flow position



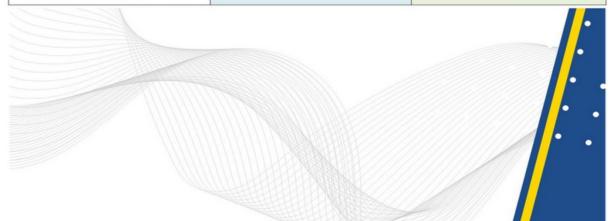


### BUDGET AND CASH FLOW STATEMENT

	Budget (RM)	Actual Cash Flow (RM)
INCOME		
- Salary		
- Commission		
- Other Income		
Total Income (A)		0
EXPENSES		
- Food		
- Clothing		
- Lodging		
- Transport		
- Other Expenses		
Total Expenses (B)		
SURPLUS / DEFICIT (A – B)		

### EXCESS CASH FLOW

	Budget (RM)	Actual Cash Flow (RM)	
	PLANNED	SURPLUS	
INCOME			
- Salary	2,000.00	2,000.00	
- Commission	500.00	400.00	
- Other Income	300.00	100.00	
Total Income (A)	2,800.00	2,500.00	
EXPENSES			
- Food	850.00	950.00	
- Clothing	250.00	200.00	
- Lodging	450.00	450.00	
- Transport	350.00	350.00	
- Other expenses	400.00	450.00	
Total Expenses (B)	2,300.00	2,400.00	
SURPLUS / DEFICIT (A – B)	+500.00	+100.00	



	Budget (RM)	Actual Cash Flow (RM)	
	PLANNED	DEFICIT	
INCOMEFICIT CASH FLO	OW		
- Salary	2,000.00	2,000.00	
- Commission	500.00	200.00	
- Other Income	300.00		
Total Income (A)	2,800.00	2,200.00	
EXPENSES			
- Food	850.00	950.00	
- Clothing	250.00	200.00	
- Lodging	450.00	450.00	
- Transport	350.00	350.00	
- Other expenses	400.00	450.00	
Total Expenses (B)	2,300.00	2,400.00	
SURPLUS / DEFICIT (A – B)	+500.00	-200.00	

# TO PREPARE A SUCCESSFUL BUDGET

**Takes Time** 

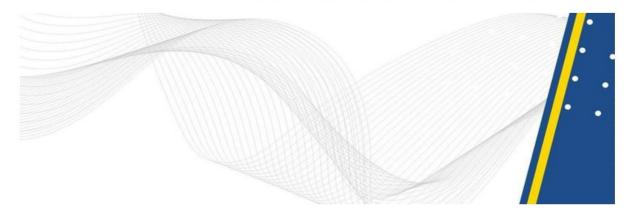


Be Realistic

**Requires Effort** 

Be flexible

### **Always Track Your Expenses**

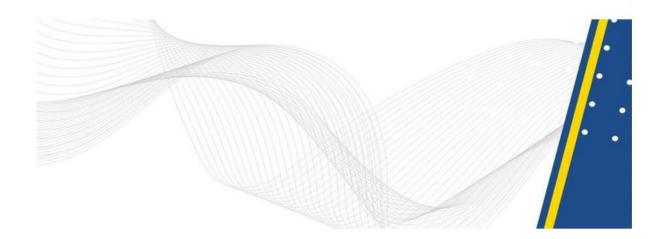


# BENEFITS OF HAVING A BUDGET

- 1. Live Within Your Means
- 2. Cultivate a Saving Habit



- 3. Save for Financial Emergencies
- 4. Enhance Your Net Worth





### 1. LIVE WITHIN YOU MEANS

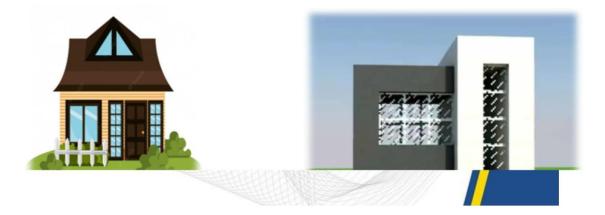
- Needs and wants
- Delay gratification
- Spending wisely



# Less Spending im More Savings

### Differentiate needs from wants

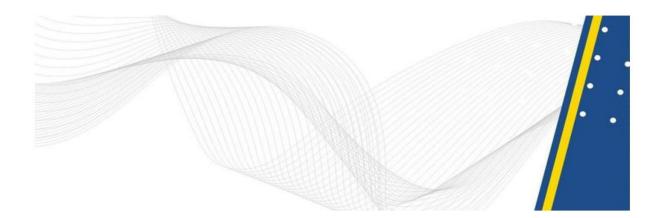
Needs= items you must have for basic survival Wants= things you desire but can live without





- 2. CULTIVATE A SAVING HABIT
  - Always pay yourself first
  - Motivate yourself with a financial goal
  - Made a savings a challenge
  - Put away surprises





# 1. SAVE FOR FINANCIAL EMERGENCIES The most common need for an emergency fund: • Unemployment

- Accidents
- Medical
- Repairs
- Nature disaster

Death '3 to 6 months' living expenses'

ÉMERGENCY PULL

### FINANCIAL EMERGENCIES



### 4. ENHANCE NET WORTH

Net Worth Statement Reports:

- What you own (assets)
- What you owe (liabilities)







### HOW TO CALCULATE YOUR NET WORTH



#### STEP 1 - List the things of value that you own



Cash and its equivalent, such as savings accounts and fixed deposits Investments, such as stocks, bonds and unit trust funds Retirement funds, such as EPF and personal retirement accounts Properties like houses, apartments and land



Personal belongings that can be sold such as jewelry, gold, art and antiques

#### STEP 2 - Total up your assets



including your

student loan,

bank loans

and other

loans



Credit card

balances

Taxes owing, such as real estate and income tax Money owing to relatives, friends and others

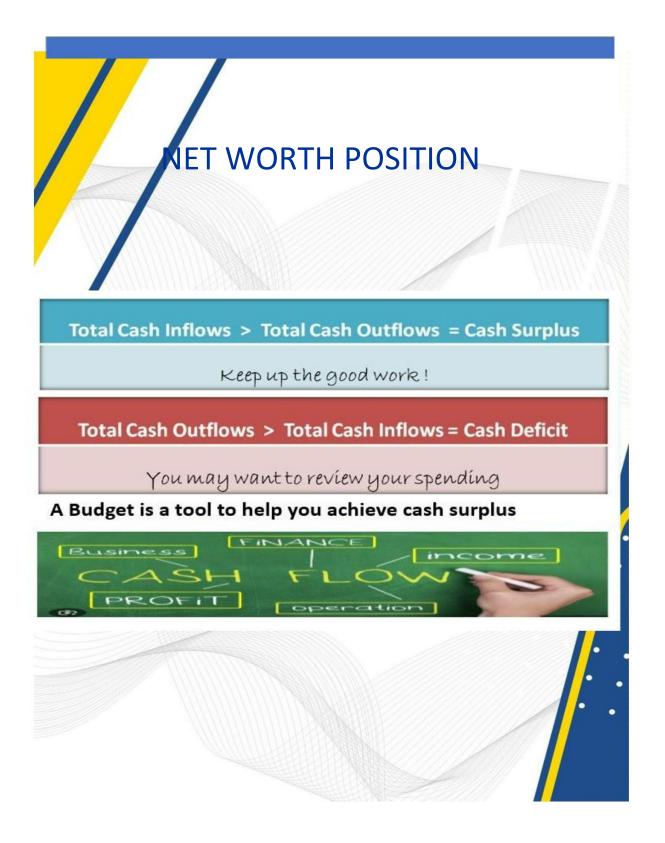


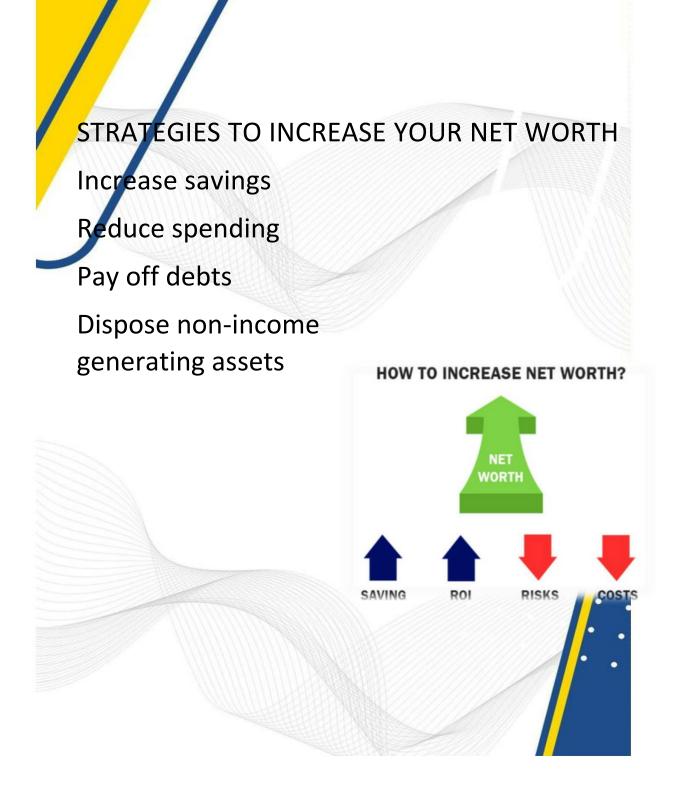
Balance of installment payments for consumer goods such as furniture and TV

STEP 4 – Total up your liabilities STEP 5 – Assets minus liabilities = Net Worth

If the number is positive, pat yourself on the back. You should plan on how to increase your net worth. If it is negative, do not despair, because you can take actions to improve your financial position







# CONCLUSION

Having financial resources grants individuals more freedom and choices in life. It allows them to make decisions without being solely restricted by financial constraints.

The power of money is significant and multifaceted. Here are some key aspects that highlight its importance:

#### **Economic Power:**

Money is the backbone of any economy and plays a crucial role in driving economic activities. It facilitates the exchange of goods and services, encourages investment, and stimulates economic growth.

#### **Purchasing Power:**

Money allows individuals to purchase goods and services, fulfilling their needs and wants. It gives people the ability to acquire basic necessities, luxury items, and experiences that enhance their quality of life.

#### Wealth Accumulation:

Money enables individuals to accumulate wealth over time. Through savings, investments, and prudent financial decisions, people can build assets and financial security for the future.

#### Social Influence:

Money can provide social influence and status. Wealthy individuals often have access to better education, healthcare, and networking opportunities, leading to higher social standing and greater opportunities.

#### Freedom and Choices:

Having financial resources grants individuals more freedom and choices in life. It allows them to make decisions without being solely restricted by financial constraints.



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# CHAPTER 3

# FINANCIAL PRODUCTS AND SERVICES

# FINANCIAL PRODUCTS AND SERVICES

# SAVING & CURRENT ACCOUNT



### \* BASIC BANKING SERVICES

- Over the counter
- ATM
- Deposits Machines
- Interbank Giro
- Internet Banking

### Things to remember!!!

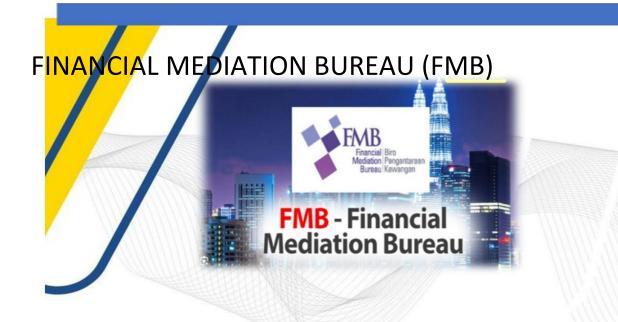
- Keep your account numb and PINs confidential;
- Keep your account statements, passbook & ATM card in a safe & secure place;
- Destroy or shred cancelled cheques



# MALAYSIA DEPOSIT INSURANCE CORPORATION (PIDM)



Protect depositors against loss of deposits Automatic Protection Protects deposits in FIs regulated by BNM



Independent Body to settle disputes, complaints or claims between you and your financial service providers.

Matters that will not be considered by FM

Pricing Product policies and services

- Credit decision
   Cases over 6 years
  - Cases under litigation



- Follow Shariah Principles;
- Prohibits riba (interest);
- Usury (trading in financial risk) and
- Haram (unlawful business ventures);

### • Follow islamic concepts like :

- Profit sharing (Mudharabah),
- Safekeeping (wadiah),
- Joint ventures (musharakah),
- Cost plus (murabahah) and
- Leasing (Ijarah).





# **BANKING INTERN**

a) Keep print out of transactions

- b) Keep Login ID confidential
- c) Change password regularly
- d) Do not store Login ID and password in PC

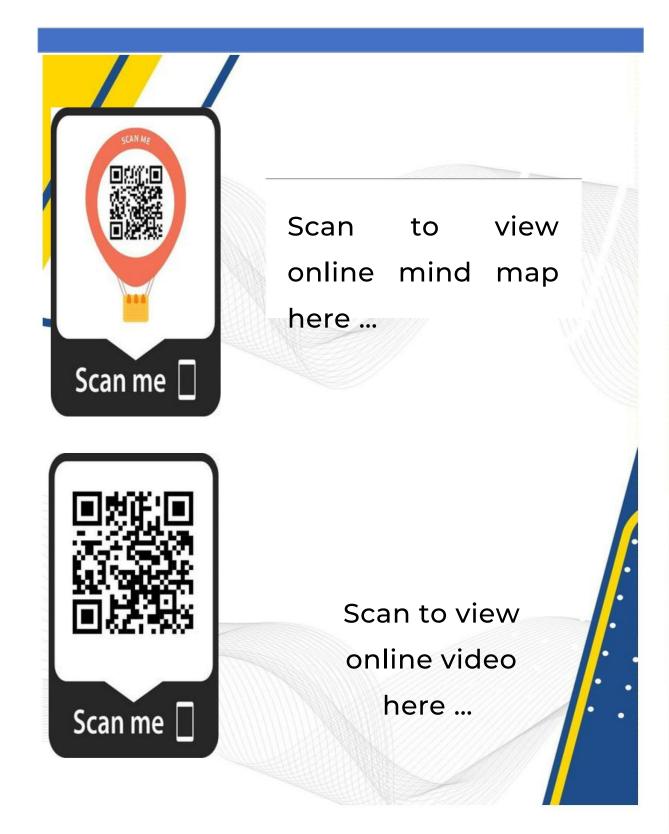
Internet Bankin

- e) Make sure login at correct website
- f) Do not leave computer unattended
- g) Have anti-virus protection

h) Always log out after each session Don't open

other web browser while

banking online



# CHAPTER 4 BUILDING WEALTH ON A DIME

## **BUILDING WEALTH**

# THE SAVING HABIT

Make your saving automatic

# INCREASING YOUR NET WORTH

- Your investment goals
- Investment risk and return
- Don't put all your financial eggs into one basket

### **TYPES OF INVESTMENT**

Cash and Fixed Interest Investment Shares

- Unit Trust Funds Property
- Bonds

REITs



# ELMAN GEALISE AND SCHEME

Promise high return with little or no risk

The offer is for limited period and asked you to sign up immediately

Scheme is in another country (cannot check on its status)

Asked to provide confidential information. bank account number

Asked to deposit money to meet the processing and administrative fees

HOW TO PROTECT YOURSELF FROM

SCAMMERS

### **Common Forms of Scams include:**

- Pyramid schemes;
- Advance fee fraud

Misleading investment seminars (promoting high- risk investment schemes);

Property Marketing Scams;

False Billing;

Email internet banking scams;

Medical scams (miracle cures, weight loss scams);

Self-employed scams (work- from- home

offers

### Tips on how to avoid getting involved in financial scams

So tay away from opportunities that sound too good to be true

 Avoid any company that predicts or guarantees large profits

Be wary of remitting cash on the Internet or by mail

- Be sure to get the company's performance track record
- Ask questions and do not commit immediately

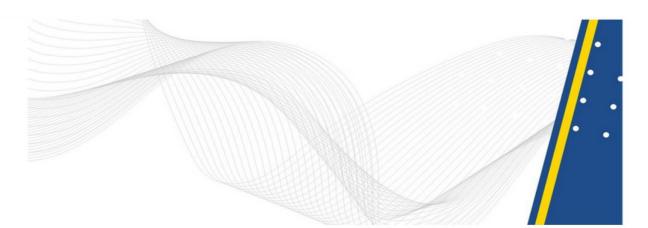


 Browse websites of BNM and SC for clarification



### Investment Portfolio Guide

	Investment Instruments		%	
Risk Level	Exotics	Forex/Commo	3-5	
	Blue Chip Shares		10-15	
	Real Estate		20-40	Real Estate Investment Trust (REIT) Order to real resonance According to the real resonance According to the real resonance International Control of the r
	FD, ASB, ASN and/or Unit Trust		50-70	
	Savings and/or FD	Six months Living expenses	20-30	







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# PLANNING FOR UNCERTAINTIES

WHAT IS IT RISK

Risk = the possibility of financial loss

Why is risk important for insurance?

Risk is what makes you decide whether or not you need insurance.

Risk is what insurance companies measure when determining whether to offer you insurance and how much it will cost.

Generally speaking: **Risk = > Cost** 

L. Avoidance:

Choosing not to participate in an activity because of the risk involved, e.g. not getting a driver's license, not going for holiday etc;

2. Retention:

Saving money in case of future losses, e.g. putting RM1K in a savings account in case of a car accident;

3. Transfer:

Passing the risk on to an insurance company, e.g. paying a premium fee for an insurance policy and expecting the insurance company to protect your assets.





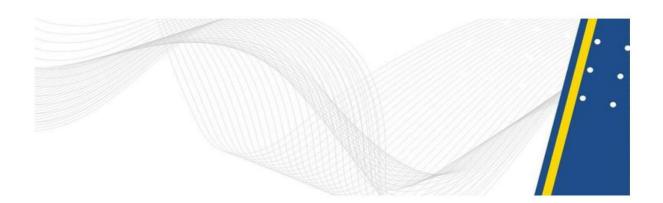
No one can predict the future. Being prepared is the best defence you can have to guard against unforeseen uncertainties

### What is Insurance?

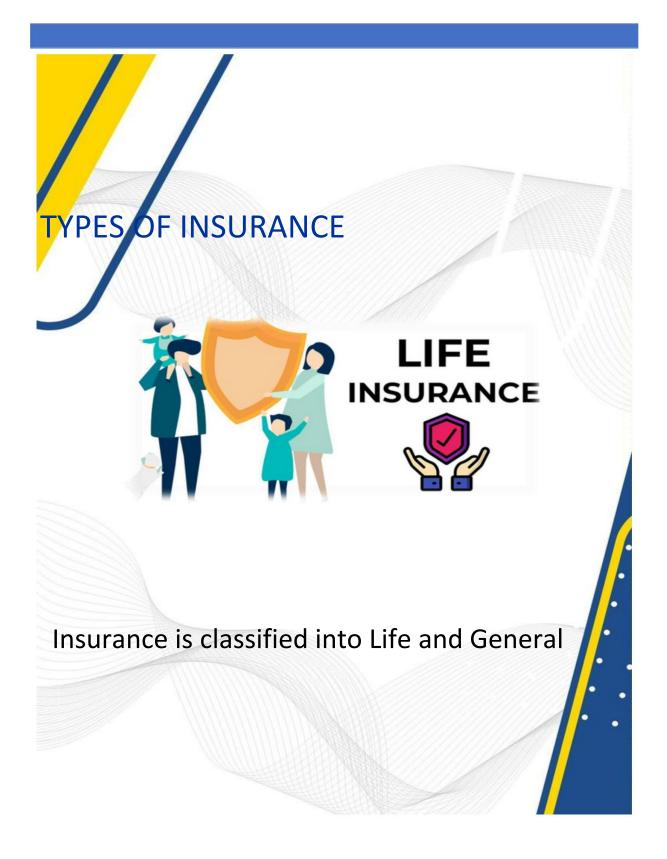
Insurance is a legal contract that transfers risk from a policyholder to an insurance provider

### WHY YOU NEED INSURANCE

- Protection against loss due to hazard and unexpected events
- Compensation for damages for personal belongings
- Increased Medical Bills
- Living expenses in disability or serious illness







### LIFE INSURANCE

Insures against premature death, illness, disability and nospitalization

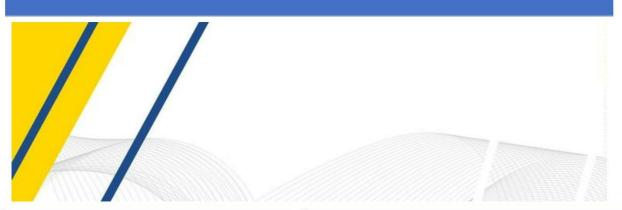
**Risk Factors:** 

Age/Gender/Height & Weight/Medical record Personal habits (Smoker, drinker)etc)/Occupation \*\*Amount of coverage required\*\*

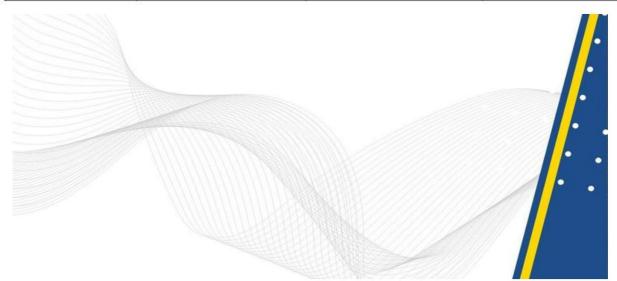
# SENERAL

PERSONAL

- Any insurance other than human lives comes under the scope of General Insurance
- It is preferable to call this as General Insurance instead of non-life insurance
- Motor
- House
- Travel
- Personal belonging



Personal Risks		Strategies	
Risk Events	Financial consequences	Planning Measures	Defensive Instruments
Death	Income loss Final expenses	Estate planning Insurance planning	Life insurance
Disability	Income loss Treatment costs	Insurance planning Health program	Life insurance
Critical Illness	Income loss Treatment costs	Insurance planning Health program	Dread diseases insurance Health insurance
Direct/Indirect property Loss/Damage	Income loss Replacement costs Repair costs	Insurance planning	General insurance



## TYPES OF LIFE INSURANCE

**Term insurance** is the most basic, and generally least expensive, form of life insurance for people under age 50. The policy term is typically 1 to 10 years, and may be renewable at the end of each term. The policy benefit is payable only if the insured dies/become totally & permanently disable during the policy term.

Whole Life combines permanent protection with a savings component. As long as you continue to pay the premiums, you are able to lock in coverage at a level premium rate. Part of that premium accrues as cash value. As the policy gains value, you may be able to borrow up to 90% of your policy's cash value tax-free. The proceeds of this plan are payable when premature death occurs or the policy maturity date is reached

# TYPES OF LIFE INSURANCE

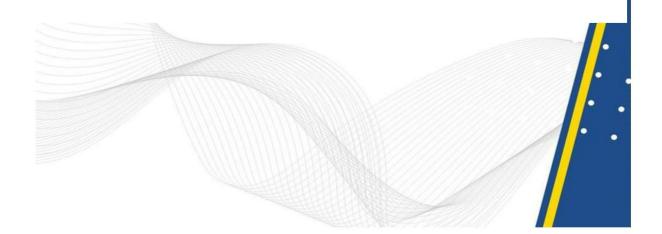
**Endowment:** Combines protection and savings. This policy provides cash benefits at the end of a specific period or upon death or total and permanent disability during the same period.

**Investment – linked:** Combines investment and protection. Under this policy, you get to choose the type of investment fund – stock, bond or money market funding options and the amount of life insurance coverage.

Medical & heath – cover the cost of medical treatment – hospitalization & surgery

# EVELOPMENT OF TAKAFUL – WORLDWI ROSPECTIVE

- Takaful or Islamic Insurance is a new industry.
- Takaful was initially undertaken in Sudan 1979 and Malaysia in 1984.
- Takaful operations open up in many countries in the past two decades especially in large Muslim community.
- Currently more than 50 takaful operators worldwide including some non-Islamic countries.



Development of Takaful – Malaysia Case Study

Takaful industry is relatively new compared to conventional insurance companies in Malaysia.

- The National Fatwa Committee of the Malaysian Islamic Affairs Council declared the conventional life insurance business contradicted with Islamic principles in 1972.
- In 1985, the Fiqh Academy of the OIC made a declaration that all forms of conventional insurance do not conform with Islamic principles.

### <mark>Devel</mark>opment of Takaful – Malaysia Case <mark>Stu</mark>dy

Takaful Act 1984 was introduced to supervise the takaful activities since Insurance Act could not be applied to the takaful business in Malaysia.

Takaful Malaysia Sdn. Bhd. was established in 1984 with paid-up capital of RM10 Million and there are four takaful operators in Malaysia.

Four Takaful operators are : Takaful Malaysia Takaful Nasional Malaysia Maybank Takaful/etiqa

Takaful Ikhlas

#### Basic Concepts of Takaful

- Al-Mudharabah means 'profit sharing'.
- Al-Takaful means 'joint guarantee'.
- Tabarru refers to elements of 'donation'.

# Why Conventional Insurance does not conform with the requirement of the Syairah?

- Al-Gharar refers to 'unknown' or 'uncertain' factors in a conventional insurance contract.
- Al-Maisir refers to 'gambling' element and is said to derive from the 'gharar' element.

 Riba – refers to the 'interest' factor present in the investment activities of conventional insurance companies.

#### **Basic Concepts of Takaful**

•Al-Mudharabah – means 'profit sharing'. The takaful operator accepts and invests the takaful contributions (Premiums) received from the takaful participants. The contract will specify how

the profit will be shared between the participants and takaful operator.

Al-Takaful – means joint guarantee whereby the participants jointly guarantee amongst themselves. Any member faced with a calamity will be financially compensated from funds contributed by the participants.

 Tabarru – refers to elements of 'donation'. Each participant agrees to relinquish a portion of the takaful contribution to a common fund that is used to pay a member that suffers a loss. Al-Gharar refers to "unknown" or "uncertain" factors in a conventional insurance contract. In conventional insurance, it is not made known to the policyholders on how profits are distributed and in what the funds are invested in. In a takaful operations which is based on the "Mudharabah" concept, the distribution of profits to the operations and the participants in the contract are clearly outlined.

Al-Maisir refers to "gambling" element and is said to derive from the "gharar" element. In conventional insurance, the policyholders stands to lose all the premiums paid if the risk does not occur. On the other hand, he stands to get more should a misfortune happens whilst paying a small amount of premium. In takaful, even though the risk does not occur, the participant is entitled to get back the contributions that he has paid. Should the risk occurs, he will pay from his amount of premium fund plus the pool of funds from the "donation" of other participants. the requirement of the Syairah?

Riba refers to the "interest" factor present in the investment activities of conventional insurance companies. The policy loan in conventional life insurance is in fact a "Riba" based transaction. Islam prohibits any investment activities which is interest based, in alcoholic beverage and non- halal products.

### <mark>Takaful</mark> Models

Non-Profit Model - Social governmental owned enterprises and programme operating on a nonprofit basis. The contributions paid by the participants are wholly for tabarru (donation) to unfortunate members.

Al-Mudharabah Model - The co-operative risk sharing where participants and operators share in the distribution profit.

Al-Wakala Model - In this model, the co-operative

risk sharing occur among the participants with a takaful operator whereby a fee is agreed to be paid to the operators for the services rendered. The operator shall not participant in the underwriting results.

1. Family Takaful

 The plans available is quite similar to the endowment policy in conventional life insurance practice where participants may choose a fixed period of coverage. Installment payment can be in Participants Account (PA) and Participant Special Account (PSA).

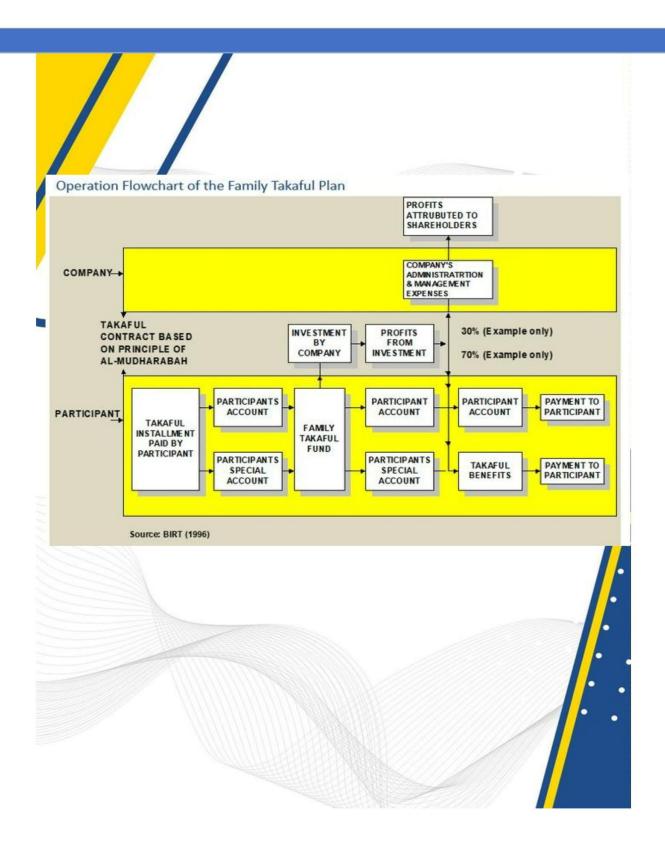
2. General Takaful Operation

The protection on short term basis. The participants' contribution is wholly on tabarru (donation) basis and sharing of profits is on underwriting surplus and investment income. Surplus is derived after deducting company's

expenses from this fund

TAKAF

**General Takaful Operation Flowchart** PROFITS ATTRUBUTED TO SHAREHOLDERS COMPANY'S ADMINISTRATION & MANAGEMENT COMPANY EXPENSES TAKAFUL 1 INVESTMENT PROFITS CONTRACT BASED FROM BY ON PRINCIPLE OF COMPANY INVESTMENT AL-MUDHARABAH OPERATIONAL SHARE OF SURPLUSFOR THE COMPANY COST OF TAKAFUL PARTICIPANT TAKAFUL GENERAL GENERAL **OPERATIONAL** SURPLUS CONTRIBUTION FAMILY FAMILY COST OF 40% (Example only) PAID BY ACCOUNT ACCOUNT FAMILY (PROFIT) 60% (Example only) OPERATIONAL SHARE OF SURPLY'S FOR COST OF THE PARTICIPANT TAKAFUL Source: BIRT (1996)



# Information to consider before buying insurance policy



- Understand about the types of policies
- Carefully assess what you need to protect
- Decide how much you want to insure – the level of coverage
- Compare \*insurance companies and their policies
- Ensure to buy insurance through an agent appointed by a licensed insurance company
- Making a claim under what situation & how to make claims

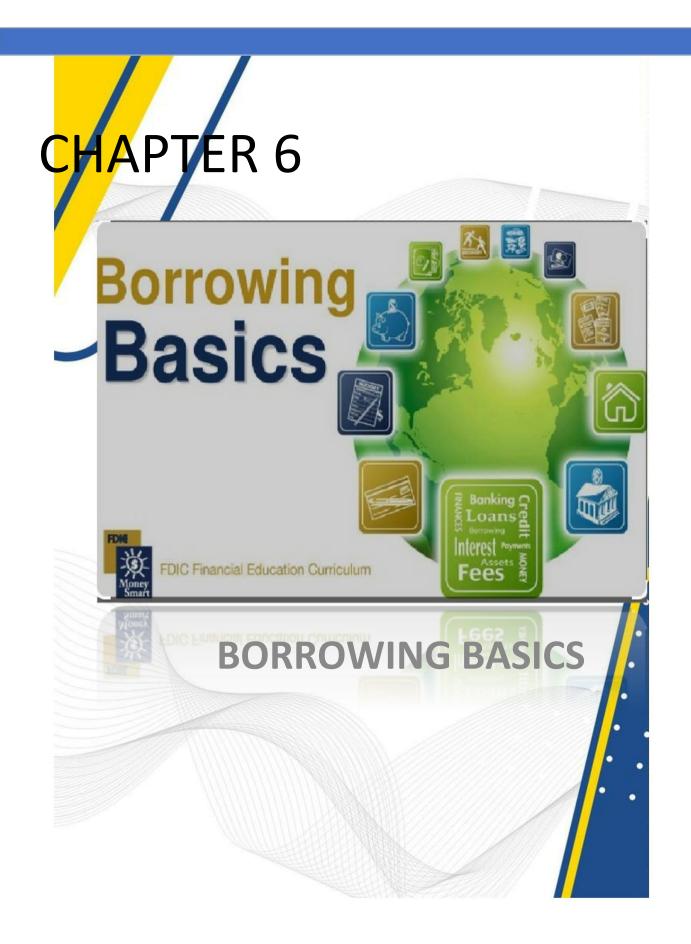




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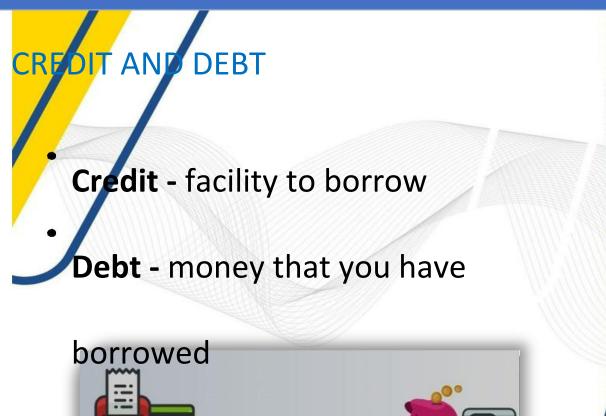
### Scan to view online video here





# 'To borrow or not to borrow?" .....that is the question !







### REDIT AND DEBT

You are given a credit card with a limit of RM3,000.

If you have spent RM1,000 on your credit card, that RM1,000 of utilized credit now becomes a debt.

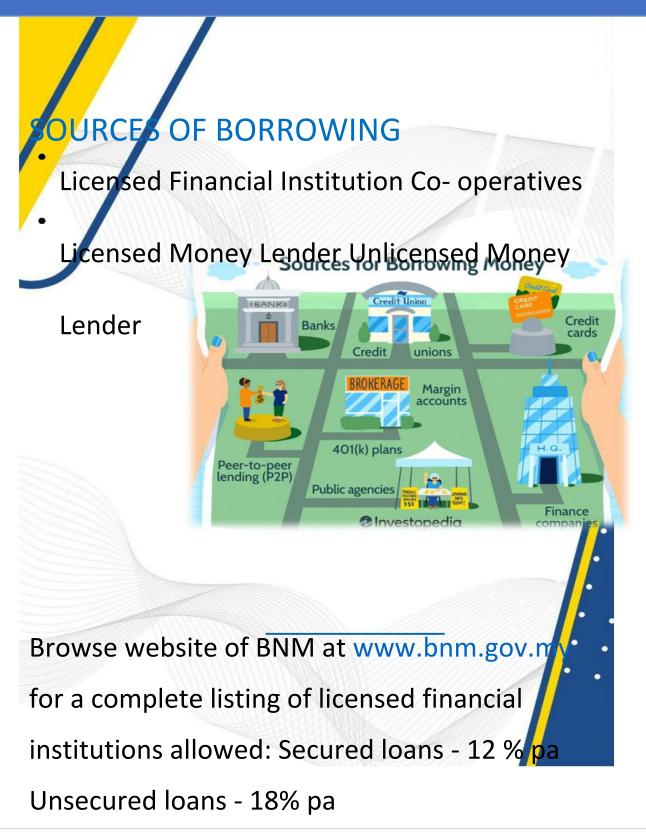
BEFORE : RM3,000 credit available

AFTER : RM2,000 credit still available

RM1,000 debt owing

CREDIT AND DEBT RULES OF BORROWING Borrow for productive purpose only Borrow within your means A borrower has a moral commitment

# FOLLOW THE RULES!



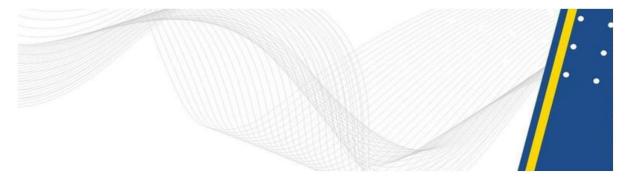


#### Licensed Money Lender

Licensed credit companies are under the preview of Kementerian Perumahan dan KerajaanTempatan.

Maximum interest rates allowed: Secured loans - 12 % pa Unsecured loans - 18% pa







Backed by assets

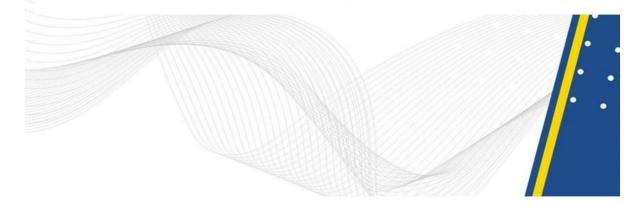
Lender will take possession/auction, in event of default

Lower interest rates

Easier to obtain



Examples, housing loan, car loan, OD, share margin

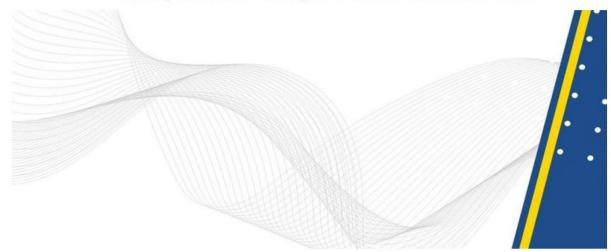




- Not backed by any assets
- Relies on ability to repay and credit background
- Characteristics:
  - ✓ Smaller in amount
  - ✓ Shorter in tenure
  - ✓ Higher interest rates
  - ✓ Stricter criteria



#### Examples, credit card, personal loan, education loan

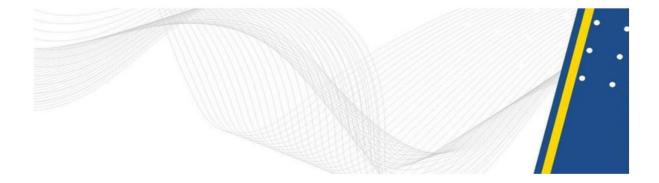


#### **ISLAMIC BANKING**

- Banking system that follows Shariah principles (Islamic law)
- Islamic rules on transactions
  - Prohibition of riba
  - Usury, act or practice of lending at an exorbitant rate
  - Trading in financial risk and haram (unlawful) business ventures
- Islamic banking is for all regardless of their religious beliefs









#### THE 3Ps OF CREDIT

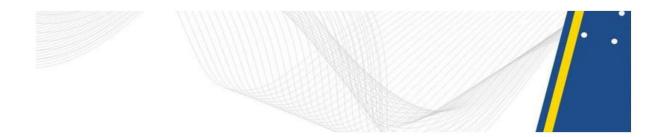
- Purpose of borrowing

   Risk assessment- secured or unsecured
- Payment ability

   Analyse current income position
- Payment history

   Analyse past and present payment record



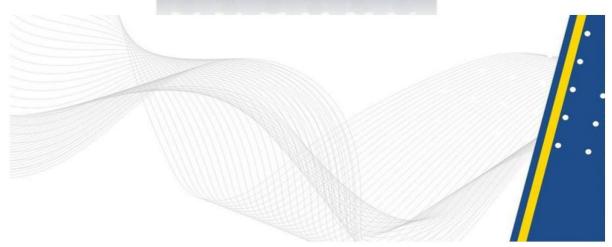




#### DEBT TO INCOME RATIO

- Important factor in credit assessment
- Ratio = <u>Total monthly repayment on all your loans</u> x 100 Gross Monthly Income
- General rule, ratio should not be more than 40%







#### Financial 'Rules of Thumb'

Housing:

Automobile:



Maximum mortgage payments should be less than 30% of your gross monthly salary.

Buy used and drive it for at least 10 years. If you must borrow to buy a car, follow the 20/4/10 rule.

#### Which means:

Make a 20% down payment, don't borrow for more than four years and don't agree to a monthly payment that's more than 10% of your income.



#### DEBT TO INCOME RATIO

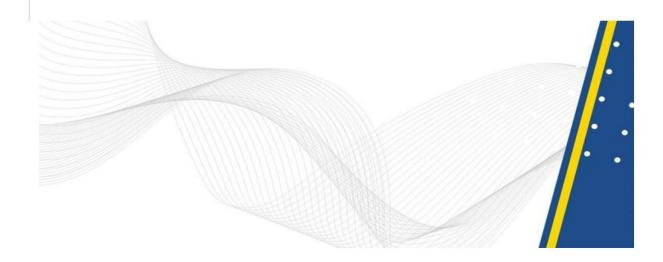
En. Daud's gross monthly income is **RM3,800**. His total monthly loan repayment - housing, car payment and credit cards is **RM2,128**.

Debt-to-income ratio = Monthly loan repayments

Gross monthly income

= RM2,128 RM3,800 X 100%

= 56%





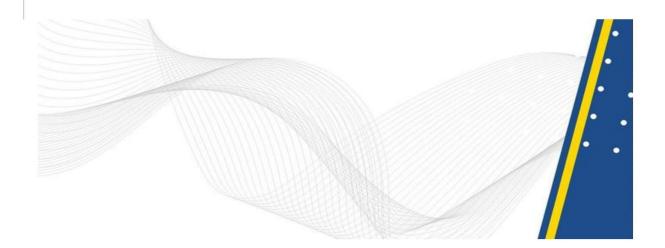
#### **BEING A GUARANTOR**

- To guarantee a highh risk loan
- Guarantor is still responsible for the unpaid portion of the loan,



including interest if the principal borrower defaults

- Think first before agreeing to be a guarantor
- Only guarantee for productive purposes



# **3 TYPES OF INTEREST RATES**

Flat Rate	Interest calculated upfront on the amount of money borrowed over the entire loan tenure
Fixed Rate	Interest calculated based on a reducing balance basis, whereby the interest rate does not fluctuate during the loan tenure
Floating Rate	Interest calculated based on a reducing balance basis, whereby the interest rate is tied to an index or base rate and fluctuates over the period of the loan. The most common index or base rate used is the Base Lending Rate (BLR)



## COMPOUND INTEREST



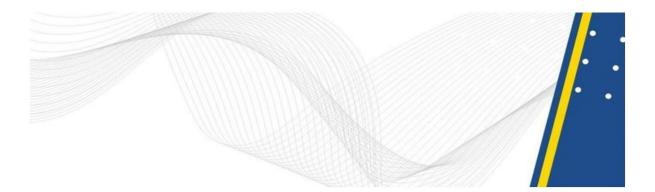
- 'Interest on interest' on investments or debts
- Compounding can be daily, monthly or annually
- Like a double-edged sword, it has advantages and disadvantages:



More return on your investments



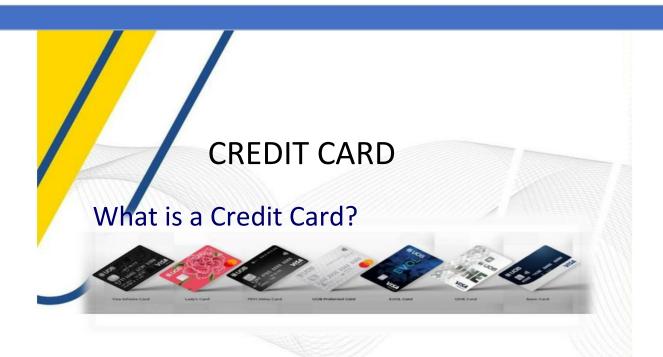
More interest if delay/defaults in repaying loan





BNM requires Financial Service Providers to disclose retail financial product features to consumers to support informed decision making

You are advised to understand the product features before deciding to accept the loan facilities



Electronic payment tool without using cash

Generally, you are given between 20 to 50 days interest free period

# BENEFITS OF A CREDIT CARD

- Convenient and efficient mode of cashless
- payment
  - Statements will assist you to track your
- spending for budgeting purposes
- Attractive schemes:

234 5678 1234

CARDHOLDER NAME

09/14

Zero-interest installment plan and flexible

R

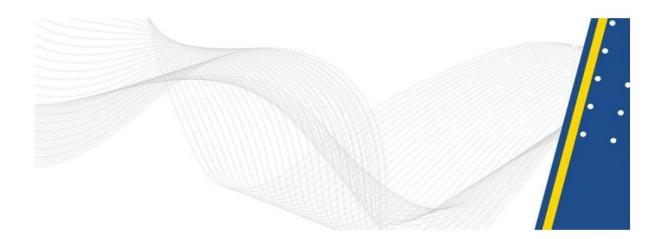
Balance transfer
 Loyalty points enables you to redeem
 goods and services





### CREDIT CARD TRAP

Outstanding amounts	RM1,000	RM5,000	RM10,000
Interest rate (p.a.)	17.5%	17.5%	17.5%
Years to pay off	2.0	5.8	7.3
Total interest charged	RM191	RM1,838	RM3,897



## INCENTIVES UNDER TIERED CHARGES

Repayment Track Record	Interest Charges
Promptly pay minimum for 12 consecutive months	Up to 13.5% per annum
Promptly pay minimum for 10 consecutive months	Up to 16% per annum
Other than the above	Up to 17.5% per annum

TIP ON WISE USE OF CREDIT CARDS Limit the number of credit cards Settle your outstanding balance in full Avoid making cash advances, unless necessary

If unable to pay in full, pay more
 Shop online only with trusted website



The minimum eligible age is 21 years codificard Rules The minimum income set at RM24,000 per annum

New

Below RM36,000 per annum , the following would be applicable:

Credit cards from a maximum of two issuers

 The maximum credit limit shall not exceed two times their monthly income per issuer

Existing who hold from more than 2 issuers are given till Dec 31, 2011 to select their

preferred issuers

 Existing cardholders, whose credit card outstanding balance exceeds the maximum credit limit is given 2 years to settle

# NEW CREDIT CARD GUIDELINES Effective 18 March 2011

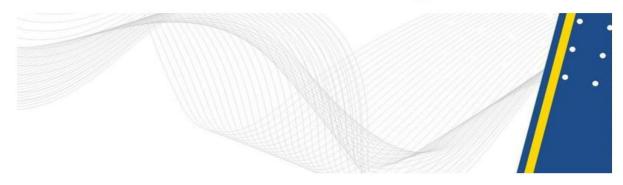
Issuers are not allowed to increase cardholders' credit limit without obtaining their consent. Issuers are not allowed to offer a credit advance in the form of cheque payable to the cardholder.



# SAFEGUARD YOUR CREDIT CARD

- Do not let anyone else use your credit card
- Do not provide your credit card details to anyone
- Keep all your charge slips and check it against your statement
- Keep your credit card in the same place in your wallet
- Report lost, stolen or unauthorized transactions





# <mark>CHAR</mark>GE CARD

Similar to credit card

No flexibility of paying minimum amount

## Full payment



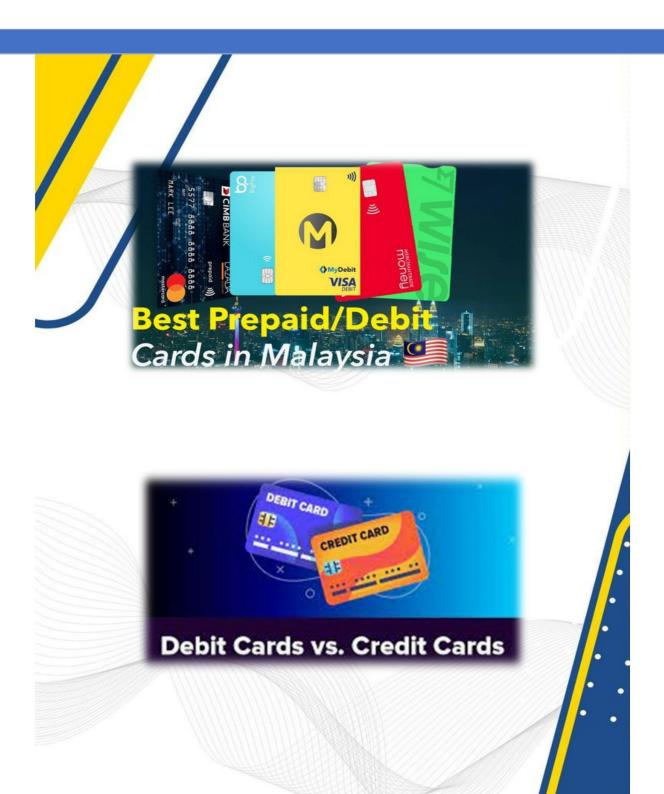
High late payment charges

# DEBIT CARD

- Quite similar to ATM card
- Selective merchants
  - Immediately deducted from your bank
- account
- Good option for control spending

# PREPAID CARD

- Similar to a debit card
- Limited spending limit
- Meant for small value transactions
  - Need to reload
    - Control spending

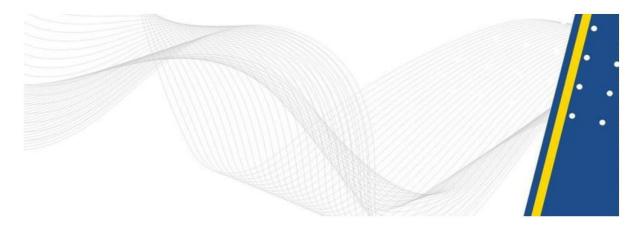




## Interactive Exercise 1

Credit card outstanding balance (RM)	=	10,000.00
Interest	=	17.5%
Your Choice	=	10.0%

MINIMUM PAYMENT	FULL SETT	LEMENT	PAYMENT (RM)		
	MONTHS	YEARS	INTEREST	TOTAL	
5%	88	7.3	3,897.00	13,897.00	
10%	?	?	?	?	
Cost/time savings	?	?	?	?	





## Interactive Exercise 1

Credit card outstanding balance (RM)	=	10,000.00
Interest	=	17.5%
Your Choice	=	10.0%

MINIMUM PAYMENT	FULL SETT	LEMENT	PAYME	NT (RM)
	MONTHS	YEARS	INTEREST	TOTAL
5%	88	7.3	3,897.00	13,897.00
10%	45	3.8	1,666.00	11,666.00
Cost/time savings	43	3.6	2,231.00	2,231.00



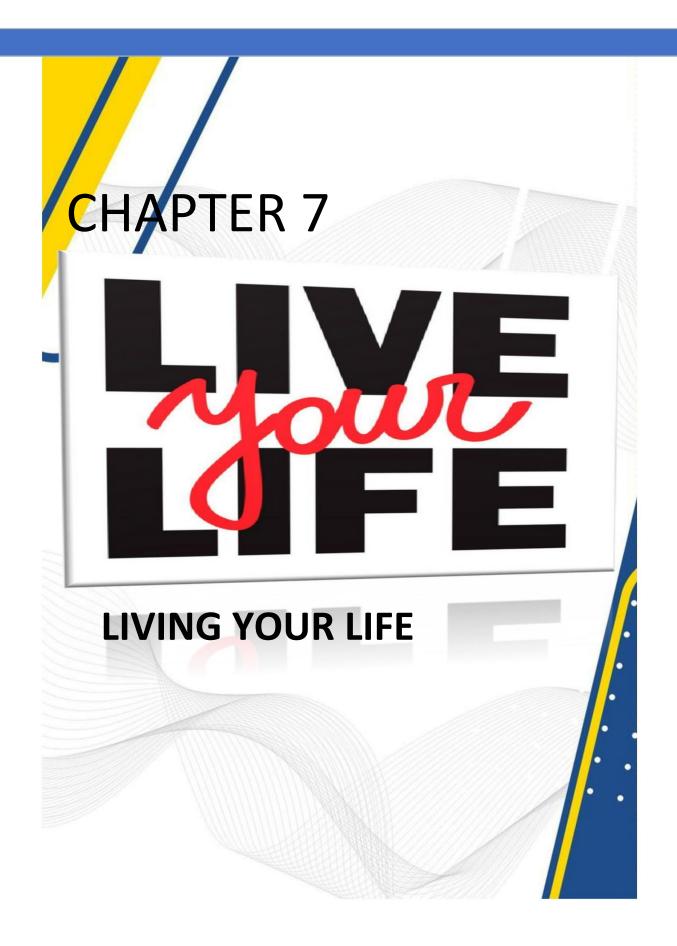


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online video here







Your Career Living your life is essentially about making smart choices, whether it is choosing a career, buying a car or house.

Planning your career

Your career is going to take up the most part of your adult life so do take it seriously.

Plan your career properly. Each time you change jobs, i.e. make a career move, aim to increase your income-earning capability or prospects for greater things.



## <mark>Key er iplo</mark>yee skills

A number of businesses were surveyed to find out what they considered to be key employee skills. Check out the list – you might be surprised at how many skills you already have, as many are based on your personality and ability to learn, rather than your existing knowledge...

Skill	Description
Personal values	Has loyalty, commitment, honesty, positive self- esteem, enthusiasm, reliability, good personal presentation and a good attitude towards life.
Communication	Listens and understands, speaks and writes clearly and directly, can read without assistance and can negotiate
Teamwork	Works well with other staff (no matter what age or level in the company), can work well on own or as part of a team
Problem solving	Is creative, has drive to find solutions, able to estimate and calculate understands basic budgeting, can make decisions and reason things out.
Planning and organising	Manages time well, understands processes and systems, establishes clear goals and works towards achieving them.
Learning and self-awareness	Is enthusiastic and willing to learn in any situation, open to new ideas and ways of doing things, has a personal vision, thinks about own performance.
Technology	Has basic computer skills and a willingness to upgrade skills, uses technology to seek, process and present information.

## <mark>Get to kno</mark>w yourself

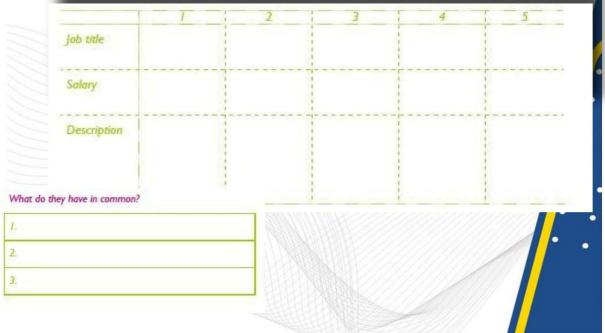
Take some time now to review how well you stack up in each key skill. Think in terms of a scale from one to five, with five being the highest. In what areas are you strong or weak? Have a think about ways you could improve your weak areas

	1	2	3	4	5	
Personal values						
Communication					1	
Teamwork						
Problem solving						
Planning and organising	1					
Learning and self-awareness						
Technology	1					
List three ways that you feel	you can improve y	our skills:				
2						

## Discover what's right for you

The key to doing well in a job is knowing what makes you happy and gives you a desire to succeed. Look on one of the major job websites or in the job section of Saturday's paper and find five jobs that look interesting. Write down their job titles and a brief description of each.

Then compare your descriptions and find three



## things some of the jobs have in common

## Your student loan

A student loan is an obligation and should not be taken lightly.

Once you start working, begin paying back your student loan, if you have one. The student loan is a loan, not a gift. It is a legal as well as a moral obligation to pay it back so that others can enjoy the same benefit that you did.



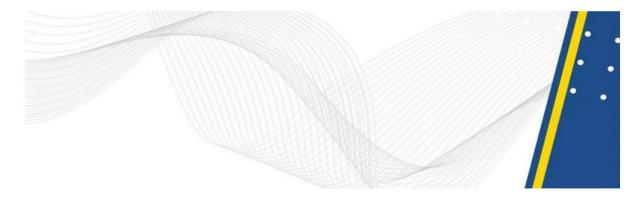
Your income tax



As an employed young adult, you need to pay your income tax. This is now done 'Pay-As-You-Earn' (PAYE) under the Scheduler Tax Deduction Scheme.

Your income tax is deducted from your monthly salary and sent directly to the Inland Revenue Board (IRB) by your employer.

It is your responsibility to declare all your sources of income to the IRB and pay the appropriate amount of tax.



# BUYING CAR

One of your major purchasing decisions A tool for source of income Save on transportation cost Besides monthly installment, other incidental expenses





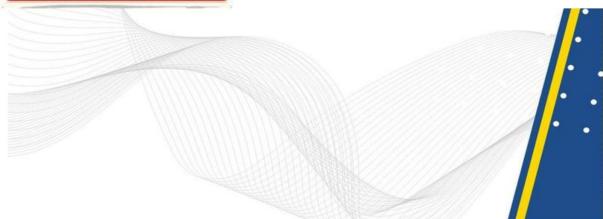
#### NEW OR USED CAR





### Factors to consider:

- Check your affordability, otherwise consider a used car first
- A new car could also have drawbacks
- There are advantages and disadvantages of owning a new car versus a used car.





# FUYING A NEW CAR

#### Advantages

#### Features:

- More option to match your needs (the make, colour etc)
- Latest technology

   hybrid etc
- Safety (alarm, ABS, air bag etc)

#### **Reliability:**

- No worries about past history
- Low maintenance
- Longer warranty period

#### Financing:

- Easy to obtain
- Higher margin
- Cheaper rates
- Longer tenure

#### Disadvantage

- Cost more
- High depreciation at least 10% in the first year. Thus loss is higher on resale
- Higher insurance premiums
- Higher financing costs over the tenure



# BUTING A USED CAR

#### Advantages

- · Generally costs less
  - More affordable
  - Cost may be low enough to buy on cash, therefore less hassle
- Lower insurance premium

#### Disadvantage

#### Features

Less option

#### Reliability

- Uncertain past history
- Higher maintenance
- No warranty
- PUSPAKOM's inspection

#### Financing

- May be difficult to obtain
- Lower margin
- Higher rates
- Shorter tenure



Your total monthly loan repayments should not exceed 40% of your gross monthly income Interest rate on a car loan is normally on a flat rate basis

Under Hire Purchase Act, 1967, the term charges or interest rate should not exceed 10% per annum.



# HP INSTALLMENT CALCULATION

Car price Down payment @ 10% = RM5,000HP loan amount = RM45,000 HP rate (flat rate) = 5% p.a.

- = RM50,000

- Loan tenure = 5 years (60 months)

#### Computation:

Total interest charged

- = Loan amount x Rate x Years
- $= RM45,000 \times 5\% \times 5$
- = RM11,250

Total loan + Interest

- = RM45,000 + RM11,250
- = RM56,250

#### Monthly installment

- = RM56,250 ÷ 60 months
- = RM938





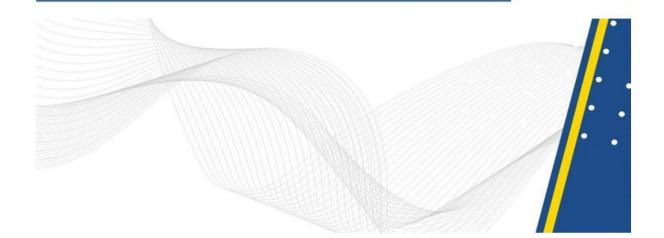


MONTHLY INCOME COMPUTATION



## Gross monthly income

- = Monthly car installment ÷ 40%
- = RM938 ÷ 40%
- = RM2,345



## ACTUAL MONTHLY COST OF OWNING A CAR

Fix	ed cost	RM/ Month	Notes
1	Installment (rounded)	938	RM45K @ 5% for 5 years
2	Insurance	125	RM1,500 p.a /12 months
з	Road Tax	8	RM90 p.a /12 months
	Sub - total	1,071	
Va			
1	Petrol	225	Assuming RM0.15/km x 50km/day x 30 days
2	Service & Maintenance	100	Based on estimate
3	Parking/ Toll etc	100	Based on estimate
	Sub - total	425	
	TOTAL	1,496	

The above has not taken into account the depreciation and major repairs.

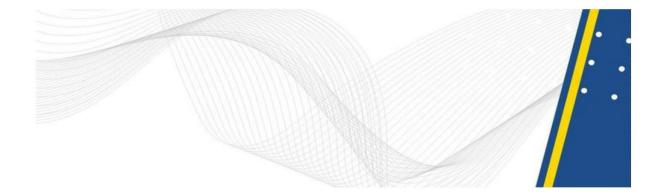


#### **REPOSSESSION CLAUSE**

- ✓ When the hirer defaults in 2 successive installments of final installment
- In the case where the hirer is deceased, defaults in 4 successive installments
- To pay all relevant charges in order to reclaim the

car

✓ To settle any shortfall (loss after of sale/auction)





## Interactive Exercise

Car Price (RM) Interest Rate	55,000.00 5%	55,000.00 5%	55,000.00 5%	55,000.00 5%
Tenure (Years)	5	7	5	7
Computation:				
Down Payment (RM)	5,500.00	5,500.00	16,500.00	16,500.00
Loan Eligibility (RM)	49,500.00	49,500.00	38,500.00	38,500.00
Interest Cost (RM)	12,375.00	?	?	?
Total Financing (Principal + Interest)	61,875.00	?	?	?
Monthly Installment (RM)	1,031.25	?	?	?

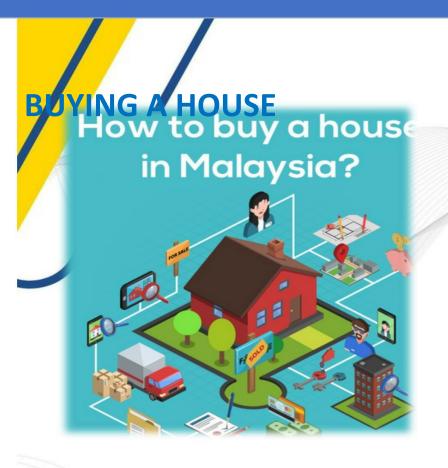




#### Interactive Exercise

Car Price (RM) Interest Rate	55,000.00 5%	55,000.00 5%	55,000.00 5%	55,000.00 5%
Tenure (Years)	5	7	5	7
Computation:				
Down Payment (RM)	5,500.00	5,500.00	16,500.00	16,500.00
Loan Eligibility (RM)	49,500.00	49,500.00	38,500.00	38,500.00
Interest Cost (RM)	12,375.00	17,325.00	9,625.00	13,475.00
Total Financing (Principal + Interest)	61,875.00	66,825.00	48,125.00	51,975.00
Monthly Installment (RM)	1,031.25	795.55	802.10	618.75





- Most crucial financial decision. (high cost)
- Non-financial decision (a home)
- Need to understand the steps involved in securing a housing loan:
- Save time and money
- Avoid uncertainties



buy

Owning your own gives a sense of pride and security of having a permanent home

rent

RENT

When you buy, you increase your net worth as you pay down the loan

There many commitments that may come with

the purchase of a house



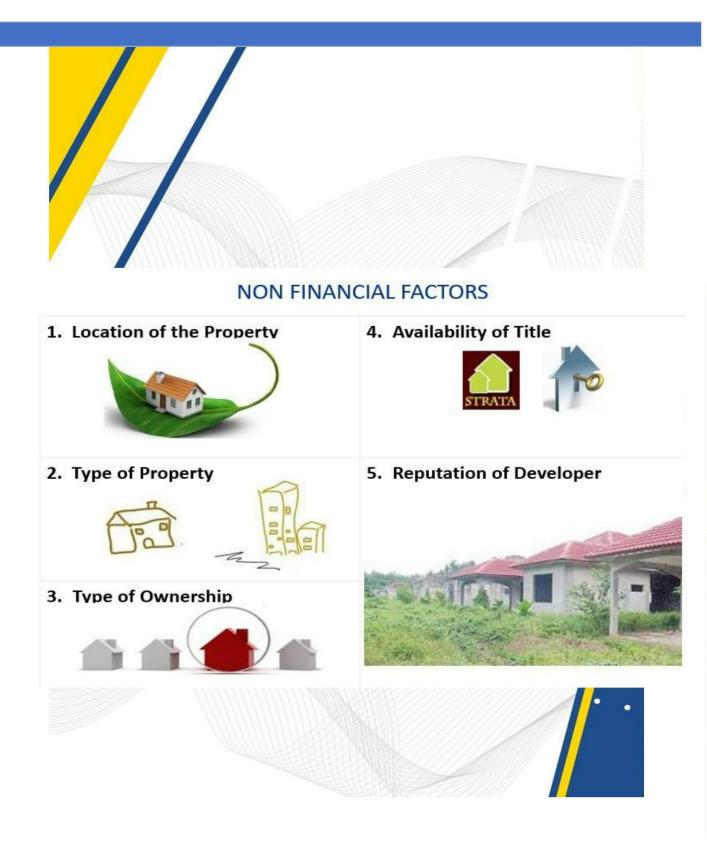
How much rental income can I expect? What is the desired return? Can you afford the financing cost?

Distrupted cashflow management if; No tenant

Properties are not liquid assests and will this be a problem when you need for cash?Can I handle

long-term ownership and

maintenance of the property?





#### **FINANCIAL FACTORS**

#### 1. Assess Your Affordability

✓ Check your cash flow and net worth position

✓ Two main affordability issues:

- Down Payment (10% to 20%)
- Related Costs (5% to 10%)\*







#### TYPES OF LOAN

#### Two banking systems:

- Conventional Loan
- Islamic Financing

#### Comes in various packages:

- Fixed rate or floating rate
- Term loan or flexi loan
- Level payment or graduated payment







#### MATTERS OF THE HEART

Before getting married.....need to discuss...

Your existing debts and how it will be repaid

To be clear about family's commitments

Your wedding budget





# THE WEDDING

Be realistic about your wedding expenses. You will be surprised at how much the gifts, ceremonies, dinners, clothes and shoes, and wedding photos can add up to your expenses.

Like in other aspects of your life, have a budget. List the things that are necessary for the wedding.



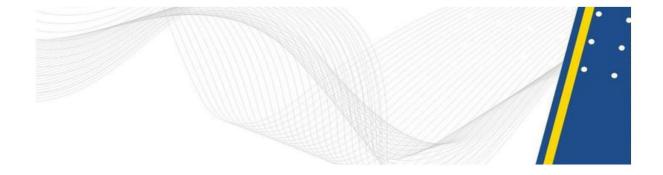




#### THE WEDDING

# Discuss with your spouse-to-be on how much money you both can afford to spend.

Get tips and advice from those who've been through it all on how to spend wisely for this important occasion.



# MARRIAGE AND FAMILY

Because money is a sensitive topic, many couples can go through their entire married life and not talk openly about it with one another.

But it's essential that you and your spouse see eye-to-eye on money matters.



# Financial debts

This may sound harsh but do discuss with your intended spouse the debts that both of you will bring into the marriage, if any.

You and your spouse should not hide from each other this topic of debt. Some marriages are reported to fail due to financial debts incurred



Financial Checkup

It is a healthy practice for a couple to prepare a monthly budget and spending plan, and track the spending of money at least once a week using a family cash flow statement.





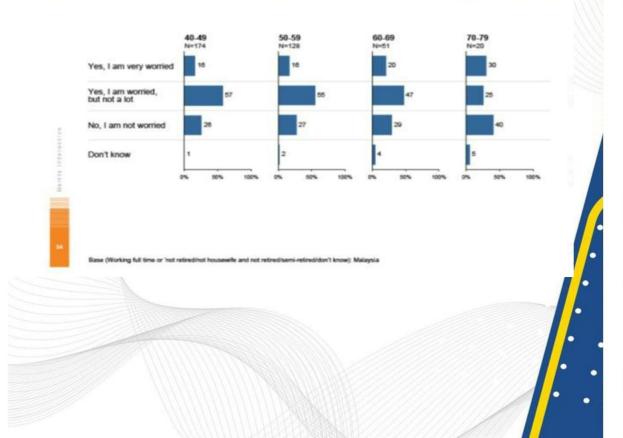


#### **HSBC Survey Key Findings**

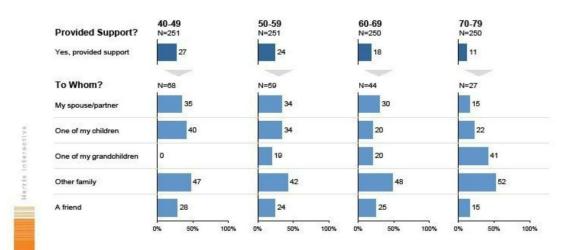
1,033 respondents 94% - believe having enough money 60% - feel adequately prepared >2/3 - worried about coping financially in retirement 31% - very worried coping in retirement 37% - slightly worried

Malaysia Report

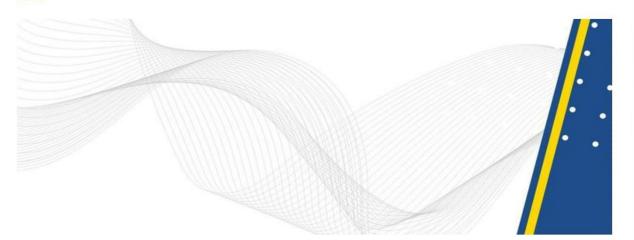
#### Are you worried that you will not be able to cope financially when you retire?



#### In the course of the last 6 months, have you provided Financial Support for a friend or relative..? To whom?



Base: Malaysia

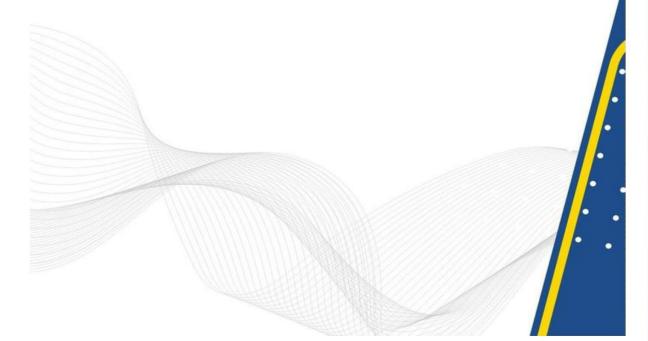


You're never too young or too old to plan for retirement.

The earlier the better, but it's also better late than never.

It's desirable to inculcate the saving habit at a young age.

In fact, saving should be part of your lifestyle.



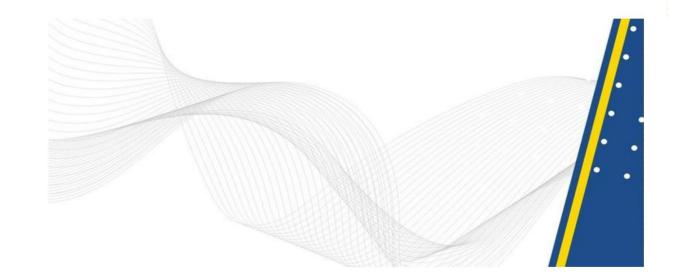




#### BASICS OF RETIREMENT PLANNING

You need to know where you are at present:

- What is the percentage of your income that you and your employer are contributing to EPF or any other retirement plan?
- What rate of return do you want on your investments?
- How many years do you have until retirement to earn your money?





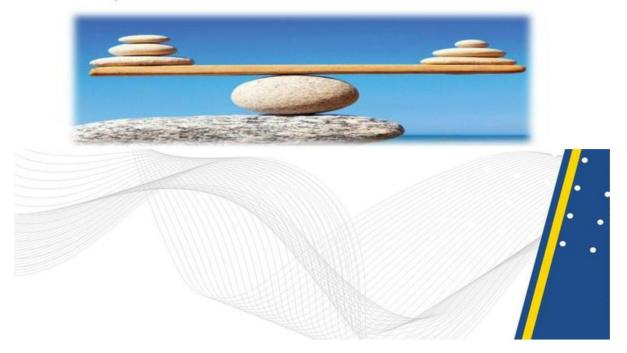
#### A BALANCED LIFE

While money is necessary in today's world, it is not everything.

Don't make it the sole reason for what you do in your life.

Health, family and spiritual well being are important elements that contribute to happiness.

It is very important to create a balance in your life.

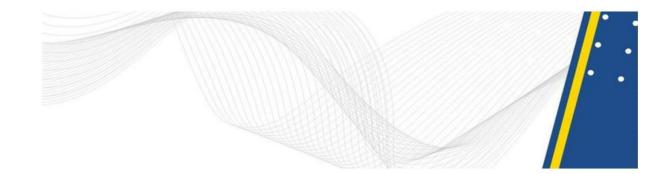






- Money is just one part of a total system that produces a feeling of well-being.
- The challenge is to earn money to live life rather than living life to earn money.

Source: Paul Hwoschinsky, True Wealth





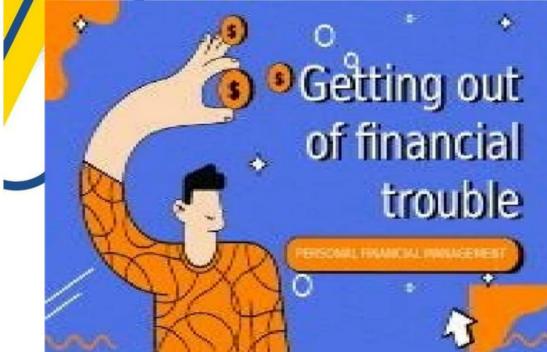
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# GETTING OUT OF FINANCIAL TROUBLE

# IMPORTANCE OF MANAGING DEBT WISELY

- 1. Improved cash flow management/better management
- Avoid late payment and penalty charges
- 3. Reduced borrowing cost
- Improve your credit standing
- 5. Avoiding harassments or legal actions
- 6. Better relationship with family

# WHAT LEADS TO OVER-INDEBTEDNESS?

# Greed

Lured by get-rich-quick schemes (use loans)

# Lifestyle

Live luxurious lifestyle by buying expensive things they cannot afford –charge everything to credit cards

Circumstances Losing your job, being disabled, suffering from critical illness or unforeseen emergencies

# SIGNS OF POTENTIAL

Credit Cards

Paying only the minimum amount each month

- Increasing the outstanding balance every month
- Going over your credit limit
- Taking frequent cash advances

# SIGNS OF POTENTIAL FINANCIAL DIFFICULTIES



Using the overdraft or automatic loan feature on your current account frequently Receiving notices from banks or creditors for non-payment Being denied credit because of a negative credit report Borroving from family or friends Getting calls from debt collectors regularly

# SIGNS OF POTENTIAL FINANCIAL DIFFICULTIES

#### Savings

Using up your savings at an alarming rate

 Having little or no savings to handle unexpected expenses

#### Expenses

• Living from paycheck to paycheck

DEBT

- Depending on part-time jobs, overtime commissions
- Arguing with your spouse regularly about money

# CONSEQUENCES OF NOT PAYING YOUR DEBTS BANKRUPTCY

A process where a debtor will be declared a

bankrupt pursuant to a High Court order that

mounting

RM30,000 and more. CONSEQUENCES OF NOT PAYING YOUR DEBTS

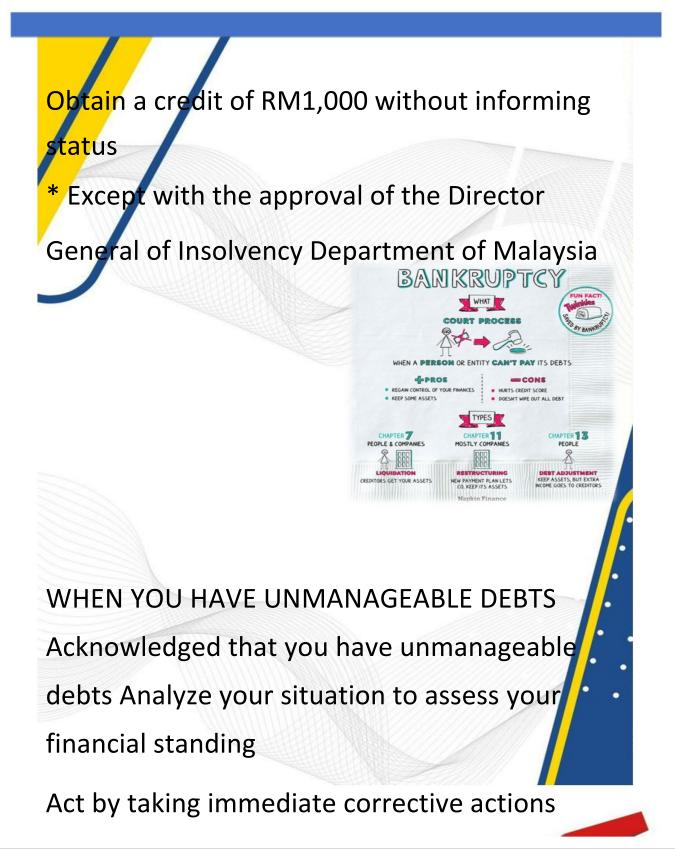
**BANKRUPTCY - RESTRICTIONS\*** 

Hold any public office

he cannot pay what he

Leave the country

Carry out own business or management of an company



# WHAT IS THE

# FIRST STEP

# THAT YOU SHOULD

# TAKE WHEN FACING A

# **DEBT PROBLEM?**



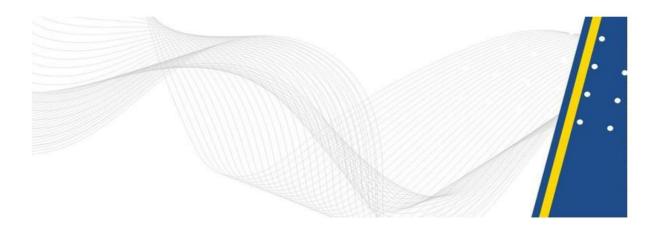


#### Agencies to refer when need Assistance

#### AGENSI KAUNSELING DAN PENGURUSAN KREDIT (AKPK)

- Set up by BNM to equip individuals with good money management skills and manageable debts
- Vision "Make Prudent Financial Management a Way of Life"
- 3 main services offered free of charge:
  - Financial Education Programme
  - Financial Counselling and Advice
  - Debt Management Programme

www.akpk.org.my





#### Agencies to refer when need Assistance

LAMAN INFORMASI DAN KHIDMAT BNM BNMLINK

- BNM's important point of contact with the general public.
- Acts as a centralized point of contact to facilitate a rapid and effective response for members of the public, small and medium enterprises (SMEs) in matters related to the financial sector





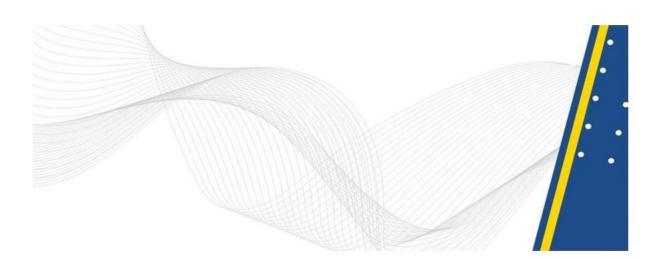
#### MAIN SOURCE OF CREDIT REFERENCE

CCRIS- Central Credit Reference Information System <u>http://creditbureau.bnm.gov.my</u>



CTOS – Credit Tip Off Services http://www.ctos.com.my







Financial education programmes on basic money management skills as well as tips on how to use credit responsibly.

## **Financial Counselling**

Personal counselling and advice on managing your finances wisely - from budgeting and money management to credit related issues. Learn how to handle debts responsibly for a better future.

### **Debt Management**

Regain control of your life and your debts. Our counsellors will work with you to develop a personalised debt repayment plan in consultation with your financial service providers.



## Scan to view online mind map here ...

Scan to view

online video

here ...

1. What is financial planning?

2. How do life stages with Financial Goals give affect Financial Planning?

3. Explain what compound interest is and give an example

# INTERESTING GAMES









CLICK HERE

Ċ

What do you need to know when setting your Financial Planning?

What is the importance of Setting Personal Financial Goals. What is cash surplus and cash deficit?

What is good financial management?

# INTERESTING GAMES







CLICK HERE







Figure out banking facilities products and services in Malaysia

Classify the needs and wants

Discuss the types of banking services available in Malaysia

Explain function of PIDM

## INTERESTING GAMES

CLICK HERE



1.Elaborate the importance of increasing personal networth

2. Discuss the investment risk and return

3.Discuss the basic investment products available in Malaysia



CLICK HERE



1. Why you need insurance?

2. What are the types of insurances

What is Takaful definition

4. How the way to buy an insurance

# INTERESTING MES CLICK HERE Before we

What is the important of not over committing o loans? What are the types of loan products available in Malaysia

What is the types of credit cards

How to avoid credit card trap

# INFERESTING GAMES

CLICK HERE





What is the important of not over committing on loans?

What are the types of loan products available in Malaysia

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# INFERESTING GAMES

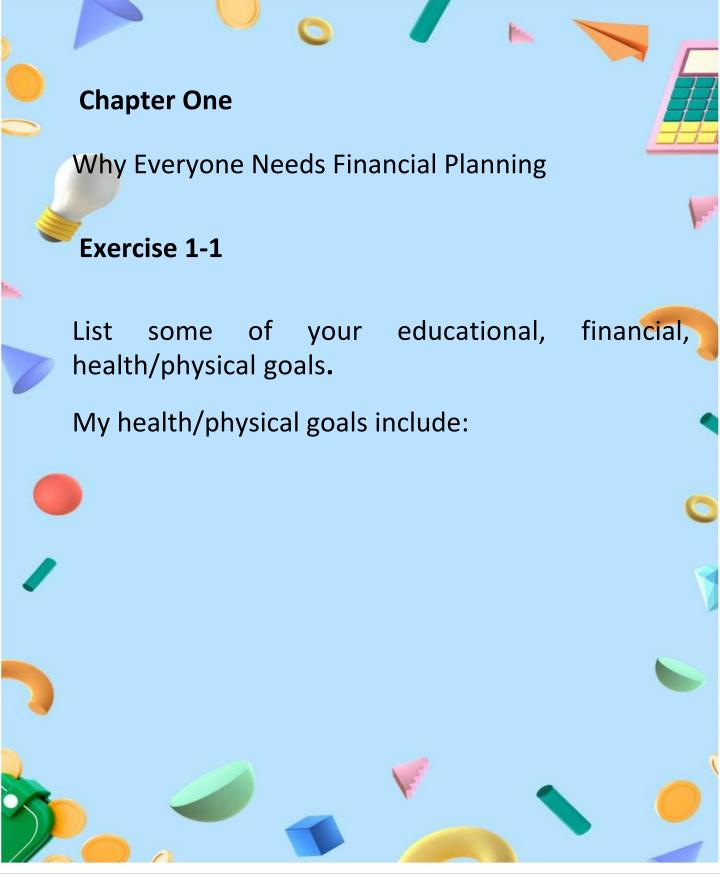
#### CLICK HERE





Explain the awareness of the basic financial requirements in starting out of life? What are the financial responsibilities of getting married What are the important of retirement plan





#### **Chapter Two**

Power From Your Money Budgeting and Saving

Exercise 2-1

Discuss these questions in class

- a) What is **GROSS INCOME**?
- b) What is **NET INCOME**
- c) What is a **BUDGET**?
- d)What are fixed expenses

Give some common examples of **fixed expenses** for a family

e)What are variable expenses? Give some examples.

- f) What are incidental expenses?
- g) What is a BUDGET SURPLUS?
- h) What is a **BUDGET DEFICIT**?
- i) How can a budget help individuals and families?
- How does the use of spreadsheet help people prepare

budgets

#### **Exercise 2-2**

#### **Discuss these questions in class**

List your current source (s) of income/money What do you expect to be your source(s) of income in the near future?

#### **Exercise 2-3**

Keep e record of everything you spend during a onemonth period. The, answer the questions below. What patterns can you see in your spending habits? How do you decide what to purchase? What factors do you think influence your purchasing decisions?

#### **Exercise 2-4**

Use the following information to set up and maintain Sugitha's budget.

#### Her planned income and expenses

Sugitha works full-time at an advertising company and part-time at a record store. The net monthly from her first job is RM2150. The net monthly income from her second job is RM600. Her planned fixed monthly expenses include:

RM300 rent (she shares an apartment with two

friends)RM575 for car payment RM100 for car insurance

Her planned flexible expenses include: RM 600 for food RM 300 for petrol RM 50 for clothes RM 60 for entertainment RM 30 personal items How her monthly income and expenses actually went What she earned:

Sugitha made RM123 in overtime pay this month

What her expenses actually were: RM 600 for food RM 350 for petrol RM 100 for parking and tolls RM 220 for car repairs RM 70 for entertainment RM 20 for personal items RM 110 for birthday present for her mother

#### Write the answers to the following questions

What is the difference between Sugitha's planned and her actual expenses? In what areas did she overspend? In what areas did she spend less than she planned? How much money did she have at the end of the month to put into savings?

#### **Chapter Three**

Answer these questions

Figure out banking facilities products and services in Malaysia Classify the needs and wants

Discuss the types of banking services available in Malaysia Explain function of PIDM

#### **Chapter Four**

**Building your Wealth** 

Have students talk to several relatives about the methods used to save and invest for variousfinancial goals.

For example, ask what types of savings accounts

and investments are used (survey/interview);

Have students compare savings rates at various financial institutions (field activity);

Have students present in class or video various

investment situations.

Discuss if they are legitimate or fraudulent investment opportunities (presentation);

#### **Exercise 4-1**

How would you define wealth? In the space provided, write your definition. Wealth is *being able to pay for my/my children's education having enough money to buy a house* 

#### **Resetting Your Financial Goals**

Now, write your financial goals and compare them with your original goals. Keep these new goals with your definition of wealth My short-term goals are: My long-term goals are: My strategies for controlling debt are:

Learn about money .management/attend classes/read books Establish financial goals/ Create a budget. Save each month, using automatic deduction Research and learn about the best investments based on my financial goals, time and risk appetite Control debt Protect my wealth

a.

b

C

#### Chapter Five Insurance Planning Exercise 5-1

- i. What type of insurance is this company offering?ii. Who would use this type of insurance?iii. When would you put in a claim against this insurance?
- iv. Is it easy to understand the information on the advertisement brochure or would youneed to speak to one of their consultants?
- you earn a salary one day?

**Chapter Six** 

**Credit Card** 

#### Exercise 6-1

How Much Does It Really Cost? (Exercises) Divide students into teams of two or three people; Have students calculate the total cost of items bought on credit and paid for over time; Have students answer the questions. Discuss their answers, was anyone surprised by The answers? Would they have made different choices about buying the items? This can be a good time to talk about values, needs versus wants, budgets and pros and cons Of using credit.

#### **Exercise 6-2**

Use the credit card calculator at www.akpk.org.my to answer the following questions.

Hamid wants to buy a portable CD Player for RM950 and pay for it using a credit card that has an annual percentage rate of 17.5%.

If Hamid pays the minimum monthly payment of 5%:

- i. How long will it take him to pay for the CD player?
- ii. What is the total amount Hamid will pay for the CD player?

iii. What is Hamid's total cost of using credit?

#### **Exercise 6-3**

Lorraine just used her new credit card to buy a dining table for RM3100. Her budget allows her to pay no more than RM100 each month on her credit card. Lorraine has decided not to use the credit card again until it is paid off. The credit card she used has an annual percentage rate of 17.5%.

If Lorraine pays RM100 each month on her credit card:

How long will it take Lorraine to pay for the purchase?

What is the total amount Lorraine will end up paying? How much interest will Lorraine pay for using her credit card to buy the dining table?

If Lorraine pays the minimum payment of 5% each month:

How long will it take her to pay for the dining table? What total amount will she end up paying?

How much interest will she be paying for using her

credit card?

#### **Chapter Seven**

**Buying a Car** 

Help students learn how to conduct information interview;

Have students obtain information from several people about the factors that influence the selection of a car (survey/interview);

Have students estimate various costs associated with owning and operating a car (field activity);

Have students shop for and compare the costs of car loan (field activity);

Have students research the cost of car insurance based on the types of cars they want, age etc (field activity)

Pretend that you have decided to purchase a new car. Select the model you like and the cost. Then, shop around for the best car loan terms. Try severa different financial institutions

Car Price (RM)

HP Loa

			1986
n	Amount (RM)		
	Financial Institutions		
	HP rate /flat rate (p.a)		-
	Effective interest rate		
	Loan tenure		
			0
	Monthly installment		8
	Total		
	Interest		
	Charged		

Total to be repaid

When you have finished, look at your table. Which institutions offered the best rates, why do you think they did so?

#### **Chapter Seven**

Buying a House/Housing Loan

#### Exercise 7-1

On a sheet of paper, prepare an itemized list of every major object in your bedroom, including furniture, linens, and creature comforts. Then, estimate the cost of each item and answer the questions below.

a) What items did you include?

b) How did the total compare to what you expected?

c) What items did you underestimate the cost of ?

d) What items did you overestimate the cost of ?

#### **Exercise 7-2**

Should They Buy or Rent? Divide students into teams of two or three people. Have students talk to various people about the reason they rent or own a home (Survey/interview); Discuss the differences that may be present among various financial institutions(discussion) Types of Loans (Oral Presentation) Have students conduct a Web search/mortgage lenders to locate information on current mortgage rates and costs;

Have students talk to someone who recently bought/ sold a home to obtain information on that experience

#### **Exercise 7-3**

Calculate the cost of setting up an apartment or redecorating a home

Each team member should pick one room (choices include kitchen, dining room, bedroom, living room, and bathroom). Research how much it would cost to furnish and equip the room. Consider various alternatives, including second hand stores, garage sales, donations from relatives, etc.

What items did you include? What was your source for each item? What was the total cost? How did the total compare to what you expected?

#### **Exercise 7-4**

Have students visit the LHDN website to research the types of taxable deductions. Then have them complete their occupational scenario that include gross income, marital status, number of children, etc. Have BE forms available and allow them to complete the form.

Discuss the major points of the lesson as follows.

What are taxes?
 (Required payments to government)

For what do you think income taxes are used?
 (To support the operation of the federal government - highways, bridges, defense, welfare payments, etc)

#### **Chapter Eight**

Getting out of Financial Trouble Managing Debts

#### Exercise 8-1

Read the scenarios described below and then indicate how you would respond to each One of Desmond's roommates decides to move out, one week before the next months' rent is due. Desmond and his other roommate are able to come up to pay the rent, but this leaves Desmond without enough money to pay his portion of the utility bill, and his credit card payment.

If you were Desmond, what would you do?