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Children Who Are Smart with Money, Invite Prosperity

Starting the education of financial literacy by encouraging children to learn with Ang Pow

The Year of the Rat is here. The Rat, the first of all zodiac animals, is associated as yang - representing the beginning of a new day. In Chinese culture, rats were seen as a sign of wealth and surplus.

As part of Chinese New Year, red envelopes – also known as Ang Pow, containing money given to children by elders and married adults for good luck and fortune. Why not celebrate the New Year by helping your child become money-savvy with Ang Pow they receive this year?

It's an alarming thought: A third (33%) of adults worldwide are financially illiterate¹, leading to high debt, mortgage defaults, insolvency and lifelong poverty. This cycle contributes to wealth inequality and limits options for many people. Yet there is a proven solution: teaching financial basics at an early age.

Evidently, the importance of financial literacy is recognised by the Malaysian Government with the launch of National Strategy for Financial Literacy (“NSFI”) last year, a five-year plan to raise Malaysia’s level of financial literacy, by the Prime Minister Tun Dr. Mahathir bin Mohamed. The NSFI revealed that Malaysians have low confidence regarding their own financial knowledge, with 1 in 3 Malaysians rate themselves to be of low financial knowledge.

Bank Negara Malaysia’s Financial Capability and Inclusion Demand Side Survey 2018 (FCI Survey 2018) also showed that the current state of financial literacy of Malaysians has room for improvement. The FCI Survey 2018 highlighted several concerns among Malaysians in the following areas: level of financial knowledge, saving and budgeting, readiness for unexpected life events and planning for retirement.²

Therefore, promoting financial education and a positive financial culture in children and youth are essential to building a financially literate population capable of making informed decisions. As young people develop financial literacy, it may spur their interest in more advanced concepts—like social entrepreneurship and self-employment—that might benefit not only their own families but also entire communities.

Tara Latini, Head of Retail Banking and Wealth Management, HSBC Malaysia said, “When children are exposed to the concept of saving and money management from an early age, they are more likely to develop financial habits. As they learn more about the values of money, they will become more sustainable to initiating healthy, honest and constructive conversations with their parents about money. The children will benefit from the values of financial education in the form of money management and personal finance for the rest of their lives.

¹ The Standard & Poor's Ratings Services Global Financial Literacy Survey 2019

² <https://www.fenetwork.my/wp-content/uploads/2019/07/National-Strategy-English.pdf>



How parents can help their children learn to be money-savvy with Ang Pow

As a first step of financial literacy, record how much Ang Pow your child received, then allocate it for planned savings and likely expenses.

1. **Save** – Discuss with your child about goals for using their money and encourage them to save part of their Ang Pow money accordingly. Children need to understand the importance of building their savings. Don't stop here, teach your child to save regularly. Set up a process for saving money in a piggy bank or a children's savings bank account. This can help you regularly monitor how much has been saved, and talk to your child about goals for using their money.
2. **Spend** - After putting aside money for savings, let the child spend some on their favourite food, books, gift items and leisure activity. In order to teach your child about money management, they must first be given the chance to practice. This means giving them a certain level of independence, while being on hand to observe and offer guidance. Any inappropriate or careless spending should be gently corrected, ensuring they learn from their own mistakes. Show your child how to be a wise consumer - before your child buys something, review alternative ways of spending the money to emphasise the necessity of making choices. Teach them to compare prices and quality when shopping. Discuss how advertisers persuade people to buy their products, and encourage your kids to be savvy about commercials.
3. **Share** - Help your child discover the satisfaction of giving by looking at ways they can spend money to help others by donating some of their Ang Pow money to worthy causes. Your child will learn to appreciate the importance of sharing their good fortune with those in need. It might also be a chance to teach them about wasteful spending.

Even after the Lunar New Year holidays, continue to encourage your child in their journey to financial literacy and make it a daily habit. For example, **you may give your child an allowance** when they help in family chores and let them make their own spending choices with it. **Play board games** to make it fun or introduce your child to tools and calculators available online.

Make **travels** a chance for children to learn about foreign exchange, responsible use of credit cards and the importance of insurance protection.

Lastly, **examine your own attitudes about money**. Remember that children learn a lot about how to handle money by watching their parents. Be careful to set a good example – and don't be afraid to admit if you don't know how to do it. Now's a great time to learn together!

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Notes to Editor:

About HSBC Malaysia

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was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. In 2007, HSBC Bank Malaysia was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, HSBC Amanah Malaysia Berhad. Today, HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Bank Malaysia offers a comprehensive range of banking and financial services including Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Islamic financial solutions. HSBC Bank Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Bank Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition.

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