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## HSBC Malaysia: Three Starter Tools to Build Financial Resilience

*Financial tips for Malaysians to brave the rainy days*

Every crisis may seem insurmountable, especially when finances are at stake. If you are facing challenges now, take this opportunity to build good habits and work towards a stronger financial resilience. With a sound financial planning, newly adopted habits can carry you through the 'new normal'. A better relationship with your money can lead to more informed decisions, less stress and an overall better quality of life.

The Agensi Kaunseling dan Pengurusan Kredit (AKPK), in a study "Financial Behaviour and State of Financial Well-Being of Malaysian Working Adults 2018 (AFBES18)" found that half of Malaysian working adults are not financially resilient.<sup>1</sup> However, it was evidenced by data in AFBES18 that there is a positive relationship between financial behaviour and financial well-being is also evidenced from data. In addition, the study pointed out that the relationship between the levels of behaviour and financial well-being score is applicable for all income range groups. As such, it must be emphasised that promoting good financial behaviour is impactful for all income groups.

"At HSBC Malaysia, we are a strong advocate for financial literacy because it is instrumental towards a healthy financial well-being," says **Tara Latini, Head of Wealth and Personal Banking**, "This is a challenging period for many individuals and businesses. As a financial institution that has been through thick and thin with Malaysia, we want to do our part to help the local communities in building better financial resilience for them to weather the storm. To that end, it is our ongoing effort to provide tools and tips for Malaysians that they can implement into their daily lives."

Here are the three key tools to start building financial resilience:

### 1. Be conscious of your cash flow

Positive cash flow is a key indicator of financial health and independence. During an economic downturn, unexpected circumstances like job losses or pay cuts can affect your cash flow. Look at your daily spending for the last three months and analyse your spending pattern. If you do not track your expenses regularly, start with the line items on your monthly bank and credit card statements and categorise these by priority. This short-term financial minimalism approach can help you manage your money better.

- Plan a spending budget: start by practicing a 'minimum spend' month or week. This is when you only buy pre-agreed essentials to save money and pay down debt or save for a goal. With many restrictions still in place during this pandemic, take this opportunity to cut back on discretionary items, entertainment and travel. Allocate these savings for child care or medical insurance.
- Tailor your lifestyle: reassess what truly enhances your quality of life. Make deliberate decisions on what luxuries or extras you can afford and dedicate the rest to savings or debt repayment. With better control of your spending, you will have more freedom and options to better prepare for future uncertainties.
- Financial spring cleaning: go further than just cutting your variable expenses, and analyse your fixed expenses. In the current situation, there are still opportunities such

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<sup>1</sup>[https://www.akpk.org.my/sites/default/files/AKPK\\_Financial%20Behaviour%20and%20State%20of%20Financial%20Well-being%20of%20Malaysian%20Working%20Adult.pdf](https://www.akpk.org.my/sites/default/files/AKPK_Financial%20Behaviour%20and%20State%20of%20Financial%20Well-being%20of%20Malaysian%20Working%20Adult.pdf)

as money spent on inflated fees, vehicles, or services you are not actually using.. Every year, analyse your expenses and cut costs where needed.

## **2. Build your net worth**

Your net worth is the difference between the value of what you own - house, retirement funds, investment accounts, checking account balance, savings - minus liabilities such as credit card debt and personal loans. Net worth is an important number to keep in mind as it can help you determine just how much your debt can affect your future wealth, as well as highlight the areas you should focus on before retirement. The goal is to gradually reduce your liabilities.

- Know and prioritise your debt: debt generally creates expenses as opposed to assets that create income. Debt can have a crippling effect in a volatile market. If you have monthly payments going out, try to optimize your debt portfolio by paying off your debt with the highest interest first. For most people, that would be credit cards, vehicles and renovation loans. There are many relief rates being offered currently on debt, so moving to a more secured form will take the pressure off your cash flow.
- Make use of your assets: generally, your assets can provide a steady income flow such as property rental or help reduce your cash outflows such as savings on home rental. Assets can provide greater flexibility, especially in times of a crisis.
- Build an emergency fund: this should ideally include cash that you can draw upon to meet your basic expenses for at least 6 months. It is a safety net that can provide great peace of mind, help to reduce stress, buffer spiralling debt, and empower you to take on new opportunities.

## **3. Stay positive: Health is the ultimate wealth**

With good health, people can make better financial decisions. The stress caused by crisis can lead to unsound decisions and has an adverse impact on health. While wealth is important, one must not lose sight of the importance of health.

- Health protection: being prepared is the key. Ensure you have adequate life insurance cover to maintain a good quality of life for your dependents or to cover liabilities in the future. The premium for term insurance is lower when you buy it at a younger age, and it remains constant for the entire tenure.
- Create a living will: a will is a document that speaks for you after you pass on, but a living will can be just as important. Communicating your wishes by creating a living will, including your treatment preferences for life sustaining measures is a good way to make sure your choices are heard in times of need.
- Personal health is the most important asset: a crisis can help us focus on what matters. Start focusing on a healthy way of living. Reprioritize your health goals, making mindful choices around diet, exercise, meditation and even, new hobbies. Investing in your health will offer you some of the best returns.

Even amidst crisis, the power to fortify our financial, physical and mental well-being is in our hands. In addition to the financial tips, HSBC customers can also benefit from the international bank's various offerings to enhance their financial well-being. HSBC Malaysia has recently introduced a Balance Conversion Plan (BCP) that helps customers build stronger financial flexibility. BCP enables HSBC credit cards customers to easily convert their retail purchases into affordable monthly instalments via HSBC Malaysia mobile banking app. HSBC is committed to be with its customers on their journey to a healthy financial resilience, BCP is just one of the many product features that reflect the bank's commitment. Download HSBC Malaysia mobile banking app to take advantage of BCP and many other digital banking features, available on iOS App Store and Google Play Store.

Find out more about HSBC Balance Conversion Plan at: <https://www.hsbc.com.my/credit-cards/features/balance-conversion/>

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**Note to editors:**

**HSBC Bank Malaysia Berhad**

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, namely HSBC Amanah Malaysia Berhad. Today, HSBC Malaysia has a network of 67 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

**The Hongkong and Shanghai Banking Corporation Limited**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,918bn at 31 March 2020, HSBC is one of the world's largest banking and financial services organisations.

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