ICMR

Institute for Capital Market Research Malaysia

The Rise of Millennial & Gen Z Investors:

Trends, Opportunities, and Challenges for Malaysia

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2021

This ICMR report is produced to encourage the exchange of ideas and knowledge-sharing on the issues highlighted in the report, and to facilitate interaction among market participants, policy makers and academics. The views expressed are ICMR's own and not of any of the institutions which ICMR is affiliated to.

This paper was prepared by Aida Jaslina Jalaludin, Alea Nasihin, and Nadhirah Ibrahim, with data analytics input by Zulfadhlee Ithari. The authors would like to thank Dr. Joanne Yoong for reviewing this paper. The authors would also like to acknowledge the contribution of the management and Board of Directors of ICMR in providing input and valuable comments. All views and errors remain the authors' own.*

ICMR welcomes and encourages any questions or suggestions. Please address your comments to Nadhirah Ibrahim at icmrall@icmr.my.

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October 2021

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Executive Summary

Millennials and Gen Z are now the largest generational cohorts, with the power to influence consumer and market trends over the next decade. Yet, these cohorts are also caught in the tidal waves between the economic impact of a post-Covid-19 world, and broader structural shifts like digitalisation and the future of work.

Given these changes, it is important that policymakers and industry players alike understand how millennial and Gen Z Malaysians think about their money, as this will highlight the direction that policy and the industry should take to remain relevant and impactful. Against this backdrop, the aim of this research study was to understand:

- How are young Malaysians managing their money currently, and how will they be doing so moving forward?
- What are the challenges and issues faced by young Malaysians when it comes to saving and investing?
- What are the beliefs, attitudes and behaviours of young Malaysians that shape the way they think of their personal finances?

This research study attempts to understand and explain "actual" investor behaviour, which differs from mainstream finance that is based on assumptions of how "rational" investors should behave.

To answer these questions, ICMR ran a nationwide quantitative survey covering those aged 21 – 40 years old. This was supplemented with a qualitative study for more depth and nuance in understanding the financial attitudes of the millennial and Gen Z generation.

The survey found that those aged 21-40 years old could be divided into three mutually exclusive groups. From the surveyed respondents, 22% of the respondents comprise of those who do not invest in any capital market products (Group A), 33% of the respondents invest in Amanah Saham Nasional Berhad (ASNB) funds and/or unit trusts (Group B), and the remaining 45% of respondents invest in other capital market products not limited to ASNB and unit trusts (Group C).

Each group has differing characteristics in terms of demographics and behaviour. For instance, there is a higher proportion in the East Coast who do not invest (Group A), while Group C has a higher proportion from the Central region. There is also a gradual shift in the bell curve of household income levels as the groups move along from Group A towards C. While 69% of Group A earn less than RM5,000 in monthly household income, there is a skew in Group C towards higher incomes, with 31% having household incomes above RM10,000.

This shift between groups can also be observed when it comes to other aspects of behaviour. For example, only 26% of respondents in Group A identified themselves as risk takers, compared to 39% in Group B and 57% in Group C. Likewise, while only 9% in Group A self-assessed themselves as "quite knowledgeable about investing", this number increased to 23% for Group B and 48% for Group C. These findings suggest that there is a link between the likelihood of one investing, the kind of product one invests in, and ones' demographics and behaviour.

ICMR also sought to understand the perception of some broader emerging trends, given that millennials and Gen Zs will be driving consumer trends over the next decade. Some of the key findings include:

- Online platforms remain the most popular source of information, with 69% of respondents preferring the internet / online sources as their primary source of information. This can be a double-edged sword - while the abundance of financial education resources online has been useful to those seeking for it, it can also make investors more susceptible to misinformation or choice overload.

- The second most popular source of information overall was friends and family (58%). Trust and relatability are important values to the millennial and Gen Z cohorts, and many seek out financial advice from family and friends that they personally trust. Peer group influence also plays an important role in their decision-making, while many feel that conversations about money should be normalised.

- Robo-advisory is seen as an accessible entryway into getting advice, particularly given its low cost - 82% of respondents stated that it was highly likely or possible that they will prefer roboadvisory over human advisory. Newer investors feel more comfortable with roboadvisors if their portfolio isn't large, as they don't feel judged for having a smaller portfolio. Investors would be more willing to seek human advice as their portfolio grows, although they are uncomfortable with agents or consultants who push products on them.

- There is also a shift towards investing for sustainability and good causes. 70% of survey respondents state that they were more likely to invest in options to promote sustainability, while 74% stated that they were more likely to invest in options that promote good causes.

- 70% of respondents said that they foresee changes to their work life over the next 12 months. Of this, 61% see themselves changing job modalities, be it taking up additional side hustles or part-time work, or working as a freelancer or business owner. As the nature of work and how we make money continues to change in the post-pandemic landscape, this will inadvertently impact other aspects of personal finance as well. Having a volatile income stream, or even uncertainty with regards to income sources, would require different tools and mindsets to navigate budgeting, saving, and financial planning.

- Respondents are generally not thinking about retirement, with retirement being either a vague and distant notion, or there was a belief that "things would fall into place" for retirement purposes. Of the 32% of survey respondents who are not contributing to EPF, only 5% have a PRS account, indicating that there is a large segment not protected by either the mandatory or private retirement schemes.

Overall, this research found that an individual's financial attitude and behaviour can be linked to their income, financial knowledge, risk tolerance, and confidence in financial knowledge. Addressing this requires a renewed mandate for financial literacy programmes and initiatives that utilises behavioural insights to incorporate the right tools, self-awareness, and techniques to help individuals navigate their personal finances.

This research study also highlights the importance of adopting a nuanced and tiered approach when thinking of investors as they are not "one-size-fits-all", even if within the same generational cohorts. Given the delicate balance between investor protection and investor empowerment, a tiered approach when it comes to policy and products will cater for individuals at different stages of readiness.

Chapter One

Why Are We Doing This Report?

Young people matter - it is estimated that millennials and Gen Z make up 63% of the global population.[1] In Malaysia, Department of Statistics (DOSM) data states that there are 17.1 million Malaysians aged between 10-40 years old, making up 52.5% of the population.[2]

Millennials (born roughly between 1981-1996) are now aged between 25 to 40, and they form a significant proportion of the labour force and economic power. At the same time, research has indicated that Gen Z (born roughly between 1997-2012) will be the "most disruptive generation ever" with their economic power being the fastest growing among all generational cohorts – Gen Z's income is expected to increase fivefold by 2030 to US$33 trillion as they enter the workplace, accounting for over a quarter of global income and then surpassing millennials' income by 2031.[3]

These numbers suggest that the behaviours and preferences of these cohorts will drive consumer sentiment and markets over the next decade.

Fund managers have increasingly turned their attention towards a younger clientele, cognisant of the importance of capturing clientele at an early stage. The advent of zero-to-low-cost trading and easy access via online platforms and roboadvisory services have also lowered barriers to entry for younger investors. As we had previously examined in our paper ***Retail Investor Behaviour in 2020: Data Insights***, the pandemic and subsequent measures created a unique environment that fuelled retail investor participation both globally and in Malaysia, with a new wave of younger, more digitally savvy investors entering the capital markets – whether this trend continues past the pandemic is yet to be seen.

Yet, the younger generation also faces structural challenges that could have profound long-term impact. Even prior to the pandemic, millennials in the United States earned 20% less than previous generations at the same life stage, despite having higher education levels.[4] Fewer job opportunities and lower wages post-Global Financial Crisis have

1 Bloomberg (20 August 2018). Gen Z Set To Outnumber Millennials Within A Year.

2 Department of Statistics Malaysia. (2021). Current Population Estimates Malaysia 2021.

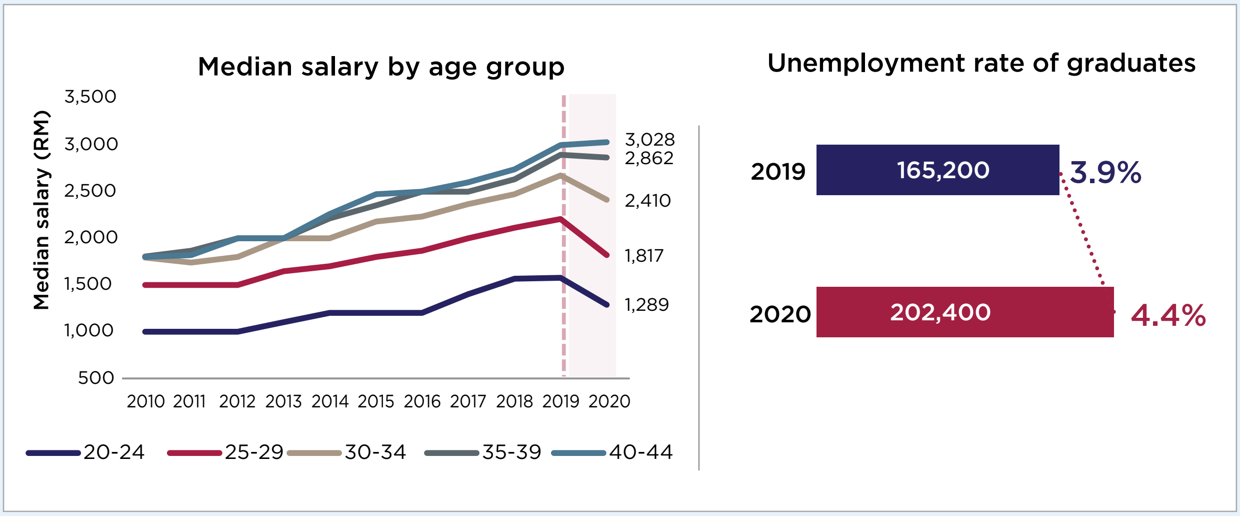
3 BoFA Global Research. (1 December 2020). Ok Zoomer: Gen Z Primer.

4 New America. (2019). The Emerging Millennial Wealth Gap: Divergent Trajectories, Weak Balance Sheets, and Implications for Social Policy.

led to underemployment, lower ability to accumulate wealth, and widening income gaps between generations. In fact, research shows that the impact for those who graduate and start working during a recession can linger for 10-15 years.[5]

These issues are likely to be exacerbated in a post-pandemic world, with Gen Z graduates now joining a fast-changing job market faced with high unemployment rates. We have already started seeing signs of this in Malaysia too - median salary in Malaysia dropped in 2020 after an upward trend over the last ten years. Worryingly, the decline in salary is most significant for younger age Groups, with a 18.2% decrease for those aged 20-24 and 17.6% decrease for those aged 25-29.[6] The unemployment rate of graduates in Malaysia has also increased from 3.9% to 4.4% in 2020 (Figure 1).[7]

Figure 1:
Sharp drop of median salary and the rise in unemployment rate of graduates



Given the context above, the overarching aim of this report is to have a better understanding of millennials and Gen Z in Malaysia, and their approach to personal finance and investing. While this report aims to capture the current sentiment of millennials and Gen Zs in Malaysia, it also examines broader trends and structural issues that may be pertinent in the long-term. More specifically, this report aims to answer the following questions:

- How are young Malaysians managing their money currently, and how will they be doing so moving forward?
- What are the challenges and issues faced by young Malaysians when it comes to saving and investing?
- What are the beliefs, attitudes and behaviours of young Malaysians that shape the way they think of their personal finances?

5 Stanford Institute for Economic and Policy Research. (2019). Recession Graduates: The Long-lasting Effects of an Unlucky Draw.
6 Department of Statistics Malaysia. (2021). Salaries & Wages Survey Report 2020.
7 Department of Statistics Malaysia. (2021). Graduates Statistics Report 2020.

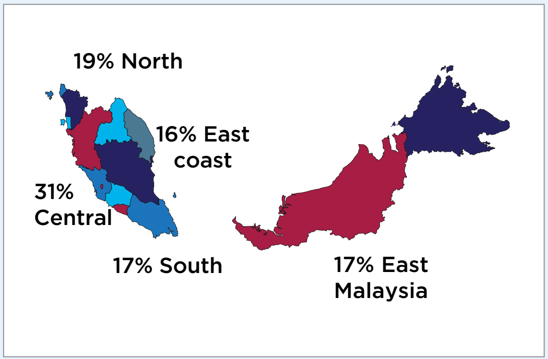
Chapter Two

Research Methodology

Quantitative survey

To get a more holistic view of the issues, challenges, and the behaviours of young investors in Malaysia, ICMR collaborated with IPSOS in designing the survey questions, and distributed the survey to 1,500 respondents across Malaysia (Figure 2) via IPSOS' survey panel.

Figure 2:
Quantitative region distribution



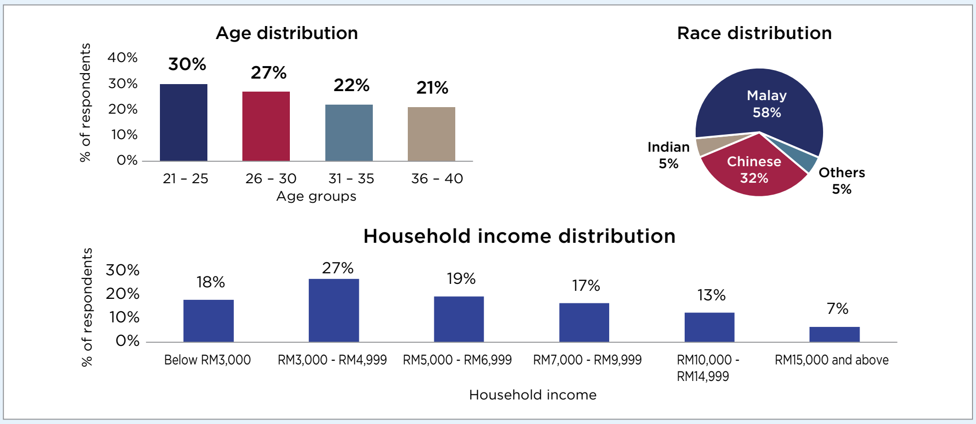
The survey was administered online from July to August 2021 to respondents aged 21 – 40 years old. There were hard recruitment quotas in place to ensure a representative sample. Figure 3 below shows the breakdown of the achieved sample framework where 51% of the respondents were female and 49% were male.

The age distribution, racial distribution, and household income of the respondents are representative of the Malaysian population. The sampling quota used by IPSOS is as per Appendix I.

The scope of the survey predominantly covers areas to assess financial behaviour which includes exploring the type of products invested, reasons for investing or not investing, as well as mental accounting behaviour in money allocation. The survey also explores respondents' attitudes towards money and the changing trends as well as to explore links between financial knowledge and financial behaviour. Respondents were required to assess their own financial knowledge and risk tolerance which was then matched against their investment decisions.

Respondents were also asked five basic financial literacy questions. However, this should not be interpreted as an in-depth assessment of financial literacy levels as per other existing financial literacy studies, as the aim of these questions was only to benchmark actual financial knowledge against self-assessed financial knowledge. The questions used to test actual financial literacy is as per Appendix II, and where the term "financial literacy score" is used it refers to the number of correct questions respondents answered from this set of questions.

Figure 3:
Quantitative survey respondent profiles



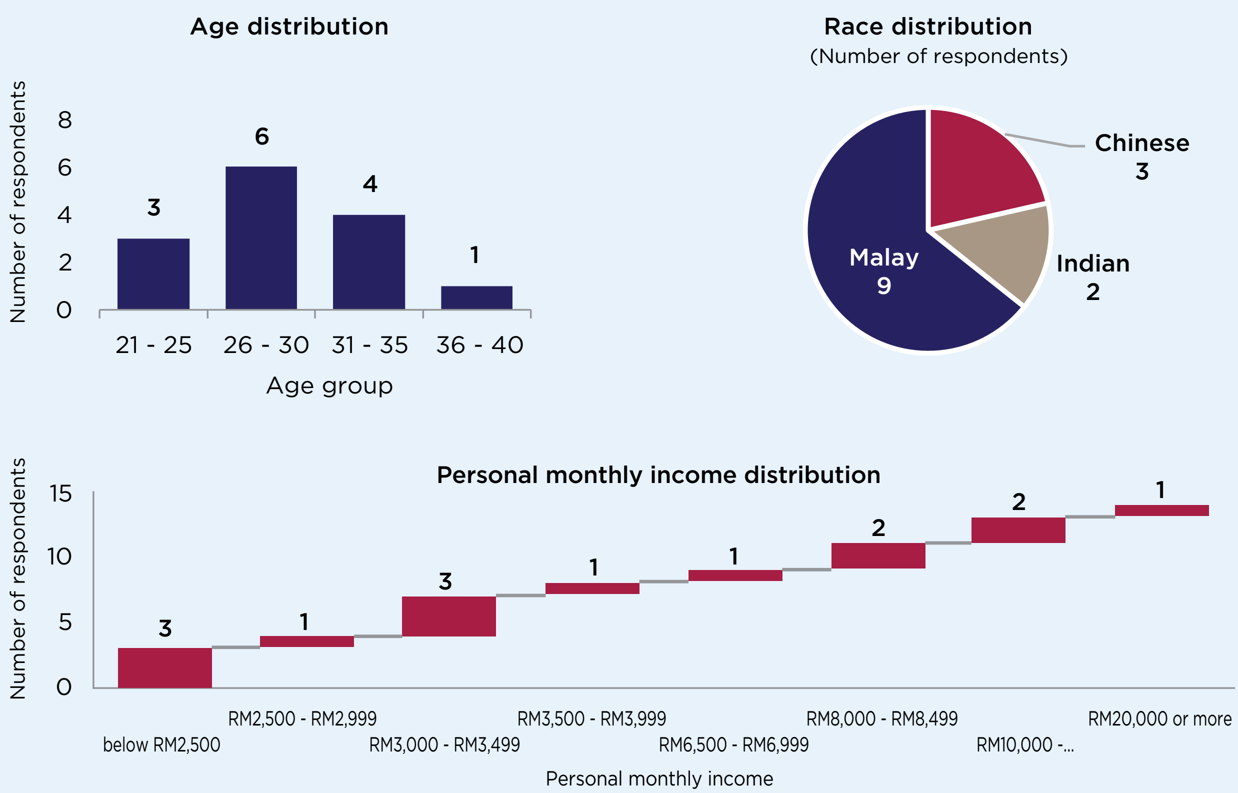
Qualitative study

To get more depth and nuance in our understanding, ICMR supplemented the survey by conducting qualitative interviews with 14 individuals between the ages of 21-40. Interviewees were recruited and screened internally by ICMR. Interviewees came from a variety of career backgrounds to ensure diversity in work experience and demographics, including civil servants, Lalamove driver, F&B manager, postgraduate student, freelancers, journalist, first-year executives and mid-level professionals.

Interviews were conducted virtually by ICMR internal team of analysts on an individual basis, for about 45 minutes each. Due to the limitations and nature of the qualitative study, interviewees were based in the Klang Valley. A structured discussion guide was used consistently across the interviews. In addition to this, all interviews were recorded and transcribed for analysis purposes. Figure 4 shows the breakdown of the qualitative interviewees.

Where included throughout this report in the form of quotes, all interviewee names are pseudonyms to protect their identities.

Figure 4:
Qualitative survey respondent profiles



A note on generational cohorts

Popular sentiment commonly equates "millennials" to any young person, often stereotyped as being entitled or wasting their money on brunch. However, the millennial cohort consists of those born roughly between 1981-1996, meaning they would be between 25 to 40 years old now. This means that the millennial experience can be incredibly diverse, ranging from someone relatively new in the workforce with low level of commitments, to someone in their late 30s in mid-level management with three children, for example. At the same time, the oldest of the Gen Z cohort (born roughly between 1997-2012) are now entering the workforce for the first time.

What this tells us is that it is impossible to use a broad stroke to paint the experience of any generational cohort. For the purpose of research, generational cohorts are useful tools that provide a way to understand how different formative experiences (such as world events and technological, economic and social shifts) influence and shape people's behaviours and views.[8] However, the concept of generational cohorts is not an exact science. Broad generalisations may not cover the nuances and the differences in experiences of people within the same social generation. Individual behaviour and perception may be influenced not just by age but also income levels, education, gender, and other personal experiences. As stated by Pew Research Institute, generational cohorts "are a lens through which to understand societal change, rather than a label with which to oversimplify differences between groups."

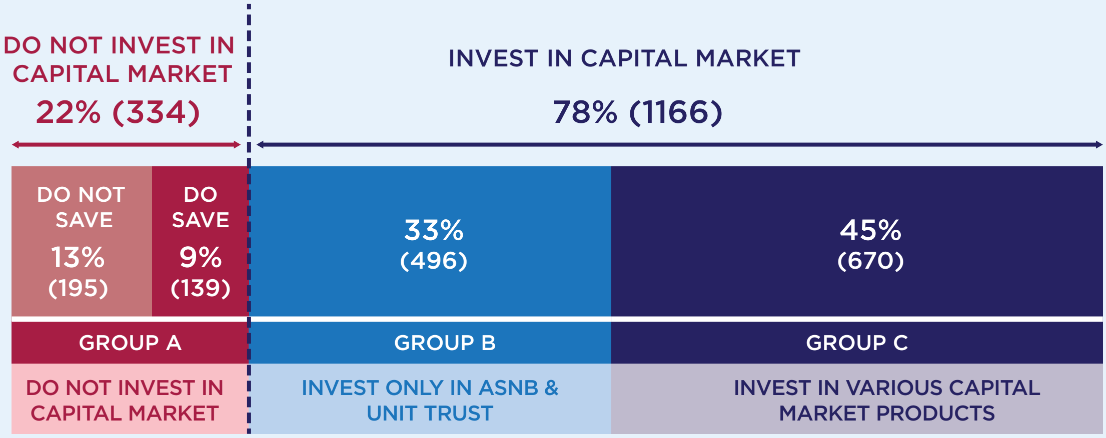
8 Pew Research Center (2019) Defining Generations: Where Millennials End and Generation Z Begins

Chapter Three

What We Found

From the 1,500 survey respondents, we found that they could be divided into three mutually exclusive groups that have differing demographics and behaviours.

Figure 5:
Three different categories of respondents



Group A, which represents 22% of total respondents, comprises those who did not invest in any capital market products.

Of the 78% of total respondents that do invest in the capital market, it was found that there was a significant group whose only capital market investment was in the form of Amanah Saham Nasional Berhad (ASNB) funds and/or unit trusts. It was found that this group differed in terms of demographics and behaviours, and thus was separately represented as Group B which consists of 33% of the total respondents. The remaining 45% of respondents making up Group C are those that invest in other capital market products which are not limited to just ASNB and unit trusts.

Note:
For the purposes of this survey, "investments" are defined as investing in capital market products. "Capital market products" in this survey do not include investments in the Employees' Provident Fund (EPF), given the predominantly mandatory nature of EPF investments.

While "savings" was not defined in the survey question, our qualitative findings indicate that respondents define savings as money put aside for deferred consumption that is easily accessible should the need arise.

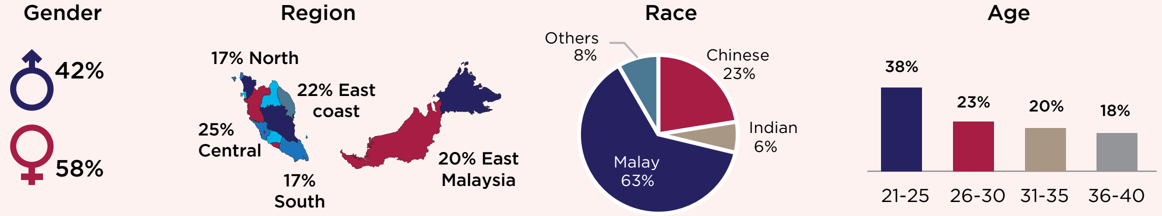
Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

GROUP A

DO NOT INVEST IN CAPITAL MARKET

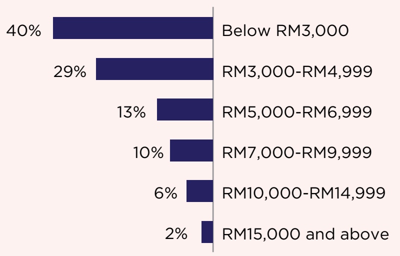
22% (334) of total respondents do not invest in the capital market.

Figure 6:
Demographic distribution



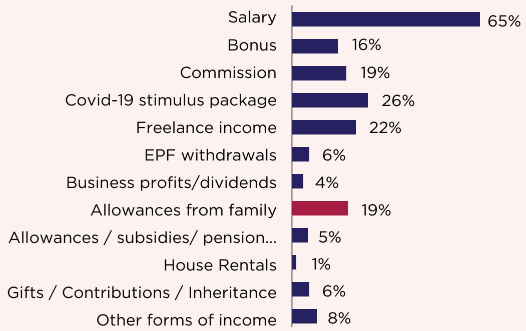
63% of those who do not invest are Malays despite Malays being only 58% of total respondents; respondents within Group A also skew slightly towards a younger demographic of 21-25 years old.

Figure 7:
Household income



Group A consists mostly of those with lower income where 69% has household income less then RM5,000. Only 8% from this group earn a household income of RM10,000 and above.

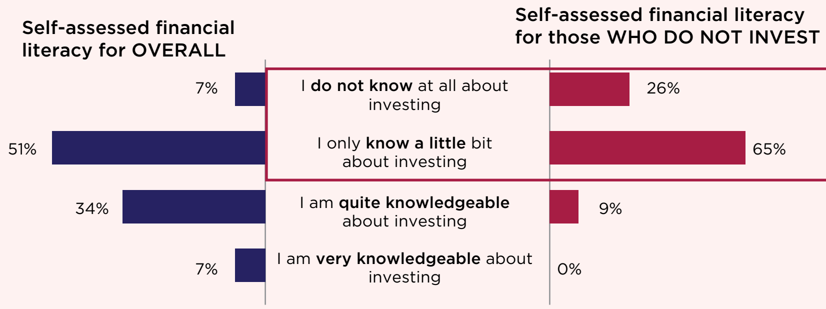
Figure 8:
Source of income



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

Dependency on salary as a source of income is at 65%; allowances from family is amongst the prevalent source of income.

Figure 9:
Financial literacy



Financial literacy score	% of Group A respondents
0%	8
20% -40%	52
60%-80%	39
100%	2

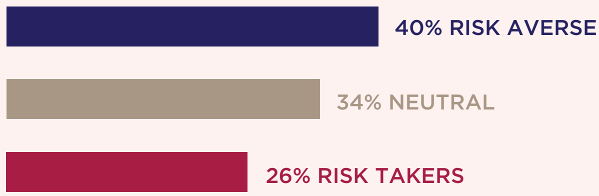
Group A has low confidence in their own knowledge. 65% feel that they only know a little bit about investing, while 26% feel that they know nothing.

Their financial confidence is reflective of their actual financial literacy. 60% from Group A scored 40% or less on their financial literacy questions.

GROUP A

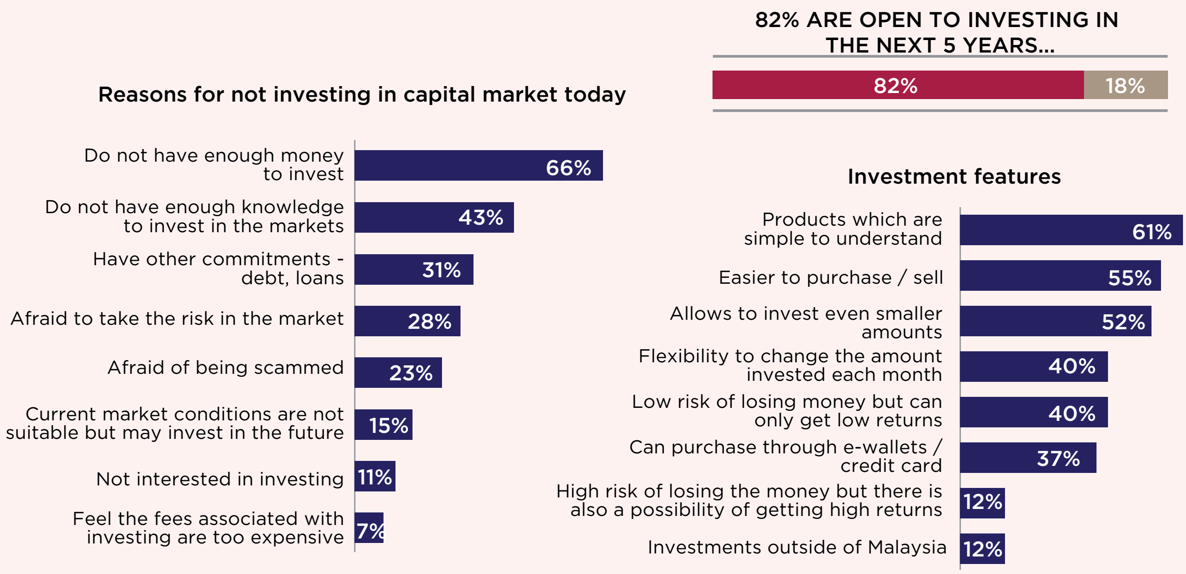
DO NOT INVEST IN CAPITAL MARKET

Figure 10:
Risk tolerance



Our survey also asked respondents to assess their own risk tolerance when it comes to investing. 40% from Group A are more risk averse, with only 26% claiming to be a risk taker.

Figure 11:
Reasons for not investing, and openness to investing in the future



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

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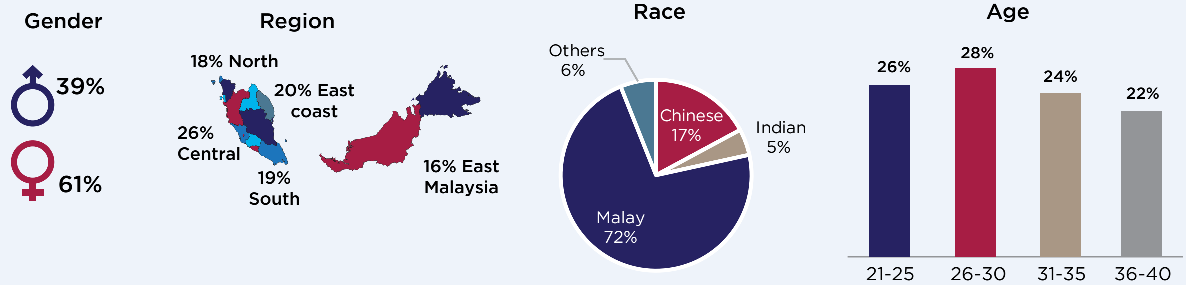
66% of those in Group A do not invest mainly because they do not have enough money, followed by not having enough knowledge (43%). However, 82% of these respondents are open to investing in the next 5 years. If they do invest, they are looking for investment products that are simple to understand (61%), easier to purchase and sell (55%), with a small investment capital (52%), low risks (40%) and flexible (40%).

GROUP B

INVEST ONLY IN ASNB & UNIT TRUST

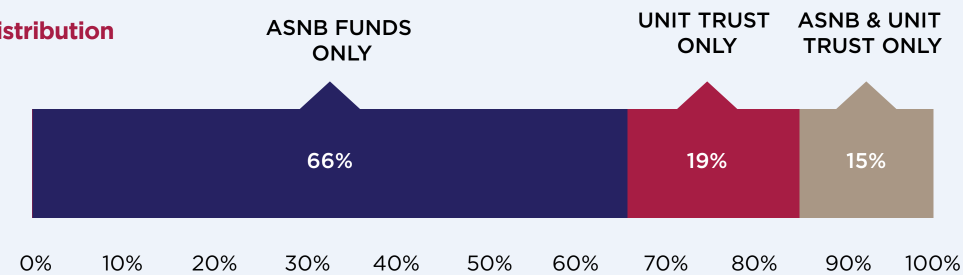
33% (496) of survey respondents invest either:
i) only in Amanah Saham Nasional Berhad (ASNB) funds;
ii) only in unit trust products; or
iii) in both ASNB funds and unit trust products only.

Figure 12:
Demographic distribution



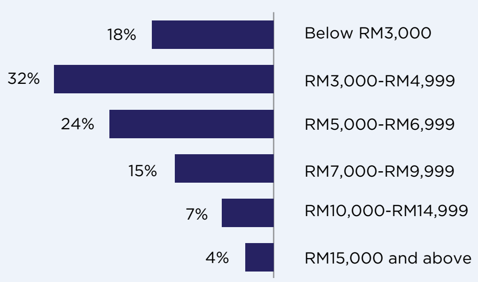
Group B skews predominantly female (61%) and Malays (72%). The age and region spread for this group are relatively representative of the overall sample.

Figure 13:
Product distribution



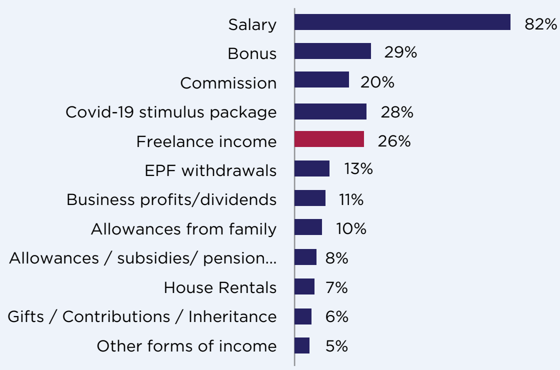
For this group, the biggest bulk of the respondents invest **only in ASNB funds (66%).**

Figure 14:
Household income



For Group B, 56% have household income between RM 3000-RM 7000. The household income distribution for Group B is the closest to the overall sample's income distribution.

Figure 15:
Source of income



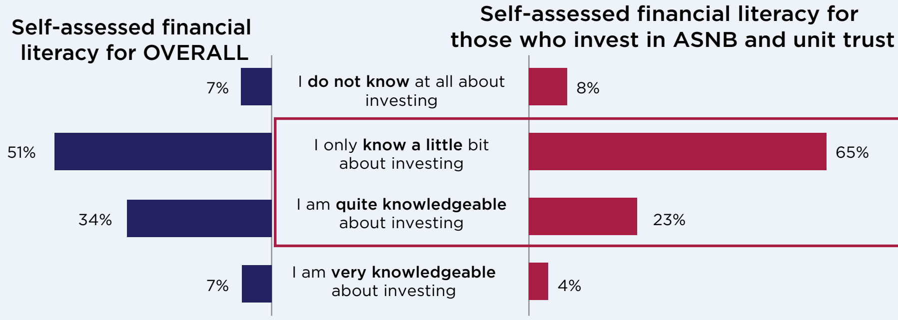
Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

Dependency on salary as a source of income is at 82%; freelance income is a relatively prevalent source of income.

GROUP B

INVEST ONLY IN ASNB & UNIT TRUST

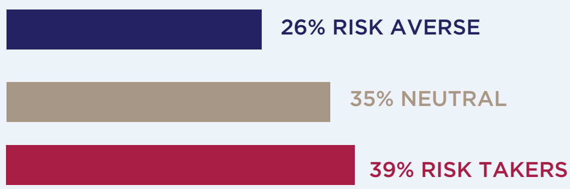
Figure 16:
Financial literacy



Financial literacy score	% of Group B respondents
0%	4
20% -40%	43
60%-80%	51
100%	2

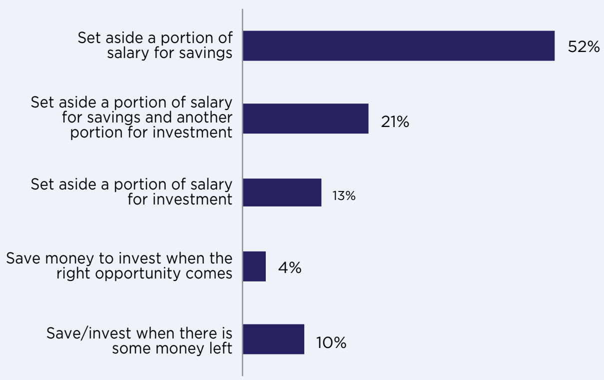
65% of Group B felt that they know a little bit about investing. Their level of confidence in their own knowledge is reflected in their financial literacy score where 94% scored between 20-80% in financial literacy-based questions.

Figure 17:
Risk tolerance



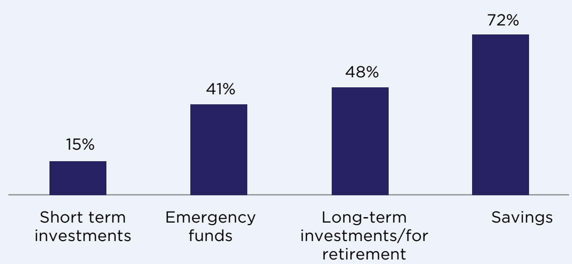
26% of respondents in Group B self-assessed themselves as risk averse, while 39% self-assessed themselves as risk takers.

Figure 18:
Income allocation



86% of respondents from Group B allocate their income on a regular basis, where 52% set aside for savings, 21% for savings and investment and 13% allocate a portion of their income for investment.

Figure 19:
Reason to invest for those investing in ASNB ONLY



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

This study then further dived into this group and discovered that 72% of those who invest only in ASNB sees ASNB as a form of savings.

However, 48% sees ASNB as a form of long-term investment or for retirement. Out of this 48%, 41% of them do not have EPF, indicating that ASNB is their main source of retirement savings.

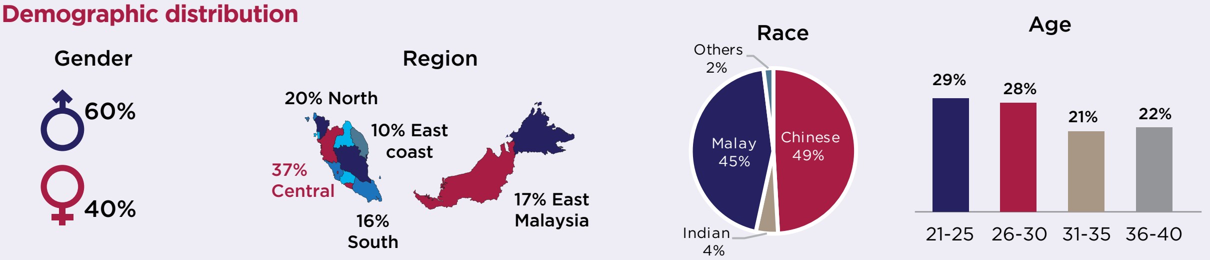
GROUP C

INVEST IN OTHER CAPITAL MARKET PRODUCTS

45% (670) of survey respondents invest in other capital market products*. This may include respondents who invest in ASNB or unit trust in addition to other capital market products.

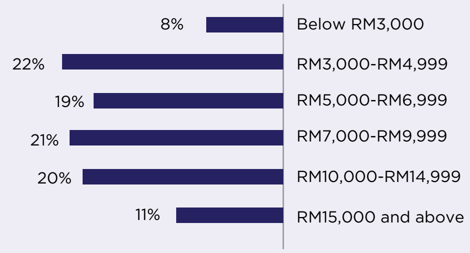
*Other capital market products here refer to capital market products other than ASNB or unit trust.

Figure 20:
Demographic distribution



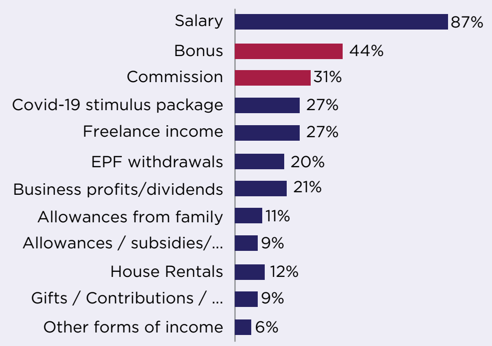
The majority of those that invest in other capital market products are males (60%). There is a skew towards Chinese (49%) and respondents in the Central region (37%) compared to total respondents who are 32% Chinese and 31% from the Central region.

Figure 21:
Household income



62% of respondents have household income between RM3,000 to RM10,000. There is also a disproportionate skew of 31% earning a household income more than RM10,000 which differs significantly from the overall sample size, where only 8% have a household income of more than RM10,000.

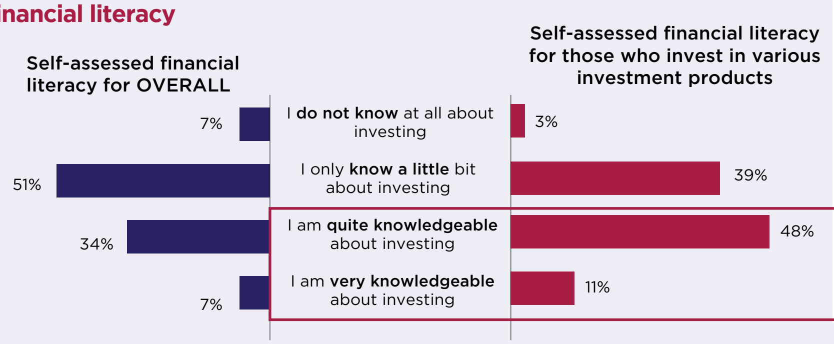
Figure 22:
Source of income



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

87% of this group are dependant on salary as their main source of income. Bonus and commissions are also a significant income source for this group.

Figure 23:
Financial literacy



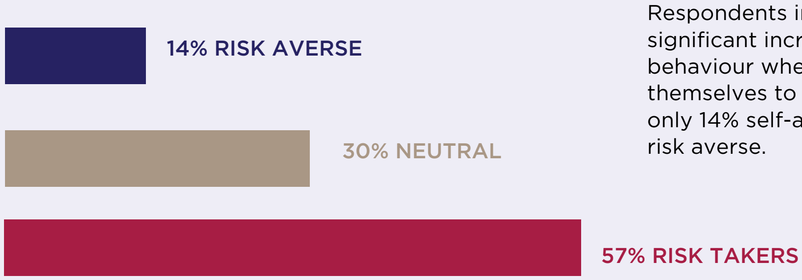
Financial literacy score	% of Group C respondents
0%	2
20% -40%	30
60%-80%	53
100%	15

48% of Group Crespondents feel that they are quite knowledgeable about investing. Their level of confidence in their knowledge is reflected in their financial literacy level where 69% of respondents obtained scores between 60%-100% in financial literacy.

GROUP C

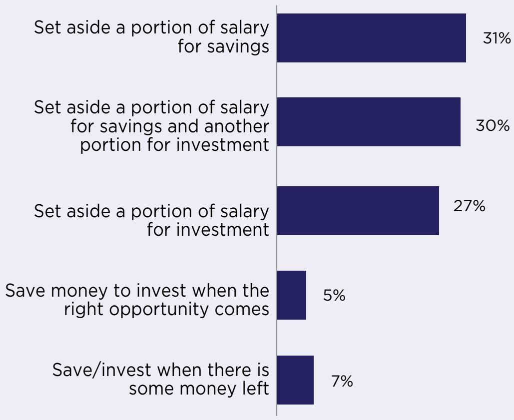
INVEST IN OTHER CAPITAL MARKET PRODUCTS

Figure 24:
Risk tolerance



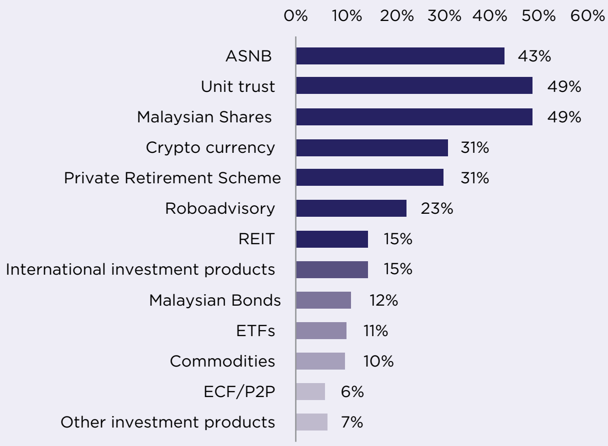
Respondents in Group C also showed significant increase in risk taking behaviour where 57% self-assessed themselves to be a risk taker while only 14% self-assessed themselves as risk averse.

Figure 25:
Income allocation



31% of respondents put aside their salary for savings, 30% allocate for both investment and saving and 27% put aside salary for investing.

Figure 26:
Capital market investment products



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

Unit trust and shares are the most popular capital market products for Group C, followed by cryptocurrency and PRS. Only 22% of Group C invest in a single capital market product, suggesting that most Group C respondents have a diversified basket of investments.

The rise of cryptocurrency investing among youths

While the first cryptocurrency Bitcoin emerged in 2009, public awareness around cryptocurrencies increased around 2016. Cryptocurrencies have seen multiple boom-bust cycles since then. In Malaysia, SC started regulating "digital assets" in 2019 with the registration of three digital asset exchanges. As of end 2020, more than 450,000 accounts have been opened across these three exchanges.[9]

From our survey, 31% of Group C have invested in cryptocurrencies. This can be seen as a relatively high number, given the short time frame that cryptocurrencies have been in the market.

Compared to the rest of Group C, there is a skew among cryptocurrency investors towards being Malay (52% vs 45% for Group C overall), and male (73% vs 60%). There is also a regional skew, with cryptocurrency investors being predominantly from Central region (41% vs 37%) and East Malaysia (21% vs 17%).

Interestingly, 73% of cryptocurrency investors self-assessed themselves as risk-takers (compared to 57% of Group C overall). They also self-assessed themselves as being more financially literate, with 59% assessing themselves as being "quite knowledgeable about investing" (vs 48% for Group C overall) and 14% assessing themselves as being "very knowledgeable about investing" (vs 11%).

This suggests that cryptocurrency investors tend to be bigger risk-takers and more financially confident, compared to other investors. This is also in line with insights gained from our qualitative interviews, where those who had invested in cryptocurrency or who were interested in it perceived it more as a high-risk high-reward gamble rather than a means of long-term asset accumulation.

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Unpacking the demographic and behavioural shifts across groups

Based on the group profiles,it is observed that there are distinct demographic and behavioural differences between the three groups.

Figure 27:

Summary of group profiles

	GROUP A	GROUP B	GROUP C
	DO NOT INVEST IN CAPITAL MARKET	INVEST ONLY IN ASNB & UNIT TRUST	INVEST IN VARIOUS CAPITAL MARKET PRODUCTS
DEMOGRAPHIC	42% male, 58% female; 63% Malay; 22% East Coast	39% male, 61% female; 72% Malay; Well distributed	60% male, 40% female; 49% Chinese; 37% Central
HOUSEHOLD INCOME	Below RM3,000: 40% RM3,000-RM4,999: 29% RM5,000-RM6,999: 13% RM7,000-RM9,999: 10% RM10,000-RM14,999: 6% RM15,000 and above: 2%	Below RM3,000: 18% RM3,000-RM4,999: 32% RM5,000-RM6,999: 24% RM7,000-RM9,999: 15% RM10,000-RM14,999: 7% RM15,000 and above: 4%	Below RM3,000: 18% RM3,000-RM4,999: 22% RM5,000-RM6,999: 19% RM7,000-RM9,999: 21% RM10,000-RM14,999: 20% RM15,000 and above: 11%
INCOME SOURCE	Salary: 65% Allowances from family: 19%	Salary: 82% Freelance income: 26%	Salary: 87% Bonus: 44%
FINANCIAL LITERACY (self-assessed)	I do not know at all: 26% I only know a little: 65% I am quite knowledgeable: 9% I am very knowledgeable: 0%	I do not know at all: 8% I only know a little: 65% I am quite knowledgeable: 23% I am very knowledgeable: 4%	I do not know at all: 3% I only know a little: 39% I am quite knowledgeable: 48% I am very knowledgeable: 11%
RISK TOLERANCE (self-assessed)	40% RISK AVERSE 34% NEUTRAL 26% RISK TAKERS	26% RISK AVERSE 35% NEUTRAL 39% RISK TAKERS	14% RISK AVERSE 30% NEUTRAL 57% RISK TAKERS
INCOME ALLOCATION TOWARDS SAVING AND INVESTING	Not applicable	Set aside a portion of salary for savings: 52% Set aside a portion of salary for savings and another portion for investment: 21% Set aside a portion of salary for investment: 13% Save money to invest when the right opportunity comes: 4% Save/invest when there is some money left: 10%	Set aside a portion of salary for savings: 31% Set aside a portion of salary for savings and another portion for investment: 30% Set aside a portion of salary for investment: 27% Save money to invest when the right opportunity comes: 5% Save/invest when there is some money left: 7%

Demographics and income

There are more females in Group A and B, whereas 60% of Group C are males. There is also a higher proportion in the East Coast who do not invest (Group A), while Group C has a higher proportion from the Central region.

Notably, there is a **gradual shift in the bell curve of household income levels** as the groups move along from Group A towards C. While 69% of Group A earn less than RM5,000 in monthly household income, 56% of Group B earn between RM3,000 – RM 7,000. There is also a significant skew in Group C towards higher incomes, with 31% having household incomes above RM10,000.

Similarly, there is an increasing dependency on salary as a source of income from Group A to Group C. This implies that having a regular salary could be a factor in a person's likelihood to invest. "Allowances from family" was higher for Group A, which could be due to the younger age profile of this group, as well as the relatively lower income.

There is also a substantially larger proportion in Group C who listed "bonus" as a source of income. Research has found that the **framing** of additional income matters – additional income is more readily spent when it is described as a positive departure from the status quo, e.g. a bonus or windfall.[10] If one thinks of bonuses as "additional" income that may be more disposable in nature, this could be a possible factor as to why Group C is more willing to invest in various capital market products.

Findings from our qualitative interviews suggest that **the level of disposable income matters more than earned income when it comes to investing.** While a lack of disposable income is a hindrance towards investing for some, what counts as "disposable" also differs depending on individual lifestyles and commitments. For example, some interviewees felt that they could start investing while making RM3,000 a month, while others only felt comfortable doing so after earning RM7,000 a month. However, almost all interviewees agreed that **they would be more likely to save and invest if their disposable income increases.**

Behavioural terminology

Framing is a bias where a decision is made based on the way the information is presented rather than the facts itself.

"It's hard to put aside money when my income is so unstable. I'm really just focused on the day-to-day. I would like to start investing when I have a stable job and more income though."

- Zaim, 34, Lalamove driver

"I recently changed jobs and got a pay rise, and it's been much easier for me to invest now. Before this, even though I was getting decent pay for my age, I found it really hard because I do enjoy my lifestyle like going out for meals with friends, and that's not something I'm willing to give up."

- Roshan, 28, consultant

10 Epley, N. & Gneezy, A. (2007) "The Framing of Financial Windfalls and Implications for Public Policy". The Journal of Socio-Economics (36). 36-47.

Financial literacy and risk tolerance

Interestingly, the bell curve for financial literacy (both actual and self-assessed) shifts as we move along from Group A towards Group C. The level of self-assessed risk tolerance also shifts from 26% risk takers in Group A, to 39% in Group B and 57% in Group C. **While actual financial literacy is indicative of financial knowledge, self-assessed financial literacy was used as a proxy for one's self-confidence when it comes to financial matters.** Interestingly, the self-assessed financial literacy levels broadly matched the actual financial literacy scores across all groups. This indicates that most respondents were self-aware of their own levels of knowledge and did not appear to display **overconfidence**, which can often lead to excessive risk-taking or make individuals more susceptible to exploitation.

The findings suggest that there is a link between one's financial knowledge, financial confidence, as well as risk tolerance with the likelihood of one investing, as well as the kind of products one invests in. For example, this could suggest that someone who does not know much about financial matters and does not have the confidence regarding financial matters is understandably also unwilling to take risks – hence not investing, and falling into Group A.

This could explain why there are behavioural differences between Group B, that invests only in ASNB funds or unit trust products, and Group C that invests in other capital market products. The Malaysian asset management industry goes back decades, since the setting up of the first unit trust company in 1959. Concerted efforts were taken in the 1970s to galvanise the industry, including the setting up of Permodalan Nasional Berhad (PNB) in 1978. Amanah Saham Nasional (ASN) and Amanah Saham Bumiputera (ASB) schemes were introduced in 1981 and 1990 respectively. The inception of the Securities Commission Malaysia (SC) in 1993 further spurred the growth of the industry.

The historical prevalence of unit trust funds in Malaysia could mean that this is the capital market product that retail investors are most comfortable with. In fact, in recent years the intermediation of private savings in Malaysia has been conducted largely through government-linked investment companies (GLICs) (which includes PNB), followed by banks and the asset management industry.[11] The nature of Malaysia's asset management industry is such that it is dominated by banks or insurance-banked entities that may be familiar household names, as well as being operated via the agency model that depends heavily on interpersonal relationships. This could explain why there is a significant proportion of investors who only invest in ASNB funds or unit trust products (Group B), and they tend to be less risk tolerant and less financially confident compared to those who invest in other capital market products (e.g. shares or cryptocurrency) that are perceived to be riskier.

Behavioural terminology

Overconfidence bias often leads people to overestimate their understanding of financial markets or specific investments and disregard data and expert advice.

"I have an ASNB account, although allocations can be hard to come by for a Chinese. I consider the money in ASNB and my unit trust as savings because I think they're safer. I have some foreign shares and some cryptocurrency, and I consider this as investing. I make sure I keep 60-70% of my money in the safer options and make sure they're on regulated platforms, and then I'm happy to take more risks with the other investments."

- Han Cheong, 32, civil servant

11 Securities Commission Malaysia (2021) Capital Market Masterplan 3

Another factor that is unique to Malaysia is the presence of capital-guaranteed schemes within PNB. 66% of those within Group B invested only in ASNB funds, and while our survey did not specifically ask respondents whether they invested in the capital-guaranteed fixed price funds, 94% of ASNB's 264 billion units in circulation is currently based in these fixed price funds.[12] The link between those with lower financial knowledge and lower risk tolerance with those who invest only in ASNB funds could imply a relationship that goes both ways: while it would seem intuitive that one with lower financial knowledge and lower risk tolerance would seek out "safer" capital-guaranteed products, global research has also found that where there are generous social safety nets, there will be fewer incentives to accumulate wealth and less reasons to invest in improving financial literacy.[13] However, further research would be needed in this area for a more conclusive finding, particularly given the unique context in Malaysia.

Based on the qualitative interviews, what is noticeable is that many of those who had ASNB funds (predominantly ASB funds) did not fully understand how the capital guarantees or fixed price element worked as they had just opened an account based on advice from family or those close to them. This also suggests that many do not view the capital-guaranteed ASNB funds as a traditional investment product but more like an avenue for savings, which is also reflected in our survey results by 72% of those who invested in ASNB funds.

12 ICMR calculations, based on Permodalan Nasional Berhad Annual Report 2020

13 Jappelli, T. & Padula, M. (2013) Investment in Financial Literacy and Saving Decisions, Journal of Banking and Finance, 37, 2779–2792

Income allocation

The behavioural shifts across groups is also reflected in the survey results on income allocation. A higher percentage of Group C stated that they set aside amounts either for investing only (27%) or separate amounts for savings and investing (30%). On the other hand, a higher percentage in Group B stated that they set aside money for savings only (52%). **This indicates that there is a shift in mental accounting from Group B to Group C, with those who invest in other capital market products being more likely to make a distinction between saving and investing.** The qualitative findings further showed that many people perceive safer capital market products as "savings" whereas they perceive riskier products as "investing", as it boils down to their own personal risk assessments and methods of mentally dividing their money.

Research findings from the three groups highlight that there is a plethora of factors linked to one's investment behaviour even for individuals within the same age cohort. This includes income level, actual and perceived financial literacy, financial confidence, and risk tolerance. This indicates that a one-size-fits-all policy may be ineffective, as it does not address the nuanced behaviour and attitudes seen across the three groups.

Behavioural terminology

Mental accounting is the tendency to mentally sort out funds into separate accounts, which affects the way a person thinks about spending.

"I opened an ASB account and took out a RM50,000 ASB loan because my mother said I should. I pay for the loan every month, but I honestly have no idea how it works. I didn't know until now that I could also put in money on a regular basis into my account if I wanted to. I don't know what a capital-guarantee is."

- Haris, 25, journalist

What motivates people?

The survey found that even within the same age groups, financial priorities differ between people at different phases of life. Among those who have invested in capital market products (Group B + Group C), respondents who are married with kids tend to focus on the future where 70% of them stated that planning for their kids' futures is their priority, and 42% stated that they are saving for retirement. However, those who are unmarried and have no kids appear to be more prone to **immediate gratification**, with their investment goals being stated as "to buy a house" (61%), "to buy a high-priced item" (60%) and "to make profit and get higher returns" (55%).

This was also reflected in our qualitative interviews, where some interviewees stated that having children was the motivating factor for them to start saving and investing as they had to think about their children's futures.

However, our qualitative interviews also highlighted a few common traits among those with more positive financial habits and behaviour:

- Most **learned basic saving habits from young**, even if it was something as simple as having a piggy bank, or their parents bringing them to the bank to deposit their *duit raya* every year.
- Most are **motivated by some element of discomfort**, e.g. having to be financially independent, or having to provide financially for their families. In contrast, those with less positive financial behaviour tended to have more financial safety nets, e.g. they were living with their parents and did not have to worry about rent or food.
- Finally, they tend to be **self-aware of their own shortcomings and have therefore applied their own heuristics to mitigate them.** For example, they utilize available tools like direct debits and **defaults**, or even set up their own systems that create **friction** in spending in order to aid their saving and investing.

> "I didn't care much about finances before this. I've definitely had a lot more drive to learn about investing as I got older, especially ever since I had a kid. But at the same time, I'm a lot more careful about money now – I can't afford to take any financial risks with a kid."
>
> - Akmal, 29, accounts manager

Behavioural terminology

Immediate gratification refers to the temptation, and resulting tendency, to forego a future benefit in order to obtain a less rewarding but more immediate benefit.

Heuristics are commonly known as cognitive shortcuts or rule of thumb used to make quick decisions especially under conditions of uncertainty.

Defaults provide a mental shortcut and signal what is "supposed" to be done in a given situation without an active choice having to be made.

Friction is the "stickiness" involved in making transactions which includes processing time, effort, cost, or any barriers.

> "My parents didn't really talk much about money, but they did bring us to *Tabung Haji* every year to deposit our *'duit raya'* in there. When I first started working, I made sure I opened a separate bank account that had no debit card and no online access – I put money in there every month for savings and I know I won't spend it because I'll have to go in person to the branch to withdraw."
>
> - Liyana, 24, first year executive at an autism academy

A preliminary look: does where you live, your race, or your gender make a difference?

Figure 28:
Investors as % of total survey respondents by region and income

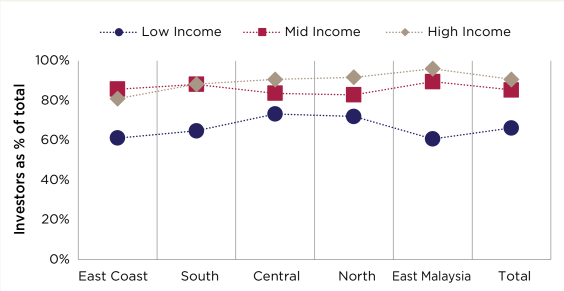


Figure 28 shows that there is a different trend in the likelihood to invest for low-income, mid-income, and high-income groups across different regions.

Findings show that for the Central and North regions, the higher your household income, the more likely you are to invest in the capital market. In addition, the gaps between the high-income and the low-income categories are the narrowest relative to other regions and these patterns hold true for race and gender.

Possible hypotheses are that people from the Central and North region are more likely to be more exposed to and aware of investment products, or that there are more opportunities to invest in those regions which attract youths even in the lower income group. This suggests that one's environment and surroundings may be a factor in one's likelihood to invest.

Figure 28 also shows that mid-income investors in the East Coast are more likely to invest compared to high-income investors there. However, both mid-income and high-income investors in the Southern region share the same likelihood to invest. In contrast, the high-income investors in East Malaysia are more likely to invest, where 95% of this category invested in at least one capital market product. This is the highest percentage compared to the high-income categories in the other regions.

Figure 29:
Investors as % of total survey respondents by race and income

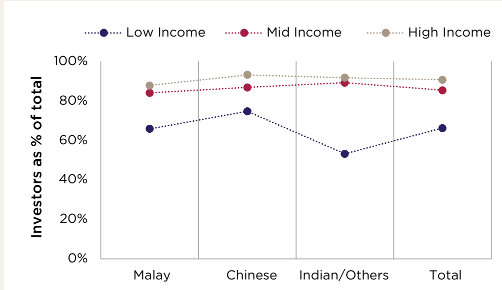


Figure 30:
Investors as % of total survey respondents by gender and income

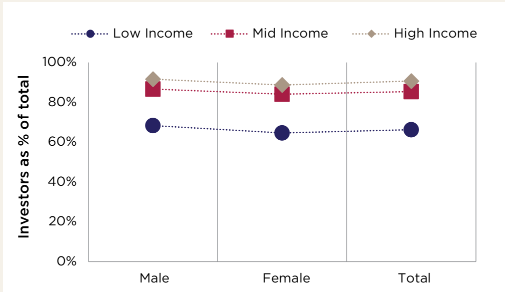


Figure 29 also shows that there is a smaller gap between the high- and low-income category for Chinese respondents, whereas Indian/Others show the largest gap. This means that there is a higher likelihood of a Chinese person of low-income investing compared to other races. These findings also hold true across region and gender.

Based on this study, it appears that there is a slightly higher likelihood of males investing compared to females. This finding cuts across all income categories (Figure 30).

This is a preliminary look at the data points, and ICMR will continue to further analyse this dataset for further insights.

*** These studies ran a cross-tabulation with chi-square analysis to examine, at 95% confidence, if there is a relationship between the respective categories and household income category for respondents who invest in the capital market.*

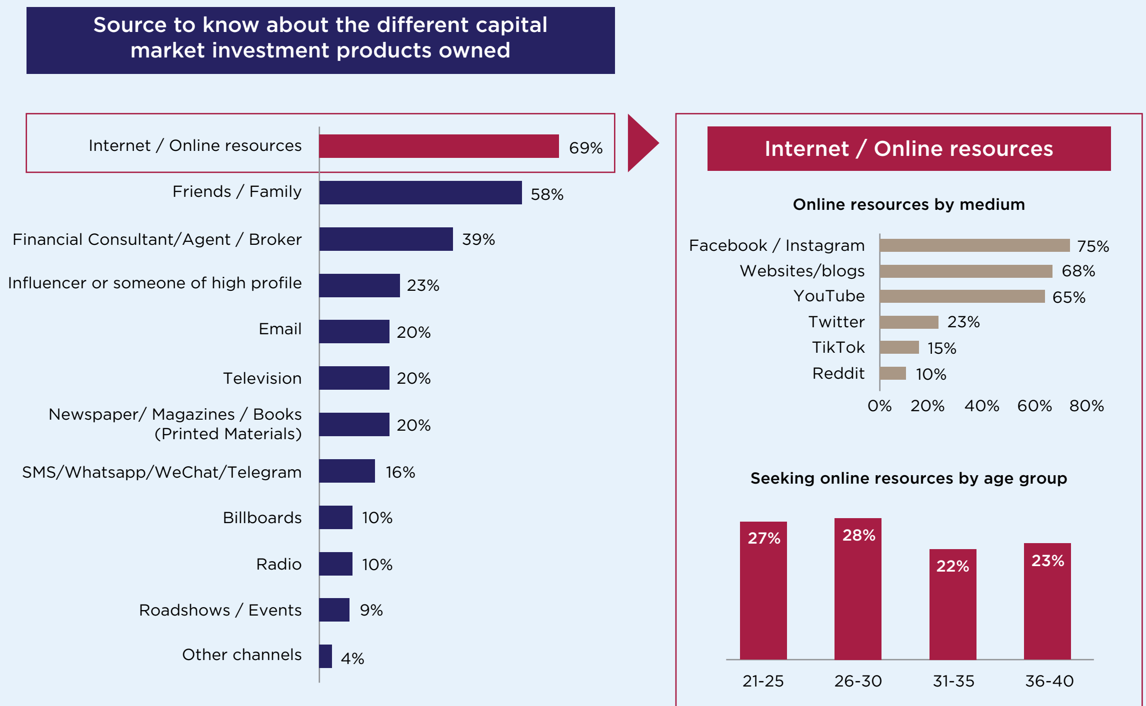
**** The classification of household income categories was based on the sample representation, with reference to the Department of Statistics Malaysia's classification of B40, M40 and T20 households. The classifications in this study are as follows: Low Income <RM 5,000 (44.9%), Middle Income RM5000 – RM9999 (35.9%), High Income >RM10,000 (19.2%).*

Emerging trends

While we wanted to capture the current attitudes and behaviour of millennials and Gen Zs in Malaysia, we also wanted to understand their perceptions of some broader trends that are emerging. Given that millennials and Gen Zs will be driving consumer trends over the next decade, as well as the rapid pace of trend cycles, it is important for policymakers and industry players to adopt a more proactive (rather than reactive) approach when it comes to adapting to the preferences and needs of millennial and Gen Z investors.

1. Online channels are the preferred source of information

Figure 31:
Source of information



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

From the survey responses, the most popular source of information was the internet/online sources (69%). From this Group, Facebook/ Instagram (75%), websites/blogs (68%), and YouTube (65%) were the most common. The preference for online sources is even more prevalent among those below 30 years old.

This finding is unsurprising, given that these generations grew up during the internet age, are very digitally-savvy, and are a lot more comfortable conducting their lives online, with millennials generally having led the adoption of new technology.[14] A McKinsey study on Gen Z consumers in Asia Pacific found that 50-60% of the

14 Pew Research Center (2019) Millennials Stand Out For Their Technology Use, But Older Generations Also Embrace Digital Life

primary influence in brand decisions for Generation Z comes from social media and online sites.[15]

While online platforms like Instagram and YouTube provide an opportunity to reach out in a direct way to millennials and Gen Zs, several key considerations have to be taken into account:

- From our qualitative interviews, we realised that ***people don't know what they don't know***. While the internet is abundant with resources for different levels of financial literacy, most of these resources require a user to actively seek out this information. It therefore does not always reach those who, ironically, may need this financial information the most.
- A few of the interviewees mentioned that despite never having sought out financial information online, they have come across financial education videos on TikTok. As opposed to other social platforms, TikTok is an open network, which means that what users see is less defined by who you follow but is instead customised by an algorithm.

  Open networks like TikTok thus need to be viewed from a two-pronged approach: on one hand, they provide an excellent opportunity to reach out to the target segment of those who are not actively seeking out financial information. On the other hand, this segment may also not have the capacity to discern between all the financial education videos they come across to determine what is the right information for themselves personally. For example, a look at the #fintok hashtag on TikTok (which has had more than 500 million views at the point of writing) reveals that it includes everything from basic budgeting tips to advice on specific stock picks.
- The double-edged sword that is technology, in particular when it comes to financial behaviour, is an area that ICMR had previously explored in more detail in *Exploring Financial Literacy in A Digital World: Global Lessons from Behavioural Insights and Implications for Malaysia.* The flipside of leveraging on social preferences is that it can also make investors more susceptible to misinformation and **herding behaviour**. This could lead to individuals being involved in scams, being misled, or creating investment bubbles. For example, in Malaysia the Ombudsman for Financial Services (OFS) in 2020 reported that in the rise of financial scams recently shows that scammers use social engineering to manipulate and trap victims.[16]

"I know there [are] a lot of videos out there but I find most of it really boring or too long. I tune out after a few minutes. I just want something really easy to understand. It helps if I don't have to actively seek it out."

- Haris, 25, journalist

"I've never looked for financial information before, I don't consider myself very financially literate. But I came across a TikTok video on money saving tips, and then slowly started watching more personal finance content on there. My friends and I also started talking about property investments and passive income after watching it on TikTok."

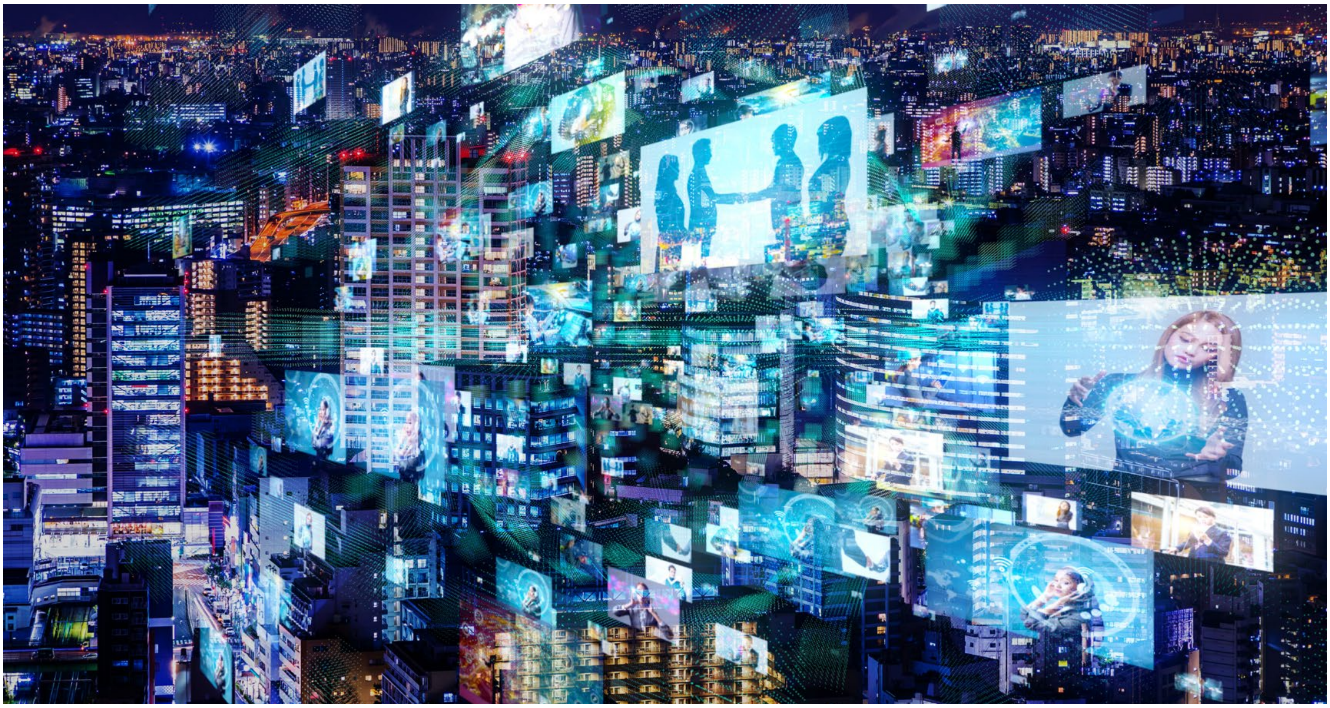
- Farish, 30, Café manager

Behavioural terminology

Herding behaviour occurs when people do what others are doing instead of using their own information or making independent decisions.

15 McKinsey & Co (2020) What Makes Asia–Pacific's Generation Z Different?

16 The Edge Malaysia (2020) Cover Story: Consumers more vulnerable to scams during pandemic



- When it comes to utilising social media as investor outreach, policymakers have a difficult balance to weigh – as an over-abundance of caution may risk any outreach effort being deemed obsolete or unrelatable. At the same time, some other challenges for regulators, as discussed by the US Financial Industry Regulatory Authority (FINRA), include unauthorised social media accounts, record-keeping, content supervision, cyber security, and other compliance issues.[17]
- Increasing reliance on non-traditional and unregulated sources for information also means that investors would have to take increasing ownership of their decisions. This could be a challenge if investors are not equipped with the right tools to discern what is accurate or applicable to them amidst information and choice overload.

17 Forbes. (9 June 2018) "9 Ways To Use Social Media Compliantly from FINRA".

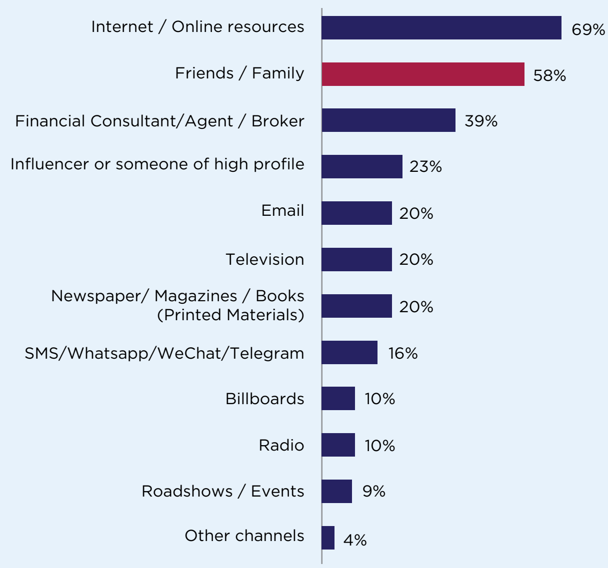
2. Trust and relatability are key: why social groups also play an important role

The second most popular source of information overall was friends and family (58%). Interestingly, of the 31% who *did not* choose 'internet/online source', 'friends and family' were their most popular source.

This makes sense from a behavioural standpoint – as discussed in our previous report, research has shown that the savings and investment decisions of community members and peers have a causal effect on individual savings and investment decisions, through direct social interactions such as straightforward word of mouth.[18] In addition, direct or indirect social pressure (such as the implicit desire for conformity, acceptability, and social identity) can powerfully affect decision making.

One aspect that came up frequently in the qualitative interviews was that **trust is very important to millennials and Gen Zs**. Most seek out financial advice from family and friends that they personally trust. Those with higher levels of financial literacy may add on their own online research, but those with lower levels of financial literacy tended to immediately heed advice from friends they trust.

Figure 32:
Source to know about the different capital market investment products owned



Note: Respondents were allowed to choose multiple answers and thus total may be more than 100%

Previous studies have shown that millennials and Gen Zs lack trust in most traditional institutions like traditional media and business, political, or religious leaders.[19] It thus makes sense why they might turn to the people around them instead for advice, regardless of whether this advice is actually good or bad.

> "I definitely need to talk to friends before I invest, especially if they've also invested in the same thing. Recently, a friend told me he had cashed out his unit trust investments after making 15% gains. I will invest in that same unit trust once I have a bit more money."
>
> - Zaim, 34, Lalamove driver

> "I stopped following influencers because they had goals like save RM100,000 before 30. I knew my savings was nowhere near there and it just demotivated me even more."
>
> - Calvin, 29, performance marketing manager

18 Hong, H., J. D. Kubik and J. Stein (2004). "Social Interaction and Stock-Market Participation." Journal of Finance 59(1): 137-163
19 Deloitte (2019) A Generation Disrupted 2019: Deloitte Global Millennial Survey

Another key aspect was relatability. While much has been said about the role of social media influencers, a few interviewees stated that when it comes to personal finance they preferred talking to their peers as they found many personal finance influencers unrelatable. This was due to the perception that most personal finance influencers had financial goals that seemed unattainable, which ended up being demotivating. In the end, people are highly social beings that are influenced by social preferences, **social norms** and **social identity** when making decisions.

When it comes to discussing personal finances with peers, many interviewees felt that conversations among friends about money should be normalised, and that it should not be taboo the way previous generations had perceived it to be. This is in line with other global studies, which found that millennials are a lot more transparent with peers about their money compared to previous generations, perhaps as a result of this generation also being less filtered about other aspects of their lives on social media.[20]

Behavioural terminology

Social norms are the unwritten rules of beliefs, attitudes, and behaviours that are considered acceptable in a particular social group or culture.

Social identity is a person's sense of who they are based on their group members (belonging).

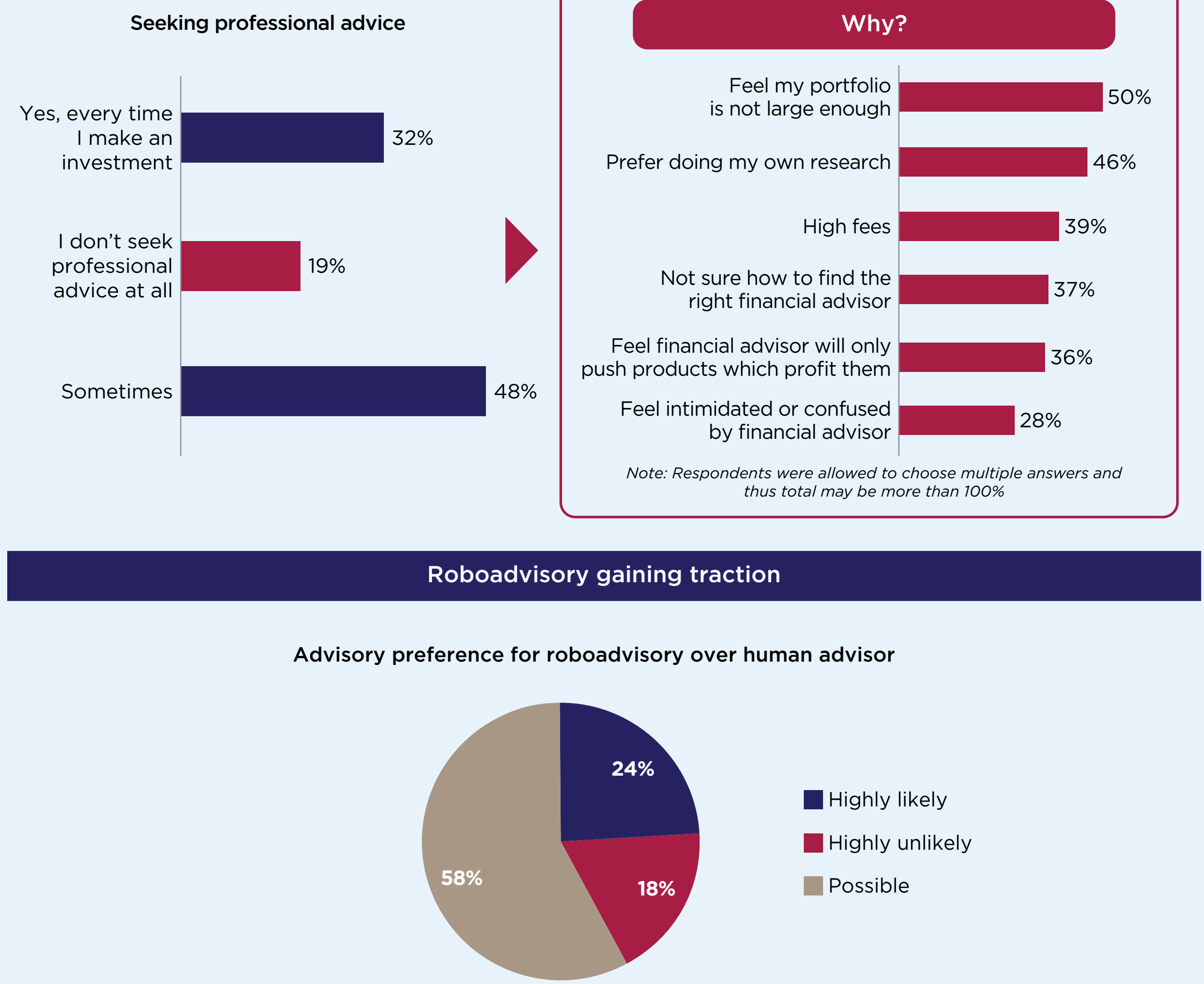
"I think we should normalise talking about our finances with friends. I've learned so much from talking with my friends, that's how I first learned about StashAway and Luno. But I do think I'll only be comfortable talking with friends of similar income levels. It might get awkward if the other party makes a lot more or a lot less.

- Sofia, 29, engineer

20 The Wall Street Journal (3 May 2021) How Much Money Do Millennials Make? It's No Longer a Taboo Question

3. Role of professional advisory

Figure 33:
Role of advisory



Our findings show that of those who do invest in capital market products, 32% actually seek professional advice every time they make an investment, while 19% never seek professional advice at all. However, of those who do not seek professional advice at all, half (50%) said that the reason they do not is because they feel that their portfolio is not large enough.

Interestingly, there appears to be growing traction for roboadvisory services - 82% stated that it was highly likely or possible that they would prefer roboadvisory over human advisory.

These survey findings, combined with insights from the qualitative interviews, indicate that there remains opportunities in this sector:

- Robo-advisory is seen as an accessible entryway into getting advice, particularly given its low cost. Newer investors feel more comfortable with robo-advisors if their portfolio isn't large, as they don't feel judged for having a smaller portfolio. Part of this could relate to the concepts of social norms and relatability highlighted above, as there is a perception that (human) financial advisors cater towards clients with higher net worth, and thus newer investors feel like they may not be relatable. To this end, **there are opportunities for robo-advisories to reach out to millennial and Gen Z investors at an early stage**, as many have indicated their openness to robo-advisors.

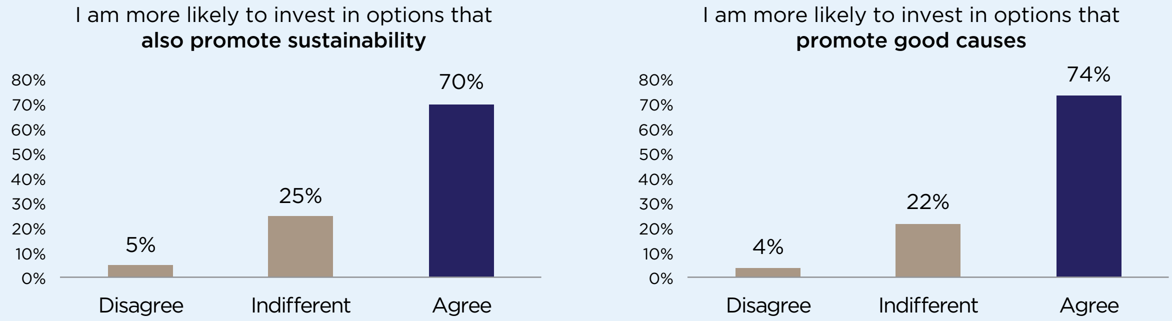
- However, many that we spoke to also stated that **as their portfolio grows, they would be more willing to seek human advice**. Interviewees also reiterated that **trust and relatability are key**, and that they were uncomfortable with agents or consultants who push products on them. This indicates that value is still placed on human advisory especially after a certain level of wealth is reached, but financial advisors would need to adopt a more holistic clients-needs-based approach to advisory services. This is in line with ICMR's findings from our previous report *The Evolving Business of Asset Management: Malaysia's Perspective.*

> "I think a human element is still important, especially if I'm going to invest bigger amounts in the future. Ideally I'd be able to talk to an advisor, and then still do my own research before I make decision."
>
> - Han Cheong, 32, civil servant

> "Right now, I prefer going through digital or robo platforms. I do think the human touch is important, but all the agents I've met so far have always just focused on sales. None of the advice feels genuine, it doesn't feel like they have my interest at heart."
>
> - Akmal, 29, accounts manager

4. Shift towards investing for good and direct investing

Figure 34:
There is high interest in investing for good



Another key insight that emerged from our research was that **millennials and Gen Zs are keen on investing for good**. 70% of survey respondents stated that they were more likely to invest in options that promote sustainability, while 74% stated that they were more likely to invest in options that promote good causes.

Most interviewees we spoke to expressed great interest in the concept of sustainability or environment, social and governance (ESG) investing, even if they were not aware of the precise terminologies. Interestingly, there was about an equal split among interviewees regarding whether they would accept lower returns for ESG investments. However, most highlighted their concerns about "greenwashing" (where companies provide false or misleading information to create an impression of being more environmentally sound) and wanted to be sure that they could see the impact of their investments.

This is in line with findings from other global surveys, that found that millennials and Gen Zs "put their wallets where their values are" and are actively seeking to influence businesses or policies on matters that are important to them, like environmental or social issues.[21]

"I would be happy to invest in something if I know I'm investing in a cause I believe in, even if the product is riskier or I might make less money. I think I'm a very values-driven person - my values have determined my career choice and other aspects of my life too."

- Liyana, 24, first-year executive at an autism academy

"If I could, I would love to invest in startups that provide solutions to environmental problems, like clean energy or plant-based meats."

- Rachel, 40, head of marketing

21 Deloitte (2021) A Call for Accountability and Action: The Deloitte Global 2021 Millennial and Gen Z Survey

Another aspect highlighted during the interviews was that **many respondents were keen to invest directly into businesses, particularly if they believed in the business model or the product**. However, interviewees said that this is something they would only consider once they had more disposable income.

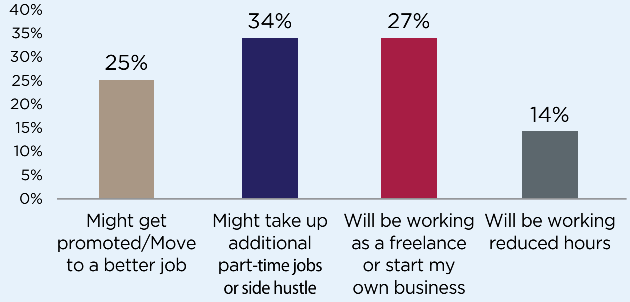
Notably, most of those who said they were keen to invest directly into businesses had never heard of ECF or P2P before. This was also reflected in our survey results – only 11% of respondents have heard of ECF and P2P. Interestingly, of the 4% who have invested in ECF and P2P, 50% have income above RM7,000, reflecting the interview findings that direct investing is something that investors only consider once they have extra income.

> "If I had extra disposable income, I would put it into businesses that support causes I believe in. But I'd need to do my research first to make sure my investments would be going into something impactful and actually making a difference."
>
> \- Priya, 28, dental student

5. Changing nature of work may impact financial behaviour

This research study also seeks to examine the impact of broader trends such as the changing nature of work, particularly given the impact of Covid-19 on survey respondents. 36% of those surveyed had taken up additional part time work over the past 12 months, but interestingly 70% said that they foresee changes to their work life over the next 12 months. Of this, 61% see themselves changing job modalities, be it taking up additional side hustles or part-time work, or working as a freelancer or business owner.

Figure 35:
Changes in job for the next 12 months



As the nature of work and how we make money continues to change in the post-pandemic landscape, this will inadvertently impact other aspects of personal finance as well:

- As highlighted in our previous report *COVID-19: Rethinking Long-Term Savings for Financial Inclusion in a Changing Economy,* the existing pension system is largely employer-based, with a portion of salary automatically being deducted from payroll and put towards retirement savings, and employers providing a match. **Not only are gig workers, freelancers, and small business owners not covered by the existing system, there is also a failure to accurately capture extra income from side hustles or various other job modalities**. As the number of people moving away from the traditional notion of a single full-time job increases, issues of coverage and adequacy within the existing pension system will also become more serious.

- Stability of income is a key factor in being able to plan and manage finances. Having a volatile income stream, or even uncertainty with regards to income sources, would require different tools and mindsets to navigate budgeting, saving, and financial planning. This would also need to be reflected in the indicators that policymakers or financial institutions use to assess an individual's financial stability.

"I lost my job in March 2020. Now I'm a Lalamove driver, and I help out at a friend's workshop for extra income. It's hard to think of financial goals or make any long-term plans when I'm just focused on trying to get by day-to-day. I don't have the time or the energy to research these things, and I don't have the funds for it."

- Zaim, 34, Lalamove driver

"I'm comfortable with freelance working arrangements, and I don't think I'll go back to full-time work in the future. But I've been looking to buy a house recently and it's been hard to get a loan because banks don't recognise freelance work, even though I'm getting paid consistently every month for it."

- Hussein, 30, freelance consultant

6. Retirement planning… or the lack thereof

From the survey, 68% of total respondents are part of EPF's mandatory contribution scheme, in which a percentage of salary is automatically deducted for the purposes of retirement savings. Of the 32% of survey respondents who are not contributing to EPF, only 5% have a PRS account, indicating that there is a large segment not protected by either the mandatory or private retirement schemes.

Even for those who are part of EPF's mandatory contribution scheme, retirement adequacy remains an issue, with the situation having been further exacerbated over the pandemic. More than half of EPF members have less than RM10,000 in their accounts, with EPF estimating that only 3% of members can afford to retire (and sustain their savings).[22]

However, when overall respondents were asked about their financial goals, "saving for retirement" is not a top priority particularly for those who are unmarried and have no children. Instead, they are prioritising "to buy a house" (61%), "to buy a high-priced item" (60%) and "to make profit and get higher returns" (55%). Among those who are married with children, "saving for retirement" ranks second, after "planning for kids' future" (70%).

This in line with insights from our qualitative interviews, where only one respondent had a specific retirement financial goal in mind. For all other respondents, retirement was either a vague and distant notion, or there was a belief that "things would fall into place" for retirement purposes. Many also felt that they had too much present commitments and expenses to think about retirement. These examples indicate a **present bias** when individuals think about retirement.

As highlighted in our previous report, academic research has shown that Malaysians only start planning for retirement after the age of 40, hence missing out on the critical long-term accumulation stage that could make a significant difference in their retirement savings. While EPF's statistics highlights that a majority of members do not have enough for retirement, 43.8% of Malaysians believe that they can fully depend on EPF savings for living after retirement.[23]

The lack of retirement adequacy is concerning both on an individual level, and on a national policy level. The knock-on impact of population ageing and lack of adequacy is multifaceted and complex, with policy implications for the labour market, welfare and healthcare systems, fiscal balances and taxation regime, productivity, and social and family institutions.

While there is no one size fits all solution, millennials and Gen Zs who have a longer time horizon may benefit from better lifecycle planning, based on their own risk appetite. It is therefore crucial that individuals take the first step as early as possible in assessing their overall financial situation, and making a long-term financial plan based on their own needs and lifestyle.

Behavioural terminology

Present bias is the tendency to settle for a smaller present reward than to wait for a larger future reward.

"I aim to be able to retire comfortably and have a good lifestyle, but I've not put any specific number to it. I think my career is going well and I'm self-sufficient, so I should be ok."

- Calvin, 29, performance marketing manager

22 The New Straits Time (3 October 2021) EPF Savings: Half Have Less Than RM10,000

23 Mokhtar, N., Moga Dass, T., Sabri, M.F., & Ho, C.S.F. (2018) A Preliminary Evaluation of Financial Literacy in Malaysia, Journal of Financial and Wealth Planning

Chapter Four

Key Considerations

Policymakers have the difficult task of taking into account the intersectionality between the various factors that influence an individual's specific behaviour, as well as the emerging trends that tend to influence society and generational cohorts at a broader level. When it comes to the investing behaviour of millennials and Gen Zs in Malaysia, there are a few overarching considerations that would need to be kept in mind:

1. There needs to be a **nuanced and tiered approach** when it comes to policy – very often we hear generalised notions that "all young investors want fintech products" or "all young people would listen to this celebrity influencer", but that is not the case. Investors are multi-faceted , and a deeper understanding of this would allow for tiered policies that cater to investors at different stages, even among the same generational cohorts.

2. A lot of existing policy efforts focus on financial education, which remains important. However, as pointed out in our previous report, even with "perfect knowledge", individuals often act inconsistently or against their own best interests due to other psychological and behavioural factors. A **renewed mandate for financial literacy** would incorporate the right tools, self-awareness, and techniques to help individuals navigate their personal finances, and ultimately build up not just their financial knowledge but also their confidence.

3. Due to the above, it is important for **behavioural approaches and design** to be applied especially in the context of structural trends that are impacting millennials and Gen Zs. Further exploration of certain trends in a behavioural context (such as how the method of receiving information will influence one's decision making and the role of peer influence on financial decision-making) could provide deeper insight on how policymakers and the industry can leverage behavioural insights for more specific application.

4. It is crucial to acknowledge that there are **underlying structural challenges** that cannot be solved purely by market-based solutions. It would be unrealistic and impractical to assume that all segments of the population can save or invest, when issues of low wages, underemployment, and lack of social safety nets hinder their abilities to do so. Addressing these issues go beyond the ambit of any single regulator or agency and requires adopting a whole-of-nation approach for holistic reform.

Taking into account the above, this calls for a difficult balancing act between investor protection and investor empowerment. **A tiered approach will help policymakers and industry players alike to cater for investors at different levels of readiness**, be it from the perspective of income, financial knowledge, risk tolerance or financial confidence, among others. **A tiered approach can also help to gradually ease investors from one stage to another.**

While **the diverse nature of investors means that an exhaustive list of recommendations would not be possible,** below is an example of what a tiered approach would look like from a policy and development perspective, starting from Tier 1 for those who are not yet in the capital market, and moving up the tiers as investors become more prepared.

Example of adopting a tiered-approach to policy:

TIER 3

- Broadening awareness of ECF, P2P, and other alternatives
- Increasing access to retail products in the ESG and impact investing space
- To move towards providing holistic financial advisory on a clients-needs based model

TIER 2

- Continuous financial education, with a focus on online platforms as it's the most popular source of information
- Encouraging behavioural interventions that build habits like default settings and direct debits
- Leveraging on peer influence to encourage positive financial behaviour
- Industry players to increase online presence and digital platforms

TIER 1

- Financial education and outreach to those who are uninformed and uninterested (via shorter, snappier formats, and via alternative mediums)
- Importance of inculcating savings habit from a young age – programmes with schools, children's media etc
- Easing access to capital markets via low-cost, low-risk and easy-to-understand products e.g. microinvesting

Conclusion

This research study highlights that investors are not "one-size-fits-all", even if within the same generational cohorts. The demographic and behavioural distinctions between different various groups indicate a diversity that also require different tools, techniques, and approaches. Given the delicate balance between investor protection and investor empowerment, a more nuanced and tiered approach when it comes to policy and products will cater for individuals at different stages of readiness.

The rapid shifts in technology and trends also require that effective policy efforts take into account changing preferences and attitudes. Policymakers and industry alike have to constantly evolve to remain engaged with the new generation of investors, or risk being perceived as outdated and irrelevant.

At the same time, this research also shows that there are many complex and interlinked elements when it comes to understanding investor behaviour. Human nature, combined with broader societal trends, means that issues must be addressed at both a structural and individual level. Issues such as retirement highlight the way individual decisions (i.e. lack of planning for retirement) and policy concerns (such as low wages, population ageing, and inadequate pension coverage) can intersect and have serious implications in the future.

While this research was focused on millennial and Gen Z investors, there remains a need to have more in-depth understanding of all the different segments of investors. Further research could expand to include a larger national demographic while assessing and measuring actual financial literacy rates, risk tolerance levels, and other areas.

Appendix I

IPSOS quotas – IPSOS sample recruitment quota representative of the Malaysia distribution.

	QUOTA	
	%	1500
Gender		
Female	51%	765
Male	49%	735
Age		
21-25	30%	450
26-30	28%	420
31-35	22%	330
36-40	21%	315
Ethnicity		
Malay/Bumiputera	67%	1005
Chinese	25%	375
Indian/Others	7%	105
Region		
North (Pulau Pinang, Perak, Kedah, Perlis)	21%	318
Central (Selangor, Kuala Lumpur)	26%	390
South (Negeri Sembilan, Melaka, Johor)	18%	272
East Coast (Kelantan, Pahang, Terengganu)	16%	236
East Malaysia (Sabah, Sarawak)	19%	284
MHI		
Below RM 2,999	14%	203
RM 3,000 - 3,999	11%	168
RM 4,000 - 4,999	11%	164
RM 5000 - 5,999	10%	144
RM 6,000 - 6,999	9%	129
RM 7,000 - 7,999	7%	111
RM 8,000 - 8,999	6%	93
RM 9,000 - 9,999	5%	75
RM 10,000 and above	28%	414

Appendix II

Financial literacy questions

1. Consider a scenario, where you place RM1000 into a **NO FEE** savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

RM 1000	1
RM 1020	**2**
RM 1050	3
RM 1200	4

2. Then, how much would be in your account at the end of 5 years?

More than RM1100	**1**
Exactly RM1100	2
Less than RM1100	3
Can't tell for sure	4

3. Please tell me is this statement is true or false?
"There is a greater risk of losing my money in the shares of one (1) company compared to investing in the shares of more than one company."

True	**1**
False	2
I do not know	3

4. Looking at the options below, please select the option which best arranges the list of financial products from **LEAST RISKY** to **MOST RISKY**.

LEAST RISKY	→	**MOST RISKY**	
Bonds	Fixed Deposits	Shares	1
Unit Trust	Shares	Bonds	2
Bonds	**Unit Trust**	**Shares**	**3**
Unit Trust	Bonds	Shares	4

5. Consider a scenario where you can invest in two projects.
Project A will either deliver a **return of 10%** or **loss of 6%**.
Project B will either deliver a **return of 20%** or **loss of 12%**.
Does **Project B** has...

Higher return and lower risk than Project A	1
Same average return and lower risk than Project A	2
Lower return and higher risk than Project A	3
Higher return and higher risk than Project A	**4**

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