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Asia Pacific Journal of Business, Humanities & Education

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A Case Study on Effective Financial Planning in Malaysia

Stanley Y.P.L., Chok N.V.

Abstract

The pension fund is currently inadequate for most people. According to the Malaysian Financial Planning Council, financial independence is vital for Malaysians to accumulate sufficient wealth for retirement. This paper studies on how effective financial decision is important for long term retirement planning. A comprehensive financial data are obtained from a married working couple with children to evaluate their net worth, insurance needs, investment portfolio rebalancing, education planning and retirement planning. The results highlight that financial planning is essential to achieve financial independence, especially for insurance needs, education planning and retirement planning. The existing resources affect post-retirement lifestyle, medical funds and education funding. Suggestions are proposed to household to ensure that there is sufficient insurance coverage, lower all unnecessary expenses, re-structure of cash flow, and investment portfolios so as to rebalance in gaining greater wealth.

Keywords: Financial independence, retirement planning, net worth, insurance needs investment portfolios rebalancing

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Introduction

Malaysians are concerned about their financial resources during retirement as there is not much saving in their pension (Habib, 2007). Most of them depend on the savings from the Employees Provident Fund (EPF) which is a form of saving for retirement purpose (Dahlia *et al.*, 2012). According to Hunt (2009), 72% of Malaysians are ready to save their money for the purpose of retirement, however, 42% of them do not know how to prepare for their retirement fund. Most Malaysians are likely to depend on the interest derived from their fixed deposit and savings account. On the other hand, they divest their investment in unit trusts and shares to increase their wealth (Lusardi, 1999). This has caused Malaysian to have insufficient funds in their retirement plan.

It is important to deal with various financial products that require some knowledge about the products. It is vital to know about the financial information and skills to understand the various financial products offered in the financial market (Knowles, 1975). The employees are obliged to plan, implement and evaluate their existing financial status and draw well-informed financial decisions (Kennickell *et al.*, 1997). Due consideration ought to be given to the issue of debt repayment, asset assessment, insurance needs, risk, investment portfolios and others (Bernheim, 1994). Unfortunately, not more than 5% of working couples are prepared for retirement (Habib, 2007) and are not confident due to financial illiteracy (Hunt, 2009).

In addition, for the educated working couple, they are capable to invest in shares and unit trusts. However, the return of those investments may still not be enough for retirement saving. Hence, the concern is pertaining to the investments that does not sustain long term retirement life. The possible reason could be the relatively low per capita income (HSBC, 2015).

Numerous research on retirement planning has been well-established in America (Hogarth, 2002), Australia (Beal and Delpachitra, 2002), Korea (Sohn, *et al.*, 2012), and UAE (Al-Tamimi and Al Anood, 2009). However, research on retirement planning is less investigated in countries that have low capita income, especially Malaysia. This paper studies a working couple on their financial decision for long term retirement planning.

The paper is arranged as follows. Section one discusses the past literature on financial planning. Section two describes briefly the methodology adopted in this study, including the financial background of the case study. Section three presented the results of the financial case. Section four discusses the findings of the case. Section five offers an insight into the implications of the study. Section six discusses the limitations and possible future research area of the study and provides a conclusion in section seven.

Literature review

According to DeVancy *et al.*, (1996), there are many practices for self-learning such as books, newspaper and magazines and friends, to

obtain financial information. Financial knowledge is a necessary retirement preparation (Bernheim and Garrett, 2003). The gaining of financial knowledge enhances the decision-making in financial planning (Garman, 1998). Hence, working couple has more confidence about their retirement planning (Kim, *et al.*, 2005), so as it matches the retirement needs and financial resources.

According to Jacob-Lawson and Hershey, (2005), working couple must be capable to make judgments on the financial decision making, as it helps them to understand their retirement needs better. It shows that they have a good understanding of the fundamental financial planning, but insufficient knowledge on how to distribute the wealth (Dvorak and Hanley, 2010).

According to Delafrooz and Paim (2011), people are more active to participate in personal financial planning when the information is available. The concern is that they may not be able to apply the financial knowledge to make judgment in financial decisions (Bayer, *et al.* 2009). Most of the time, people must show their capability to apply financial knowledge in life (Huston, 2010). Numerous research has focused on demographic factors of financial planning, and this includes gender, age, income, and others (Albeerdy and Gharleghil, 2015). Moreover, some research also studies on the role-play and its implication of financial planners (Hanna, 2011) and the impact on the education of the financial planning (Mandell and Klein, 2009). However, there is a need to increase the study on the application of unconventional media tool, such as computerized

financial decision support system to prepare a comprehensive retirement planning.

According to Gao, et al. (2007), they use intelligent agent-assisted decision support system to study family financial planning, as such, Hunt (2009), argues that people are aware of the importance of managing effective personal finance. Therefore, a complex financial structure and regulation are required to be better managing in portfolio. According to Hunt (2009), he proposes the use of the computer-based system to offer financial-related advisory service to potential users. Gao, et al.,(2007) advocate that, the financial planning support system enables the user to constantly review financial situation and perform accurate decision making. It also can be done to update financial information regularly (Wen, Wang and Wang, 2005). In conclusion, this encourages working couple to be familiar with the financial planning support system (Wen, Wang and Wang, 2005) and serves as the method to promote the awareness of self-manage behavior in financial planning (Hira and Liobl, 2005). When they start to evaluate financial decision independently, working couple are keen to participate in the preparation of retirement plans (Barlett and Kotrlik, 1999), and it helps to develop necessary analytical skills in making financial decisions (Bernheim, 1994).

Methodology

This paper uses a case study to measure assets, liabilities, net worth and cash flow for a household. This provides an opportunity to evaluate the financial decisions on investment. All the financial

information is gathered by using a financial fact finding sheet. The respondents have been found to have some fundamental skills and financial knowledge as they have completed their tertiary education.

There are four important elements for the data collection. Section A is the background of respondents such as spouse and children, employment and existing health condition. Section B is the cash flow statement, which encompasses information on inheritance or borrowing, investment and purchase of assets. Section C is the summary of net worth statement of total cash assets, invested assets and personal-use assets and current liabilities and long-term liabilities. Section D is to set the financial goals and personal priorities of risk. The financial goals are divided into short-term, medium-term and long-term.

Financial background of respondent

The respondents John and May, aged 49 years old and 46 years old, are married for a few years with a child named Jeremy, 1-year-old. John holds a managerial post in a multi-national electronics and appliance company. Both of them are healthy without any medical problem. During the process of data collection, a qualified financial planner as a facilitator led them in the right direction. The facilitator also provides some suggestions to the respondents.

The pre-planning cash flow position for John is a total of net cash surplus RM40,212, for May with a shortage of RM612 due to unemployment after marriage. Hence, the total cash flow for both is RM39,600 surpluses. The total of pre-planning net worth position is

RM 536,044 which indicates both are capable to cover total liabilities RM290,956 from the total assets of RM 827,000.

Results

Several financial analysis such as financial ratio, total needs approach, portfolio rebalancing, education planning and retirement planning are performed to achieve the financial independence.

Financial Ratio Analysis

According to the results, liquidity ratio is 4.94 months and it highlights that respondents are only able to sustain their household expenses for less than five months if they are unemployed. Instead, they need to mobilize their emergency funding to sustain their living. The liquid assets to net worth ratio is 5.97% and it shows that the respondents have a shortage of liquid assets, such as savings and fixed deposits. The debt to asset ratio is 35.18% and it highlights that they are able to repay their debts through from the assets to prevent bankruptcy. In addition, the debt service ratio is 24.11% and it indicates that they have a financial capability to settle their debt repayment. The net investment assets to net worth ratio is 85.25% which shows a healthy financial status.

Total Needs Approach

For the next 20 years insurance needs, they are required to get protection in terms of family income replacement needs which is about RM511,522; medical & health insurance needs is about RM536,070; children's education funding needs is about

RM93,649.06; and debt cancellation funding needs is about RM84,956.

Components	Family income replacement needs	Medical & health insurance needs	Children's education funding needs	Debt cancellation funding needs
Total Insurance Needed	941,522	536,070	93,649.06	84,956
Total Resources Available	430,000	0	0	0
Protection Gap	511,522	536,070	93,649.06	84,956

Table 1: Summary of insurance needs

Investment planning analysis

According to Table 6, respondents own RM457,000 fixed ringgit resources such as cash, fixed deposit, EPF, insurance cash value as the main financial and investment sources. They do not have sufficient savings for bonds and stocks investment. The portfolio does not distribute evenly based on industry benchmark on the ratios of fixed ringgit, 15%, income, 50% and equity 35%. The table below shows the before and after the restructuring.

Component	Description	Before		After	
		%	RM	%	RM
Fixed ringgit	Cash/fixed deposit/EPF/insurance cash value	100	457,000	15	68,550
Income	Bonds/REITs/property invested	0	0	50	194,225
Equity	Stocks/shares/unit trust	0	0	35	194,225

Table 2: Summary of Investment Planning

Education Planning

The respondents have sufficient educational funding for the children. The current three-year education fees are RM50,000, which equal to RM93,649.06 (refer to Table 7) for tertiary education at the age of 18 years old. In other words, they have to prepare another 16 years of saving for education fees. Therefore, the annual saving is RM4,291 yearly to support education fees.

Present value (RM)	Number of years	Interest	Future value (RM)
50,000	16	4%	93,649.06
Future value (RM)	Number of years	Interest	Yearly Saving (RM)
93,649.06	16	4%	4,291.00

Table 3: Education Planning

Retirement planning

With reference to Table 9, the respondents have an annual income of RM112,301 and RM3,200 for both at their first year of retirement. Both of them have to save RM182,926.50 and RM6,034.10 for retirement living in 10 to 13 years later.

The method of lump sum capital liquidation is used with the adjusted interest rate, 1.92%, the total lump sum needed is RM3,111,763.79. They have some liquidation resources such as savings, fixed deposit, life insurance cash value, EPF, property which equals to the total amount of RM1,921,996.46. However, there is a retirement gap of RM1,191,767.33 after considering the total lump sum need and resources.

Name	Present value (RM)	Number of years	Interest	first-year annual income (RM)
John	112,301	10	5	182,926.50
May	3,200	13	5	6,034.10
Total				188,960.60
Name	Payment	Number of years	Interest adjusted	Total lump sum need
John	182,926.50	20	1.92	3,014,331.62
May	6,034.10	20	1.92	99,432.17
Total				3,113,763.79
Resources	Present value (RM)	Number of years	Interest	Future value (RM)
Saving Account	15,000	0	20	15,000
Fixed Deposit	10,000	3.8	20	21,083.72
Life Insurance Cash Value	7000	4	20	15,337.86
EPF	425,000	5	20	1,127,651.52
Property 1	280,000	5	20	742,923.36
Total				1,921,996.46
Retirement gap	FV	N	I	PV
Lump sum	1,191,767.33	20	6	371,598.70

Table 4: Retirement Planning

Conclusion

The results of this case study show that financial planning is essential to achieve financial independence. Working adults are urged to plan their retirement early to prevent huge gaps between financial resources and financial needs. The case study highlights to accumulate sufficient wealth through stocks and bonds investment, to cover monthly expenses. In terms of this, it is important to improve liquidity performance by saving cash in financial institutions, and repaying car loans to avoid high-interest bearing.

In addition, insurance needs, education funding and retirement funding are the most significant financial needs for everyone. The case study also reveals to have adequate insurance coverage for family income replacement need, medical needs for the next 20 years. They support the children's tertiary education by allocating RM4,291 yearly in educational funding and are obliged to have sufficient funds to enjoy a debt-free retirement life.

The net worth value for respondents enables them to plan better for their retirement life, as the pre-financial status of RM2,512,310 is improved as compared to the post-financial status of RM1,921,996. The incremental value indicates the proposed restructuring plan is workable when managing the wealth accumulation. They have to start saving early to narrow the retirement gap. The total amount of saving required, which was inclusive of lump sum and annual savings, after 20 years is RM371,598.70 and RM1,191,767.33 respectively.

Implications

This case study presents on how working adults make financial decisions for retirement planning with the existing financial resources. The results show that the respondents do plan for the insurance, education and retirement. However, they have an insufficient fund to accommodate all their needs. It also implies that half a million net worth of financial resources is insufficient to sustain after retirement life.

From a practical perspective, working adults are advised to plan their financial resources to cater the financial needs. Results from the case offered several suggestions to avoid the pitfalls of financial dilemmas, such as the reduction of unnecessary expenses, re-allocate of cash flow, adequate insurance coverage and re-balance the investment portfolios to accumulate wealth.

This case study concludes that people are urged to obtain financial independence. They have to effectively distribute their financial resources to generate higher wealth. It shows that with half a million net worth is no longer sufficient to sustain people's wealth accumulation after retirement. Hence, there is a need to promote the importance of financial planning among working adults in Malaysia.

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Improving Reading Fluency in an ESL Classroom

Debra B.D., Mogana D.

Abstract

Teachers, teacher trainers, and curriculum writers are particularly concerned with the development of reading skills as it is pertinent to the English language. Fluent reading skills according to Mikulecky (1990, p.1), helps to stir the minds of readers and incontrovertibly contribute to the conscious and unconscious thinking processes. Reading is and has become one of the most challenging areas in the ESL classrooms, and in the education system in general. The subject of what makes a good approach to improve reading fluency is widely debated. Some of the conventional teaching methods would suggest that teachers can make little or no difference in improving their pupils' reading fluency unless through remedial classes or in small groups. In contrast, there is research that indicates that teachers can make a noticeable difference by using the ideal approach or intervention to produce positive results. This article attempts to share and create an awareness of the potentials found in using multi approaches through the use of songs, rhymes, music, realia, flashcards and games to improve reading fluency, and the use of Principled Eclecticism in a selected ESL classroom in a primary school in Subang Jaya. Drawing on research findings and reports, the use of multi approaches could be a panacea for improving reading fluency in English at the primary level.

Keywords: Reading fluency; multi approaches; principled eclecticism

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Introduction

Reading is a cornerstone for a child's success in school and throughout life and is therefore a lifelong skill. According to Anderson, Hiebert, Scott, & Wilkinson (1985), reading is a basic life skill. It is common knowledge that without the ability to read well, opportunities for personal fulfilment and job success will inevitably be lost. In addition to that, the ever-increasing demand for high levels of literacy in our technological society makes this problem even more pressing (Snow, Burns, & Griffin, 1998). Reading as aptly acknowledged by Margaret Fuller says: 'Today a reader, tomorrow a leader' (Margaret Fuller Quotes, 2016).

Reading has become one of the most challenging areas in the education system. Reading skills are fundamental in order to function in today's society. Reading develops the mind as it develops creativity and imagination. Understanding the written word and teaching young children to read helps them develop their language skills. Reading also helps them learn to listen attentively with a purpose and builds self-confidence.

In order to succeed in school and academically, effective and fluent reading is essential. All the more, if reading is the basis of instruction in aspects of language learning whether using textbooks, writing, revising, developing vocabulary, acquiring grammar, or computer-assisted learning programmes. Learning languages and fluent reading skills help to stir the minds of readers and incontrovertibly contribute

to the conscious and unconscious thinking process as suggested by Mikulecky (1990, p.1).

This action research approach focuses on improving reading fluency through using multi approaches in a selected Year Two class in a national school in Subang Jaya, Selangor. The Year Two English Language curriculum requires the pupils to learn thematic topics, the long vowel and diagraph sounds. However, in reality, this class of Year Two pupils' reading skills fall far below par as most of them are not able to neither read their textbooks nor sound the letters correctly. Observation of classroom teaching showed that the teacher used Bahasa Malaysia during instructions and had not practiced differentiated teaching to enable the learning process. It was a 'one size fits all' scenario.

Factors Influencing Reading Levels of Pupils

Pupils' background

The pupils from this selected class of Year Two come from immigrant parents with a low SES and most of them only speak in Bahasa Malaysia. As such most of the parents do not see the need or are not able to send their children for tuition and extra English Language classes. Therefore, whatever the child learns in school is all the child gets.

Preschool level

Half of the pupils in this Year Two classroom have been to preschool and half of the pupils have only been to a Malay-medium preschool or

'*tadika*' where the emphasis is on Bahasa Malaysia and not the English Language. They were able to cope with only the basic letter sounds.

Culture and Motivation

Another issue that became a hindrance is the culture of the parents and pupils that view the English Language as a foreign language and therefore irrelevant. This attributes to the way the pupils process in Bahasa Malaysia and translate into English which affects the fluency, intonation, pronunciation, spelling, tenses, reading and writing.

That perception of the irrelevance of the English Language now becomes an obstacle that influences their mindset and they show lack of interest and focus. Learning becomes a mundane task without meaning and purpose for the pupils. The teaching is too teacher-centred without activities to stimulate the pupils' minds.

Reading and Curriculum

The development of reading fluency is an important component for advanced reading comprehension skills (Gorsuch & Taguchi, 2008; Grabe, 2009; Klauda & Guthrie, 2008; Taguchi *et al.*, 2012). Grabe & Stoller (2011, 2014) suggested that the goal for reading instruction should be viewed and instructed on a general level, which is to incorporate key component skills and knowledge into a reading curriculum in a principled and consistent way so that it complements both the pupils, teachers, school management and the curriculum. According to Grabe & Stoller (2011, 2014), these principles should

include a curricular framework, reading resources, additional student-centred activities during pre-reading, during-reading and post-reading sessions, word recognition skills, building vocabulary, extensive reading and motivation.

Theories of Learning

Constructivism

The advantages of using Constructivism is that the theory is a philosophy of learning founded on the premise that, by reflecting on our experiences, we construct our own understanding of the world we live in (Schunk, 2009).

Behaviourism

Using Behaviourism in the class for reading fluency will also benefit the pupils as this theory focuses on objectively observable behaviours and discounts mental activities (Schunk, 2009).

Cognitive Developmental Theory

Piaget's theory is based on the idea that the developing child builds cognitive structures like mental maps, schemas, or networked concepts for understanding and responding to physical experiences within his or her environment (Schunk, 2009).

Brain-Based learning

According to Schunk (2009) as long as the brain is not prohibited from fulfilling its normal processes, learning will occur. Traditional

schooling, however, often inhibits learning by discouraging, ignoring, or punishing the brain's natural learning processes.

Learning Styles

The concept of learning styles is rooted in the classification of psychological types and it is believed as the result of heredity, upbringing, and current environmental demands. Thus, different individuals have a tendency to both perceive and process information differently (Schunk, 2009).

Multiple Intelligences

This theory of human intelligence, developed by psychologist Howard Gardner, suggests there are at least nine intelligences in different degrees that people have of perceiving and taking in information as well as resolving genuine problems (Schunk, 2009).

Observational/ Social Learning

Social learning theory occurs when the pupils' behaviour changes after viewing the behaviour of a model (Schunk, 2009). An observer's behaviour can be affected by the positive or negative consequences called *vicarious reinforcement* or *vicarious punishment* of a model's behaviour.

Social Cognitive Learning

Vygotsky calls the tools of intellectual adaptation from culture and shared problem solving experiences with a more knowledgeable

person as the *Zone of Proximal Development* (ZPD). ZPD is the distance between the actual developmental level as determined by independent problem solving and the level of potential development as determined through problem solving under adult guidance, or in collaboration with more capable peers (McLeod, 2012).

Humanistic Theory

Abraham Maslow's theory is based on the concept that humans have five stages of needs - *Physiological needs, safety, love/belonging, esteem and self-actualization*. Reaching 'self-actualization' means the person can then trust, be creative, problem solve, and have a sense of morality.

Theories of Reading

There are three main theories which explain the nature of learning to read. The first is the traditional theory, or *bottom up processing*, which focuses on the printed form of a text. It suggests that learning is based on "habit formation, brought about by the repeated association of a stimulus with a response" as stated by Nunan, (1991). In recent times, the main method associated with the bottom-up approach to reading is known as *phonics or phonemic awareness* which requires the learner to match letters with sounds in a defined sequence.

The second is the cognitive view, or *top-down processing* which enhances the role of background knowledge. A meaningful learning method, where new information is presented in a relevant context and

is related to what the learner already knows, so that it can be easily integrated into one's existing cognitive structure (Nunan, 1991).

Third is the *metacognitive view*, which is based on the control and manipulation that readers can have on the act of comprehending a text, which emphasizes the involvement of the readers' thinking about what he is doing while reading (Block,1992). In the context of reading, meta-cognition involves thinking about what one is thinking while reading.

Types of Reading

According to Brown, there are several types of reading (Brown, 1989).

A. Oral

B. Silent

I. Intensive - specific reading skills

a) linguistic b) content

II. Extensive - large quantities of materials

a) scanning b) skimming c) global

Differentiated Learning

Carol Ann Tomlinson (2000) wrote in an article about *Differentiated Instructions* which suggested that differentiated instructions mean tailoring instruction to meet individual needs. The article suggests that when teachers use differentiated *content* (what the pupils need to learn or how they access the information), *process* (the activities in which the pupils engage in order to make sense of the content),

product (culminating projects and activities that ask the pupils to rehearse, apply, and extend what they had learned), and the *learning environment* (the use of on-going assessment and flexible grouping makes this a successful approach to instruction and provides a platform for pupils to show evidence of their learning).

Using Multi Approaches

According to Hattie (2011), providing pupils with multiple ways to access content improves their learning. Darling-Hammond (2010), say that using multiple ways to demonstrate knowledge and skills increases engagement and learning and provides teachers with more accurate understanding of pupils' learning. Instruction should be informed as much as possible by detailed knowledge about pupils' specific strengths, needs, and areas for growth (Tomlinson, 2014).

Methodology

An action research plan was undertaken to provide interventions in the form of ostensive means with the use of songs or rhymes, realia, flashcards and games to improve reading with the pupils of a selected Year Two class in a National Primary School in Subang Jaya, Selangor. Stephen Kemmis's model of cyclic action plan was introduced to find out the outcomes of the use of multi approaches like songs or rhymes, realia, flashcards and games. According to Kemmis and McTaggart (1986), action study is a participatory study consisting of a spiral of self-reflective cycles which include:

a) Planning in order to initiate change;

- b) Acting on or implementing the changes (action) and observing the process of implementation and consequences;
- c) Reflecting on processes of change and re-planning;
- d) Acting and observing; and
- e) Reflecting.

Data Collection

Prior to the introduction of the cycles, pupils were interviewed with a structured questionnaire using close and open-ended questions to collect feedback regarding reading habits, interests, support and strategies used; and this provided some valuable information and insights. The action research data collection was done through triangulation to ensure credibility, reliability and validity, thus making it accurate. In this case, observations, teacher's journal, and recording were used to collect data.

Data Analyses and Discussion

The action research study involved a class of 21 Year Two pupils. The data for their reading performance level were collected from the school through the exam department for the standardized exam for the year 2015 (Table 1) as well as the standardized reading skills assessment in March 2016 (Table 2). In addition to that, the data from their Literacy and Numeracy Screening (LINUS) Reading screening from the Ministry of Education were also taken to observe the performance (Table 3). With the data collected from these three sources, it was possible to get some insights into the pupils' reading

proficiency levels to proceed with the decision to try multi approaches to improve their reading fluency.

Weak Readers 1-2 pts	Average Readers 3 pts	Good Readers 4 pts	Proficient Readers 5 pts
12 Pupils	6 Pupils	2 Pupils	1 Pupil

Table 1: Results from the Reading Assessment for 2015

Weak Readers 1-2 pts	Average Readers 3 pts	Good Readers 4 pts	Proficient Readers 5 pts
7 Pupils	11 Pupils	2 Pupils	1 Pupil

Table 2: Results from Reading Assessment for March 2016

Weak Readers 0-9 pts	Average Readers 10-19 pts	Good Readers 20-29 pts	Proficient Readers 30-40 pts
5 Pupils	12 Pupils	2 Pupils	2 Pupils

Table 3: Results from the Literacy and Numeracy Screening

(LINUS) 2016

Action Research Cycles

Cycle 1

The action research plan used follows Kemmis *et al.*, (1986) which has four steps: *i)* plan, *ii)* act, *iii)* observe and *iv)* reflect. After analysing the feedback obtained from the interviews, the first intervention in the form of songs, rhymes and music was used as an approach to improve their reading fluency.

Songs, Rhymes, and Music

Research shows that the use of music and songs, activates more parts of the brain and that increases test scores as it enhances motivation and engagement especially in phonemic awareness, phonics, fluency, vocabulary, and comprehension. Songs can also be used to focus on the smallest sound units from which words are formed and can be categorized as vowels and consonants. Songs are authentic and are easily accessible examples of spoken English for Phonics and Phonemic Awareness. Many songs are packed with alliteration and rhyme. Awareness of individual sounds within a word and noticing the same sounds in different words then helps with the recognition which enables fluent reading. Songs can be used to focus on words that are to help learners to notice the number of syllables and stress in these words, with memorable rhythms. In a relaxed atmosphere, songs create and expose pupils to tackle pronunciation with greater ease, without them realizing the effort.

Repetition is the key to fluency, and music makes repeated practice enjoyable. Children are able to experiment with grammatical rules and rhyming through song. Singing songs would also help by stressing on the correct pronunciation. Songs can also be focused on connecting speech. Connecting speech is the natural way we speak, linking together and emphasizing certain words, rather than each word standing alone. Contractions (two words forming one) are an extreme example of the way we connect speech, to the extent that the written form too is affected. Songs can also provide lively oral language experience. Children repeatedly hear higher-level vocabulary laced

with simple melodies and rhymes. Many of the reading strategies can be practiced with songs such as retelling, visualizing, and questioning.

Another early method called the *Audio-Lingual Method* by Kind (1980) uses familiar songs to teach English which helps the learner overcome any fear and resistance to the unknown. Kind's (1980), *Audio-Lingual Method* has been developed and tested at Harvard University and other European schools. According to Kind (1980, p. 49), "It has been found that foreign languages can be taught more rapidly, more effectively and with greater recall through the use of song, rather than the mechanical classroom drills". There seems to be a correlation between language and music reading abilities. Some very early studies (Cooley, 1961) showed varying degrees of correlation, all positive, between language reading ability and music reading ability. Children identified as having learning difficulties participated in a study done by Bygrave (1995) on the development of receptive vocabulary skills through a program of music activities.

The Data

The Multidimensional Fluency Scale uses the rubrics (1-4) to rate reader fluency in the areas of expression and volume, phrasing, smoothness, pace was adapted from Rasinski and Zutell (1991). Scores can thereby range from 4-20. Scores below 10 indicate that fluency may be a concern. The results from the observations for Cycle 1 are shown in Figure 1. The Spelling Test and the Reading Accuracy for the targeted phonemes were conducted in the following week for the 10 chosen words and the results are shown in Table 4.

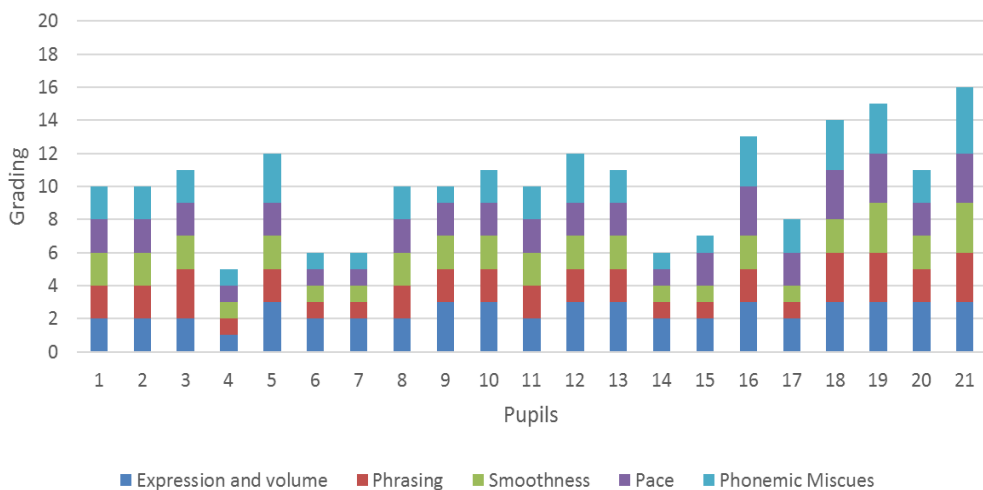


Figure 1: Observation Results from the Reading Skills for Cycle 1

Weak (0-4 points)	Average (5-8 points)	Good (9 points and above)
Spelling- 6 pupils	Spelling- 10 pupils	Spelling- 5 pupils
Reading Accuracy- 5 pupils	Reading Accuracy- 12 pupils	Reading Accuracy- 4 pupils

Table 4: Spelling Test and Reading Accuracy Results for Cycle 1

This approach which used songs did show improvement in the pronunciation of certain specific words through repetitions and singing. The singing of songs created a low-anxiety environment and interaction to the otherwise extremely quiet class Krashen (Schunk, 2009). It also benefitted this specific age group as they were able to move about in class and interact with their friends as suggested by Vygotsky (Schunk, 2009). It was evident that most of the pupils benefitted from the songs as shown by the results. It did benefit most of the pupils, however, there were some of pupils who still did not

manage to benefit from the approach and who came under the struggling readers category are actually in dire need of help to overcome their difficulties.

Cycle 2

Realia

Realia helps to make English lessons memorable by creating a link between the objects and the word or phrase they represent therefore it stimulates the mind and encourages creativity by involving the senses which give rise to comprehension and fluency. Using realia saves time, cuts lengthy explanations, generates interest and creates a conducive atmosphere. It was stated by McCarthy, that ‘we concentrate on the vocabulary presentation in the classroom and from the teacher’s point of view, success in vocabulary lesson crucially depends on the interaction between teacher and learners, and of the work the learner themselves put into the assimilation and practicing of new words (McCarthy, 1990, p.12).

Teachers should have certain techniques of presenting new words to weak learners through concrete objects as mentioned by Piaget (Schunk, 2009). Scott and Yterberg (1990), suggested that teachers should not rely on the spoken word only and that activities for the weaker learners should include movement and the senses, which encourages the use of objects and pictures to work with, and to make full use of the school and the surroundings.

That is why the presentation technique is absolutely needed. There are several techniques of presentation according to Jeremy Harmer (1991) in his book Practice of English Language Teaching and one of these is using realia to improve classroom instruction. Realia according to him brings life, reality and context to the learning while improving comprehension and reading fluency.

The Data

During the teaching phase the pupils were introduced to the new vocabulary and sentences through using realia and the reading observations for Cycle 2 are seen Figure 2. Scores range from 4-20. Scores below 10 indicate that fluency may be a concern. Scores of 10 or above indicate that the pupils are making good progress in fluency. The results showed that there were some positive improvements especially among the weak readers but it only benefited pupils who are from the visual and audio learners' category. The overall results indicate that 17 pupils improved in their reading fluency and there were 4 weak readers and as such there was still room for further improvement. The results for the 10 chosen words for the Spelling and Reading Accuracy Test are seen in Table 5.

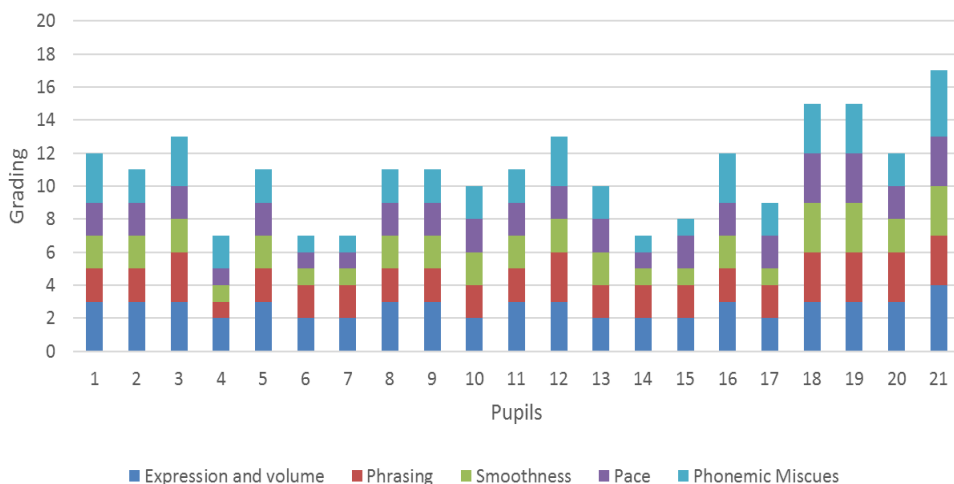


Figure 2: Observation results from the Reading Skills for Cycle 2

Weak (0-4 points)	Average (5-8 points)	Good (9 points and above)
Spelling- 6 pupils	Spelling- 14 pupils	Spelling- 1 pupils
Reading Accuracy- 4 pupils	Reading Accuracy- 11 pupils	Reading Accuracy- 6 pupils

Table 5: Spelling Test and Reading Accuracy results for Cycle 2

Although two thirds of the class managed to read and meet the criteria, it was not good enough as there were still some pupils who were borderline achievers. Data showed there were 4 weak readers and 17 average to good readers. These 4 weak readers did not show the relevant reaction or positive changes that were required with the use of songs and realia although both the approaches did benefit them in other aspects. The conclusion from the data suggested that their intensive reading needed to be improved specifically in reading and decoding of words.

Cycle 3

Researchers and educationists such as Gardner had shown positive evidence that using flashcards to decode and read the words fluently, will benefit the visual, audio, and tactile learners (Schunk, 2009). Flashcards have been used for years in classroom instruction by language teachers for teaching as well as displaying items.

Flashcards

Howard Gardner's (Schunk, 2009) multiple intelligences theory suggests that there are many types of learners within any one class and his research indicated that teachers should aim to appeal to all the different learner types and learning styles at some point during the course of the lesson. Flashcards appeal to a wide range of learning styles as they are bright and colourful and versatile, yet often an underexploited resource that promotes autonomous learning Kohyama and Shimada (2005).

Using flashcards, may improve autonomy in three ways: selection of words, instructing pupils how to select words and selection of information for vocabulary to facilitate memorization by repetition. Nunan (1997, pp. 192-203) divided levels of implementing autonomy into five categories to include: awareness, involvement, intervention, creation, and transcendence. At level one, awareness, the pupils are made aware of the goals and contents of the materials. At level two, involvement, pupils are encouraged to make choices of activities from a range of alternatives. At level three, intervention, pupils modify the tasks or goals of the course according to their needs and interests. At the same time, they are required to do more reflective thinking. Level

four is creation. Pupils create their own objectives and tasks. Level five is transcendence. Pupils become teachers beyond the classrooms. They do project work, and teach each other.

In this regard, pupils may become more motivated to learn and manage their own learning, and make concerted efforts to the best of their abilities. This may build a foundation for the promotion and implementation of self-access language learning, which is learning a language through the use of a self-established learning environment with readily accessible materials (Chung, 2013).

The Data

The Cycle 3 reading observation for the inclusion of flashcards approach can be seen in Figure 3. Scores range from 4-20, scores below 10 indicate that fluency may be a concern and scores of 10 or above indicate that the pupils are making good progress. The results for the Spelling Test and Reading Accuracy Test for the 10 chosen words are seen in Table 6.

Weak (0-4 points)	Average (5-8 points)	Good (9 points and above)
Spelling- 0 pupil	Spelling- 15 pupils	Spelling- 6 pupils
Reading Accuracy- 0 pupil	Reading Accuracy- 10 pupils	Reading Accuracy- 11 pupils

Table 6: Spelling Test and Reading Accuracy results for Cycle 3

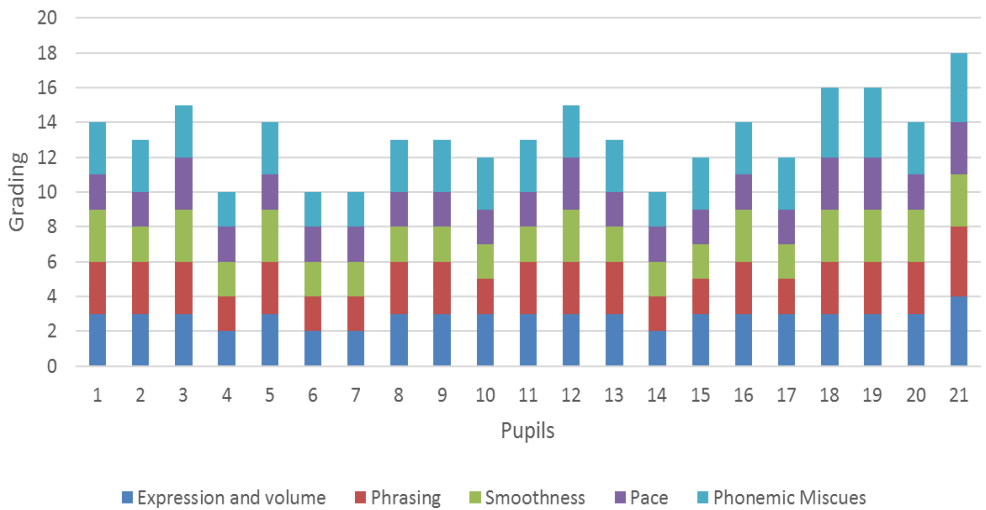


Figure 3: Observation results from the Reading Skills for Cycle 3

The results from the Multidimensional Fluency Scale showed that the flashcards approach had very positive and fruitful effect. Most of the pupils made evidential improvement in their reading fluency with escalating results. The remarkable performance was by the weak group who propelled to reach the improving fluency stage of 10 points at least while some pupils remained at the same score without declining. The use of flashcards as an approach proved to be successful and resourceful. There was evidence of learning to decode words by the pupils as seen during the observation in the teacher’s journal as well the spelling and reading test. However, the tactile and the kinaesthetic learners were left out and they would also be able to perform better when an appropriate approach is introduced to them.

Action Cycle 4

Since the use of flashcards proved successful, it was retained and improvised to facilitate the tactile and kinaesthetic learners through games. There is ample evidence to show that games benefit and create proficient and fluent readers.

Games

Well-chosen games are invaluable as they give pupils a break and at the same time allow pupils to practise language skills through cooperation, challenging, and entertaining activities. Lee (1979), holds that most language games make learners use the language instead of thinking about learning the correct forms and that should be treated as central not peripheral to the foreign language teaching programme.

A similar opinion is expressed by Richard-Amato (1988), who believes games to be fun but warns against overlooking their pedagogical value, particularly in foreign language teaching. Games are known to lower anxiety, thus making the acquisition of input more likely. They are highly motivating and entertaining, and they can give shy pupils more opportunity to express their opinions and feelings (Hansen 1994, p.118).

Richard-Amato (1988), suggested that they should add diversion to the regular classroom activities, then it will break the ice, and they will be used to the introductions of new ideas. Relaxed atmosphere helps pupils remember things faster and better (Wierus and Wierus, 1994, p. 218). It is also believed that teachers are enthusiastic about using games as a teaching device as mere time-fillers, such as a break from the monotony of drilling or frivolous activities. Games according

to Lee (1979), ought to be at the heart of teaching foreign languages as it can be productive. Games as such can be used at all stages of the lesson, provided that they are suitable and carefully chosen.

Games are fun and children like to play them. Through games children experiment, discover, and interact with their environment (Lewis, 1999). Games add variation to a lesson and increase motivation by providing a plausible incentive to use the target language. Games can provide this stimulus and bring the target language to life (Lewis, 1999).

The Data

The effects of using the games as an approach in the reading observation for Cycle 4 can be seen in Figure 4. Scores range from 4-20, and scores below 10 indicate that fluency may be of concern whereas scores of 10 or above indicate that the pupils are making good progress in fluency.

The results for the Spelling Test and the Reading Accuracy Test for the 10 chosen words can be seen in Table 7.

Weak (0-4 points)	Average (5-8 points)	Good (9 points and above)
Spelling- 0 pupil	Spelling- 11 pupils	Spelling- 10 pupils
Reading Accuracy- 0 pupil	Reading Accuracy- 3 pupils	Reading Accuracy- 18 pupils

Table 7: Spelling Test and Reading Accuracy results for Cycle 4

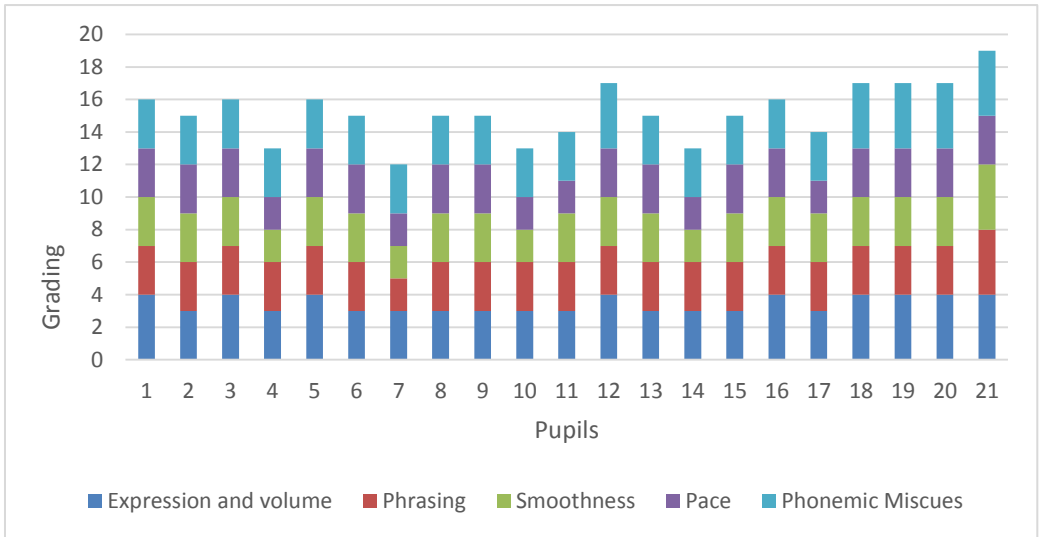


Figure 4: Observation results from the Reading Skills for Cycle 4

The results from the Multidimensional Fluency Scale showed that the games approach proved positive and very effective. All the pupils’ results showed that the approach benefitted and fulfilled the learning needs of the pupils. It proved to be the most successful compared to all of the other approaches. Using the word cards or flashcards as the material and incorporating the games strategy proved to work for these Year 2 Primary School pupils. The most successful group was the weak group where there was a full turn around in the results compared to the first approach. The healthy competition and points awarded in the games proved successful as the pupils learnt to push themselves to their full potential through extrinsic and intrinsic motivation as evident in the Behaviourist Theory (Schunk, 2009).

The incorporation of games all through the lessons made the lessons interesting, fun, and the learning criteria were met because there was a

relaxed atmosphere that promoted less anxiety as suggested by Krashen (Schunk, 2009). These games allowed all the pupils to participate and perform individually, and as a group reinforcing teamwork and team spirit. The safe, supportive and conducive environment created for the pupils became the bedrock for successful learning as suggested by the Humanistic Theory (Schunk, 2009). On the whole, the games and the classroom activities promoted self-regulated learning and addressed the Bodily Kinaesthetic Intelligence learners as suggested by Gardner (Schunk, 2009).

The learning process the pupils undertook was through the use of flashcards in the games approach and that allowed the brain to process whole and parts simultaneously and this activity aligns with the Brain-Based Learning (Schunk, 2009). The differentiated learning activity through the call of different words, had helped, motivated, built confidence, and self-esteem amongst the weak readers.

Conclusions and Recommendations

The study showed that there were differences in the results with each of the approaches used and each approach that was used helped pupils in different ways. The data and information collected through each of the four approaches demonstrated the pupils' responsiveness and growth in their reading fluency to varying degrees in different ways. The independent variables that yielded the best results in this multi approaches was through the using of both the flashcards and games, as it catered for pupils with varied learning styles as well as helped to enhance reading fluency.

In addition to that, one of the most important aspects that was considered in this study is the links between teaching, research and theories that enable the pupils' to improve and excel. As each pupil is a unique individual, it was therefore crucial that the teacher took the time to study and understand the delicate fragmental development and the use of appropriate intervention and strategies to enable every pupil to expand and grow intellectually, emotionally, socially, psychologically, and physically. This study also showed that understanding theories and the inclusion of appropriate theories in varying situations and circumstances is pertinent to enhancing reading fluency. It shows that educators need to introduce the *Principled Eclecticism* approach or method to bring out their potential (Principled Eclecticism, 2017).

The use of songs, music, and rhythm showed that it helped the pupils with the pronunciation of words through repetitions and learning in a fun way by creating an environment of low-anxiety without coercion for learning languages as suggested by Krashen (Schunk, 2009). In addition to that, the activities conducted in a low anxiety environment also promoted safety which in turn made learning fun and that yielded productiveness as suggested in the Humanistic Theory (Schunk, 2009). This approach also catered to pupils who possessed the Musical Rhythmic Intelligence as suggested by Gardner (Schunk, 2009). Although this approach was applicable, it did not cater to all the learning styles.

The use of realia showed evidence of comprehension and understanding of the subject matter and it made the learning

purposeful and meaningful. This approach also catered for pupils with Visual Spatial Intelligence as suggested by Gardner (Schunk, 2009). In addition to that, it also catered to pupils in the Preoperational stage and those who are using their schema to assimilate and accommodate learning as suggested by Piaget in the Cognitive Developmental Theory, which then motivated them to become self-regulated learners (Schunk, 2009). This approach would then prove to be the most appropriate approach for beginners or learners who are learning English as a foreign language.

The use of flashcards enabled the pupils with Verbal Linguistic Intelligence to read and learn better as promoted by Gardner in the Multiple Intelligences (Schunk, 2009). Along with that, the exercise of drilling, repetitions, memorizing letter sounds and rote learning saw the pupils displaying their skills of decoding graphemes and converting them into phonemes as suggested by the Traditional theory or the Bottom-Up theory (Stanovich, 1980). Drilling and rote-learning are also found in the Behaviourist theory and this approach benefitted the pupils who are weak readers as it provided them with the decoding method and enabled them to read correctly and fluently (Schunk, 2009).

The application of games as an approach and using flashcards as part of the teaching aids proved to be the most successful as it was embedded with the elements of fun, safety and subconscious learning. The activity which had the element of fun and safety was held in a conducive environment which was the bedrock for success, as advocated by the Humanistic theorists (Schunk, 2009). The use of

games also promoted healthy competition and self-regulated learning provided by intrinsic and extrinsic motivation. Schema was used to connect and analyse information. The use of flashcards was also appropriate for pupils in the Preoperational stage (Schunk, 2009). In addition to that, learning and playing games in teams sparks the use of peripheral learning as learning is enhanced by challenging activities. Along with that, the use of flashcards in games allowed the brain to process whole and parts simultaneously as mentioned in the Brain-Based learning. Playing these specific games had also helped the audio, visual and tactile learners to read fluently as in the Bodily Kinaesthetic Intelligence suggested by Gardner (Schunk, 2009).

The teacher's method of using differentiated learning and creating a conducive reading environment proved positive in creating a supportive environment while building confidence and self-esteem. The teacher played a role model in modelling the correct pronunciation and creating a reading corner to encourage and promote reading. There is a need for teachers to not just use one theory but look at what the learning needs of the pupils are and apply the appropriate theories in order to benefit the pupils. Although the research concerns only a selected class of pupils, the implications of the results and approaches used may also prove positive and applicable to other classes in the school as well as other schools facing similar problems.

The recommendations in similar cases are for the teachers to include the approaches in a single lesson plan to be used in different sections of the lesson plan such as in the Set Induction stage, Pre-learning

stage, While-learning stage and in the After-learning stage. This would invigorate the lesson and activities as it is of vital importance that the pupils should read with the correct pronunciation; good understanding and comprehension; able to decode words well; and still have a meaningful and fun lesson.

The teachers should study the pupils to understand their learning needs so that the appropriate approach could be applied one at a time to bring out the best results for their specific group of pupils as every class has its own learning needs. Teachers need to give enough opportunities for pupils to practice those strategies in the classroom and out of the classroom. Modelling and guided practice are extremely important when teaching; as educators we should never assume that pupils already know the information. There is a need for research that understands the long-term effects of reading strategies on reading achievement, increased level of motivation in the classroom, and for teachers to further understand the learners' strengths and weaknesses.

In conclusion, teachers and teacher trainers should be aware that language evolves and that both the teachers and the pupils should be ready to receive and accept changes. All the more with the English Language, as it is the lingua franca of the world, be it in academia, in trade, or in communications. Teachers and teacher trainers, should equip themselves with the latest pedagogical methods and information that they can pass on to the next generation. Teachers therefore not only educate a class of pupils but they are also empowered to change the mindsets of future generations. However, it all begins in the class, either the teacher makes it happen or does not, as the class is in the

hands that educate those young minds. We are now in a culture dominated by technology and verbal expression is fast diminishing. As suggested by Haslina Aziz, in an article in the New Straits Times (Wednesday, August 2, 2017, p.16) “more opportunity to communicate digitally might be able to unleash a freedom of expression,” may not be the solution, the responsibility is still with the school, teachers, and parents. As rightly pointed out by Zuraidah and Wagheeh (New Straits Times, Wednesday, August 2, 2017 p.10), “the 21st century problem to which we need to find a 21st solution” probably lies in encouraging parents and the community to support and collaborate with schools as espoused in the Malaysia Education Blueprint particularly in Wave 2 (2016-2020).

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Financial Planning: Review and Research Directions of Financial Literacy

Stanley Y.P.L., Cheok M.Y.

Abstract

In this contemporary world, financial concepts and financial literacy are essential for individual financial planning and economic well-being. The policymaker has embraced financial planning as an antidote for financial crisis to increase the financial literacy. This has encouraged the interest from industrialists, academician and policy makers to explore the study of financial literacy and financial behaviour. This paper provides a critical review of past literature on financial literacy. It emphasizes the study of financial literacy and financial behaviour. The relationship of financial literacy and financial behaviour has been conducted through a systematic review. In addition, numerous similarities and possible discrepancies among the past studies are examined and discussed and future research directions are outlined.

Keywords: Financial Literacy, Financial Planning, Economic Well-being, Financial Behavior, Systematic Review

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Introduction

According to Remund (2010), financial literacy is the ability of an individual understanding financial concepts. It plays an important factor to influence financial behaviour (Klapper et al., 2012). As such, individual's decision making is developed by their financial literacy on the understanding of financial concepts through different financial instruments. According to Mori et al. (2017), a financially literate person is able to make a better financial decision and obtain greater well-being in as compared to financial illiterate individuals. This has resulted in a fast-growing interest in the financial awareness programs (Freedman & Dursi, 2016) to encourage a good financial behavior. In terms of this, more research needs to be carried out (De Bruin, 2015) relating to how financial behavior can be imparted.

The purpose of this paper is to review past literature from 2005 to 2015 and to assess the development over the period, so as recommendations can be offered in future research. In the process of review, all related articles are categorized as empirical research or descriptive research. Then, it is grouped by different respondents such as students, working adults, housewives and retirees. The division further focuses on the different financial behaviour such as retirement planning, investment planning, financial perspective, and articles related to financial literacy process and structure. The underlying assumptions for using audience segmentation is that financial literacy program objectives, subject matter and pedagogical approach as suggested by Fernandes, Daniel, John G. Lynch Jr (2014).

The following sessions of this paper is divided into five sessions. The first section describes different ways of how financial literacy is defined and some financial literacy measurement with objective-subjective measurements. The second section provides a critical review of previous research about financial literacy and financial behaviour. The third section describes the research methodology of this study and the last section discusses the limitations of this study and future research are addressed.

Literature review

Despite many research on financial literacy, there has been a lack of standardized definition of financial literacy (Schmeiser & Seligman, 2013). The existing measurement lacks consistency to define financial literacy (Selim & Aydemir, 2014). As such, the definition for financial literacy has resulted in the term of ‘financial educations’ and ‘financial knowledge’ being used to identify financial literacy (AL-Tamimi, Hussein A. Hassan, Bin Kalli Anood 2009; Smith et al. 2011; Yoong et al., 2012).

There are some various definitions of financial literacy provided in the previous study. In terms of this, Huston (2010, p.306) described financial literacy as “*measuring how well an individual can understand and use personal finance-related information*”. Servon and Kaestner (2008, p.273) defines financial literacy as “*a person’s ability to understand and make use of financial concepts*”. Remund (2010, p. 293) conceptualizes financial literacy as “*a measure of the degree to which one understands key financial concepts and possesses*

the ability and confidence to manage personal finances through appropriate short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions". This research has divided financial literacy into two categories such as conceptual definition (Servon & Kaestner, 2008) and operational definition (Lusardi et al., 2010). The conceptual definition is the abstract financial concepts in concrete terms and operational definition is the conversion of conceptual definition into measurable criteria (Remund, 2010).

Furthermore, according Remund, (2010, p.278) all the conceptual definitions provided in the previous studies can be further distinguished into five components "*(1) knowledge of financial concepts, (2) ability to communicate about financial concepts, (3) aptitude in managing personal finances, (4) skill in making appropriate financial decisions and (5) confidence in planning effectively for future financial needs.*" These five components are coherent with previous research findings. However, there is no universal definition in the past literature for financial literacy (Huston, 2010).

The measurement on the level of financial literacy is crucial especially for the effect of financial literacy on individual financial behaviour (Lusardi et al., 2010) as well as the needs and the gaps (Schmeiser & Seligman, 2013). According to Huston, (2010), different studies have measured the concept of financial literacy in various ways. However, the measurements used lacks construct clarification (Lusardi &

Mitchell, 2014), not comprehensive (Lusardi et al., 2010) and lacks consistency in instrument interpretation (Servon & Kaestner, 2008).

According to Xiao et al. (2014), financial literacy can be measured by performance tests (objectively) and self-reported methods (subjectively). In addition, existing measurement of financial literacy is dominated by the measurement of objective knowledge (Lusardi et al., 2010; Fernandes et al., 2014). There are also numerous evidences from past literature on large disparity between the measurement of performance tests (objectively) and self-reported methods (subjectively) (Xiao et al., 2014). The recent study from Lusardi & Mitchell (2014) has combined both evaluations of financial literacy that offers “*robust and nuanced insights about how the two different dimensions of financial literacy work together to influence financial outcomes*” (Lusardi & Mitchell 2014, p.7).

Financial Literacy and Financial Behaviour

There is a strong correlation between financial literacy and financial behaviour (Lusardi & Mitchell, 2014). Numerous evidences are suggested that financial literacy is an antecedent to various financial behaviour. The past literature shows that all the financial literacy are done together with the retirement planning (Rooij et al., 2012), wealth accumulation (Yoong et al. 2012), investment choice decisions (AL-Tamimi, Hussein A. Hassan Bin KalliAnood, 2009), and financial behaviour (Grable et al., 2009).

Roosij et al. (2012) had explored a research on the relationship between financial behaviour and financial literacy. They found that individuals who are more financially literate are more likely to engage in the recommended financial practices to get the retirement planning and emergency fund. They have also concluded that financial literacy is linked to financial practice. In addition, individuals' propensity to invest depends on the perceived control of the outcomes and financial resources (AL-Tamimi, HusseinA. Hassan, Bin Kalli Anood, 2009). Financial literacy is found to influence the individual intentions on wealth accumulation (Lusardi & Mitchell, 2009) and retirement planning (Yoong et al., 2012).

Some of the recent studies focus on financial literacy and financial behavior and the results have shown that both are inconsistent (Fernandes et al., 2014). In Robb & Sharpe (2009), the study shows that students with higher level of financial literacy have exhibited a low financial of responsible behaviour. It concludes that students have difficulty to apply their financial knowledge in their real life. This is because they lack experience in financial decision making. According to Mandell & Klein (2009), they found that there is no difference between individuals' financial behaviour on those who have financial management knowledge as compared to those who do not have financial management knowledge.

Methodology

This paper used a census-type sampling procedure. A panel consists of three reviewers was employed to classify the articles. In this study, all

three reviewers are the authors of this paper. Three levels of decision making were utilized from the beginning to the selection and classification of the articles according to empirical and descriptive papers. Then, the articles were grouped by various audiences such as students, retirees, adult learners, women, and others. The categories were also based on financial behaviors such as retirement planning, investment planning, economic well-being, and financial literacy process and structure. Each journal issue was examined by two reviewers to ascertain the appropriate articles for the inclusion of the study. If there was a discrepancy or disagreement between the reviewers, the third reviewer was consulted.

All the papers selected for the inclusion in this review are restricted to those published in scholarly and peer-reviewed publication financial management. This study used 95 selected articles which was divided among the three reviewers. Each reviewer had summarised the articles. These abstracts exhibited the fundamentals of the classification process. Articles were cataloged, first according to the descriptive versus empirical and subsequently according to target audience students, retirees, adult learners, women, and others. Although all the articles were classified as either descriptive or empirical paper, categories occurring within each of these perspectives were not considered mutually exclusive. It was also possible for an article to be assigned to multiple categories. The classification process was carried out with all the three reviewers with a consensus-based decision approach. The discussion concerning the appropriate classification of each article typically lasted for ten to twenty minutes.

Limitations

The limitations of this paper revolved on the scope of all the articles being reviewed. Firstly, all the studies were limited to the published year from 2005 to 2015. Secondly, the studies were placed on scholarly and peer-reviewed research. Thirdly, the focus was on financial literacy and financial behaviour only, other determinants and consequences of financial literacy were not reviewed in this paper.

Future Research Opportunities

The primary objective of this paper is to review on the aspects pertaining to financial literacy. The outcomes reveal that there is a need to clearly define the conceptual and operational definitions of financial literacy. New studies have to be conducted to validate the merits of universal accepted conceptual definitions for financial literacy.

The outcomes of the review show that financial literacy has a significant relationship with financial behaviour (Rooij, CJ, Lusardi, & Alessie, 2012). Nevertheless, financial illiteracy is a prevailing issue around the world (Selim & Aydemir, 2014). Policy makers should conduct future studies on the implementation and evaluation of the strategies. It will improve the financial literacy of the population where the financial knowledge and skill have been identified and improved.

The impact of financial literacy on the financial behavior is larger when financial literacy is measured rather than manipulated (Selim &

Aydemir, 2014). This paper may reflect some omitted variables that create the biasness to the financial literacy measurement. Therefore, future research could focus on the possible omitted variables, such as financial experience, time preference and financial sustainability. All the limited financial literacy has been explicitly linked to these variables with financial literacy and financial behaviour.

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A Case Study on the Net Worth of Retirement Planning for a Malaysian Household

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Abstract

The purpose of this case study is to present a retirement plan based on the total net worth of an average Malaysian household. Adequate net worth is important to be able to make a long-term retirement plan during the retirement life. Few measurements are used such as present value of total retirement fund needed, future value of the resources and retirement gap. The results show sufficient net worth is essential to achieve a retirement planning. Secondly, the future value of current resources is greater than the lump sum retirees need for retirement life. The results also show financial assets should be accumulated before the retirement age to support long-term retirement life. The outcomes highlight the importance of a higher net worth that will benefit the retirees and working adults for retirement planning.

Keywords: Net worth, retirement planning, resources, retirement gap, retirement needs

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Introduction

Today, there is a popular trend where people pay more attention to the financial literacy of retirement plans. According to the Malaysian life expectancy research done by the Department of Statistic Malaysia (2016), a 65-year-old man has a life expectancy of 14.9 years while a 65-year-old woman has a life expectancy of 16.9 years. This is an increase of life expectancy from a study done in 2010 where the results were 14.3 years for a male and 16.1 years for a female respectively. As a result, the retirement life of Malaysians is longer than before. Therefore, it is advised that Malaysians plan their retirement life as the cost of living has also increased over the years.

Nowadays, a lot of Malaysians can easily obtain financial information, and at the same time see the prevalence of technological achievement. As Hasnol (2015) pointed out, an average Malaysian family will be able to effectively plan and accumulate their wealth if they have sufficient financial knowledge and financial literacy. Moreover, there is a high amount of financial products, investment plans and opportunities that are provided by financial institutions for Malaysians to effectively utilize for their retirement plan program (Tan, 2011). However, the main reason why Malaysians are not ready for a retirement plan is due to the lack of financial literacy.

According to Moorthy, et al. (2012), most of the younger generation assumes that a retirement plan can be a burdensome investment which they are unable to handle for long-term. Besides that, they also consider that it is too early for them to plan their retirement plans

since there is no interest in financial planning as well as the investment of financial outcomes. In addition, most of the younger generation believes that there is a sufficient amount of the accumulated retirement fund in their Employee Provident Fund (EPF) to support their retirement life. Therefore, as a result, most retirees will only realize that the insufficient retirement fund could not match their retirement needs after they have retired (Moorthy, et al., 2012).

This research also finds that most Malaysians are still not aware about the importance of retirement planning. They always believe that their retirement life can be supported by their savings in the bank, the provident fund from the EPF as well as their children's financial support after their retirement (Dahlia et al., 2012; Mansor et al., 2015). Therefore, most Malaysians are not actively participating in the retirement plans. This may result in the fact that they will most likely experience a difficult life and even force them to continue working after retirement.

The objective of this study is to examine an average Malaysian household on financial literacy for their retirement plan. This study emphasized on the importance of financial knowledge to sufficient retirement resources after retirement. It is expected that the results of this study will help the society to improve on their understanding of the importance of retirement planning as well as increase financial knowledge level among Malaysians in the context of retirement planning. Finally, this study will also demonstrate the effectiveness of financial planning in household financial decisions and highlight how to use the financial resources during their retirement.

This paper consists of five parts. Firstly, the research background, problem statement and research objectives are introduced. Secondly, the theoretical framework and empirical will be discussed to support the research framework. Thirdly, the methodology and data collection methods of this study will be highlighted in detail. Fourthly, the data analysis and findings are discussed. Lastly, the conclusions and limitations of this study are discussed, as well as suggestions for future research.

Literature review

Financial Literacy

According to Azwadi (2013), financial literacy is defined as the extent to which an individual understands financial concepts and knowledge, as well as applies the knowledge to financial decision-making. Once individuals have sufficient financial literacy, they will be able to plan for their savings and achieve the financial independence for their retirement (Azwadi, 2013). Thomas and Philip (2014) also believe that financial literacy refers to a person that has adequate financial knowledge to plan and make good personal financial decisions. They are able to identify the problems, access the right information as well as analyze the information before making the correct financial decision. On the contrary, individuals who are only equipped with a lower level of financial literacy may face more financial problems such as bankruptcy. Therefore, it is safe to assume that financial literacy plays a significant role in both individual and business decision making process, and it seems to be necessary for our daily

lives as our own personal and family's welfare can be affected, especially in the retirement life (Azwadi, 2013).

Financial literacy can be interchangeably utilized with financial education or financial knowledge. However, Caroline and Wesley (2016) indicate that financial literacy and financial knowledge are conceptually different. Huston (2010) elaborates that there are two dimensions of financial literacy. Firstly, individuals must have enough personal financial education or financial knowledge. Secondly, is the ability of an individual to manage their financial knowledge and apply it to make financial decisions. In this study, individuals who have sufficient financial knowledge are able to apply their knowledge to financial-related decisions in order to be perceived as a financial literate (Caroline & Wesley, 2016). According to the findings of Boneza and Monika (2015), individuals who possess several characteristics such as financial knowledge, the ability to convey the concept of financial management, personal financial ability, the ability to make appropriate financial decisions, as well as high confidence in financial planning for future financial needs such as retirement planning are considered as financially literate.

Retirement Planning

Retirement planning is perceived as a complicated process which requires a certain background of financial literacy (Sabri & Teo, 2014). Individuals, who are equipped with a high level of financial literacy, are always concerned about the importance of the retirement planning as well as planning for their future needs in advance.

However, if one is financially illiterate, they are more likely to overestimate their financial status, in which they believe that their current savings and pension funds can support their retirement needs thus the need for retirement planning is ignored (Sabri & Teo, 2014). As a result, people who are financial literate will be more confident and effective in their retirement planning than those who are financial illiterate.

Retirement refers to the employment stage where the individual is forced or allowed to leave the labor market (Rosle et. al., 2013). According to Finnish Centre for Pension report (2016), the global retirement age is expected to rise in the next ten years. For example, the retirement age in the United Kingdom will rise from 65 (2015) to 67 (2028), Canada will increase from 65 (2015) to 67 (2029), and USA will rise from 66 (2015) to 67 (2027). Similarly, the increase of the retirement age will also be evident in Malaysia (Rosle et al., 2013). The Department of Statistic Malaysia (2016) found that the average life expectancy of Malaysians increased from 72.2 years to 74.7 years from 2000 to 2016. Therefore, retirement planning plays a critical decision role among all the Malaysians because the life expectancy has increased tremendously. The continuous increase of medical cost (Rosle et al., 2013) could also prove to be detrimental to one's retirement life. Rosle et al. (2013) also suggests that early retirement plans are needed, especially in the financial phase of retirement, so that individuals can maintain a higher quality of life at the beginning of their retirement (Rosle et al., 2013).

Many researches have shown that financial literacy has a positive relationship with retirement planning (Taquidus et al., 2013), and they concluded that a person with higher financial knowledge level can perform accurate financial calculations, analyze risk factors, inflation as well as compounding effect at their retirement age (Taquidus et al., 2013). However, several important factors are excluded in past researches in the context of an average Malaysian household. Therefore, this research will fill this research void by examining the importance of financial literacy to retirement planning in the context of Malaysia.

Methodology

In this study, a case study of a working couple in Malaysia was used to access financial information. The description of the background study is made up of a married couple and a child. Husband ("M") is 38 years old, and is a financial manager. Wife ("F") is also 38 years old, and a part-time tuition teacher. "M" drives to work every day, and his work needs him to support the operations management of the United States and Europe division of the company. During the weekend, he spends his time being involved in outdoor activities with his family.

In the context of family health background, his mother is diagnosed with breast cancer, and his father is currently diagnosed with high blood pressure and diabetes and is on medication. He has undergone routine physical examination, and the latest physical examination showed that he is in a good state of health, except for mild diabetes and high blood pressure. This couple wants to retire at the age of 60

years old. They also have a financial goal in which they want to accumulate a retirement fund to support their retirement life.

The data collection tool was obtained from the Malaysia Financial Planning Council (MFPC). According to the collected financial information, annual expenditure is RM95,720 and RM48,500 respectively and the total assets value is RM500,000 and RM585,000 respectively. Based on past historical records and future development prospects, some key financial indicators and assumptions are provided, such as inflation rate and expected rate of return.

This study uses the inflation-adjusted interest rate, the future value of the expense and the present value of the total amount of retirement fund to determine the retirement gap.

$$FV_A = PV(1 + i_1)^{n_1} \text{ ----- (1)}$$

$$FV_E = PV(1 + i_2)^{n_1} \text{ ----- (2)}$$

$$i_3 = \left[\frac{(1+IRRRRA)}{(1+IR)} - 1 \right] \times 100 \text{ ----- (3)}$$

$$PV_A = \frac{PMT}{i_3} \left[1 - \frac{1}{(1+i_3)^{n_2}} \right] \times (1 + i_3) \text{ ----- (4)}$$

Where:

FV_A refers to the value of an asset at a specific time in the future.

FV_E refers to the value of an expense at a specific time in the future.

PV refers to the value of an asset as of the date of current valuation.

n_1 refers to the number of period of compounding.

n_2 refers to the number of years for retirement.

i_1 refers to the interest rate to the value of an asset at a specific time in the future.

i_2 refers to the inflation rate to the value of an expense at a specific time in the future.

i_3 refers to the required rate of return after factoring the inflation rate and interest rate.

IRRR is Investment rate of return at retirement age refers to the average rate of return from the investment activities during the retirement life.

IR is Inflation rate refers to the percentage of the prices for goods and services is rising.

PV_A refers to the present value of an annuity due.

PMT refers to the annual payment of retirement resources needed.

The design had considered about the current expenditure, taking into account the retirement needs, in order to have a more accurate estimate on the future expenditure model. The calculation of future annual expenditure was utilized as an intermediary of the present annuity payment formula to obtain the total assets needed to support the retirement life in the next 15 years.

Findings

This case was conducted to identify the retirement needs for future expenditures on the basis today's current cash outflow which was adjusted in order to effectively reflect the lifestyle after retirement. As

shown in Table 1 and Table 2, the present value of future cash flow is RM38, 000 and RM24, 600.

$i_3 = 1.92$			
	PV		
	For age 38 (RM)	Changes	For age 60 (RM)
Cash Outflow	95,720	-57,720	38,000
FV at the age of 60 (RM)		Total Retirement resources needed (RM)	
90,060		1,186,512	

Table 1: The Total Retirement Resources needed for “M”

$i_3 = 1.92$			
	PV		
	For age 38 (RM)	Changes	For age 60 (RM)
Cash Outflow	48,500	-23,900	24,600
FV at the age of 60 (RM)		Total retirement resources needed (RM)	
58,300		768,084	

Table 2: The Total Retirement Resources Needed for “F”

Table 1 and 2 show that in order to maintain their retirement life, the total amount of retirement funds needed at 60 years is RM1, 954,596. However, it is crucial to examine how they are able to accumulate sufficient retirement funds for their retirement. Therefore, this study further examined the future financial status on the basis of the existing investment. The future value of the couple’s total assets is RM1, 688,693 and RM3, 392,725 respectively.

Retirement Resources	“M” in RM (PV)	“M” Future Asset Value (RM) in age 60
Saving and Current account	130,000.00	130,000.00
Fixed Deposit	50,000.00	97,872.00
Equity	30,000.00	244,208.25
Bond Unit Trust	40,000.00	217,461.62
Employee Provident Fund (EPF)	250,000.00	999,151.58
Total	500,000.00	1,688,693.00

Table 3: The Future Asset Value of the Retirement Resources for “M”

Notes: All the unrealized future assets such as unearned EPF are not factored into this financial planning.

Retirement Resources	“F” in RM (PV)	“F” Future Asset Value (RM) in age 60
Saving and Current account	70,000.00	70,000.00
Fixed Deposit	20,000.00	39,149.00
Equity	15,000.00	122,104.12
EPF	180,000.00	719,389.14
Employee Provident Fund (EPF)	300,000.00	2,442,082.48
Total	585,000.00	3,392,725.00

Table 4: The Future Asset Value of the Retirement Resources for “F”

Notes: All the unrealized future assets such as unearned EPF are not factored into this financial planning.

Tables 3 and 4 showed that "M" is ready for retirement with a total asset of RM1, 688,693 in which his retirement needs exceed RM1, 186,512 at his 60 years old. In addition, his wife is ready to retire with a total of RM3, 392,725 at her retirement age, which is more than her 60-year-old retirement fund needs of RM768, 084.

Both of these couple has adequate assets to support their retirement. There is no retirement gap and in addition there is no extra intensive care needed to take care of their retirement. From the perspective of retirement plans, they can plan their own spending and savings, as well as achieve financial independence at their retirement age. Therefore, this research shows that both husband and wife are financial literate in which they can successfully and effectively handle their retirement plan. This is consistent with the findings of Thomas and Philip (Thomas and Philip, 2014), where financial literacy is defined as a person with sufficient financial knowledge for financial planning to make the strategic investment decisions.

Conclusion

Financial literacy is perceived and explained differently by researchers and scholars. Some researchers believe that the advancement of technological, continuous increased financial knowledge, as well as the availability of various financial products can promote the level of financial literacy in effective retirement planning. However, the awareness of retirement planning in Malaysia remains low, and most of them do not have capability to make effective financial-related decisions for retirement.

The findings of this research show that the Malaysian society is ready for retirement. The available asset value of the future turns to be higher than the retirement needs. It can be concluded that financial literacy plays a significant and irreplaceable role in retirement planning, which is to achieve their retirement goals at an earlier stage. Financial literate people should be able to recognize and evaluate the

basic financial concepts such as risk diversification, interest and inflation, as well as the effect of interest compounding for saving.

There are also several limitations in this research. First of all, researchers should also investigate on nonprofessional and professional careers to distinguish the different financial literacy levels. Secondly, personal financial planning research should be extended to a broader dimension which should include investment planning, insurance planning, education planning, and estate planning. Thirdly, due to the financial status of the respondents may change over time; retirement planning should be reviewed from time to time. Therefore, a future research should be conducted to reflect the financial literacy towards retirement planning in Malaysia.

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