



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

# UNDERSTANDING THE LEVEL OF VULNERABILITY TOWARDS INVESTMENT SCAMS



## AND READINESS FOR RETIREMENT PLANNING



# UNDERSTANDING THE LEVEL OF VULNERABILITY TOWARDS INVESTMENT SCAMS AND READINESS FOR RETIREMENT PLANNING

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# INTRODUCTION

Growth and development of the Malaysian capital market require continued support and participation from both existing and potential investors. As the Securities Commission Malaysia (SC) continues to pursue its agenda to facilitate regulatory proportionality and greater market inclusiveness, the SC intends to better gauge the investors' motivation towards investing in capital markets and barriers for entry among potential investors into the capital markets. In addition, the SC also leverages behavioural insights to improve its investor empowerment by conducting surveys in relation to Malaysia's participation in the capital market and to better understand and recognise potential factors that contribute to investor vulnerability.

The Malaysian investment landscape is changing rapidly due to uncertainty in the global economy and financial markets (war, inflation, high cost of living), new investor expectations (stable return), aging population and rapid technological change<sup>1</sup>. As a result, many investors are at greater risk of becoming victims of financial frauds, financial exploitation, and face retirement unreadiness. Against this backdrop, the study aims to assess investor behaviours and attitudes towards investment, challenges and capabilities in their investment journey, level of vulnerability towards scams and their readiness for retirement planning.

Both qualitative and quantitative studies were conducted and from the findings, questionnaires were developed for the quantitative phase. Quantitative phase was conducted using face-to-face, random computer-assisted personal interviews (CAPIs) with a total sample size of 1,302 respondents who attended the SC's events at various locations listed in Table 1.

**Table 1: The SC's Independent Surveys**

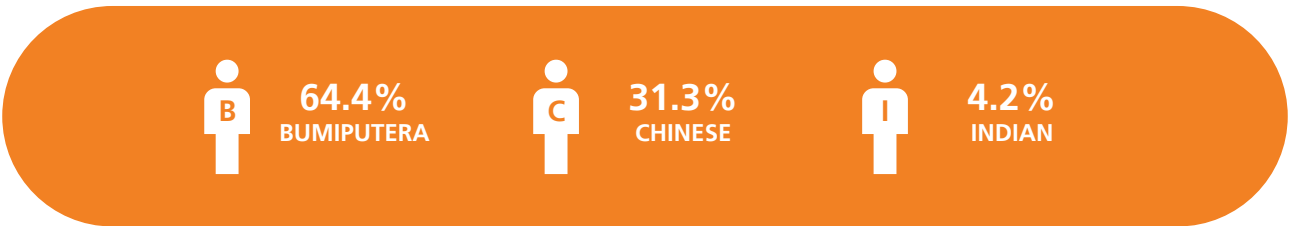
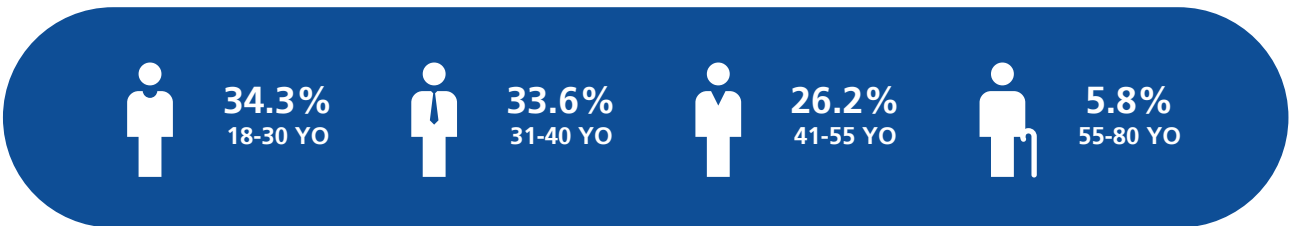
EVENTS	RESPONDENTS
<b>Bersama InvestSmart<sup>®2</sup> Sarawak 2022</b> (Annual flagship investor education event for retail investors outside of the Klang Valley, organised by InvestSmart <sup>®</sup> from 17 to 18 September 2022 at Vivacity Megamall, Kuching)	231
<b>InvestSmart<sup>®</sup> Fest 2022</b> (Annual flagship investor education event, organised by InvestSmart <sup>®</sup> from 14 to 16 October 2022 at Hall 5, KL Convention Centre)	373
<b>Minggu Saham Amanah Malaysia (MSAM) 2022</b> (Annual flagship event, organised by Permodalan Nasional Berhad (PNB) from 24 to 30 November 2022 at Port Dickson, Negeri Sembilan)	503
<b>Bersama InvestSmart Penang 2023</b> (Annual flagship investor education event for retail investors outside of the Klang Valley, organised by InvestSmart <sup>®</sup> from 26 to 28 May 2023 at Queensbay Mall, Penang)	195

<sup>1</sup> New Age Vulnerabilities: Understanding Investor Vulnerability within the Malaysian context, 2022.

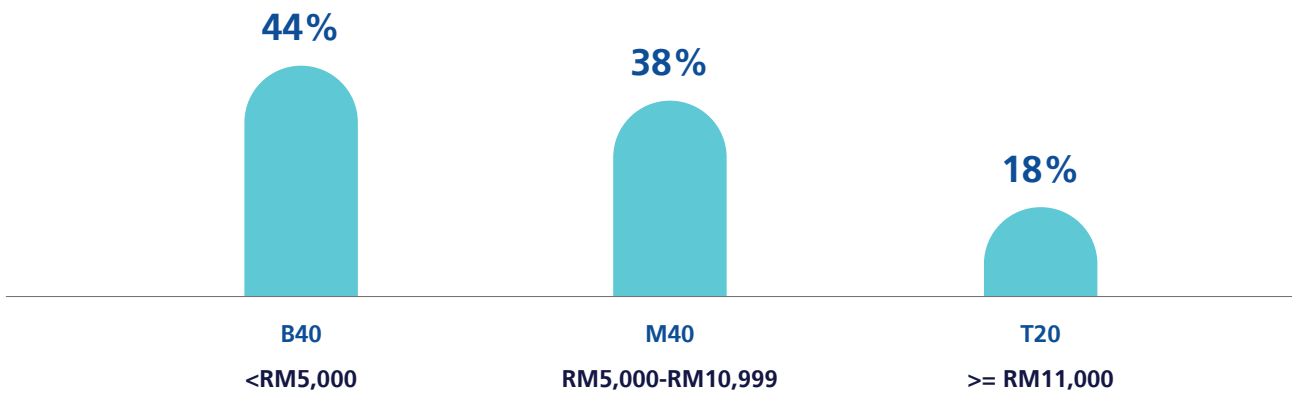
<sup>2</sup> InvestSmart<sup>®</sup> is the SC's investor education initiative launched in 2014.

# PART 1

## DEMOGRAPHIC



## GROSS MONTHLY HOUSEHOLD INCOME



# PERCEIVED FINANCIAL STATUS

Investors' participation in the capital markets undeniably provides positive impact on the capital markets. Conversely, the capital markets also provide retail investors with alternative income and investment avenues as well as a platform for retirement savings. The levels of investors' participation and activities in the capital markets are generally dependent on macroeconomics factors, such as market interest rates, and jurisdiction-specific factors, such as financial and investment literacy.

The Malaysian economy gathered momentum in 2022 with its increasing growth rate, giving Malaysians employment opportunities. However this rebound was faced with economic shock. Rise in food and energy prices, following the conflict between Russia and Ukraine, have contributed to the price pressures and the rising cost of living<sup>3</sup>.

To gauge respondents' financial standing, respondents were asked to state whether their monthly income and expenses have changed and also whether their income can cover their living cost, in the last 12 months. The following were observed.

In the last 12 months, has your monthly income changed?

38%

**It has remained the same**

10%

**My income has decreased**

52%

**My income has increased**

In the last 12 months, have your monthly expenses changed?

27%

**It has remained the same**

6%

**My expenses has decreased**

67%

**My expenses has increased**

Does your income cover your living cost?

42%

**Yes**

58%

**No**

This shows that respondents who reported increased income in the last 12 months had also shown that their expenses have increased. This may negatively affect market participation as many may not partake in investment activities due to insufficient funds.

To further understand respondents' investment behaviour, respondents were asked to state the following:

In the last 12 months, did the amount respondents allocate towards investments change?

37%

**No, it remained the same**

21%

**Yes, it decreased**

42%

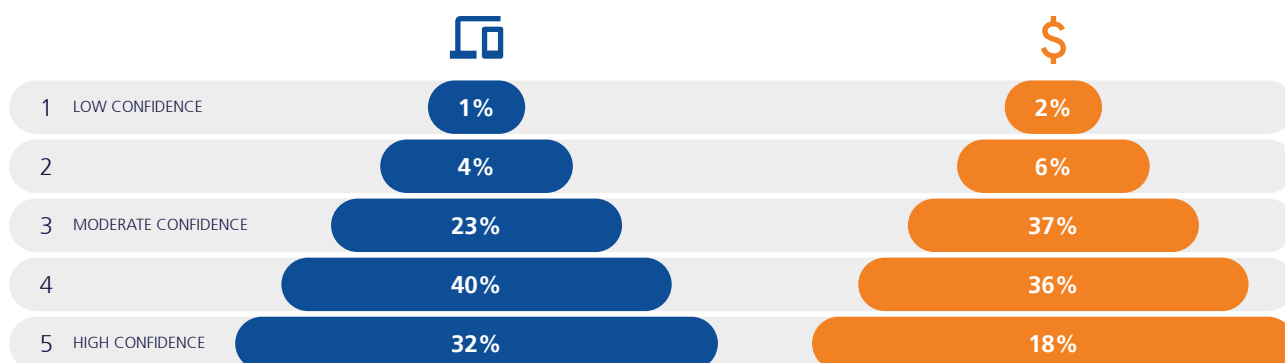
**Yes, it increased**

<sup>3</sup> Malaysia's recovery continues but faces external headwinds, The World Bank 2023

While 42% of respondents have indicated that their allocation towards investment has increased, the remaining 58% had either maintained or reduced their allocated amount. This shows that generally surveyed respondents are not able to contribute their monies for investment. In 2021, the SC conducted a study on the impact of COVID-19 towards investors. Investors rely on investment funds during financial difficulties therefore, having enough investment funds are critical to ensure financial resilience.

## DIGITAL AND FINANCIAL CAPABILITIES

To gauge respondents' digital and financial capabilities, they were asked to rate from 1 – 5 (1 - being not confident) and (5 - being very confident).



The findings showed that there were slight overconfidence with regards to respondents rating their own digital capabilities. However, when it comes to their financial capabilities<sup>4</sup> 37% of the respondents rated themselves to have moderate confidence. Overconfidence has been attributed to a range of issues especially the excessive use of social media to seek for investment opportunities. With such perceived moderate level of financial capabilities, these respondents may be vulnerable and hence be more susceptible to scams.



**Digital Capabilities** defined as knowing how to operate devices, communication, finding or sharing information.



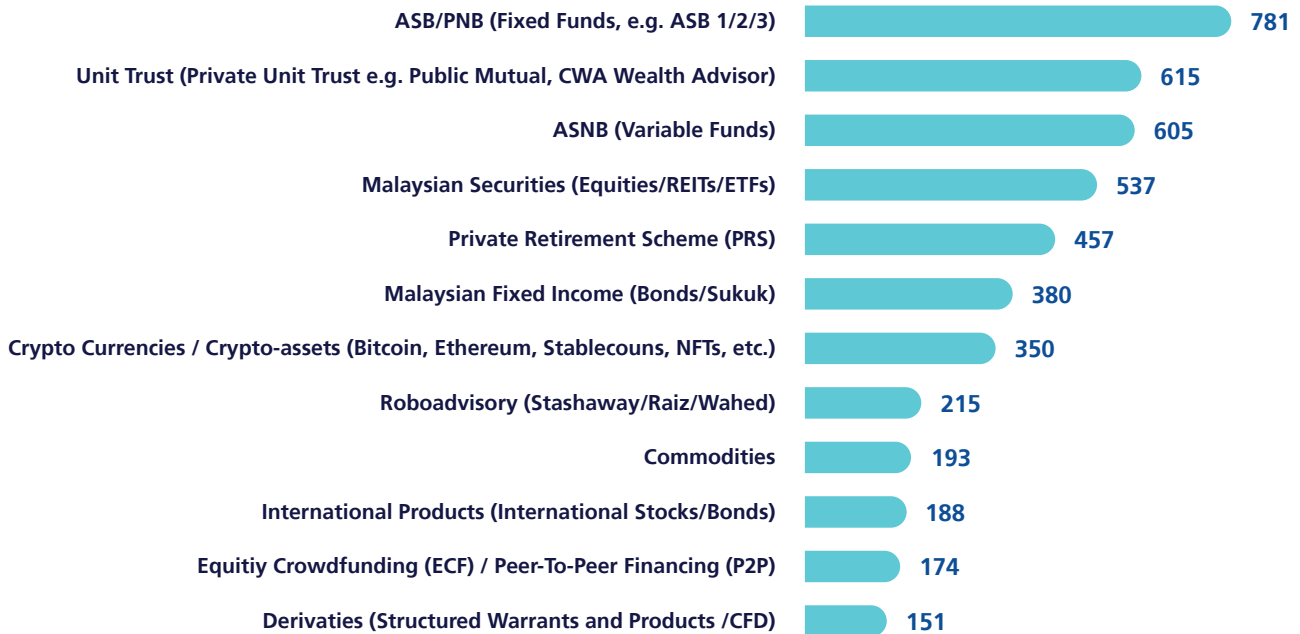
**Financial Capabilities** refers to literacy, attitudes, skills and behaviors of consumers with regard to managing their financials

<sup>4</sup> The World Bank: How to define, measure, and assess digital skills 2020 & Why Financial Capabilities is important and how surveys can help 2013

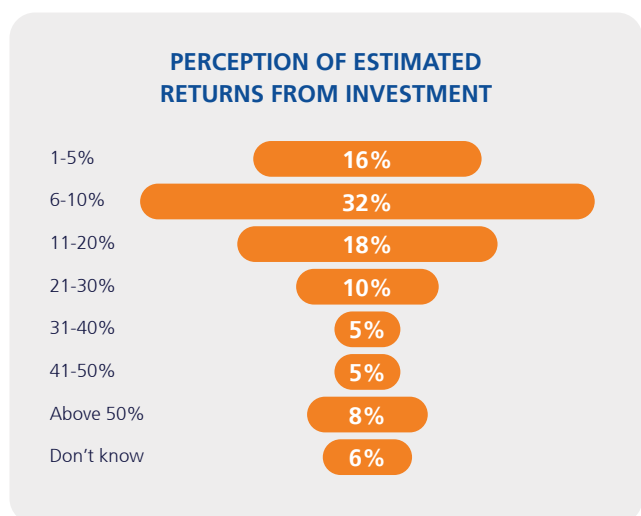
## PART 2

# BEHAVIOURAL ANALYSIS

Generally, respondents preferred to invest in Amanah Saham Bumiputera (ASB)/Permodalan Nasional Berhad (PNB) fixed funds, Unit Trust and Amanah Saham Nasional Berhad (ASNB) variable funds. There is a significant difference in the number of respondents investing between these products compared to the rest of the listed capital market products. Typically, ASB/PNB products have better reach to retail investors as they are widely and readily available and perceived to be a safe investment with reasonable returns. As for unit trust, they are also widely available and promoted by unit trust consultants/agents and financial planners.



Respondents were asked to state their expectation of their investment returns based on time horizon. This was also tested against their perception of estimated returns from investment. Generally, respondents (236) were found to have unrealistic expectations of generating the indicated returns within the selected time horizon i.e. expected >10% returns in less than 6 months, expected >20% returns from 6 to 12 months and expected >50% returns from 1 to 3 years. The expectation in relation to estimated returns from investment raises some concerns, which could make them susceptible to scams.





Respondents perceived that they need large amount of money to invest in the capital market. Such mindset demonstrates that many do not understand the capital markets particularly the various investment options/opportunities. Investing is not as unaffordable and inaccessible as it once was. This seems to be a critical misconception as there are many capital market products that only require a minimum sum to invest such as for peer-to-peer financing (P2P financing), Digital Investment Management (DIM), and shares.

### TOP 3 BARRIERS

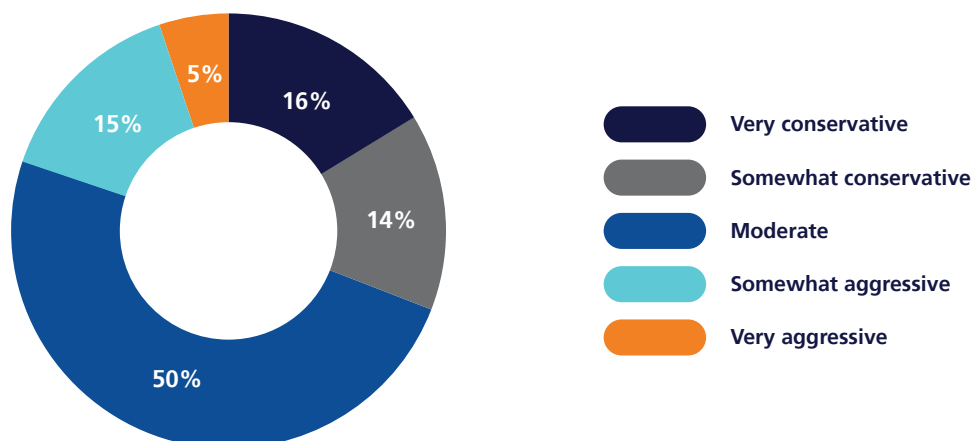


The perception that investing is a complex process continues to be a concern among the respondents as they prefer investments that are simple and easy to understand (21%). Such perception may also be associated with a lack of capital market knowledge. Investing is not as complicated as it seems. The more knowledge one has, the more confident they will be to make investment decisions.

### TOP 3 FEATURES



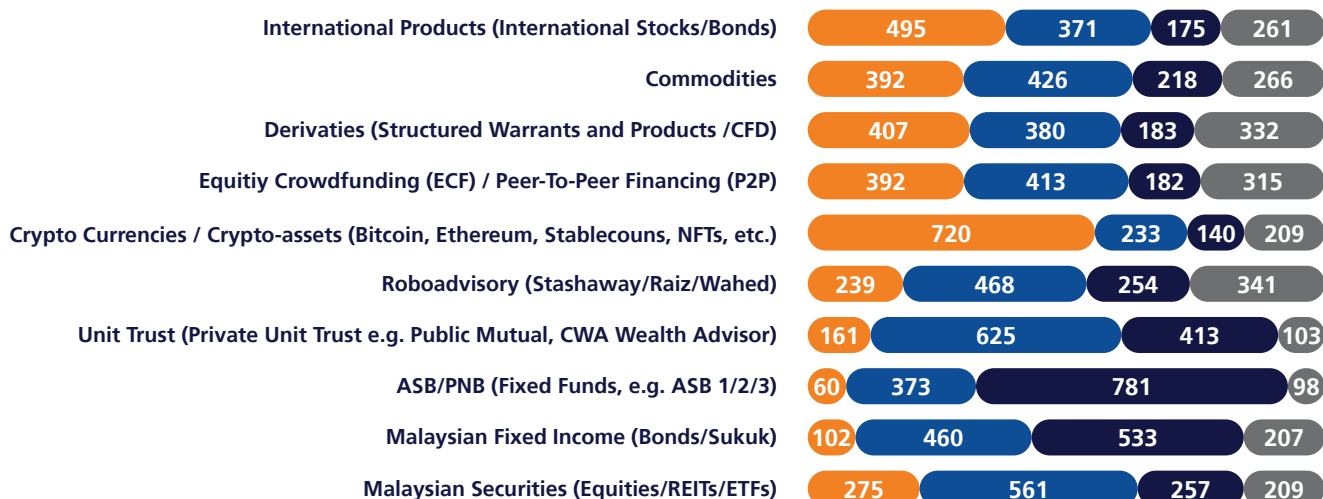
In addition, respondents were asked to state their perceived risk tolerance level and majority of respondents (66%) perceived themselves to have a very conservative to moderate investment attitude leading them to invest in 'low-risk' investment products.



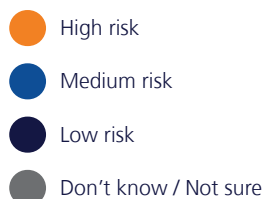
In relation to this, respondents were asked to categorise a list of capital market products according to whether they perceive it to be of low, medium or high risk. The general findings indicate that ASB have the most respondents viewing it as 'low-risk' investments as compared to other products. This corresponds with the preferred types of capital market products invested (ASB – 781). In comparison, cryptocurrency and forex have the most respondents viewing it as 'high-risk' investments compared to other products.

Savings and fixed deposit accounts were considered to be the 'low-risk' products among the non-capital market products.

#### CAPITAL MARKET PRODUCTS



#### NON-CAPITAL MARKET PRODUCTS

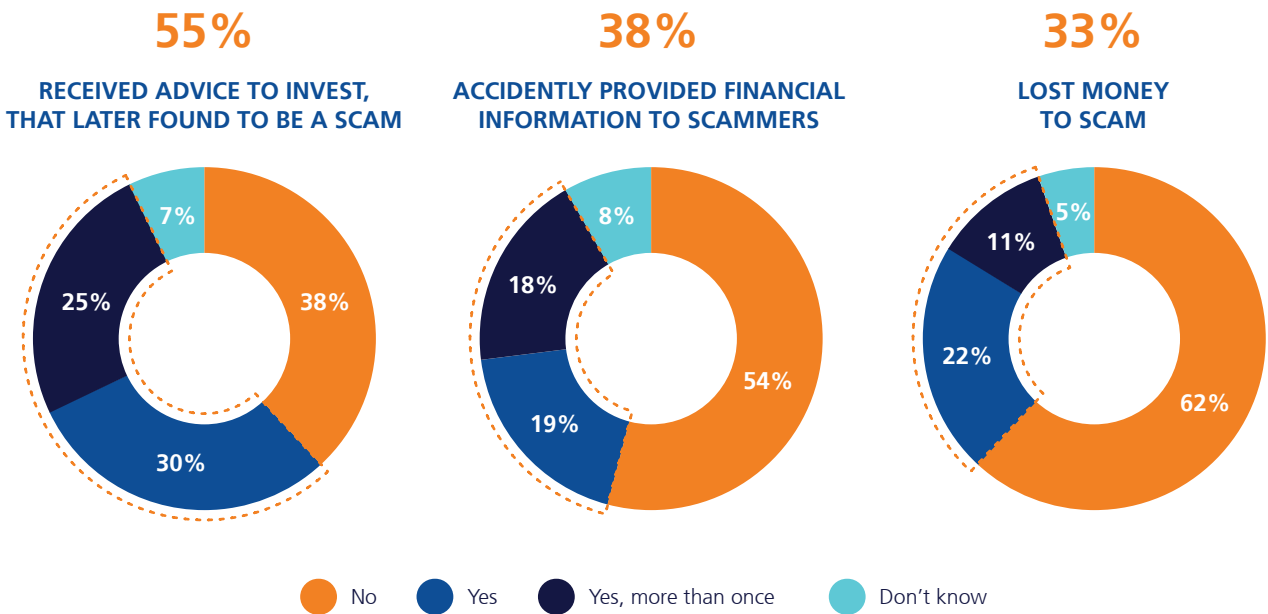


# PART 3

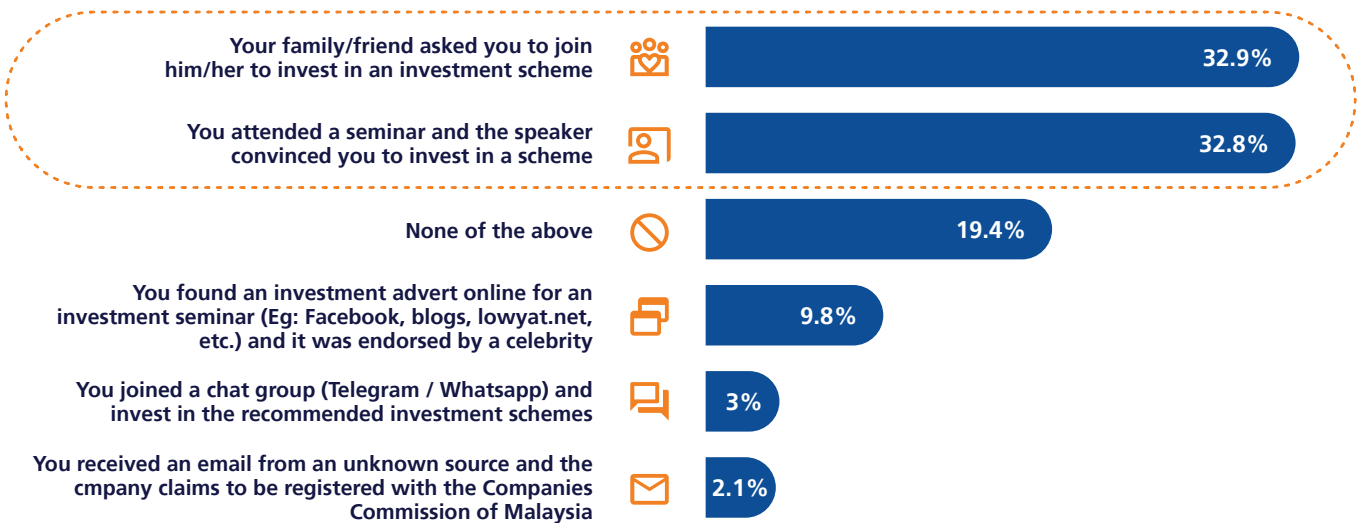
## IDENTIFYING VULNERABILITY

### SUSCEPTIBILITY TO SCAMS

The ubiquity of scam solicitations, coupled with the inability of many people to recognise the red flags of scam, place risk of losing money to scams or deter them from investing. This is evident in the chart below whereby 55% of the respondents received advice to invest, which was later found to be a scam. This is validated by the SC's unlicensed activity and scam complaints data where majority of them fell victims to scams received advice/recommendations to invest from family/friends/ social media influencers who may be victims themselves. Generally, manipulation and persuasion are the key tactics used by scammers to defraud victims<sup>5</sup>. This includes scam communication that appear genuine and credible.



The survey also reveals that, respondents generally tend to rely on third parties for the purpose of gathering information when investing, be it from family/friends (32.9%) or attending a seminar (32.8%). This further validates earlier findings that the influence of external sources exposes one to scams especially when the party being relied on has ill-intentions or is unscrupulous.

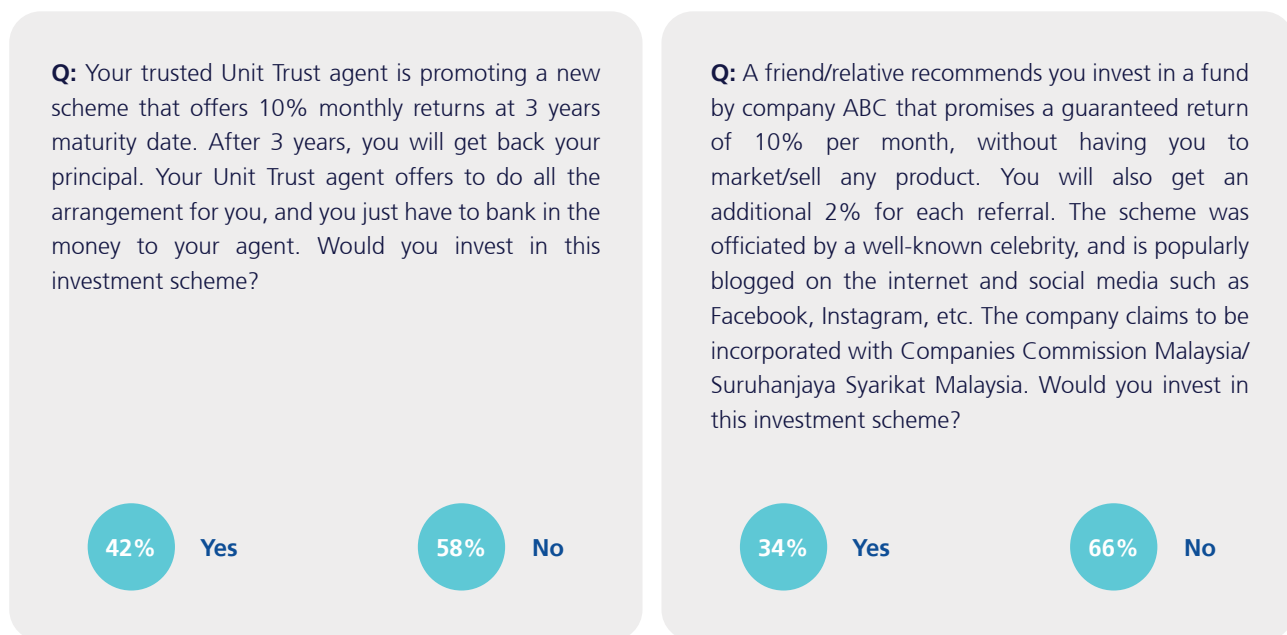


<sup>5</sup> The National Centre for Post-Qualifying Social Work and Professional Practice – Scams the power of persuasive language 2020

Based on the above findings, respondents did not place strong reliance on finance professionals such as financial planners when making an investment decision. This finding is a concern as they do not seem to rely on reliable/competent sources when making an investment. When asked on the reason for not seeking professional advice, 36% of these respondents feel that they are confident with their own level of knowledge and thus see no need to seek professional advice. However, 26% of the respondents who do not seek professional advice responded that they are not sure where to go for professional advice.



To examine respondents awareness on anti-scam, two scenario questions were posed as follows:



Based on the scam scenario provided, 58% will not bank in money into their agent's personal bank account, however 42% answered 'Yes'. This is an alarming situation where there is prevalent use of mule bank accounts by scammers. In addition, the scammers also may employ psychological tactics such as trust and authority where the offer resembles a legitimate one, made by a reputable company/individual.<sup>6</sup>

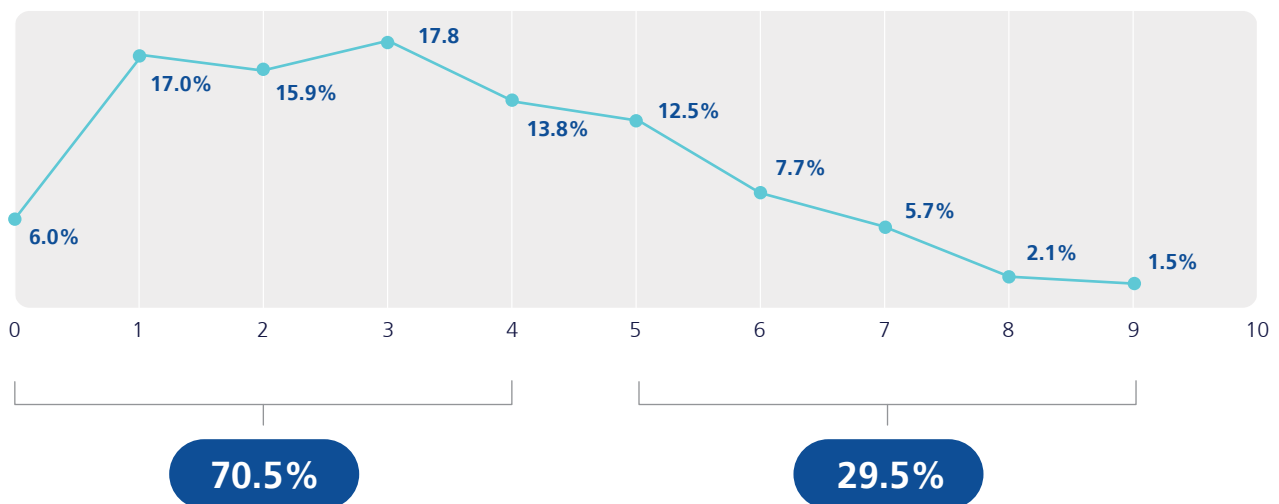
<sup>6</sup> The Psychology of scams: Provoking and committing errors of judgement, 2009

In the second scam scenario list of questions, respondents (66%) claimed they would not invest in such schemes even though it is incorporated with Companies Commission of Malaysia (CCM). However, from the 34% that answered 'Yes', these respondents could have assumed that since the company was registered with the CCM, the company's activities were legal and hence, credible. These respondents associated a legally incorporated company as carrying out a legitimate investment scheme. This could also enable the scammers to have a wider pool of potential victims, including those who are unaware of the general investment landscape.

## ASSIGNING SCAM SUSCEPTIBILITY SCORE

In assigning the scam susceptibility score, respondents were asked to indicate whether they had encountered nine set of survey questions that are related to a vulnerability result. A score of '1' or '2' (or '0' in the absence of an affirmative response) is given to the respondent for those specific questions. The results of these questions are then totalled to create a vulnerability score for each respondent. The total score ranges from 1 to 9 with higher scores indicating greater sensitivity to the susceptible outcome.

## SCAM SUSCEPTIBILITY SCORE



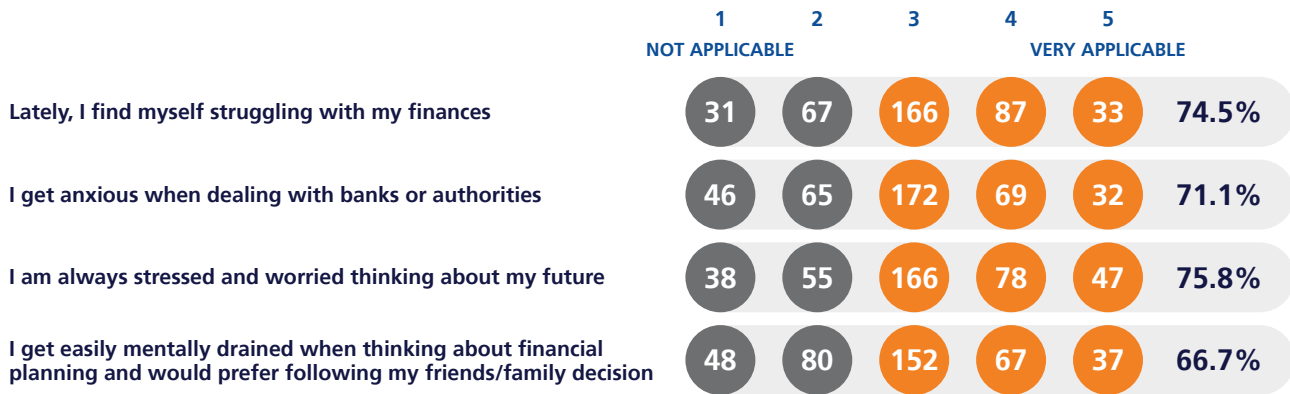
Note:

The higher the score, the more susceptible the respondent is towards scams

**More than 5 n= 384**      **Less than 5 n= 918**

The result reveals that 29.5% (384) out of 1,302 respondents were more susceptible to scams. These group of respondents scored five and above out of the nine questions asked. While these respondents were found to be susceptible to scams, findings also showed that these group have common traits in their financial standing.

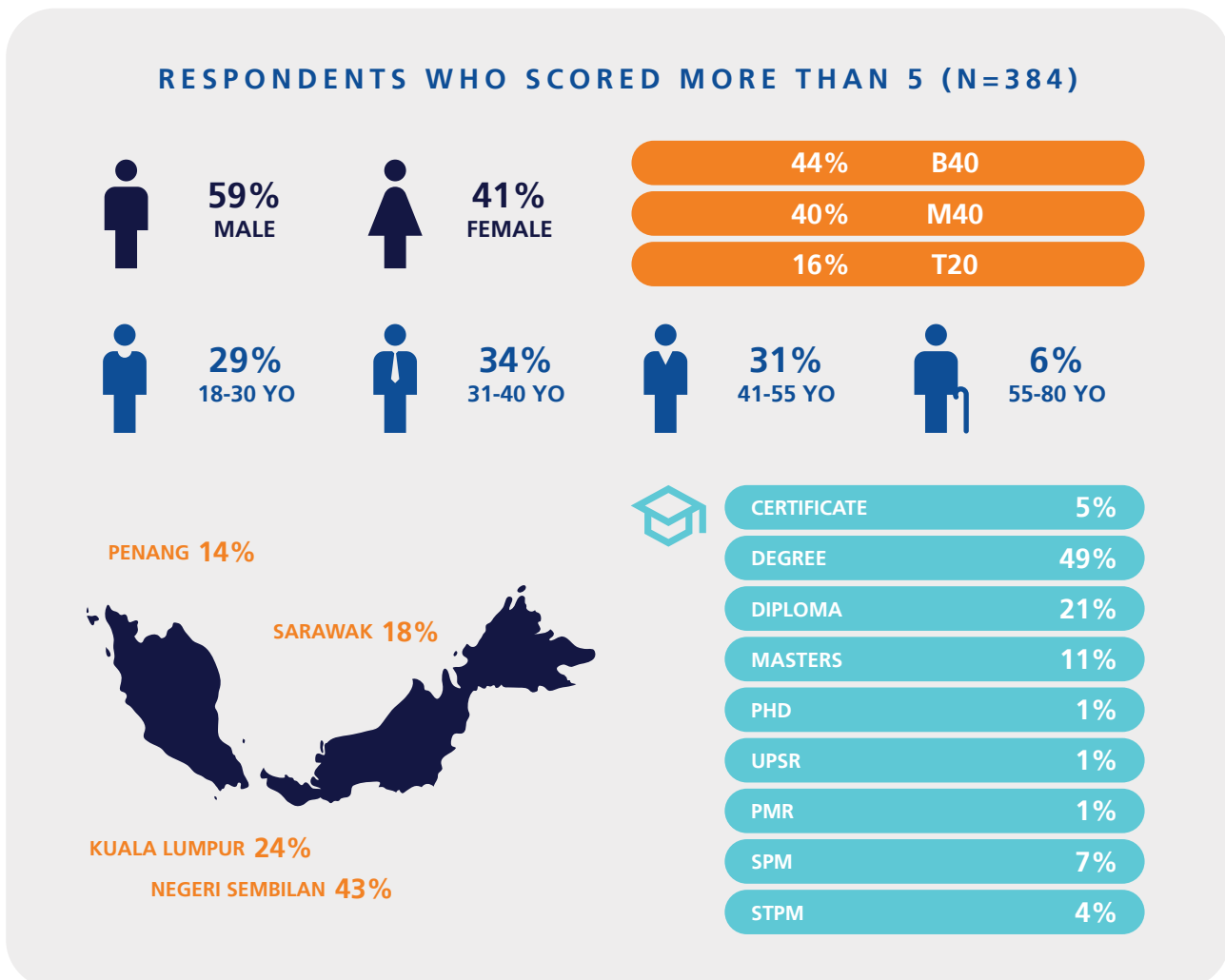
## FINANCIAL STRESS ANALYSIS



From the susceptible group who scored higher than 5, these respondents are experiencing financial stress and financial difficulties. Many studies have showed that victims of financial frauds generally decide to invest in financial scams based on a combination of financial and psychological circumstances, and family. For instance, victims who experienced sudden or significant reduction in their finances to support their family would be pressured to find additional sources of income quickly. These individuals may make hasty investment decision due to financial stresses.<sup>7</sup>

## SCAM SUSCEPTIBILITY SCORE: BASED ON DEMOGRAPHIC

The following demographic represent the susceptible group:



<sup>7</sup> Financial frauds victim profiles in developing countries. Bar Lev Eldad, Maha Liviu-George, Topliceanu Stefan-Catalin (2022).

## SCAM SUSCEPTIBILITY ANALYSIS

Profile of vulnerable respondents

### Vulnerable investors are demographically varied

- Men are more prone to scam (59%).
- Young adults (21 – 40 years old) are more vulnerable (34%).
- Belong to B40 households (44%).
- Those with higher education level (diploma and degree holders) (70%).
- Resides in suburbs of greater Kuala Lumpur.



### Vulnerable investors are more likely to rely on third parties such as family/friends/seminars for investment decisions

- Investors tend to listen to investment advice from family/friends rather than relying on their own judgement/experience/knowledge.
- They are also more willing to attend seminars on investing and likely to be persuaded to invest into a scheme.
- These findings imply an increased willingness to be exposed to all kinds of investment opportunities including fraudulent ones.



### Vulnerable investors experience more difficulties from negative life events

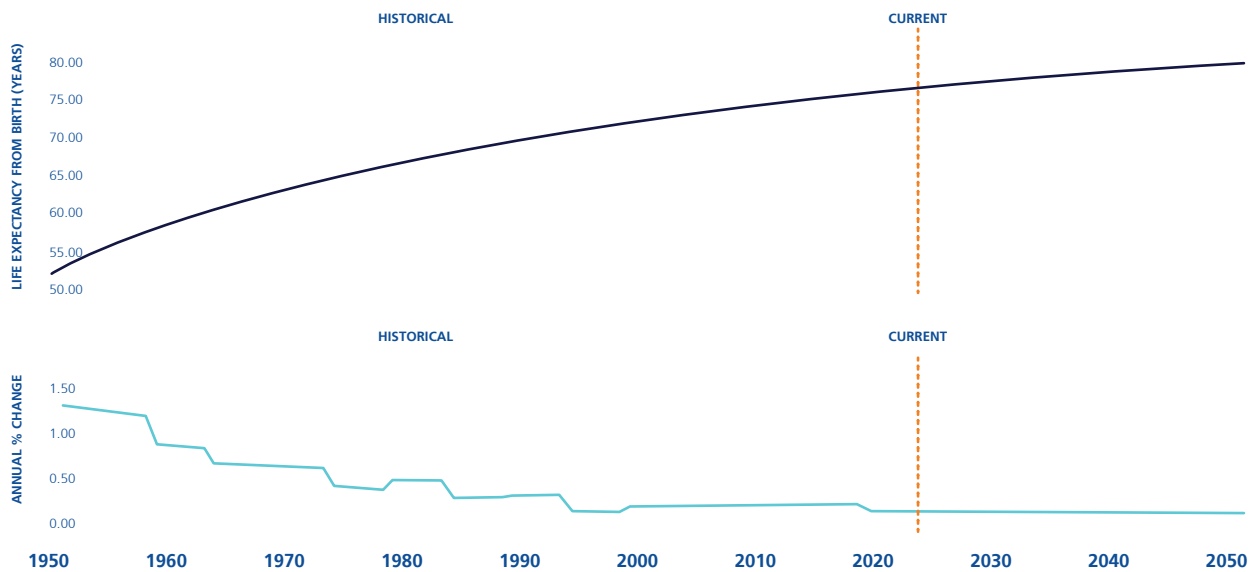
- Investors may have experienced negative life events such as financial trouble, stress related to personal situations, and victims of scams.
- This finding supports the proposition that the presence of such life stress and difficulties might contribute or enhance an individual's vulnerability and hence, being more susceptible to scams.



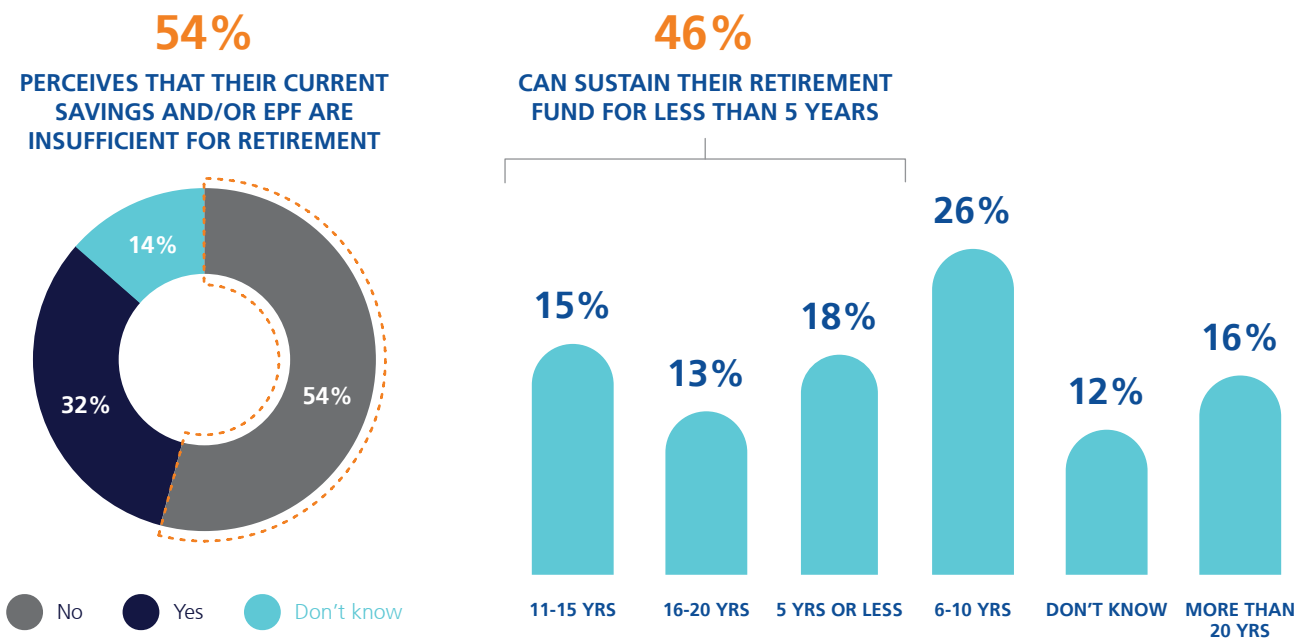
# PART 4 READINESS ASSESSMENT

## RETIREMENT PLANNING

According to the United Nations World Population Prospects, the current life expectancy for Malaysia in 2023 is 76.65 years, an increase of 0.19% from 74.40 years (0.250%) in 2010.<sup>8</sup> Since Malaysians have a higher life expectancy today compared to before, Malaysians have to ensure that we do not only save enough but are able to sustain life after retirement. Based on Employees Provident Fund (EPF) Basic Savings Quantum, retirees should have basic savings of at least RM240,000 to financially support their retirement for 20 years.<sup>9</sup> As of December 31, 2022, 51.5% of all EPF members aged 55 and below have only less than RM10,000 in their Account 1.



In this regard, the SC asked respondents to identify whether their savings and/or EPF are sufficient for their retirement and its estimated duration to sustain after their retirement age.



<sup>8</sup> Malaysia Life Expectancy 1950-2023, United Nations – World Population Prospects

<sup>9</sup> EPF Sets New Target of RM240,000 for Basic Savings:

<https://www.kwsp.gov.my/en/web/guest/w/epf-sets-new-target-of-rm240-000-for-basic-savings>



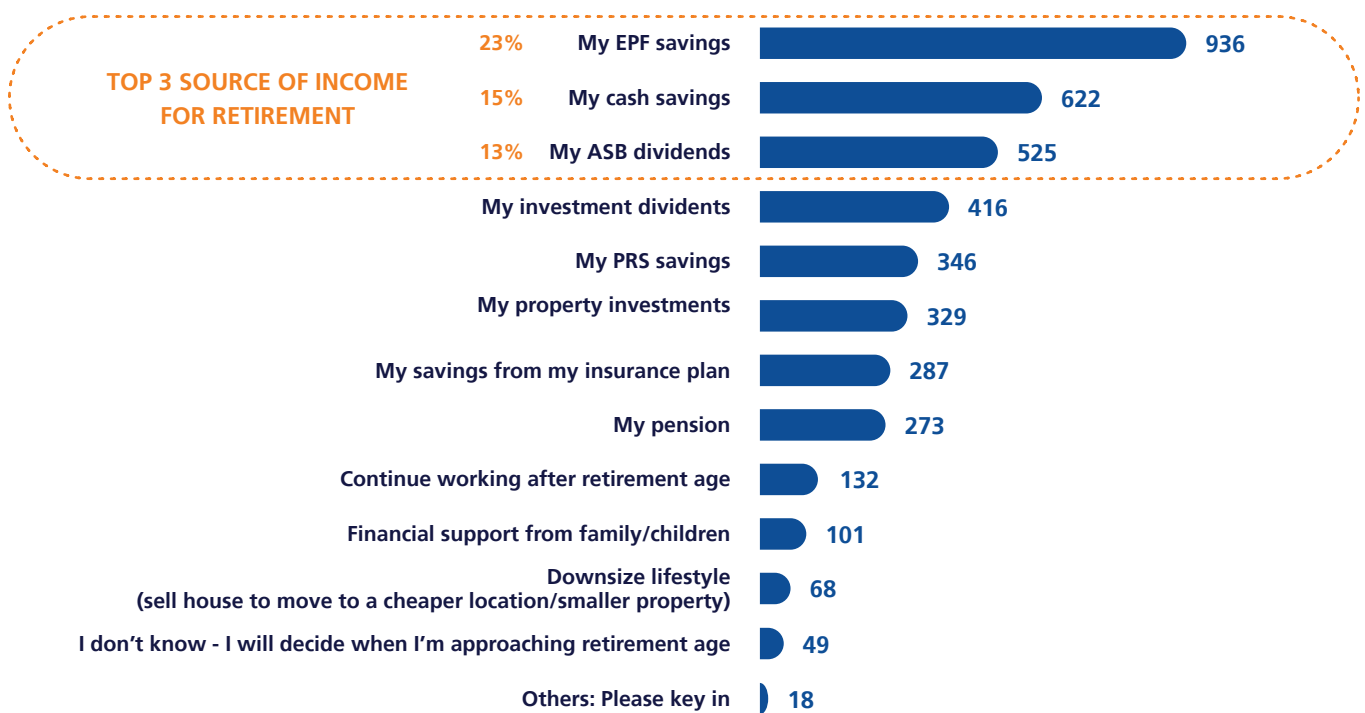
From the findings, 54% of respondents perceived that their current savings and/or EPF funds are insufficient for retirement and 46% can sustain their retirement savings for only less than 5 years. This could be due to Malaysians' general approach of setting goals in stages, starting with short-term goals (such as purchasing cars, properties etc.), and thoughts about retirement only comes in the latter stage in the individual's life.



Having considered the Basic Savings Quantum of RM240,000 to support post-retirement, one will need RM1,000 to sustain monthly (assuming one lives until 75 years old). This amount may not be sufficient as they would need to factor in potential medical expenditure, family, children, leisure, among others. It also evident that survey respondents felt that they require RM5,000 and above to maintain sustenance during retirement per month (28%).

When compared with the amount they set aside for retirement (EPF and other savings), 65% have less than RM240,000 for retirement. This shows that retirement savings are inadequate for majority of the respondents. This also means that Malaysians should start saving for retirement early in their life to make ends meet post-retirement. An intervention that is low in effort but high in impact is to cultivate early habit creation such as building a savings habit through student-managed savings or investment schemes.

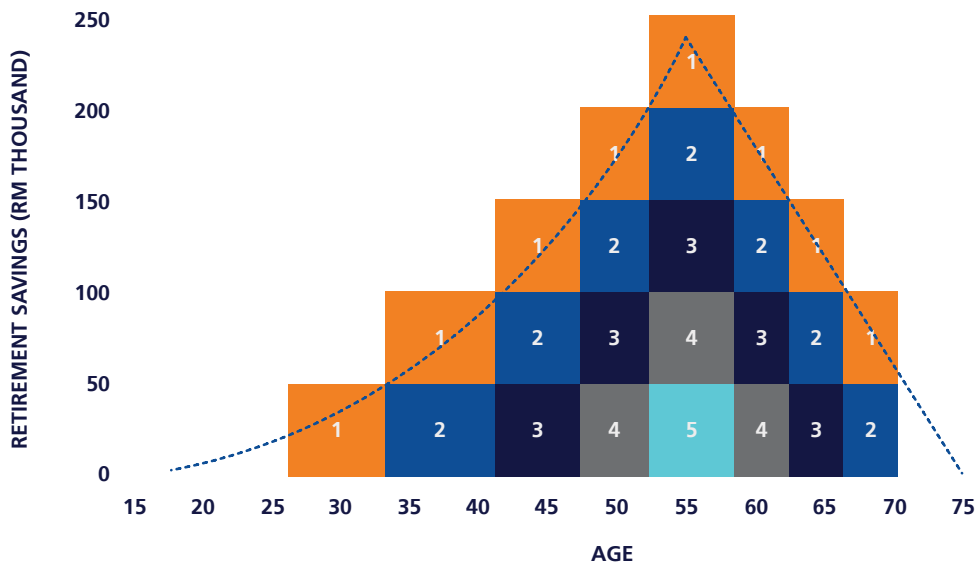
The survey also explored respondents most important sources of income for retirement where the top 3 sources are EPF (23%), cash savings (15%) and ASB dividends (13%). It was also noted that PRS savings were not among the top sources of income. This shows that there is a need to promote a greater understanding of PRS products among Malaysians.



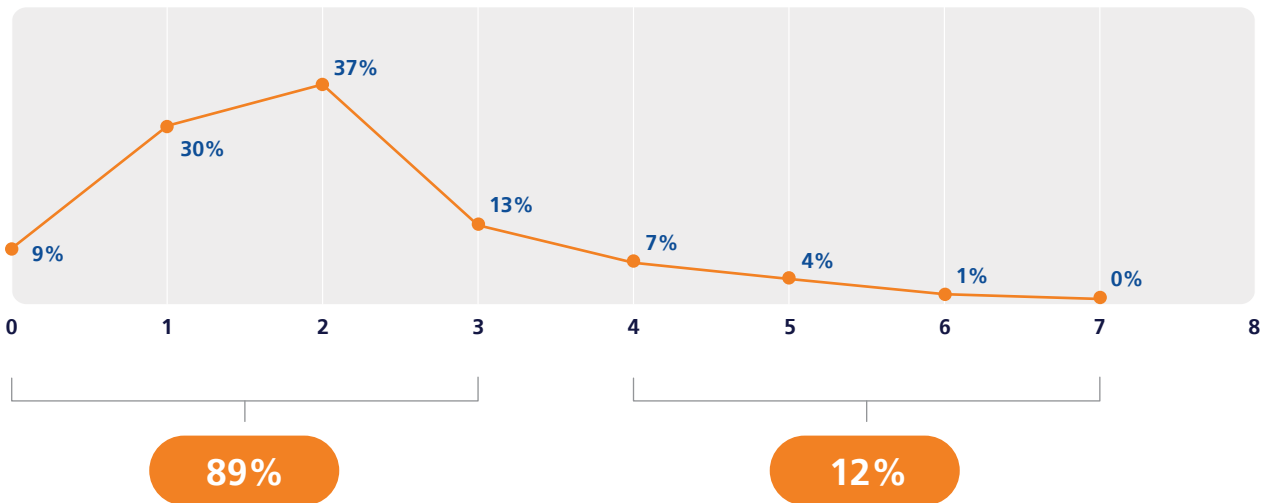
## ASSIGNING RETIREMENT INADEQUACY SCORE

The survey also explored testing the respondents' retirement readiness where the respondents were asked several retirement-based questions to assign retirement inadequacy score. A score of '1' (or '0' in the absence of an affirmative response) is given to the respondent for two questions and a score of '1' - '5' were given to one question (depending on amount below EPF basic savings by age range). The results of these questions are then added up to create a retirement inadequacy score for each respondent, with higher scores indicating greater inadequacy to retirement.

The below chart shows the score based on retirement savings when compared to EPF's basic savings schedule according to age.



## RETIREMENT INADEQUACY SCORE



Note:

The higher the score, the more susceptible the respondent is towards scams

**More than 4 n=156**      **Less than 4 n=1,146**

The result reveals that 12% (156) of 1,302 respondents were not ready for retirement. These group of respondents scored four and above out of the 3 questions asked. While these respondents were found to be inadequate for retirement, it is also important to understand whether they are demographically varied. The below chart shows demographic representation of those that scored more than 4:

# RETIREMENT INADEQUACY SCORE – BASED ON DEMOGRAPHIC

## RESPONDENTS WHO SCORED MORE THAN 4 (N=156)



44%  
MALE



56%  
FEMALE



0%  
18-30 YO



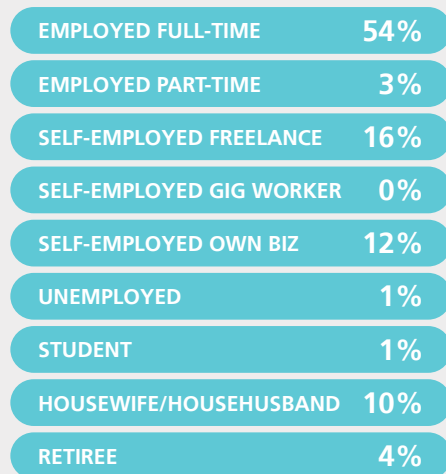
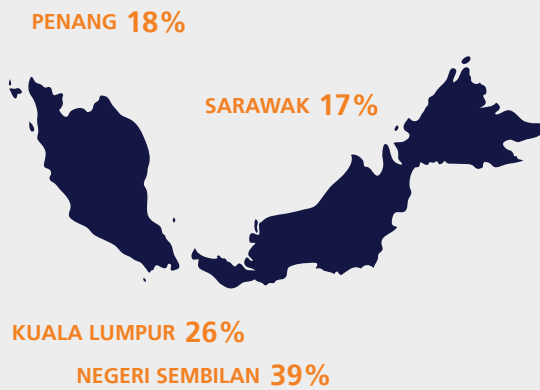
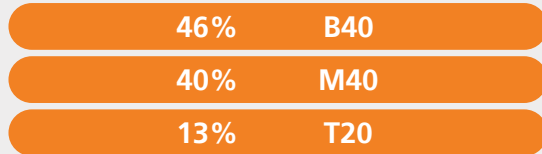
22%  
31-40 YO



62%  
41-55 YO



16%  
55-80 YO



# RETIREMENT INADEQUACY ANALYSIS

Profile of vulnerable respondents

## Retirement inadequate investors are demographically varied

- Women have less savings than men for retirement (56%)
- Middle-aged adults are at high risk of retiring with insufficient savings (62%)
- Belong to B40 households (46%)
- Those employed full-time (54%)
- Resides in suburbs of greater Kuala Lumpur



## Saving attitude have significant relationship with individual's preparedness and capability for retirement

- Investors need to plan for retirement by saving from an early stage to ensure they are able to support themselves and their families in the future.
- Self-control is an indisputably important factor with regards to saving outcomes. If they have difficulties withstanding short-term temptations and do not find ways to constrain their consumption behaviour, they will not be able to save.



## Inadequate financial literacy may result in an inability to make optimal retirement saving decisions

- Financial literacy demonstrates knowledge of financial concepts as well as skills that can be translated into good financial management behaviours such as retirement planning, savings and investing.
- Investors with strong financial literacy can make informed decisions about how to invest their money, the amount to invest, diversification risks and long-term financial planning. Importantly, financial literacy is required even at a young age to plan for retirement.



## PART 5

# MOVING FORWARD



### **Increasing Exposure on the Benefits of Saving and Investing at an Earlier Stage in Life**

It is important to instil investment literacy through awareness, knowledge and understanding and this may reduce the anxiety and intimidation felt by the investor. In addition, for individuals who are 18 years old and below, a high-effort and high-impact intervention would be essential, and this could be done via curriculum appraisal. The educational curriculum revision should be implemented for students until 21 years of age or up to undergraduate level, with investment literacy focus. Primary and lower secondary topics can focus on areas involving savings and retirement, whereas high schools and above can focus on investment topics. In addition, investment literacy can be incorporated as part of extracurricular activities or out-of-classroom sessions for schools and universities. Activities that can be initiated by institutions involve creating or activating financial clubs and ideation hubs, whereas external involvement includes roadshows or events conducted by regulators and financial institutions. This encourages individuals to consider their income plans for retirement and to embrace this planning positively.



### **Greater Education and Access to Investment Tools**

Most individuals have been introduced to investment opportunities by family or friends through seminars as they need greater 'handholding'. The risk they take in making investments needs to be outlined and explained to empower them to make better decisions on their own. In addition, there are also possibilities to promote online and offline groups which create content to aid informed decisions by investors. This is where there can also be neutral third-party groups who can create content, provide advice, and promote retail investments. Websites that compare and contrast investment options, similar to travel booking websites, can also be another initiative to encourage or enable independent sources.



### **Online Advisory Tools are an Opportunity to be Explored**

Many spend much time searching for information online. If the barrier of scepticism can be broken, there is room to have online advisory tools such as online calculators, simulators, reminders and commitment devices. This could help them focus on long-term priorities and support them in financial planning. Furthermore, regular online training and certification would enable investors to have a better understanding of the ever-evolving investment landscape. This would need the creation of self-training and certification tools based on their personal skills development.



### **There is a Need to Popularise Investments that can take on Smaller Monthly Commitments**

There is the notion that many people reported to have insufficient funds before initiating savings or investing in the capital market. There is a need to promote even small, but consistent contributions of funds to begin saving or investing. Hence, it is imperative to create better access to reliable, relatable information and sources to the public in a tone that is compelling and relevant across all target segments. For instance, it is vital to identify investors from all walks of life, with a variety of profiles, and create awareness by sharing their stories with potential investors. Regular investors should have relatable experiences, which typically can be housewives, and young executives, among others.

## ACRONYMS AND ABBREVIATIONS

<b>ASB</b>	Amanah Saham Bumiputera
<b>ASNB</b>	Amanah Saham Nasional Berhad
<b>CAPI</b>	computer-assisted personal interview
<b>CCM</b>	Companies Commission of Malaysia
<b>DIM</b>	Digital Investment Management
<b>EPF</b>	Employees Provident Fund
<b>MSAM</b>	Minggu Saham Amanah Malaysia
<b>P2P financing</b>	peer-to-peer financing
<b>PNB</b>	Permodalan Nasional Berhad
<b>PRS</b>	Private Retirement Scheme
<b>SC</b>	Securities Commission Malaysia

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## **Securities Commission Malaysia**

3 Persiaran Bukit Kiara,  
Bukit Kiara,  
50490 Kuala Lumpur,  
Malaysia.

Tel +603 6204 8000

Fax +603 6201 5546

Email [cau@seccom.com.my](mailto:cau@seccom.com.my)

Website [www.sc.com.my](http://www.sc.com.my) | [www.investsmartsc.my](http://www.investsmartsc.my)

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