<p>by hariati azizan<br /><br />Fingers are again pointing at youths� lifestyle for their high rate of debt and bankruptcy. But young people are saying it is a generation gap.<br /><br />�WHEN I was young, I had to walk to school.�<br /><br />How many times did our �parents grate us with tales of their old �hard times� and how lucky we were to have buses and cars?<br /><br />Well, guess what? We might just be turning into our parents, singing a similar tune:<br /><br />�When I was young, I had to take the bus and didn�t have a car until I was married.� Or �Last time, when I wanted to chat with my friend, I had to use the public phone.�<br /><br />And of course, everyone�s favourite now: �Last time, when I wanted coffee, I tapau from home in a Tupperware,� or �I paid only 90sen at the kopitiam.�<br /><br />But before you panic and rush out for that Botox jab, check out the news. Statistics show that perhaps you are not being old, you are just being right.</p> <p><br /><br /></p> <p>As reported recently, bankruptcy among youths below the age of 25 is increasing at an alarming rate.<br /><br />From 2007 until June this year, a total of 1,940 youths under 25 years old had been declared bankrupt, about one-third (579) of whom became bankrupt in the first half of this year.<br /><br />Minister in the Prime Minister�s Department Nancy Shukri, who oversees the Department of Insolvency (MDI), believes many others are on the brink of bankruptcy for �spending more than they earn� and drowning in debt.</p> <p>�</p> <p>Echoing her comments, many �experts� raised the same old arguments � our young cannot differentiate a �necessity� from �luxury�, confusing their �needs� with their �wants�.<br /><br />Many young people, however, argue that they are not living beyond their means.<br /><br />Johan*, 25, points to the econo�my as the reason why many young people are accumulating debt.<br /><br />�Our pay is peanuts, not enough for us to have a comfortable life, especially with the unexpected price hikes. How can we pay our bills like we planned when things keep going up?<br /><br />�It�s like one morning you wake up and something new is now more expensive. We can only survive if every day we eat Maggi,� Johan, who has been working in sales for a year, complains.</p> <p>�</p> <p>Others say that times have changed and they need to spend a lot to stay ahead of the game.<br /><br />�I need a car to get to work on time and my smartphone is essential for me to stay connected and relevant.<br /><br />�And these days, if you don�t look or act the part, you won�t become successful, so sometimes you have to meet clients and friends at that cool coffee shop,� Malek, a 24-year-old entrepreneur, shares.<br /><br />Is this then yet another case of the older generation simply not getting the Generation Y-ers?<br /><br />Age-old dispute<br /><br />Malaysian Employers Federation executive director Datuk Shamsuddin Bardan thinks the young could live within their means if they wanted to.<br /><br />�I am perplexed by the attitude and behaviour of some young workers � the current pay for fresh graduates in Malaysia is enough for them to live on.�<br /><br />On whether our pay is keeping up with inflation, he says we have to understand the situation in the country.<br /><br />�Sure, there are some increases in the cost of living but we need to look at our purchasing power parity � a global study said that the value of our wages is close to three times higher than the money we get. This means, if we take home RM1,000, we can buy close to RM3,000 worth of goods and services.�<br /><br />A majority of fresh graduates, he says, start working life on the wrong footing.<br /><br />�They perhaps indulge themselves on things not considered necessity sometimes even before they start work.<br /><br />�If graduates start on the wrong footing and develop the wrong financial habits, they will find it difficult to make ends meet on any pay they get.�<br /><br />Whether a young person spends more than they earn depends on their lifestyle, says Shamsuddin.<br /><br />�I�m from a generation that thinks paying RM13 for a cup of coffee is murder. To me it is a luxury, not a necessity, and I can argue

for days on end about this.<br /><br />�Whether your salary is enough or not to survive on is relative. It depends on what kind of lifestyle you want to adopt. If you buy a coffee that costs you RM13 every day, it will burn many holes in your pocket.�<br /><br />New graduates need to assess themselves and see what situation they want to be in, he advises.<br /><br />�They have to realise that as someone entering the workforce, if they indulge themselves, they will get into a situation where they will not be able to pay their credit card debt or loans that they take.<br /><br />�While a handphone or smartphone is a necessity now, you don�t have to spend RM2,000 or more to get a high-end model or the latest model. But many prefer branded gadgets and keeping up with the latest trends and models. I think that is why at the end of the day, they feel that whatever they are getting cannot support their lifestyle.�<br /><br />Shamsuddin insists that being thrifty is not an �outdated� or �unfair� value.<br /><br />�If the young think it�s unfair, they need to remember that many of them have not included their parents in their budget. In my day, we always put aside a portion of our income for our parents.Now it�s the other way round. Today, parents end up supporting their adult children, paying for their housing, food and helping them.�<br /><br />Timeless value<br /><br />"What is so wrong about the old values?," asks Nor Akmar Yaakub, head of the Financial Education Department at the Credit Counselling and Debt Management Agency (AKPK).<br /><br />�Living within your means is a timeless value and relevant for every generation.�<br /><br />Conceding that things like gourmet coffee, a smartphone and a car are becoming part of life for most young persons, she says one has to prioritise and be a smart consumer.<br /><br />�We are not saying that you should completely deprive yourself. You need to look at your budget. If you have to meet your friends at that hip coffee place or go clubbing, try to control the times you do that a month.<br /><br />�And we understand now that people think they cannot survive without a car because of the not-so-accessible public transport and due to safety issues.<br /><br />�But you need to choose one within your budget. Don�t buy a high-end make if you cannot afford it,� she notes.<br /><br />Putting aside money for a rainy day is more important than ever, stresses Nor Akmar, advising the young to save and let their money grow when they first start work, instead of spending all their money to establish their working status and lifestyle.<br /><br />�Don�t rely on your credit card to cover the extra expenses. Delay your gratification until you can afford not only the item, but also its hidden costs,� she says, highlighting the extra costs of owning a car often overlooked by the young, such as insurance, maintenance and even fuel.<br /><br />Contrary to common belief, MDI data shows that defaulting on student loan and credit card debt are not the main causes of bankruptcy among the young. Instead, it is defaulting on their car loans.<br /><br />According to the National Consumer Complaints Centre (NCCC) legal and dispute resolution manager Santhosh Kannan, Fomca also came to that conclusion in its recent study on the spending pattern of the younger generation.<br /><br />�Our survey indicated that car loans were the biggest root cause for bankruptcy among Malaysians below the age of 40, trumping credit card debt, the second biggest cause by a big margin.�<br /><br />The main issue was that loans were sanctioned without a proper check-and-balance mechanism.<br /><br />�Many were approved for individuals with weak purchasing power for cars that will require them to fork out huge monthly instalments.<br /><br />�As time passed by, they would undertake extra financial responsibilities like purchasing a property or having a family and this leads to huge debts or even (them being) declared as bankrupts,� he alleges.<br /><br />Santhosh urges the banks to take into account the borrowers� financial capacity and capability when approving loans. As for credit card debt, he says data shows that many borrowers go bankrupt without them even knowing.<br /><br />�For example, one individual cancels his or her credit card and does not get a release letter from the bank stating he or she no longer owes anything. This may lead to the individual still owing the banks some money.<br /><br />�As time passes by, all sorts of charges, late payment interest, etc, would be imposed, causing the amount owed to skyrocket to an amount exceeding the bankruptcy limit and causing them to be with a notice.�<br /><br />He says banks and financial institutions need to inform their clients on the proper procedure of cancelling a credit card.<br /><br />�A mere call to the banks or cutting your credit card would not suffice. A cancellation is where you have settled all owing to the bank, in writing and when you have obtained a release letter officially stating that you do not owe the bank from a specific credit facility that was provided to you,� he advises.<br /><br />He, however, thinks the claim by the older generation that cars and phones are a luxury today is outdated.<br /><br />�We need to address the real issue of the younger generation going into debt and even bankruptcy, which is financial knowledge.�<br /><br />He believes that if it�s a question of generation gap, one should look into �wants� and �needs�.<br /><br />�During our parents� time, their aim was to build and sustain, to have basic needs such as food, shelter and school met, and later, job for continuity. Facilities like credit cards, car loans or insurance never existed.�<br /><br />Today, things are different, Santhosh notes. A car and a smartphone are the implied social standard set. These are no longer seen as �wants� but more as �needs�.<br /><br />�Given the deplorable state of public transportation, a car is needed to get to work. If one is required to travel extensively, then a car is seen as an asset and investment,� he says.<br /><br />A smartphone is not purely entertainment-based, it is used to receive e-mails when out of the office.<br /><br />Santhosh feels it is not practical for the older generation to impose on the younger ones their values to determine needs and wants.<br /><br />�It is more important that the older �generation try to understand the younger generation�s wants and needs and share with them their experience in handling their finances or help them understand better financial management,� he says.<br /><br />Source: The Star Online</p> <p>�</p> <p>�</p>