

Giving children their best future

When her eldest daughter was born, Elsie was already thinking about the baby's future. The new mother worried over whether the family could afford the best education possible for her daughter - and her future siblings.

"We had faced this challenge in the family before, as my sister wanted to further her studies, but we had financial issues. That was a difficult time for the family, and I didn't want that to happen to my own kids," says Elsie .

Fast forward 16 years later, the self-employed entrepreneur is now saving up for the education of her three children, the youngest being five years old. The Covid-19 pandemic had reduced her family's ability to save by almost a third. But she is grateful that they can still put away some money through the Simpan SSPN (National Education Savings Scheme).

Statistically, Elsie's family is luckier than most other Malaysians. Household savings as a percentage of gross domestic product (GDP) has fallen to a new low unseen since the 1970s. Data from the **Department of Statistics Malaysia** shows that the mean household income fell by an average of 10.3% in 2020 from a year ago. Meanwhile, the number of poor households increased from 405,400 in 2019 to 639,800 in 2020, or about 58% over a year.

"It is important to start thinking and acting early, and not take things for granted if you are fortunate enough to be able to set aside some savings." - Dr Desmond Chong

What this means is that for many Malaysian families, saving for the future education of their children is increasingly a luxury. It is therefore important to recognise the hidden blessing of being able to save while you can as a "gift of love" to your children, says Dr Desmond Chong Kok Fei, deputy president of the Malaysian Financial Planning Council (MFPC).

"Many parents do not know where to start or how much money is needed before talking to a financial planner," he says, offering an example: "To complete a medicine degree in a local private institution of higher learning, it would easily cost at least RM150,000 or more. If you have a big family with five or more children, the total required for your children's education can easily come close to RM1 million.

"To save that much money is not easy for most Malaysians. So, it is important to start thinking and acting early, and not take things for granted if you are fortunate enough to be able to set aside some savings."

That way, Dr. Desmond Chong says, the children will enter adulthood financially empowered to choose their path in life, and not be forced by financial limitations to seek options that lead to other issues.

Gifting a debt-free future

In many ways, saving for a child's education is indeed a gift of love. In many other countries, student debt has grown into a national crisis, with many graduates saddled with financially crippling debt just as they seek to transition from higher learning to the workforce.

The US is a famous example. This year, a total of 42.9 million Americans owe some US\$1.57 trillion in federal student loan debt, which works out to an average of US\$36,150 (almost RM153,000) for each student.

Helping Malaysian parents avoid that is the main reason in the creation of Simpan SSPN, according to the National Higher Education Fund Corporation (PTPTN). Through Simpan SSPN, the fund hopes to enable the next generation of Malaysians to build their own future without the shackles of student debt.

"With early financial planning, graduates will be spared the load of repaying their student loans. Their money goes straight into their own financial savings, for property purchases, retirement and even their own children's education down the road," says PTPTN.

"I save in Simpan SSPN because it will secure my children's education, on top of the tax relief and government guarantee" – Kamaruzaman

For government employee Kamaruzaman, 48, whose eldest child is halfway through university this year, saving through Simpan SSPN for his children ranks high among the best decisions of his life.

He stresses the importance of keeping education savings for the children separate from all other savings to ensure that the nest egg is untouched in the event of emergencies.

"My eldest is 20 and in university now; so far, praise God, we have not taken out any student loans, and my child will graduate debt-free. God willing, that will be the case for my other two children later on," he says.

"The cost of living is always rising, and so is the cost of education. So, if we can afford to, this is something we cannot forget to do for the sake of the children. I save in Simpan SSPN because it will secure my children's education - on top of the tax relief and government guarantee, of course," Kamaruzaman adds.

The father of three is referring to a government tax relief of up to RM8,000 for Simpan SSPN savings that remain in place until 2022. Savings are guaranteed by the government.

SSPN-i was introduced in 2004, followed by an enhanced savings scheme called SSPN-i Plus in 2015.

"With these savings and protection, there is something for my children's future, whatever happens." – Elsie

A secure future, come what may

This year, PTPTN relaunched SSPN-i Plus as Simpan SSPN Plus and SSPN-i as Simpan SSPN Prime. On top of the income-tax relief and competitive dividends, depositors earning below RM4,000 monthly will enjoy matching grants of up to RM10,000 per each eligible family. With Simpan SSPN Prime, depositors will also gain free takaful coverage for savings exceeding RM1,000.

In keeping with PTPTN's tradition of doing its utmost to encourage Malaysians to save, the fund also launched a new campaign called Cabutan WOW! Simpan SSPN Plus 2021, featuring prizes worth nearly RM320,000 for 221 winners.

The grand prize is a gold bar worth RM150,000. Two second-prize winners will each get a Perodua Bezza 1.3AV and three third-prize winners will each get a brand new Thermomix® set. The remaining 215 winners will receive cash prizes of RM221 each.

The four-month campaign ends on Dec 31 this year. More information is available from www.lovesspn.com.

Prizes aside, Dr. Desmond Chong says takaful coverage is a critical aspect of education savings, as it offers more security for parents and their children. In the event of an untimely demise, the takaful operator will take over the responsibility and commitment to ensure the education of the deceased's children is taken care of.

"There are not many products in Malaysia where you are eligible for tax relief from your savings, which is also a form of return. It's a kind of mandatory saving, and the fund is guaranteed by the government, so you don't have to worry about the operator collapsing or anything like that," Dr. Desmond adds.

Elsie , whose children's Simpan SSPN savings are secured by takaful coverage, agrees. She used to feel anxious about missing monthly deposits because she was busy at work, but with auto-debit available now, she breathes easier. And the added benefits only add to her relief.

"We worry because, in future, you never know what issues we will be facing. Maybe we won't be able to work at that time or will have health issues. With these savings and protection, there is something for my children's future, whatever happens," Elsie says.

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