Sun Life

Financial Resilience Index

Malaysia navigates rising costs





Introduction

Rising living costs are putting sustained pressure on households across Malaysia, forcing more families into short-term financial decisions that protect affordability today at the expense of longer-term security.

Sun Life's 2026 Financial Resilience Index shows how these pressures are reshaping financial behaviour. More than half of respondents say rising living costs are the biggest barrier to taking control of their finances, highlighting how much financial decision-making is now shaped by cost pressure. Financial buffers are under pressure, leaving households less prepared for future shocks.

More than eight in 10 of our survey respondents say inflation has made it harder to cover monthly expenses. In response, households are making short-term trade-offs to keep finances manageable today, but these decisions are weakening their ability to prepare for what comes next.

A quarter of those we surveyed across Malaysia are drawing down savings, and cutting back on essential spending, suggesting that pressure is now affecting core household needs, not just discretionary spending. While these actions may help households cope today, over time they reduce flexibility and increase exposure to future shocks.

The Index shows overall financial resilience is weakening across the nation. The proportion of highly resilient people has fallen from 30% in 2025 to 22% in 2026, with more households now falling into the low tier. These households are still managing day-to-day finances, but with thinner buffers and less protection against rising costs or income shocks. Only 11% of all respondents say they feel fully secure about their financial situation.

Cost of living pressure is also contributing to shorter financial planning horizons. More than half are planning no further than a year ahead, and only 30% say they could sustain themselves beyond six months without external financial support in the event of job loss or illness.

The findings of this year's Financial Resilience Index highlight a growing challenge for households across Malaysia. As living costs continue to rise, many people are making necessary short-term adjustments to manage immediate financial pressures, but often at the expense of longer-term financial security.

Building resilience today requires more than simply coping with rising expenses. It means strengthening savings, protection and financial planning for the future. We remain committed to helping clients navigate uncertainty with confidence and take practical steps towards achieving lifelong financial security.

Ho Teck Seng
President and Country Head of Sun Life Malaysia

Survey methodology

Fieldwork conducted in May 2026

6
Markets

1,000
Respondents per market

6,000
Respondents from different wealth levels, generations, and both rural and urban settings



Hong Kong
Indonesia
Malaysia
Philippines
Singapore
Vietnam

Criteria for high and low financial resilience respondents

	Low resilience	Moderate resilience	High resilience
Feels financially...	Insecure	Moderately secure	Secure
Financial planning	Plans a few months ahead or not at all	Plans 1-4 years ahead	Plans more than 5 years ahead
Coping with financial emergency	Unprepared	Somewhat prepared	Prepared
Self-perceived literacy around personal finances	Poor	Moderate financial literacy	Good
Meeting long-term financial goals	Unconfident	Moderately confident	Confident

#1 Resilience is contracting at the top

Fewer households are firmly positioned to withstand financial pressure

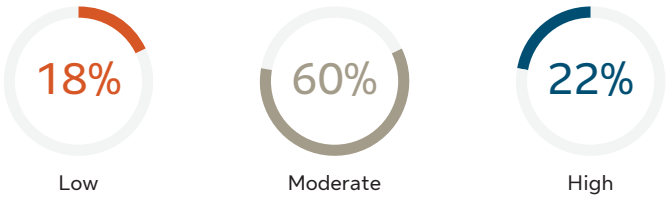
Financial resilience across Malaysia has weakened over the past year, with the sharpest decline among highly resilient households. The proportion of highly resilient households in the Index has fallen from 30% to 22%, with a consistent share of respondents concentrated in the middle tier, managing day-to-day finances, but with less certainty and less protection against disruption.

This shows many people are operating with far less margin for error. Most households are not in acute distress, but many are operating with thinner buffers, shorter planning horizons, and less flexibility than before. More households are moving into a position where they can manage today, but with limited capacity to absorb future shocks.

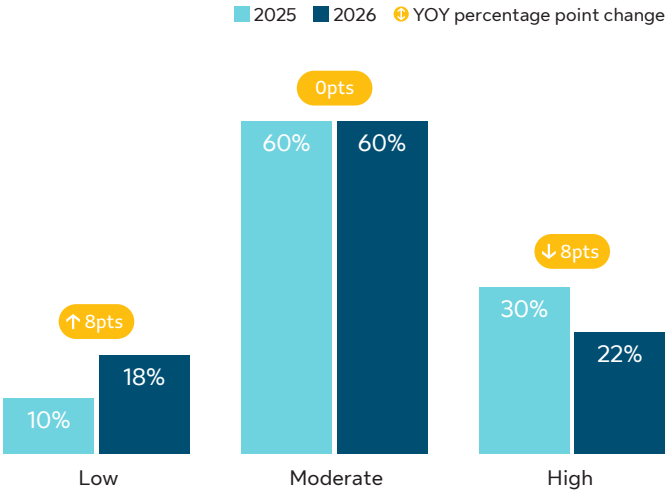
This growing fragility is also reflected in how people feel about their financial security. Only 11% say they feel very secure financially, highlighting how few households feel equipped to withstand financial shocks.

As cost pressures persist, more households are at risk of losing their financial footing.

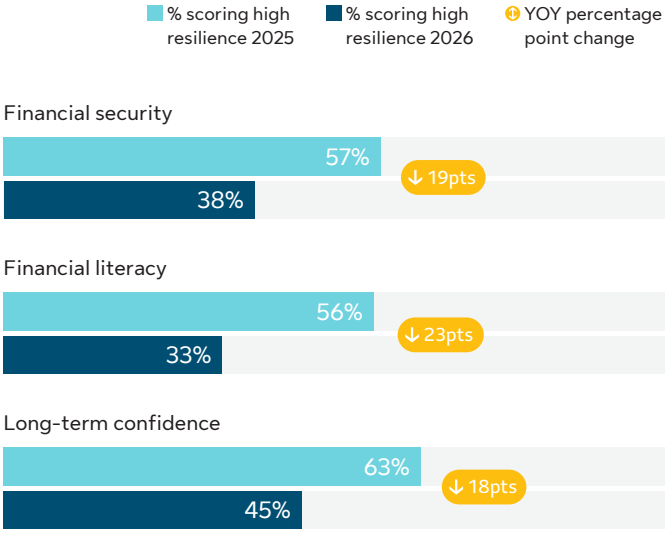
Financial Resilience Index 2026 overall score



Financial resilience overall score distribution 2025 vs 2026



Key contributors to resilience eroding



Perceived financial security remains low

Only

11% **feel very secure** about their current financial situation

#2
Costs are forcing short-term financial trade-offs

Day to day affordability is taking priority over longer term financial goals

Rising living costs are now the biggest pressure shaping household finances across Malaysia. More than eight in 10 (87%) of respondents say inflation has made it harder to cover monthly expenses, with rising essential costs leaving households with little room to adjust.

The biggest jumps are in everyday essentials. Increases in the cost of groceries are affecting 94% of respondents, followed by utilities (92%), transportation fuel (94%), healthcare (89%), and cooking fuel (89%). When asked where expenses have increased most, respondents point first to groceries, followed by transportation and fuel, and then utilities.

Financial priorities are shifting as a result. Managing day-to-day expenses is now the top priority for 48% of respondents over the next 12 months, ahead of saving, investing, or long-term planning. At the same time, nearly half (59%) say rising costs are the biggest barrier to taking control of their finances, highlighting how much financial decision-making is now shaped by affordability pressure.

This is a constraint, not a change in preference. As essential costs rise, households are being forced to prioritise immediate needs over future goals. While long-term financial security remains important, many feel less able to build towards it while meeting day-to-day costs.

Financial behaviour is shifting as households delay or deprioritise long-term goals. Over time, these trade-offs weaken the foundations of financial resilience.

Cost increases are having a widespread impact across essential spending

% reporting impact on their finances due to increased costs, by category



Groceries
94%



Transport fuel
94%



Utilities
92%



Cooking fuel
89%



Healthcare
89%

#3
Coping today, at the cost of tomorrow

Short term actions are reducing future flexibility

In response to rising costs, households are taking practical steps to manage immediate pressure. More than half (55%) are reducing non-essential spending, while others are focusing on improving financial knowledge or seeking better investment returns.

At the same time, many actions are coming at the expense of long-term financial stability. One in four respondents are drawing down savings, 29% are reducing or skipping essential spending, and 13% have paused retirement contributions. These actions show that financial pressure extends beyond discretionary choices into core financial security.

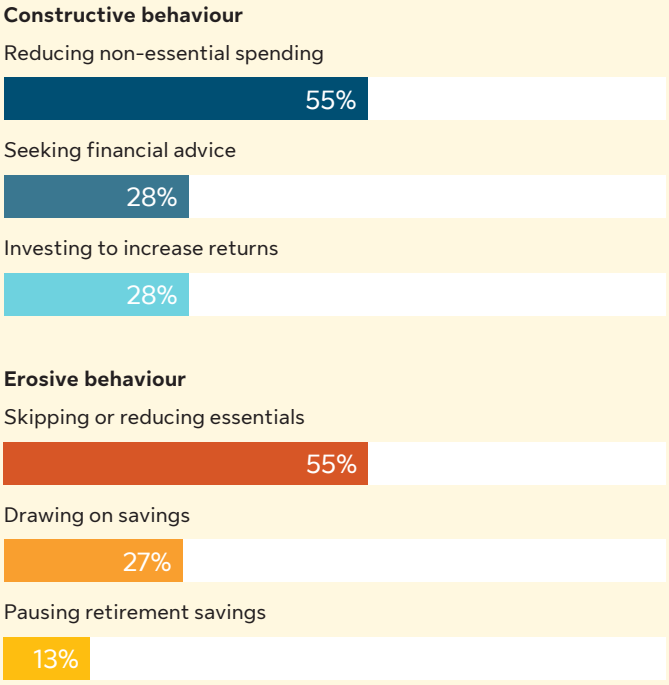
These trade-offs compound over time. Measures that support affordability today reduce flexibility in the future, leaving households with fewer resources to absorb further cost increases or income shocks.

This erosion is already visible in underlying financial buffers. Across Malaysia, 65% of consumers identify savings as the foundation of financial security, yet only 30% of those surveyed have sufficient resources to sustain themselves for more than six months without income, highlighting how limited preparedness remains.

Households are coping with current pressure, but in ways that weaken their ability to withstand what comes next. As cost pressures persist, short-term financial decisions are becoming a key driver of declining resilience across the region.

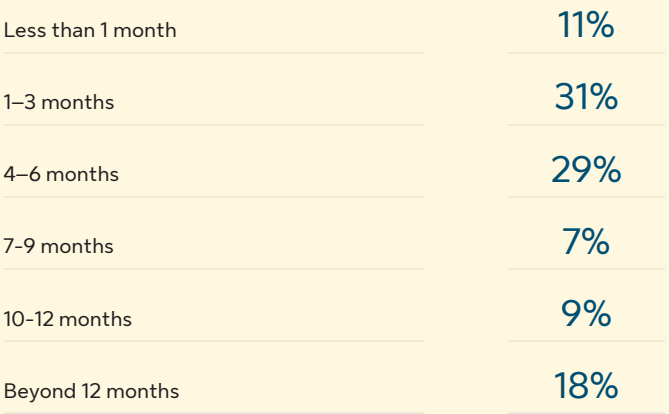
How households are coping

% of respondents reporting the actions taken over the past 12 months to improve household finances



With a sudden loss of income, more than two-thirds would not cope beyond six months

Length of time respondents could self-sustain without external support



A gap remains between financial goals and financial reality

65% say savings are the foundation of financial security, yet 27% are drawing down on savings to manage rising costs

#4

Short-term pressures are squeezing long-term planning

Households are prioritising immediate needs, even as future preparedness weakens

Spending is becoming more short-term by necessity, limiting how far ahead households can plan. More than half of those surveyed (60%) now have no financial plan or only plan up to one year ahead, reflecting how immediate pressures are narrowing financial decision-making. Only 21% of respondents have a long-term plan extending beyond five years.

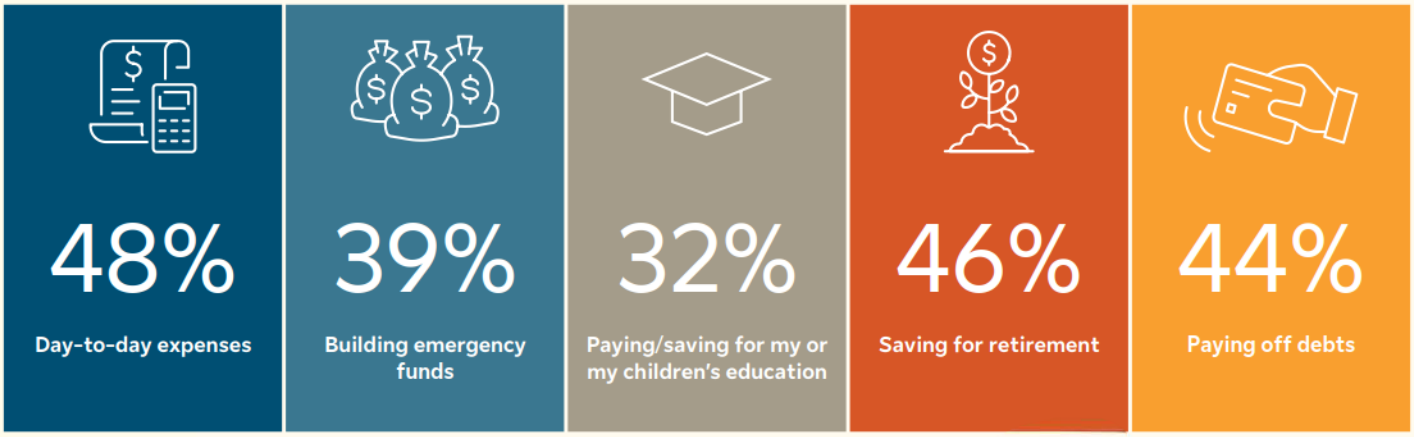
Households still value long-term financial security. Priorities such as retirement and financial security continue to rank highly, but the ability to act on them is becoming more constrained. Managing day-to-day expenses is now the top financial priority for 48% of respondents, reducing the capacity to sustain longer-term behaviours such as saving and investing.

Households are not abandoning long-term goals, but they are increasingly forced to defer them. As cost pressures persist, financial decision-making is becoming shorter-term by necessity rather than choice. Just half of respondents (50%) feel ready to absorb further increases in living costs, highlighting how limited financial headroom remains.

The result is a growing gap between intention and capability. Constrained buffers, limited flexibility, and lower confidence are making it harder for households to act on long-term financial goals.

Short-term issues dominate financial priorities

% of respondents focusing on specific expenses over the next 12 months



#5 Why resilience gaps are widening

Under the same pressure, households are diverging in how they cope

While cost pressures are widespread across Malaysia, their impact is not evenly distributed. Households facing similar conditions are experiencing very different outcomes, with some maintaining confidence and longer-term focus, and others become more constrained and reactive.

Financial capability is a key dividing line. 68% rate their financial literacy as moderate, low or very low, underscoring the scale of the challenge. Households with stronger financial literacy are significantly more likely to feel confident about their financial situation and optimistic about the future, while experiencing lower levels of financial stress. The gap is substantial: those with higher literacy are more likely to feel confident (up 49 percentage points) and optimistic (up 42 points), while less likely to experience frequent stress (down 15 points).

These differences are also reflected in behaviour. Households with stronger financial capability are more likely to plan ahead and maintain longer-term financial habits, while others remain focused on managing immediate costs.

Investment behaviour shows a similar pattern of divergence. Younger respondents are the most conservative investor group, with around 58% of those aged 18–34 describing themselves as conservative, compared with 51% among those aged 55 years and above. Risk appetite peaked among those aged 35–44, where 11% describe themselves as aggressive investors compared with 7% among younger respondents.

Access to financial information has expanded significantly, including growing use of generative AI tools in financial decision making. However, greater access to information has not translated into stronger financial confidence or preparedness, with financial capability remaining a key differentiator in how households respond to pressure.

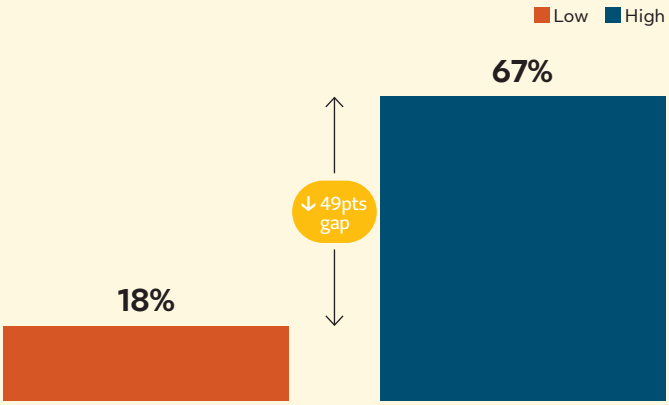
As a result, financial resilience is becoming increasingly uneven. Households with stronger capability and access to guidance are better positioned to maintain stability despite rising costs, while others continue to operate with limited buffers and a shorter-term focus.

The result is a widening gap between households that can continue building financial resilience and others focused on simply getting through today.

Financial literacy shapes how households adapt under pressure

	Respondents' financial literacy	
	Low	High
Are confident in their current household financial situation	22%	49%
Feel optimistic about their financial future	27%	42%
Experience financial stress at least weekly	54%	15%
Have financial plans extending beyond one year	23%	45%

Preparedness for sudden cost-of-living increases is significantly higher among those with high financial literacy



#6
GenAI is becoming a mainstream part of financial decision-making

People are increasingly using GenAI to research, compare and simplify financial decisions

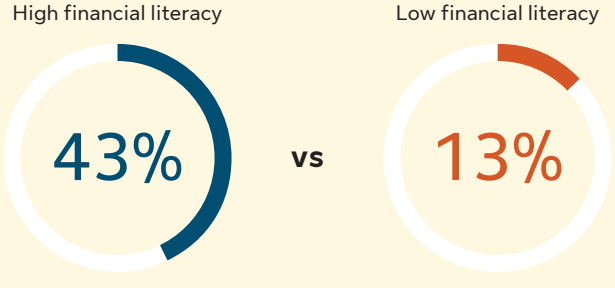
Generative AI is rapidly becoming a standard part of how people research their financial decisions. Last year, just 18% of respondents cited GenAI as a source of financial information. In 2026, 52% of respondents say they use GenAI for financial advice at least sometimes, including 22% who use it every time or most of the time when making financial decisions.

Usage is widespread, but more frequent among people with higher financial capability. Nearly half (45%) of highly resilient respondents reported frequent use, compared with 14% of those with lower resilience.

When it comes to navigating complex financial decisions, respondents continue to rely on human advice. The most valued adviser qualities are helping people understand long-term benefits and risks clearly, providing simple explanations, and delivering personalised recommendations.



Financial literacy shapes adoption of GenAI tools

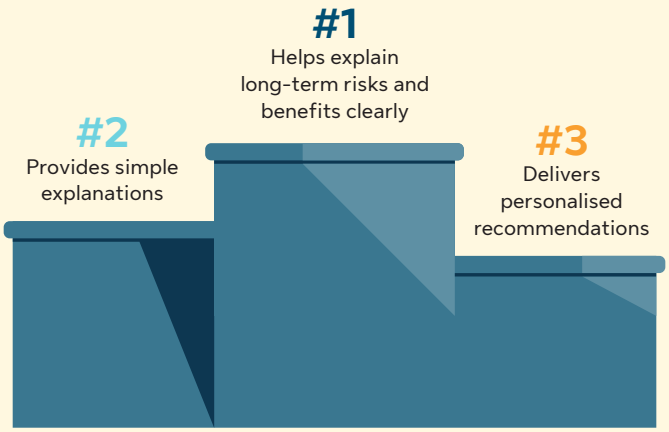


% reporting frequent GenAI usage for financial advice

Adoption is expected to grow further

58% expect their GenAI use to increase over the next 12 months

Most valued characteristics in a human insurance advisor



Practical steps to build financial resilience

Start by identifying where you are today.

The statements below can help you recognise where you may have gaps in your financial resilience. You can identify more than one, as financial resilience is built across several areas. Once you've identified what applies to you, explore our guidance and practical steps to strengthen your overall financial resilience, **and speak with a Sun Life advisor who can help**.

If this sounds like you…	Your resilience gap may be…	Start here
"I don't feel financially secure right now."	Financial security	**1. Build a stronger financial foundation**
"I only plan a few months ahead, or I don't have a plan."	Future planning	**2. Shape your financial future**
"I'm not confident managing my finances."	Financial confidence	**3. Take control of your financial decisions**
"I don't feel knowledgeable about personal finance."	Financial literacy	**4. Grow your financial knowledge**
"An unexpected cost would be difficult for me."	Emergency readiness	**5. Strengthen your financial safety net**



Where are your financial resilience gaps?
Here are five tips to help you take control of your financial future:



1. Build a stronger financial foundation
Savings are the cornerstone of a strong financial foundation; 60% of High Resilience respondents are building their savings fund. Set aside a portion of your salary each month into a rainy day fund to build resilience against unexpected expenses. Keep savings in an account that offers returns above the rate of inflation to help preserve your purchasing power. Savings act as a buffer when circumstances change, giving you peace of mind and flexibility in turbulent times.



2. Shape your financial future
Don't coast along without a plan. The most financially resilient people set clear goals and build long-term roadmaps to reach them. High Resilience respondents are 17 percentage points more likely to work with a financial adviser and are more proactive, with 50% investing consistently for long-term growth and 63% reviewing their retirement savings or pension plan at least every few months. Working with a professional can help you balance your household budget with your long-term goals, ensure you invest in assets aligned to your risk tolerance, and develop plans that adapt as your circumstances change.



3. Take control of your financial decisions
Building financial literacy can help you feel more equipped to navigate uncertainty and understand the choices available to you. Forty-nine percent of High Resilience respondents are actively improving their financial knowledge. Start with the areas most relevant to your life stage, such as saving, borrowing, pensions, investing, inflation, or protection. Trusted financial news, reputable online resources, and conversations with qualified professionals can help you make sense of money matters. The aim is not to know everything, but to build enough understanding to ask better questions and recognise when advice may be needed.



4. Grow your financial knowledge
Confidence grows when knowledge is put into practice. If financial decisions feel overwhelming, create a simple routine: check in regularly, compare options, weigh risks and trade-offs, and identify your next step. Highly literate individuals are 49% more likely to feel confident about their household finances, showing how understanding and action reinforce each other. For more complex decisions, sense-checking with a professional can help you move forward with confidence.



5. Strengthen your financial safety net
Financial setbacks can happen with little warning, whether it's the loss of a job, a sudden medical expense, or costly home repairs. Ensure you have an emergency plan that could cover your financial costs. Having a financial contingency plan in place can ease pressure and make situations more manageable. High resilience individuals are also more likely to put protection into place, with 63% holding life insurance to support longer-term security. Review how insurance can add a layer of protection for you and your loved ones.

Building your overall financial resilience
Financial resilience is built over time through consistent action across multiple areas. The most resilient households combine habits such as building savings, planning ahead, improving financial knowledge and preparing for unexpected events.

Together, these steps strengthen overall stability and flexibility, while building greater confidence in managing your finances over time.

About the Index

Sun Life is committed to helping more people in our communities achieve financial security and live healthier lives.

Sun Life Asia's third annual Financial Resilience Index categorises households into low, moderate, and high resilience groups based on how secure they feel and how they manage their finances. It highlights the behaviours and attitudes that distinguish those who are prepared for shocks from those who are more vulnerable.

The Index looks at five key aspects of everyday financial life:

- **Financial security** – whether households feel secure or insecure in their current situation
- **Planning horizon** – how far ahead they plan, from only a few months to more than five years
- **Emergency preparedness** – their ability to cope with unexpected financial shocks
- **Financial literacy** – how well they understand personal finance concepts and rate their own knowledge
- **Confidence in long term goals** – whether they feel able to meet future financial commitments

Together, these dimensions provide a fuller picture of how households are managing today's pressures, and how prepared they are for what comes next.



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