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The Significance of Financial Literacy for Family Wealth Management: A Critical Study from *Maqasid* Perspective

Kepentingan Ilmu Kewangan dalam Pengurusan Harta Sesebuah Keluarga: Kajian Kritikal Mengikut Perpektif *Maqasid*

Aulia Arifatu Diniyya*, Raudlotul Firdaus Fatah Yasin**, and Mek Wok Mahmud***

Abstract

Financial literacy has a tremendous impact on sustaining family financial management. Lack of financial knowledge may lead to arising financial problems within the family which also may affect the personal relationship and working performance of its members. Managing wealth realizes the *Maqasid Shariah*, *Hifz al-mal* (preservation of wealth) to ensure the sustainable life of every individual and *Hifz al-nafs* (preservation of life). This study addresses the importance of financial literacy in the dynamic environment of household financial management to avoid family problems such as divorce, financial arguments and broken family which would be contradictory to the intent of the Shariah. The literature on financial literacy and family financial management were critically reviewed and used in an attempt to highlight the financial issues within the family. This paper explores financial literacy in family financial management as well as the conflicts that arise from financial problems. Considering the urgency of financial literacy in the dynamic environment of household financial management, it aims to create awareness and propose recommendation on promoting the financial literacy in managing household's finance as part of the preservation of *Maqasid* in Malaysia context.

Keywords: Financial Literacy, Family Wealth Management, *Maqasid Shariah*.

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Abstrak

Celik kewangan mempunyai kesan yang besar dalam pengurusan kewangan keluarga. Kekurangan pengetahuan dalam kewangan ini akan mengundang masalah kewangan dalam keluarga yang mampu mempengaruhi hubungan antara sesama ahli keluarga dan juga mengganggu prestasi kerja seseorang. Disebabkan kadar kemuflian dan keberhutangan yang tinggi, persatuan dan institusi kewangan Malaysia menitikberatkan kepentingan ilmu pengetahuan tentang kewangan dan pendidikannya dalam keluarga. Menguruskan kewangan dengan baik adalah salah satu maqasid Syariah dalam memelihara harta “*hifz al-mal*”- pemeliharaan harta untuk memastikan kehidupan yang lestari di mana ia juga merupakan antara maqasid Syariah yang lain iaitulah “*hifz al-nafs*”-pemeliharaan jiwa. Kajian ini membincangkan kepentingan mempunyai ilmu kewangan dalam persekitaran dinamik pengurusan rumah tangga demi mengelakkan masalah seperti penceraian, pertengkaran dan pergaduhan serta perpecahan keluarga yang bertentangan dengan maqasid Syariah. Kajian-kajian terdahulu berkaitan celik kewangan dan pengurusan kewangan keluarga diamati secara kritis dalam usaha untuk mengenalpasti masalah-masalah kewangan yang berlaku dalam sesebuah keluarga. Dengan menggunakan pendekatan induktif dan deduktif yang merupakan antara kaedah kajian kualitatif, makalah ini mengkaji sejauhmana kewujudan ilmu kewangan dalam sesebuah keluarga serta konflik yang timbul kesan daripada masalah kewangan yang berlaku. Memandangkan keperluan ilmu ini dalam persekitaran dinamik pengurusan rumahtangga, makalah ini cuba untuk memberi kesedaran dan garis panduan tentang kepentingan ilmu ini sebagai salah satu cara melestarikan maqasid di Malaysia.

Kata Kunci: Celik wang, maqasid syariah, keluarga , pengurusan harta, rumahtangga.

Introduction

Financial management is the process of budgeting, spending, saving and investing wisely for the future financial well being. Financial management is considered as part of *hifz al-mal* (preservation of properties) in *Maqasid Shariah* due to its importance within the family for sustainable life of the family. Studies indicate that financial management is found to be a sort of complicated, even though if the family has a stable income. A successful financial management in the family involves the knowledge on how to spend and manage the money or other financial resources using good communication and conflict management skills as well as building the strong foundation of trust with the partner (spouse).

Proper financial management is vital to maintain the healthy financial condition of the family which accomplishes another domain of the *Maqasid Shariah* known as *hifz al-nafs* or preservation of life. The failure of managing the family’s financial resources might result in financial distress and in the worst case, it will cause marital distress which affect the stability of the lives of the family members. In some cases, the bad financial management will lead to getting bound to bank loans, and

often bankruptcy which are often related to self-depression and anxiety of the soul. Managing money is not a difficult concept if the household approaches it well and adhere to the budget and decision consistently as dictated by the *Maqasid Shariah*.

Knowing the fact that financial management will help the family to survive and to achieve their financial goals, financial literacy has been associated with a family's financial decision. Lusardi and Mitchell (2014) define financial literacy as the ability to process financial information and make the decision about financial planning, wealth accumulation, debt, and pensions. Households with lower financial literacy tend to manage the family financial decision poorly. This condition will lead to family conflict and marital distress. Therefore, financial literacy is essential to help to solve the family conflict caused by poor family financial management (p.6).

Financial literacy for the family has a tremendous impact on the sustainable life of the family members. When someone has low financial management skill and knowledge, even the small financial problem could be overwhelming. This problem may also affect the other aspects of living such as their personal relationship or their work performance.

The data regarding financial problem in Malaysia is a matter of grave concern. Over the years, the bankruptcy rate in Malaysia has increased exponentially. In 2007, that number was 13,238; it increased to 21,987 in 2013. To date, 294,000 consumers have been declared bankrupt in 2019. The worrying fact is that 70% of those declared bankrupt are aged between 35 and 45. Surprisingly, a study by the Asian Institute of Finance (AIF) found that 75% of consumers aged between 20 and 33 had at least one long-term debt and 37% had more than one. This age is very crucial because it is the average age of people with families.

In the light of *Maqasid Shariah*, this study aims to discuss the importance of financial literacy in the dynamic environment of household financial management. It is important to highlight the significance of financial literacy on family financial management to avoid cases of domestic violence, divorce and broken homes that can ramify into many other social problems.

This study employed library research method through a step by step process in acquiring and analyzing the existing data from various types of literature reviews regarding the financial literacy, family wealth management and *Maqasid Shariah*.

The paper is divided into seven sections. The first section describes the definition of financial literacy, the second section addresses

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the implication of financial literacy towards family financial management. The third section discusses the importance of financial literacy from the *Maqasid Shariah* perspective followed by the financial literacy in Malaysia. The fifth section discusses the challenges in the financial literacy in family wealth management. The sixth section is on financial literacy in Malaysia and seventh section on challenges of family financial management followed by the conclusion.

Financial Literacy

Islam views financial literacy as a means to protect the wealth or property of the owner. Wealth is a precious gift (*rizq*) and *amanah* that Allah has provided to human beings to enhance the quality of their life and preserve their religion (*hifz al-din*) and souls (*hifz al-nafs*). Al-Qur'an and the tradition of the Prophet have mentioned in many ways the importance, function, and mechanism for wealth management in order to provide better benefits for human life (Mohamad Arif 2015, p.3).

The OECD defines the financial literacy for adults as “a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make a sound financial decision and achieve financial wellbeing” (Atkinson & Messy 2012, p.16). According to the President’s Advisory Council on Financial Literacy (PACFL), financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing. Utilising financial literacy, an entrepreneur could gain personal welfare. To accommodate the financial problem; female entrepreneurs need financial literacy to manage their cash-flow and money wisely to ensure the sustainability of their business and support their families.

Typically, financial literacy is a model for financial education and explains variations in financial outcomes. Financial knowledge and financial education are often used interchangeably in the literature and popular media. Defining and measuring financial literacy is important to understand the educational impact and barriers to financial decision-making. There are five standards to measure financial Literacy (The Institute for Financial Literacy, 2007), namely:

1. Money Management: the utilisation of cash-flow management and analysis of net worth to achieve financial goals.
2. Credit: understanding to obtain credit and implication of using/misusing the credit.
3. Debt Management: understanding to use debt as a building asset’s tool. Know how to measure and solve the debt issue.

4. Risk Management: protecting assets and life quality using risk management strategies.
5. Investing and Retirement Planning: achieving financial goals by applying investment and retirement strategies.

Huston (2010) defines four standards to measure financial literacy:

1. Money basics: understanding personal financial accounting concepts, purchasing power, and the time value of money.
2. Investing: know how to save present resources for future use.
3. Borrowing: know how to bring future resources into the present.
4. Protecting resources: understanding the strategies to secure assets (p.303).

Huston conceptualised financial literacy into understanding personal finance knowledge and use of the financial application. The first dimension is knowledge; an understanding acquired through education and experience towards the financial product. While the other is the application dimension, the ability to apply the knowledge to personal finance decision effectively.

Financial literacy is a component of human capital that might affect the utility of consumption. Other influences such as behavioural/cognitive bias, self-control, family, social, economy and institutional environment might affect a person's financial behaviour and wellbeing, while financial education is defined as an input intended to increase human capital by understanding the financial knowledge and application (Huston 2010). It is the process by which people improve their understanding of financial products, services and concepts, so they might be able to make the right decision for their financial wellbeing. A well-structured financial literacy plan can improve human capital and financial decisions.

Financial Literacy for Family Wealth Management

Based on the levels of necessity of the three types of *maqasid* namely *daruriyyat* (essentials), *tahsiniyyat* (luxuries) and *hajiyyat* (necessities), financial literacy for managing family's wealth may fall under the category of *daruriyyat* as it may lead to the damage of the other *Maqasid* if it is improperly managed. As enlightened by Dusuki & Abdullah (2006) *daruriyyat* are "the self-interests upon which people essentially depend, such as faith, life, intellect, posterity and wealth." *Hajiyyat* "supplement the essentials and refer to those interests that, if ne-

glected, would lead to hardship but not to the total disruption of life's normal order." Meanwhile, *tahsiniyyat* are "the embellishments refer to those interests that, if realized, would lead to refinement and perfection in the customs and conducts of people at all levels of achievement" (p.32).

Managing wealth is not a short-term activity; it is a process with long term strategy for financial future planning. Lahsasna (2017) defined wealth management as a process to meet the financial goal of an individual using his finances and existing wealth through proper management. Wealth management process among others include wealth creation, accumulation, protection, distribution and purification. However, in the Islamic perspective, wealth management differs from the conventional one in terms of prohibition of *riba* (usury), *gharar* (speculation), *maysir* (gambling), and involving in prohibited items and activities. Therefore, the financial management process must adhere with shariah rule, so it will not harm the society and preserve the *Maqasid Shariah*.

Some studies found that family wealth management is not an easy task. The dynamic control and management of money within the family are more complex than managing the money of a single household (Kim et al. 2017, p.253; Bertocchi *et al.* 2014). Money is the key to financial management task for couples and family system, and possibly to become the source of family conflict. According to Rettig (1993) as cited by Kim et al. (2017, p.256), when the family allocate the scarce resources (time, money, energy, etc.) to achieve the essential family goals, then the balancing of needs and resources is necessary.

Wealth is one part of sustenance given by Allah to all mankind. Islam permits people to accumulate wealth as Allah said in Qur'an:

"And We have made the night and day two signs, and We erased the sign of the night and made the sign of the day visible that you may seek bounty from your Lord and may know the number of years and the account [of time]. And everything We have set out in detail." (al-Isra: 12)

"And He it is Who made the night a covering for you, and the sleep a time to rest. And He (also) made the day a time to work." (Al-Furqan: 47)

Financial literacy has been associated with family decision making. Lusardi & Mitchell (2014) defined financial literacy as the ability to process the financial and economic information to make the decision

about financial planning, wealth accumulation, debt and pension (p.6). The concept of financial literacy is often related to financial knowledge including interest rate, inflation, markets, or specific investment product. In attempts to operationalize this complex construction, Huston (2010) proposed the two-dimensional model, they are knowledge and application. She defined financial literacy to encompass both financial knowledge and application, while also emphasizing the hierarchical relationship between education, literacy, behaviours, and financial wellbeing (p.303).

The Institute for Financial Literacy (2017) sets five standards on measuring the financial literacy, namely: money management, credit, debt management, risk management, investing and retirement planning. The understanding of the elements mentioned above will help the family planning their budget, and fund such as emergency fund, education fund, protection fund, and investment fund.

There is no exact formula in allocating the budget of the family in managing its finance. According to the Indonesian Financial Service Authority (OJK), the ideal budget allocation for a family is as follow:

No	Expenses	Allocation
1	Zakat, Infaq, charity	5%
2	Saving & Emergency fund	10%
3	Insurance/ Takaful	5%
4	Credit installment	20%
5	Long term investment	5%
6	Household expenses	40%
7	Children and Education	10%
8	Entertainment	5%

Source: Perencanaan keuangan keluarga (OJK)

In the more general way, Elizabeth Warren (2005) before becoming the U.S politician, she has created the budgeting rule called “The 50/20/30 budgeting rule”. The basic rule of this concept is to divide up after-tax income and allocate it to spend: 50% on needs, 30% on wants, and 20% to savings. 50% on needs is allocating for household’s “must-

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have”. Needs are those bill that a household has to pay and all the things that are necessary to survive. These include mortgage or rent, utilities, health care, basic groceries, transportation, childcare (p.39).

The next rule is 30% on wants. Wants are all the things that are not absolutely essential, such as cable/internet/phone, dining out, entertainment, personal care, shopping, and travelling. Finally, 20% allocation for savings such as; adding money to an emergency fund in bank savings account and investing in the stock market.

However, there is no specific formula for allocating the budget on family financial management. Every household has different monetary and economic condition. The financial literacy plays an essential role in helping the family to manage their wealth. Not arguably that financial matter can be a source of conflict in the family. The differences and similarities in financial management roles, life style, and goals affect the financial decision-making process. Those families who have more positive communication will be more effective when making a financial decision (Olson 2000, p.150).

**The Importance of Family Financial Literacy in Preserving
the *Maqasid Shariah***

Suparti (2016) argued that several reasons encourage the importance of family’s financial management and planning: (1) There is a financial goal to be achieved; (2) high living cost; (3) the increase of costs annually; (4) uncertain economic condition; (5) health concern; (6) and many financial products and alternatives (p.23). Interestingly, studies discovered that children are one of the reasons why financial literacy is vital for every household with kid(s) because children influence family financial decision directly and indirectly. Some studies found the significant influences of children in the purchase decision as they affect household resources, preferences, and background risk, which are critical in asset accumulation, saving, credit constraint, and investing over the lifetime (Love, 2010; Scholz & Seshadri, 2007, Caruana & Vassallo, 2003). Moreover, five year old children can influence family purchase decision, although they do not have a direct impact on the product such as drinks, food, clothes, and mobile phones (Martensen & Grønholdt, 2008, p.19). Hence, it is very critical for the parent to assess the level of the necessities of their requests and demands.

The level of financial literacy varies, depending on education and income levels, but the highly educated household with high incomes can be as just ignorant about financial issues and seems to be hesitant to

learn. Learning financial skill from earlier life will give a tremendous impact on the long-term financial condition. Individuals with better financial literacy and understanding of *Maqasid Shariah* have a better ability to cope with financial difficulties compared to those who lack financial management skill and the level of the necessities in *Maqasid Shariah*. A small financial problem can be overwhelming for those who are financially illiterate and lead to financial stress, which can harm (*darar*) their personal relationship and performance at work. The dissolution of marriage is often a consequence of combination factors between financial problems and arguments about money. Grable et al (2007) found that those who are financially satisfied have no thought about getting divorce (p.143). This finding also supported by Dean *et. al* (2007) which found that wives' materialism is directly related to husbands' marital satisfaction and approaching a significant relationship with their own marital (p.276). In other words, couple's marital satisfaction is affected by materialism. Those who have more financial problems such as bouncing checks, late credit card payment, and overspending income are likely to have a strong forecaster of marital distress.

Spending money unwisely is found to increase the prediction of divorce by 45% (Dean, *et.al* 2007, p.263). Individuals with higher financial satisfaction are less likely to have the lowest marital distress. On the other hand, individuals with lack of financial knowledge tend to be at risk in making bad financial decision which in the long run will trap them in the bad debt and jeopardize their personal relationship. Consumer's debt is the significant threats for married couple's satisfaction because it reduces the spouses' family time together due to additional hours to work and increases financial arguments and perceiving financial unfairness regarding money matter (Dew, 2008, p.63).

According to Calamato (2010) financial stress is associated with poor financial management that can have a negative impact on productivity and job performance (p.16). The high level of financial stress is more likely to miss work on a regular basis, have lower financial satisfaction, and busy handling the financial matters (Kim & Garman, 2004, p.71). The link between financial stress and absence from work is explained by the worker's overall health. Individual with low level of financial wellbeing have a negative impact on his health. As a result, a person with high level of financial stress is more likely to miss the work due to poor health condition (Kim & Garman, 2003, p.8).

The financially literate individuals are less likely to suffer financial distress because their financial knowledge allows them to wisely

control the expenses. A person who is financially well can comfortably make financial choices and meet their financial needs. They will feel secure and enjoy their life as they make the financial decision. Individual's financial wellbeing can be influenced by their financial decision which can be affected by the financial literacy level. Addin *et al.* (2013) noted that individuals with higher financial literacy make better decisions and enjoy higher financial security and wellbeing (p.1279). Kamakia, *et al.* (2017) in their study among employees in the public sector found that the level of financial knowledge has been influencing financial wellbeing and this implies that financial wellbeing could be enhanced by increasing the personal financial knowledge (p.242). Financial literacy has a significant direct impact on financial wellbeing (Farooq *et al.*, 2019). Zulfiqar M. & Bilal M. (2016, p.99) also argued that financial literacy is significantly and positively related to financial wellbeing. The higher the level of financial literacy, the greater will be the financial wellbeing.

The above mentioned studies indicate that financial literacy is important to maintain family's harmony. The absence of financial literacy may lead to the destruction of family wellbeing which will lead to harm (*darar*) instead of acquiring benefits (*maslahah*).

Maqasid Shariah is defined as the objective and the rationale of the Shariah which aims to protecting and preserving the interest (*maslahah*). *Maqasid Shariah* is ranked into three levels according to its inner strength namely *daruriyyat* (the essentials), *tahsiniyyat* (complementary), and *hajiyyat* (embellishments). To achieve the above objectives, three things are important: education of the individual with faith, *taqwa* and instilling knowledge to become trustworthy and righteous. Second, justice for society by eliminating excess and disparities in all aspects, and lastly, consideration of public interest to secure benefits for the people and to protect them against corruption and evil (Shafi'i *et. al* 2016, p.46).

Islamic wealth management is essential in achieving success in the world and hereafter through the proper management of financial resources in accordance with Islamic values and principles. According to Shafi'i *et. al* (2016), the major components of Islamic wealth management are wealth generation, wealth protection, wealth accumulation, wealth purification, and wealth distribution. These components are aimed to protect the human wellbeing and achieving *al-falah* (success) (p.143).

The significance of *Maqasid Shariah* in wealth management originates from the perspective of wealth in Islamic law. Wealth is categorized as the necessary matters (*daruriyyat*). To maintain the harmony of

the family, it is compulsory to have mutual understanding among family members and thus financial management education is essential.

Financial Literacy in Malaysia

The Federation of Malaysian Consumers Associations fully agrees with the Education Minister that the level of financial literacy among the Malaysian people is still low. This is also supported by Bank Negara Malaysia's Financial Capability and Inclusion Demand Side Survey 2018 (FCI Survey 2018) which reveals that the current state of financial literacy of Malaysians has room for improvement (Raj, 2019). According to the FCI survey, some areas need a concern among Malaysians, such as (1) Level of financial knowledge, (2) Saving and budgeting, (3) Readiness for unexpected life events, and (4) Planning for retirement. The survey by Agensi Kaunseling dan Pengurusan Kredit (AKPK) on Financial Behaviour and State of Financial Well-Being of Malaysian Working Adult 2018 and Securities Commission Malaysia's Assessment of Capital Markets 2018 also supported that financial education is essential in improving financial behaviour.

A survey conducted by Financial Education Network (FEN, 2019, p.8) found that 75% of Malaysian understand the meaning of inflation and only 38% can relate the effect of inflation on the purchasing power. 92% of Malaysians have deposit products but less take-up on investment products. 84% of Malaysians claim to save regularly for the immediate term such as withdrawing at month-end to cover daily subsistence expenses. 76% of Malaysians have a budget, but 2 in 5 find it difficult to keep to the budget. 52% of Malaysians have difficulty in raising RM1,000 as emergency funds. Only 24% of Malaysians can sustain living expenses for at least 3 months or more if they lose their primary source of income (only 10% can sustain for more than 6 months). Only 17% of Malaysians have life insurance and takaful cover. Regarding the retirement fund, 41% of Malaysians rely on their EPF savings as their primary source of income for retirement. More than half (68%) of the active EPF members do not achieve the Basic Savings recommended according to the age band. At the least, almost half of Malaysians are not confident of having an adequate stream of income for retirement.

Nowadays, the ability to effectively deal with money and financial matters is becoming more important. The increasing importance of financial literacy has been shifting to the individual. People are dealing with daily financial decision to make the right choices and understand the consequences they are making. Malaysian Financial Blueprint 2011-2020

(BNM, 2010) declared that a comprehensive approach towards consumer protection and education is essential. Therefore, strengthening the financial capability of Malaysian consumers would continue to be an important priority so as to support well-informed, effective and responsible financial decisions.

A study in Malaysia by Kimiyaghalam & Yap (2017) found that 51.54% of their male respondents and 50% of female respondents understand the basic financial knowledge. Nevertheless, when it comes to advance financial knowledge, the ratio drops to 37% and 35% respectively (p.1069). Although the financial literacy gap between male and female is becoming narrow, it must be followed by the right application dimension as suggested by Huston (2011). Financial literacy involves knowledge and implementation; therefore, the financial wellbeing of the household can be achieved by implementing financial knowledge correctly.

Challenges of Family Financial Management

Marital quality and conflict about financial issues in family are significantly related to the determinants of divorce. Disagreement about money were positively correlated with overall relationship dissatisfaction. It was found that the conflict about money increases the marital dissatisfaction by more than 40% (Dean *et al* 2007, p263). Kelley *et al.* (2018) argued that healthy couple communication would help to reduce the negative effects of financial stress on marital quality. Good communication between couples on financial issues seems to help reducing the conflict. But, talking about finances is often difficult and even taboo and talking about financial issues seems to be stressful for some individuals and couple. This will widely open the door for financial conflict within family (p.32).

Mismanaging the family finance may affect the harmony of the family. A small financial problem may be overwhelming for some family with little financial knowledge. Some studies found that the financial distress was the biggest contributor of dissolution of marriage. 90% of marriage dissolution are often a result of financial problems combined with arguments about money. Financial stress is also associated with the poor financial management skill which can also negatively affect the productivity and working performance. Given the fact that bankruptcy rate in the productive age is a reality, some of financial associations and institutions in Malaysia declared the urgency of financial literacy. The financially literate household may feel secure and enjoy their life as they make

financial decision. They also enjoy the higher financial security and wellbeing.

There are six challenges that a household could face in managing their finance. First, Lack of income; not having enough money is the biggest issue families are facing. The low-income families find the difficulties in finding job and collecting the money due to the economic uncertainty. Second, job loss; losing the job can affect the entire family situation. The working spouse may have to take an extra hour or a second job. This will decrease the family time and increase the level of stress. Jobs are not easy to find; it takes quite a long time to find another job. Therefore, a household is advised to have 3-6 months savings put aside.

Third, marital and family issue; a couple may have different beliefs and styles when it comes to managing money, but the problem in meeting the agreement in making a financial decision may lead to marital conflict. Communication is the key when family face such financial issues. However, sometimes it is difficult to start the discussion on financial issues because it is very personal. The disability to make good communication within a family, especially about the financial matter will disturb the harmony of the family.

Fourth, unpredictable event; such as health care and medical costs. Some family may not insist on having health insurance or taking family *takaful* because they think that they are healthy. However, anything bad can happen at any time. Without prior planning, a family may suffer the unpredicted loss such as an accident that causes disability or even losing a family member. Households should prepare the emergency fund to anticipate the unpredictable event. They also may take protection to prevent this kind of loss by taking insurance or *Takaful*.

Fifth, Children; having children may affect the household's resources, preferences, and background risk. The number of children affects the amount of household asset accumulation and dispersion (Love 2010, p.387; Scholz & Shehadri 2007, p.4). To provide the education from primary school up to university undergraduate level, Malaysian parents were spending an average of US\$25,479 (RM107, 920) on their child's education (Vijaindren, 2017). Knowing today's highly competitive global job market, parents have to ensure that they have the best interest for their children. Preparing and planning the education fund for the children is important for their future. Other expenses also may raise from having children such as baby stuff, food, milk, clothes, etc. Therefore, parents should be wisely managing their finances to avoid the financial problem.

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Sixth, debt; swimming in debt is similar to not making enough money for the living. Although having debt is not always bad, managing and understanding debt is crucial. Not taking control over the debt may lead to bankruptcy, financial distress, productivity problem, as well as family problems. People with a lack of financial knowledge, are most likely to make bad financial decisions which in the long run can result in unmanaged debts that jeopardize their relationship and wellbeing. Debt undermines marital satisfaction by decreasing family time together due to the need for extra working hours and increasing the financial argument between spouses (Dew 2008, p.66).

Conclusion

This paper discussed a number of factors challenging the family finance management. Lack of income, job loss, marital and family issues, unpredictable events, children, and debt were the most common issues that challenge the financial status of the family. Understanding budget allocation such as the 50/30/20 budgeting rule suggested by Elizabeth Warren (2005) will help the family to manage their budget properly. Due to the uncertainty of the global economic condition, individual must be aware of the importance of budgeting and saving to plan their future life and to ensure the sustainability of living for their family members. Increasing the awareness of financial literacy will help to reduce the number of abandoned parents due to their failure in preparing for retirement or pension fund.

Financial literacy equipped with *Maqasid Shariah's* guiding principles, preservation of properties (*hifz al-mal*) and life (*hifz al-nafs*) is the combination of awareness, knowledge, skill, attitude, and behavior which are necessary in making a sound financial decision and achieving financial wellbeing (Atkinson & Messy, 2012, p.16). From Islamic perspective, a comprehensive understanding of financial literacy must be followed by the understanding of the principle of Islamic finance that includes prohibition of *riba* (usury), *gharar* (speculation), *maysir* (gambling), as well as the knowledge of the prohibition of involving in *mu-harramat* (unlawful) activities.

To improve this study for the further research, the model of Islamic family financial planning to avoid marital conflict and meet family financial goal can be developed. Some theory such as Family Adjustment and Adaption Response (FAAR) by Patterson (1988) can be employed to observe how family solve financial conflict and achieve the family harmony.

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