

Are Malaysians Prepared to Retire?

Smart Investor (Jul/Aug Issue)

By Eza Ezamie

Find out why most Malaysians are unable to retire early and what other considerations are there for us to achieve a happy retirement

When it comes to the topic of retirement planning, there are a lot of things that come into mind. Savings, investment and retirement funds are just some of the issues that we need to face. How much do we need to save every month? Where do we invest? Is RM1 million enough to retire?

Smart Investor spoke to Ismitz Matthew De Alwis, executive director & chief executive officer, Kenanga Investors Berhad to get more insight on this issue.

“There is no one-size-fits-all option for retirement planning, as there exists a wide variety of investment products in the market that cater to various risk tolerance and investment goals.”

Smart Investor: It is reported that 75% of Malaysians don't even have savings of RM1,000. Why do you think most of us are not able to save?

Ismitz Matthew De Alwis: With rising inflation and poor personal financial habits, most Malaysians would not be able to survive for more than three months if they were to unexpectedly lose their main source of income. Although the Employees Provident Fund (EPF) and Private Retirement Schemes (PRS) withdrawal policies were relaxed to assist those significantly impacted by recent events, this has led to many depleting their retirement savings faster than planned.

I believe that it all eventually boils down to their personal finance fundamentals. Many forget that the process of building up sufficient retirement funds is not brief, but a lifelong journey.

SI: Everyone seems to be talking about that magic RM1 million. Is it achievable and will it be enough to retire comfortably?

IMDA: Everyone begins their journey from a different starting line and the decisions we make along the way will affect our destination in the end. RM1 million may seem like a big amount for some, but a drop in the pool for others.

Investors should focus on saving for a sufficient amount that is achievable and enough to retire (according to their desired lifestyle) without worry. The major factor is to plan early for their retirement.

SI: 6.1 million EPF members have less than RM10,000 in their savings; it doesn't look too good. What can these people do to ensure they can retire well and not continue working until old age?



"Proper research and planning is required before diving into any form of investment as there exists many products and options which all serve the same purpose: providing additional income."

IMDA: Make it a habit to review and evaluate your financial portfolio periodically and make the necessary changes when needed. This can reduce the chances of panicking and making rash decisions when difficult situations present themselves. I tend to link retirement planning towards building a well-rounded ship.

By actively evaluating their portfolios, they can ensure that their ship is well-fueled and constructed with high-quality materials, to protect their growing cargo from rough waters and strong winds.

SI: The younger generation these days seem to like working as a freelancer, running their business or becoming an e-hailing driver but with no EPF. How can they start planning for their retirement?

IMDA: Proper research and planning is required before diving into any form of investment as there exists many products and options which all serve the same purpose: providing additional income. They can then set aside this additional income and park it under voluntary long-term saving schemes.

For example, here in Kenanga Investors, we offer OnePRS by Kenanga as a voluntary retirement scheme to assist investors to supplement their current savings for their golden years. With an increasing life expectancy and the rising costs of living, many are finding that their retirement funds are not enough to solve any potential financial difficulties during their retirement.

SI: What are some of the investment vehicles that you would suggest for retirement planning?

IMDA: There are usually two main factors when it comes to discussing preference: an investor's investment horizon and risk tolerance. When planning for retirement, investors can opt for short-, mid- or long-term investment periods, while their risk tolerance depends on the person itself. Investors who are willing to take on higher amounts of risk to achieve higher returns or growth are categorized as growth or aggressive investors.

Moderate risk investors are those that are in-between and are willing to take some percentage of losses to achieve a steady growth rate. Also, low-risk or conservative investors are those that do not participate in high-risk investments; they often seek a steady stream of income with very low-risk.

There is no one-size-fits-all option for retirement planning, as there exists a wide variety of investment products in the market that cater to various risk tolerance and investment goals. Some examples of these are unit trusts, real estate, bonds, deposits, stock trading and exchange-traded funds. In short, be sure to first determine your risk tolerance and retirement goal before committing to any investment vehicles.

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Kenanga Investors Berhad
Company No: 199501024358
Level 14, Kenanga Tower,
237, Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia
Toll Free: 1-800-88-3737

