



NATIONWIDE SURVEY *Report*



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Federation of Investment Managers Malaysia (FIMM)

Nationwide Survey Report

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CHAIRMAN'S *Statement*

Ladies and Gentlemen,

The last survey by the Federation of Investment Managers Malaysia (FIMM) was conducted in 2008, a time when the Unit Trust industry was relatively new and full of potential. The industry's Compound Annual Growth Rate (CAGR) gradually depreciating from a 26-year of high CAGR rate of 11.58% to a lower 10-year CAGR rate of 9.74% and 5-year CAGR rate of 7.15% denotes that the industry has become relatively more matured amidst fast evolving markets.

27 years on from those early days of our Unit Trusts, we now have an experienced generation of sophisticated and discerning investors. Through ease of access of markets and information, investor demands have been aligned to global trends of risk diversification and fund performance. Themes of the past have now become a normal part of today's markets such as International Investments, Shariah Compliant Funds, Socially Responsible Investments, Ethical Investments, etc. The size and sophistication of Malaysia's Funds industry has its ambitions set on being a first world market with first world standards.

Today, we have the added challenge of COVID-19, where entire industries may have to re-invent their activities, including funds management. This new normal and its long-term impact of how we work, travel, socialise will affect businesses for many years. It is perhaps the biggest challenge we have in this generation.

There are a few key focus areas for the Nationwide Survey, namely:

- I. What is the average person's financial standing, as well as savings and investment behaviour?
- II. What do people think of Unit Trust Scheme (UTS) and Private Retirement Scheme (PRS) as a savings or investment tool?
- III. How will Technology influence saving and investing behaviour?
- IV. What are our hopes and fears for our financial future? Is our savings and investment culture sustainable for retirement?

This Survey was done through a wide demographic cross-section of the investing population with the hope of understanding and later to, act upon investors' demands. Funds Management remains a key pillar in Malaysia as a means of non-statutory savings. However, as you will see from the 2019 Nationwide Survey, investors demand we step-up our game!

This Survey is a telling reminder of what common sentiments and perceptions are. I would strongly recommend professionals in the Funds industry to read and understand the findings of this Survey.

This then will bring FIMM and our industry to the next phase where, if we have found the problem then we need to fix it. From the gaps and shortcomings that the Survey has identified, we will need serious industry-wide efforts to find solutions to the issues. FIMM, as the UTS and PRS industry's Self-Regulatory Organisation, will lead by acting as a facilitator to coordinate industry initiatives.

These initiatives to upgrade consultant skill sets or create better product awareness or using technology to help in marketing/sales, must be ideas and programmes developed by industry for industry with investors in mind. As always, to remain relevant to our investors we must provide sound financial advice with efficient service delivery.

I will end by saying that this latest Survey becomes an important tool for us to understand the demands and perceptions of industry and investors. We must acknowledge, accept, and act on the findings. Further, we should continue to conduct surveys at regular intervals so that we keep a pulse on the evolving needs of investors and industry.



I congratulate the FIMM management for their good efforts in commissioning the 2019 Nationwide Survey and leave the findings of this Survey for our collective consideration.

Mohd Ridzal Mohd Sheriff
Chairman

CEO'S *Statement*

This Nationwide Survey Report is one of the key things that I have wanted to do at the Federation of Investment Managers Malaysia (FIMM), as it resonates with my past stints in the Investment Management industry.

Having spent significant time tracking industry growth patterns as well as managing investor feedback on their investment in unit trust experience, I have had the opportunity to hear from both sides of the equation. Reflecting on those data and feedback received, there were valid points, but unfortunately there were also those that could have been further substantiated, thus making it difficult to conclude on the actual investment experience. Hence, conducting a survey would be a fairer approach in obtaining a barometer that is statistically reflective of present market conditions and sentiments.

The Nationwide Survey takes place a decade after a survey was commissioned by FIMM in 2008. Since the last decade, changes are aplenty – ranging from economics to socio-demographics, which have created variety in investment products as well as investment needs. The game changer comes in the form of technological advancement, which has transformed the investment process and experience.

To help us adapt or embrace these developments, there is a crucial need to arrive at a common ground on investors' readiness. Here is where the Nationwide

Survey aims to assist in identifying investors' state of play and the means required to facilitate their journey towards becoming financially literate in line with today's environment.

Like all surveys, they merely represent a snapshot on preferences based on a certain time frame and sampled audience. Hence, there is an ongoing need for us to revisit and obtain updated "taste buds". This is just the ending of the beginning.

My heartfelt thanks to the survey respondents, the Securities Commission Malaysia, FIMM Members and Distributors for their input. Special thanks and appreciation to my team for the diligence, patience, perseverance and creativity in delivering this milestone achievement.

Kaleon Leong bin Rahan
Chief Executive Officer (CEO)

EXECUTIVE

Summary

Introduction: Identifying the Pulse of the Nation

The Unit Trust industry, the barometer of Malaysia's Collective Investment Scheme industry, has been on a continuous growth pattern since the '90s. However, upon dissecting the growth pattern into shorter time frames, it is observed that the industry's Compound Annual Growth Rate (CAGR) has been on a diminishing trend. Being a key component in Malaysia's Capital Market, it is crucial to analyse and understand the reason(s) behind the diminution, to ensure that the necessary future proofing efforts are undertaken to restore the stature of the Unit Trust industry (including the Private Retirement Scheme industry). This is the primary purpose of the Nationwide Survey, which aims to identify the present "investment pulse" of Malaysians.

Since the last survey conducted by the Federation of Investment Managers Malaysia (FIMM) in 2008, both investment and investors' landscapes have changed significantly. Ranging from product variety to investors' expectations, both wants and needs have evolved over the years. Then, investors were only focusing on stable returns. Today, their expectations and concentration have expanded to include preferences such as socially responsible investments as well as digital investment experience, in tandem with socio-demographic changes.

Compounding matters, rising cost of living coupled with increasing household debt have made both the act of saving and investing more difficult for

Malaysians. This issue becomes even more pertinent when we touch on the subject of retirement, where life expectancy has increased, but financial preparedness to live out a long and comfortable retirement remains wanting.

In light of the aforementioned developments, the Nationwide Survey centres on the following four (4) objectives:

- I. Understanding financial status, savings and investment behaviour;
- II. Exploring perceptions on Unit Trust Scheme (UTS) and Private Retirement Scheme (PRS);
- III. Understanding the role of technology in saving and investing; and
- IV. Exploring thoughts and expectations about financial future.

Findings from the Nationwide Survey will be utilised to:

- I. Develop the UTS and PRS-spheres within the capital market as well as the financial planning profession in Malaysia, in particular, investment and retirement planning; and
- II. Serve as a basis for more in-depth studies on investors, Consultants and FIMM Members and Distributors.

Objective 1: Understanding Financial Status, Savings and Investment Behaviour

In comparison with the 2008 Survey, the present scenarios are as follows:

- I. The primary goal for savings and investments of most individuals have changed from saving for their children and dependents to just meeting present day basic needs. Higher cost of living has eroded most people's ability to save, vis-à-vis the capacity to invest.
- II. Investment variety comes in the form of increased product proliferation, both in number of funds as well as different choices of investment strategies. While having more choices is good, ensuring that the relevant industry education (encompassing investors and parties who market and distribute UTS and PRS) efforts are delivered remains an ongoing challenge.
- III. Despite the increase in cost of living, majority of the respondents are risk averse, as reflected by their inclination towards capital preservation and low risk investments.
- IV. *Investors* still prefer to invest based on advice, primarily solicited from the likes of investment experts, family members, Consultants or friends.
- V. Public awareness about UTS and PRS has improved, due to better access to information.
- VI. Cash is king, as it constitutes more than half of *Investors'* source of investment funds.

Objective 2: Exploring Perceptions on UTS and PRS

The perception of UTS and PRS is often associated with discussions concerning returns, risks as well as fees and charges. To obtain a better understanding on the concerns raised, the Nationwide Survey explores the psyche of existing UTS and PRS *Investors* to understand their personal investment experience.

- I. *Investors'* main objective(s) when making an investment

Long term savings, emergency funds and tax relief dominated the responses provided. Complementing these reasons are driving factors such as the flexibility to start investing with a small amount, and capacity to diversify and reduce investment risks, which led to the beginning of most *Investors'* UTS or PRS journey.

- II. *Investors'* level of satisfaction

In terms of UTS, a strong 76% of UTS *Investors* are satisfied with their investments, citing reasons such as management and stability of Unit Trust Management Companies (UTMCs)/Distributors and services rendered by Consultants/UTMCs/Distributors. Notwithstanding, the 24% who are dissatisfied are mainly unhappy with the fees and charges imposed and advice given by Consultants/UTMCs/Distributors.

As for PRS, 71% of *Investors* are satisfied with their investments, with varying reasons ranging from management and stability of PRS Providers/

Distributors to services rendered. Amongst the 29% who are dissatisfied with their investments, the top reason cited is the 8% withdrawal penalty, which was subsequently addressed by the Federal Budget 2020.

Assessment of *Investors'* satisfaction level was also extended to the services rendered by both UTS and PRS Consultants, where more than 80% of respondents expressed their satisfaction, citing reasons such as helping to establish their investment needs/goals and good explanations on fund features. On the flip side, those who are unhappy with their Consultants attributed their dissatisfaction to the usage of pre-signed forms, mis-selling practices, poor advice given and charges/commissions incurred.

III. *Investors'* investment holding period and intention to make additional investment portfolios

The Nationwide Survey noted that 59% of UTS *Investors* have held their current investments for at least four (4) years. This is attributed to their satisfaction with investments made, continuous servicing by advisers, investment frequency (invest regularly), source of investment funds (invest using both cash and via Employees Provident Fund (EPF) savings) and level of awareness on UTS.

Despite the PRS industry commencing in 2012, almost half of its *Investors* have invested for at least four (4) years. The investment holding period is attributed to investment frequency (invest regularly), influence of investment objectives (tax relief of RM3,000 and return/performance), and level of awareness on PRS.

That said, whilst the strong *Investors'* satisfaction levels mentioned earlier, it does not automatically translate into future or additional investments.

IV. Challenges and barriers faced by *Investors* and *Non-investors* to invest in UTS and PRS

Expectations on returns, fees and sales charges, risk aversion and limited knowledge are among the main reasons cited by the respondents as to why they are reluctant to invest (further) into UTS or PRS.

Objective 3: Understanding the Role of Technology in Saving and Investing

Technological advances in the last decade have opened up more investment opportunities and a larger target audience. The Nationwide Survey focused on the impact of Financial Technology (FinTech) on both *Investors* and *Non-investors*, with the intention of understanding how FinTech has been or can be used to benefit investors and UTS/PRS industries.

Based on the feedback, *Investors* today are more "tech-savvy", as evident by the higher level of awareness and access to FinTech. Simultaneously, the overall Information Technology (IT) infrastructure in the country has made it possible for the introduction of more digitalised financial and investment services. It is noted that there is an increase in the utilisation of FinTech to monitor and execute UTS/PRS transactions.

Objective 4: Exploring Thoughts and Expectations about Financial Future

As revealed in *Objective 1*, fulfilling present day basic needs is presently the main priority for most people. The past post-retirement approach of relying on EPF savings and/or dependents may no longer be adequate as cost of living and average life span increase.

Hence, majority have expressed doubts in their ability to meet retirement goals, as reflected by their financial preparations and confidence level on their retirement. Consequently, the notion of working post-retirement is highly likely.

Key Recommendations

From the gaps and areas for improvement identified, the Nationwide Survey proposes the following recommendations:

I. Investors

Undertake investor education and awareness programmes, advertising and promotional (A&P) campaigns, as well as submit Federal Budget proposals.

II. Consultants

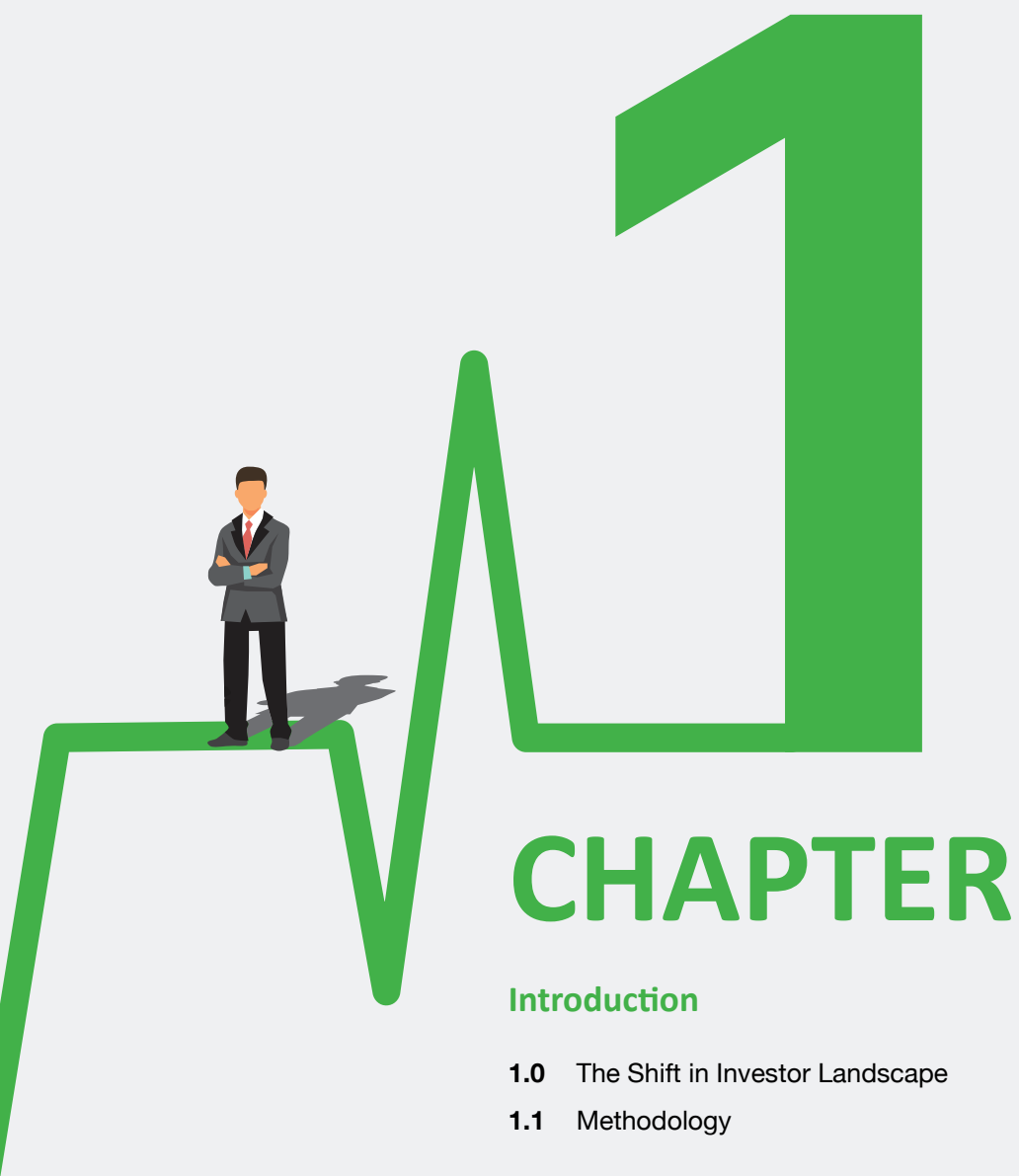
Embark on a Nationwide Survey on UTS and PRS Consultants, capacity building (upgrade and upskill) of Consultants via e-learning (i.e. goal-based advice and personal financial/retirement planning), and develop the FIMM financial calculator.

III. FIMM Members and Distributors

Conduct in-depth research on UTS/PRS fees and sales charges, identify potential investors (leveraging on survey datasets), enhance product development and services, and perform comprehensive research on UTS/PRS investment risk and performance.







CHAPTER

Introduction

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INTRODUCTION

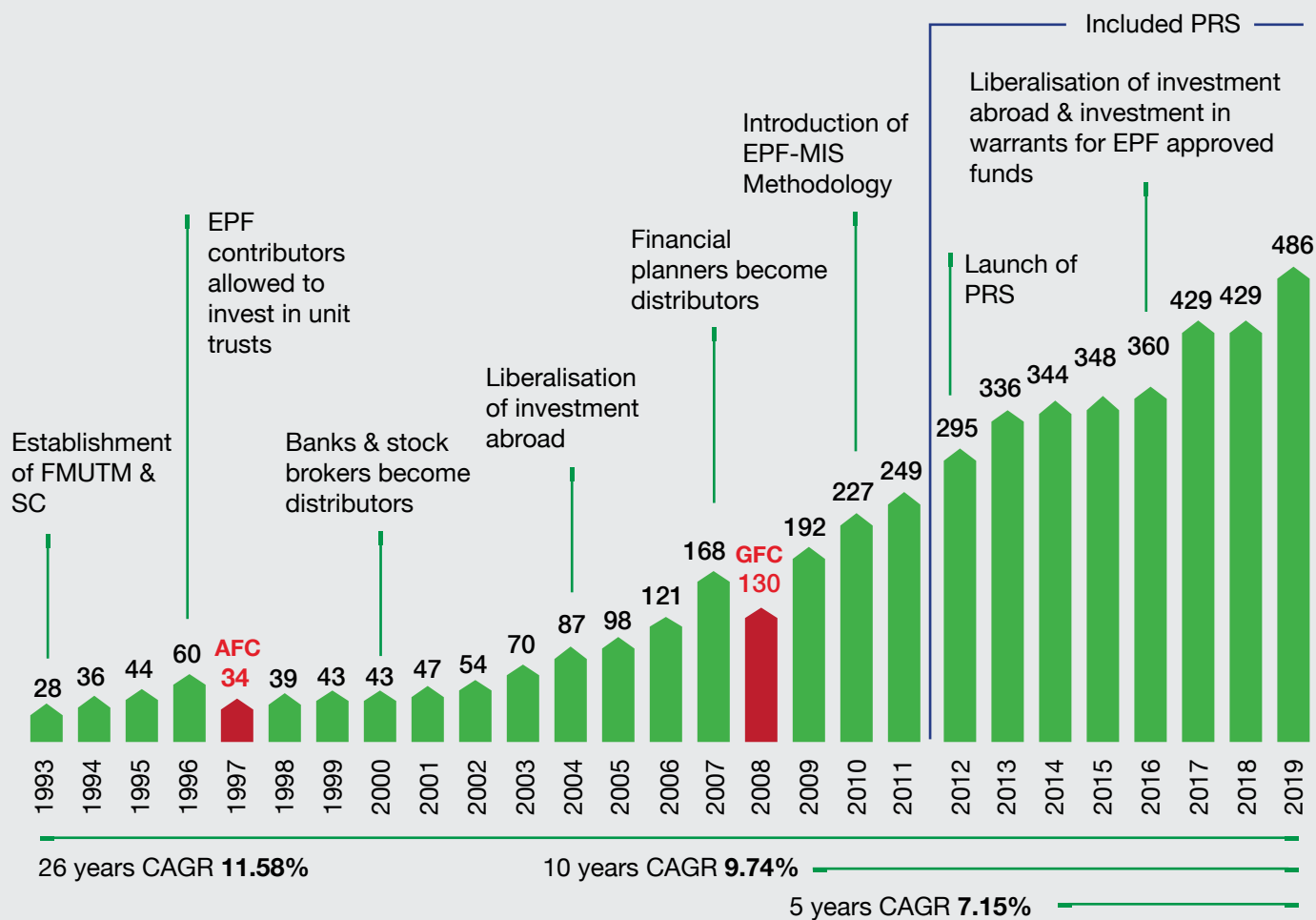
Over the last two decades, the Malaysian Unit Trust industry has undergone significant transformations in terms of regulatory liberalisation, opening of investment sources, expansion of distribution channels as well as increasing the range of product offerings. This in turn has led to an impressive growth of the industry marked by an overall positive CAGR (Figure 1), making it a key contributor to the Malaysian Capital Market.

In the past 27 years, UTS has emerged from relative obscurity to becoming a popular household product for Malaysians who are seeking for an effective investment vehicle. Approximately 20.04 million Malaysians owned UTS in 2019 a significant increase from 5.28 million in 1993¹. The primary contributing factor is due to the inherent features of UTS that generally suit the investing public. Such features include diversification (which reduces risk), affordability (investors can invest in UTS with as little as RM100) and liquidity (UTS can be redeemed on business days, with proceeds channelled back to the investor within a short period of time).

The success of the Unit Trust industry also hinges on the fact that while it is susceptible to market downturns, it also has a better chance of recuperating and eventually rebounding. This is due to its diverse investments in the capital market and financial market-spheres. A study in 2019 done by a group of researchers from Taylor's University, found that both Malaysia's Islamic and Conventional UTS outperformed the broader market benchmark during the time of crisis (2007 - 2009)².

Notwithstanding, all these indicators are vulnerable to diminishing growth rates with the most glaring being the industry's CAGR gradually depreciating from a 26-year of high CAGR rate of 11.58% to a lower 10-year CAGR rate of 9.74% and 5-year CAGR rate of 7.15% denoting that the industry has become relatively more matured amidst fast evolving markets, especially with the availability of many more investment options and alternatives. Therefore, as the Self-Regulatory Organisation (SRO) for Malaysia's investment industry, FIMM conducted the Nationwide Survey in 2019 to study the perception of Malaysian investors pertaining to investments especially in UTS and PRS available in the country.

Figure 1:
Industry Net Asset Value (NAV), 1993 – 2019 (RM billion)



Source: Securities Commission Malaysia (SC)

Note: Federation of Malaysian Unit Trust Managers (FMUTM) changed its name to Federation of Investment Managers Malaysia (FIMM) in 2009.

1.0 THE SHIFT IN INVESTOR LANDSCAPE

With current lifestyle changes, emergence of new tech-centric industries, increasing product proliferation and presence of FinTech services occurring on a global scale, investors' preferences are constantly evolving. No longer are investors only demanding for stable returns, they are also moving towards socially responsible investments as well as digital/seamless investment experience when they interact with their fund managers and executing transactions.

On a national level, the rising cost of living coupled with increasing household debt have made both the act of saving and investing even more difficult for Malaysians. This issue becomes even more pertinent when we touch on the subject of retirement, where life expectancy has increased in the country, but financial preparedness to live out a long and comfortable retirement appear to be lacking.

In short, the ability to and priority of investing today is impacted by various factors – making it more crucial for product manufacturers and distributors to deliver products and services that cater for investors' present needs and expectations. In doing so, a comprehensive review and understanding of present socio-demographic trends is required to understand these factors.

1.0.1 Identifying the Pulse of the Investing Public

In light of the aforementioned developments, FIMM recognises the need to conduct the Nationwide Survey to identify and analyse the pulse of the investing public. Building on the previous work done in the 2008 Survey (*refer to Box 1*), the Nationwide Survey offers a wider reach in terms of population coverage and extends beyond the UTS industry to also cover the PRS industry.











The Nationwide Survey is designed with the following four (4) objectives in mind:

- I. Understanding financial status, savings and investment behaviour;
- II. Exploring perceptions on UTS and PRS;
- III. Understanding the role of technology in saving and investing; and
- IV. Exploring thoughts and expectations about financial future.

Box 1

Report on *Public Perception and Understanding of Unit Trusts* (2008) – A survey by FIMM (then FMUTM) in cooperation with Nielsen Malaysia.

The broad objective of the survey was to ascertain public perception and their understanding on unit trust investments, specifically on:

- | | |
|---|---|
|  – Awareness of Unit Trusts, in general; |  – Barriers towards Unit Trusts; |
|  – Adoption of Unit Trusts as an investment; |  – Sources of information; |
|  – Level of awareness/application of Unit Trusts, in general; |  – Types of investor profiling; |
|  – Impressions and perceptions of Unit Trusts, in general; |  – Awareness of FIMM’s advertising/promotional campaigns; and |
|  – Driving factors in selecting methods/types of investments i.e. Unit Trusts; |  – Measuring effectiveness of advertising/promotional campaigns. |

Responses were collected from 1,000 working adults between 25 – 55 years old, residing in urban peninsular Malaysia. In addition, six (6) Focus Group Discussions (FGD) were held for selected respondents between 29 – 45 years old residing in Kuala Lumpur and Petaling Jaya.

Key findings from the 2008 Survey, among others, included:



Investment Goals - The primary goal was to achieve financial stability.

- Indicators of financial stability were having available cash on hand for present needs and adequate savings for the future.
- More income allocated for investments upon settling financial obligations.



Landscape – Owning a Savings Account and Life/Endowment insurance formed the bulk of the respondents’ savings and investment plan.



Attitude towards Investments - Unit Trust investors and non-investors had similar attitudes towards investments.

- Returns, risks and information were the primary driving factors.



Outlook for Unit Trusts – Understanding and clarity about Unit Trust benefits was lacking, even among experienced Unit Trust investors.



Push and Pull Factors

- Barriers to investing (further) were knowledge (options, products, processes), credibility/expertise (track record and fund manager capabilities), transparency or matter of education (management fees, encroachment into the returns received) and reporting (information timeliness)
- Drivers to investing (further) were lower risk, smaller investment amounts required, reliance on experts, convenience and time factor.

As highlighted in the objectives, terms such as “perceptions”, “thoughts” and “expectations” are aimed at obtaining qualitative feedback, which is paramount in understanding *Investors’* satisfaction levels with their UTS/PRS, as well as *Non-investors’* reluctance to venture into the UTS/PRS sphere.

The Nationwide Survey also highlights key priority areas that would be useful for the development of the UTS and PRS arenas within the capital market as well as the financial planning profession in Malaysia, particularly, investment and retirement planning. The Survey also serves as a basis for more in-depth studies on investors, Consultants and FIMM Members and Distributors in the next phase.

Will past catalysts continue to be the answer towards re-igniting the industry’s growth moving forward? Or are new drivers or methods required to position the industry on a new sustainable growth pattern?

These are some of the questions that the Nationwide Survey aims to address, either through the outcome of this Survey or future spin-off projects based on the findings in this report.

1.1 METHODOLOGY

Unlike the 2008 Survey which was confined to the Klang Valley and a base of 1,000 respondents, the Nationwide Survey has a wider coverage, i.e. number of respondents, geography and demography.



Investor

Malaysians who invest in UTS and/or PRS and may have other investments as well



Non-investor

Malaysians who do not invest in UTS and PRS but may have other investments

Disclaimer:

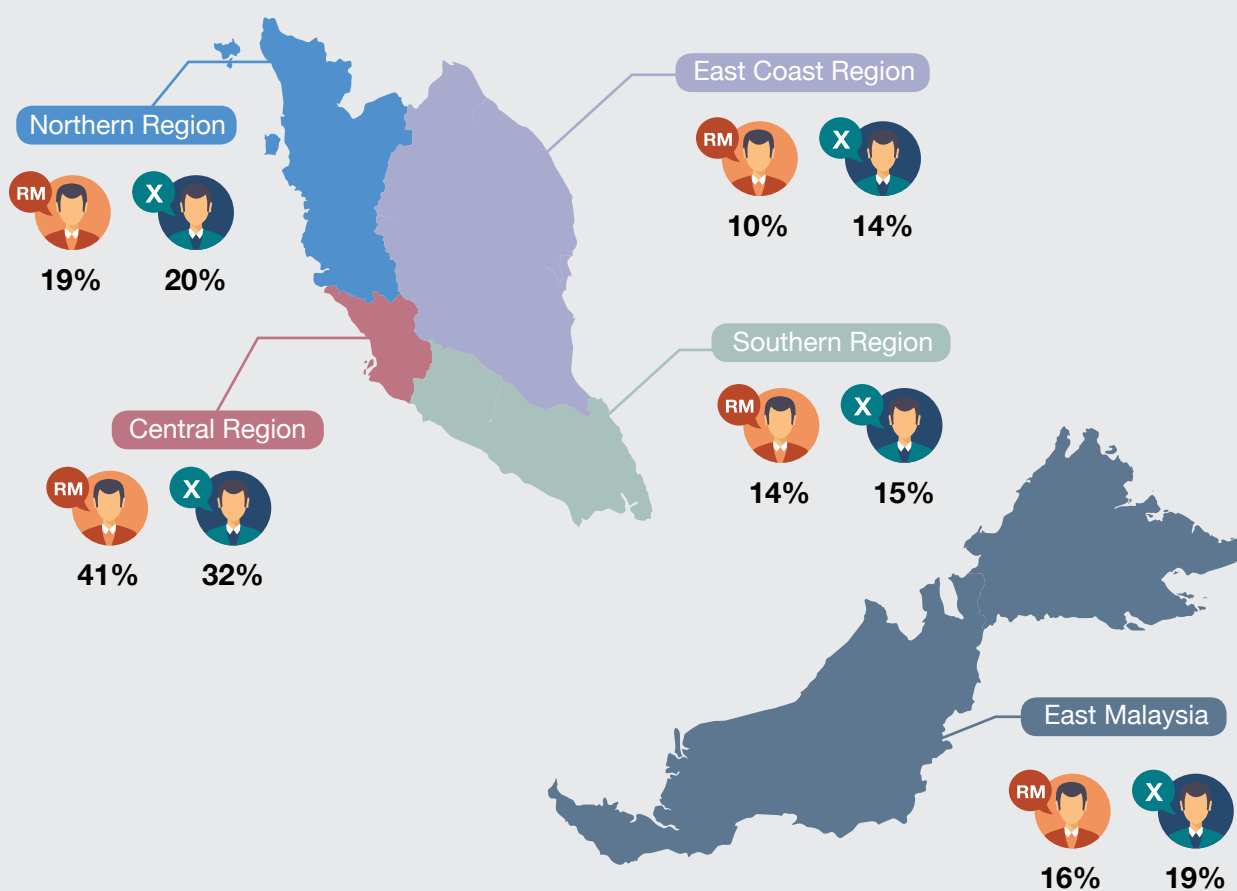
- I. Sum of percentages of less/more than 100% are due to rounding**
- II. For multiple-choice questions, respondents may choose more than one answer. Hence, sum of percentages will exceed 100%**
- III. Tests of significance are conducted at 95% confidence level (0.05 significance level)**

The Survey was conducted throughout Malaysia, covering 13 states and two (2) federal territories (Kuala Lumpur and Putrajaya) (Figure 2). The respondents were divided into two (2) groups - *Investors* (i.e. existing UTS and/or PRS *Investors*) and *Non-investors* (i.e. non-UTS and PRS *Investors*). Quota sampling³ was used to sample respondents for face-to-face interview; whilst convenience sampling⁴ was applied via online survey.

For the face-to-face method, respondents' characteristics such as geographical location (state), age, and ethnicity were sampled proportionately, in line with Malaysia's population. In contrast, online responses were received randomly regardless of the respondents' socio-demographic characteristics. As far as socio-demographic characteristics are concerned, this report focuses mainly on relative comparison rather than direct comparison among the segments.

Figure 2:
Investors' and Non-investors' Geographical Location

Total Sample **3,317** Malaysians



1.1.1 Survey Sample

The sample size for the Nationwide Survey was determined according to the following basis:

- I. Sampling size calculation table by Krejcie and Morgan (1970). Krejcie and Morgan recommended that for a population which equals to or greater than 1 million, the required minimum sample size is 1,537 with confidence interval of 95% and margin error of 2.5%; and
- II. Formula provided by Dilman (2007) for estimating the desired sample size (refer to Appendix for detailed calculation).

Notwithstanding this, the Nationwide Survey has successfully reached more than double the required sample size, gathering feedback from 3,317 respondents. The breakdown of the sample is shown in Figure 3. We believe the larger sample size adds credibility to the survey outcome.

1.1.2 Survey Instrument

As this Nationwide Survey involved two (2) groups (*Investors* and *Non-investors*), two (2) sets of questionnaires were developed as a survey instrument and distributed to the respondents of the respective groups. The questionnaires comprised five (5) common sections and three (3) specific sections as shown in Figure 4.

Figure 3: Survey Methods







		 <i>Investor</i>	 <i>Non-investor</i>	Total
	Face-to-face	1,100	1,000	2,100
	Online	1,152	65	1,217
Total		2,252	1,065	3,317

Figure 4: Questionnaire Sections

Section		 <i>Investor</i>	 <i>Non-investor</i>
Common	Demographic and Socio-economic Background	✓	✓
	Investment Behaviour	✓	✓
	Knowledge about UTS and PRS	✓	✓
	FinTech	✓	✓
	Retirement	✓	✓
Specific	Driving Factors to Invest in UTS and/or PRS	✓	✗
	Barriers to Invest in UTS and/or PRS	✗	✓
	Investment Preference and Investment Experience in UTS and/or PRS	✓	✗

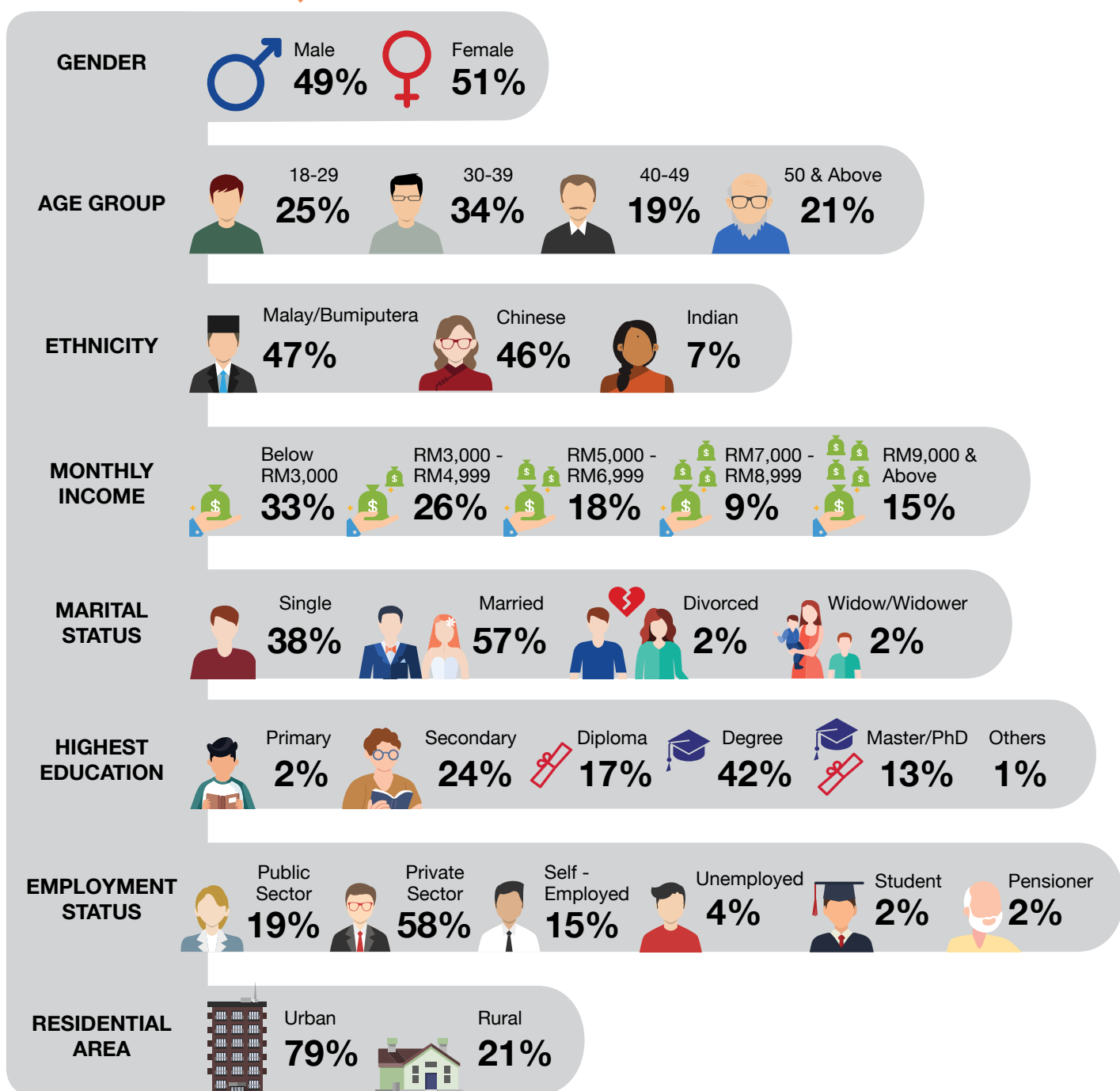
1.1.3 Socio-demographic Distribution of the Respondents

The profile of respondents by socio-demographics are as follows:



ABOUT THE INVESTORS

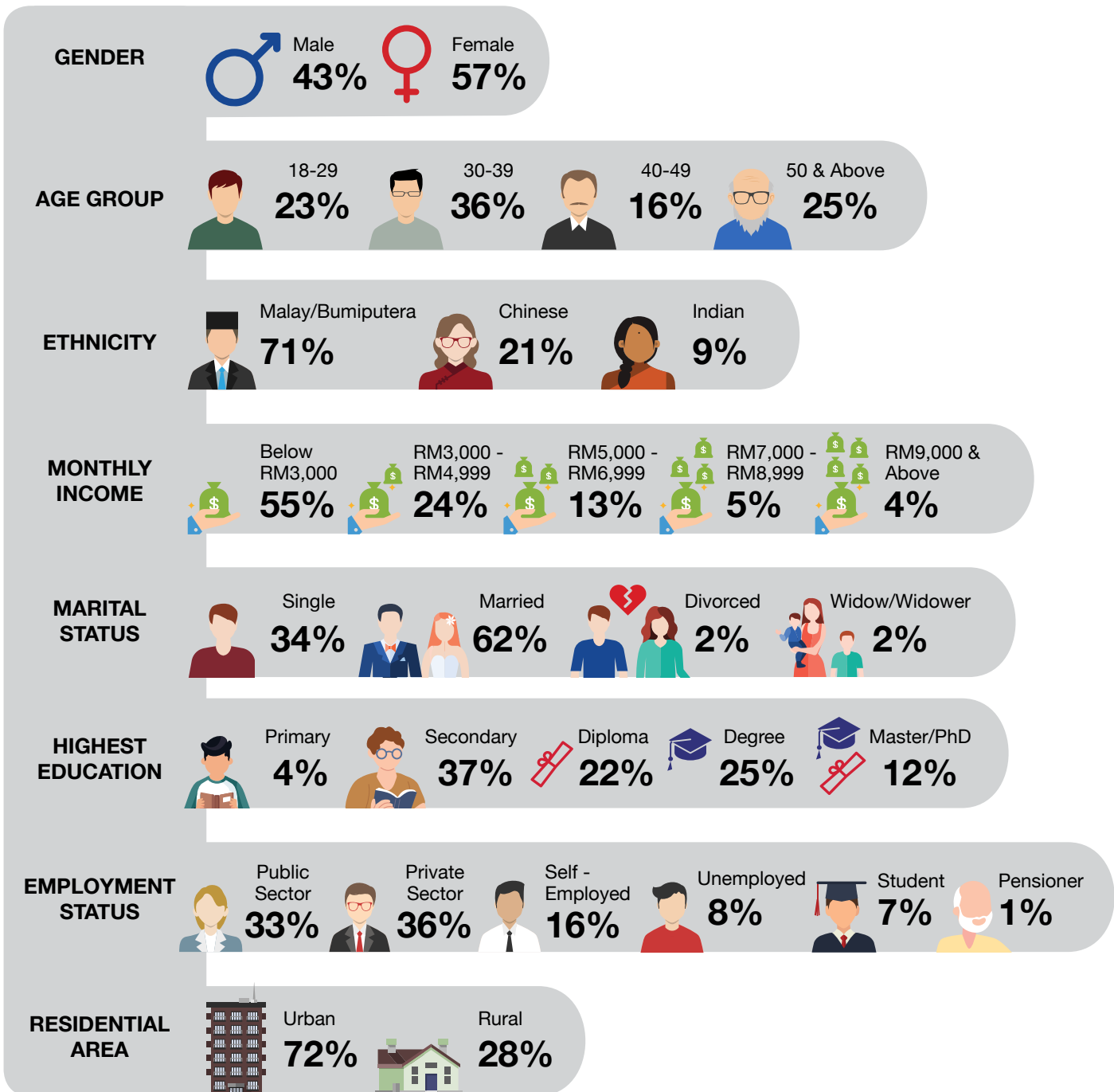
Malaysians who invest in UTS and/or PRS and may have other investments as well





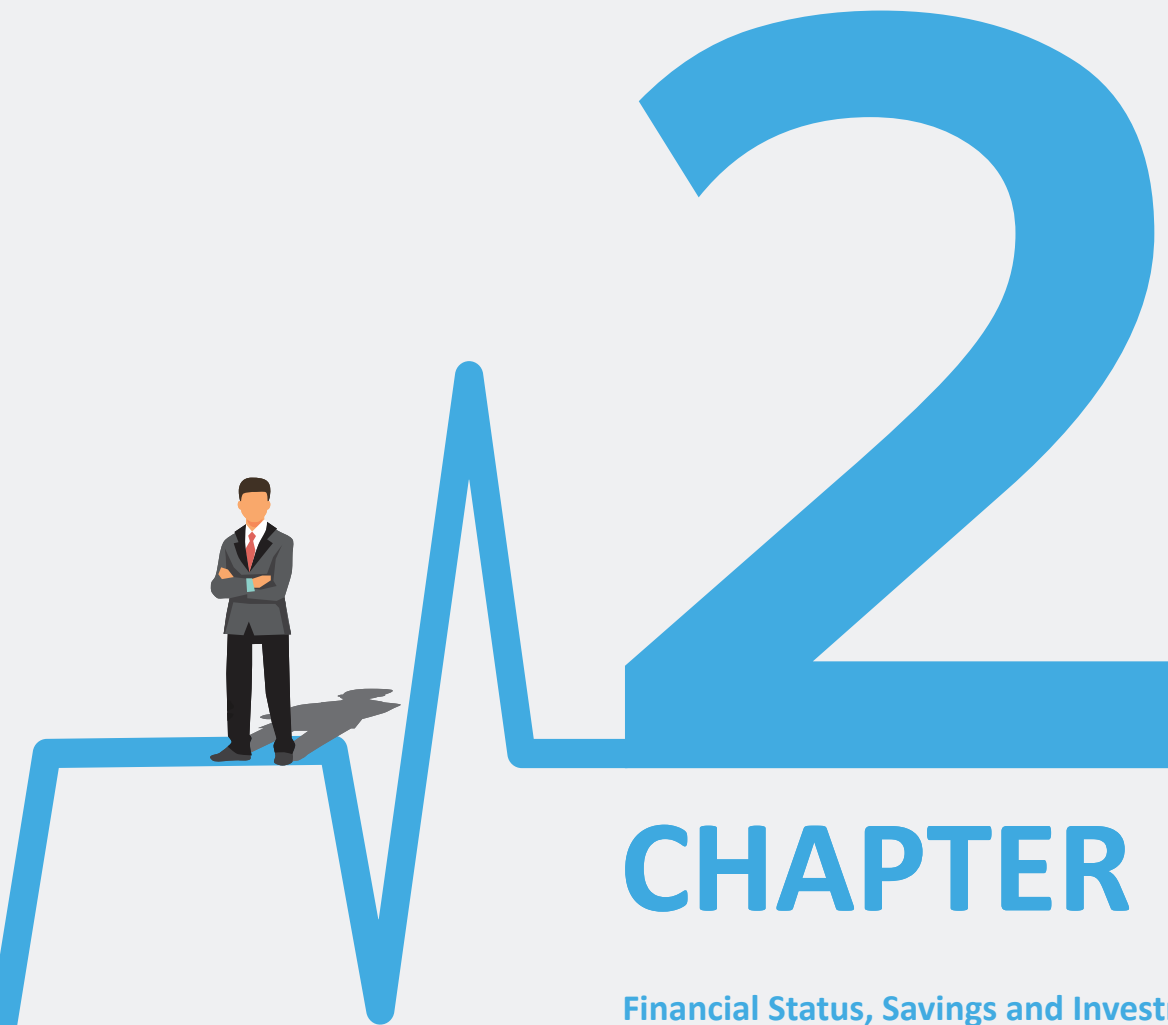
ABOUT THE NON-INVESTORS

Malaysians who do not invest in UTS and PRS but may have other investments









CHAPTER

Financial Status, Savings and Investment Behaviour

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FINANCIAL STATUS, SAVINGS AND INVESTMENT BEHAVIOUR

Before deep-diving into *Investors'* perception on investing in UTS and PRS, it is important to understand their overall financial standing and inclination. In this chapter, findings related to financial status (i.e. financial adequacy and their net worth), savings and investment behaviour are presented.

We paired the findings of the Nationwide Survey with the same discoveries in the 2008 Survey and observed that Malaysians' investment behaviour has undergone

material changes over the decade. In particular, the primary goal of saving and investing has evolved from children/family-centric to meeting present day basic needs.

However, certain aspects remain unchanged, for example, *Investors* back then and today still prefer to invest based on advice, while factors that worried both sets of *Investors* are investment-related risks. Details of the comparison are summarised in Figure 5.

2.0 THEN AND NOW

Figure 5:
Survey Findings on Savings and Investment Behaviour (2008 vs 2019)

Behaviour	2008 Survey	2019 Survey
Primary goal for savings and investments	<ul style="list-style-type: none"> ➤ For children and dependents. ➤ Indicators of financial stability are having available cash on hand for present needs and adequate savings for the future. 	<ul style="list-style-type: none"> ➤ For present day basic needs.
Needs and concerns on saving and investing	<ul style="list-style-type: none"> ➤ Owning a Savings Account and/or Life/Endowment insurance was deemed essential in the public's savings and investment plan(s). ➤ Respondents were concerned about investment-related risks, but the focus was still on high returns. ➤ They knew control to their investments was critical but did not possess the knowledge to do so. 	<ul style="list-style-type: none"> ➤ Risk aversion continues to be the primary influence in the choice of savings and investments. ➤ Returns, risks and knowledge are still key concerns/challenges. ➤ There is an improvement in awareness about UTS and PRS but there is still room for enhancing financial literacy.
Investment services/advices	<ul style="list-style-type: none"> ➤ Preference for human interaction when making investment decisions: <ul style="list-style-type: none"> • Investors: consultants, family and friends • Non-investors: family, friends and consultants 	<ul style="list-style-type: none"> ➤ Preference is still for human interaction when making investment decisions: <ul style="list-style-type: none"> • <i>Investors</i>: investment experts (e.g. columnists), family and consultants • <i>Non-investors</i>: family, investment experts (e.g. columnists) and consultants

Since the 2008 Survey, there have been significant changes in the savings and investment landscape. Key changes include product proliferation, both in number of funds as well as investment strategies. In December 2008, the number of UTS offered for sale stood at 532⁵ and most of the funds were predominantly invested in local markets. The number of funds increased to 685⁶, at the turn of the new decade, with new investment strategies that allow investors to gain exposure to alternative assets that could potentially improve returns on investment, generate stable long-term returns with less correlation to general market conditions, as well as match long-term liabilities.

While this is encouraging to the investing public, it is also challenging as the process of understanding an investment or savings product that best suits one's objective(s) requires more effort. Despite the increased efforts in financial literacy, ranging from basic tips on investing and personal finance to sophisticated financial modelling techniques, the pursuit towards equipping both investors and the UTS Consultants responsible for providing sound investment advice is a perennial issue – courtesy of evolving product offerings as well as customer base.

In spite of all these developments, an overshadowing fact is that the cost of living has increased and is expected to continue rising. This poses a challenge for the intermediation of income earned into savings, let alone into the investment domain. There is a stark contrast when comparing results obtained between the 2008 and 2019 Survey. In the previous decade, majority saved/invested to cater for their dependents but the scenario is different today – where respondents are more concerned about fending for themselves and meeting basic needs.

2.1 ASSESSING FINANCIAL STATUS

Financial status is crucial in determining one's ability to support daily needs, having savings for emergency situations and/or applying for loans to maintain or improve one's lifestyle. This section shows the respondents' financial adequacy and net worth, as well as their ability to allocate some income for savings.

2.1.1 Financial Adequacy

Financial adequacy is a state where one's expenses/liabilities do not exceed income and assets over a specific period of time. Through the Nationwide Survey, we discovered the following facts (Figure 6):

- I. Two-fifths have sufficient funds to meet basic needs. This group of respondents have just enough to support their expenses for food, shelter and clothing.
- II. Approximately one-fifth have enough to buy most things which shows that they are able to acquire additional items for better standard of living.
- III. Less than one-fifth of *Investors/Non-investors* are financially adequate i.e. with surplus to save and possibly invest. Further analysis revealed that these respondents are primarily aged 50 and above, suffice to say that respondents of this age group are entering into retirement and may have income surplus to save and invest. When comparing amongst income groups, the high-income group (earning RM9,000 and above a month) has relatively more respondents that are financially adequate.

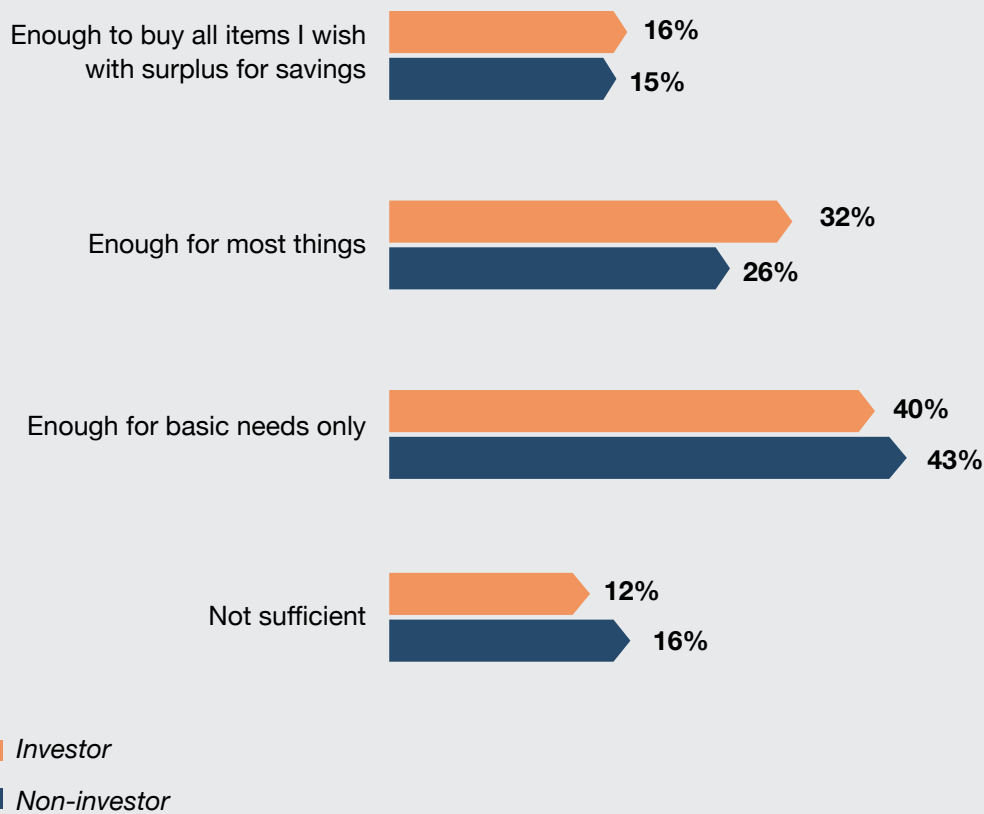
IV. Nonetheless, it is also observed that less than one-fifth of *Investors/Non-investors* barely earn enough to cater for basic needs. It is relatively more prominent among those aged between 18 and 29, as well as earning below RM3,000 a month.

2.1.2 Net Worth

Further analysis was conducted on the net worth (i.e. Assets Value-to-Outstanding Debts) of respondents as shown in Figure 7:

I. Only 42% of *Investors* and 28% of *Non-investors* possess a positive net worth. One-third of the respondents are in their 50's where most of their debts are fully paid.

Figure 6:
Investors' and Non-investors' Financial Adequacy



Basic needs - Refers to basic necessities that an individual needs to have to survive i.e. food, shelter, and clothes.



Most things - Refers to additional items that an individual wants, in order for him/her to live a better life e.g. bigger house, branded clothing, etc.



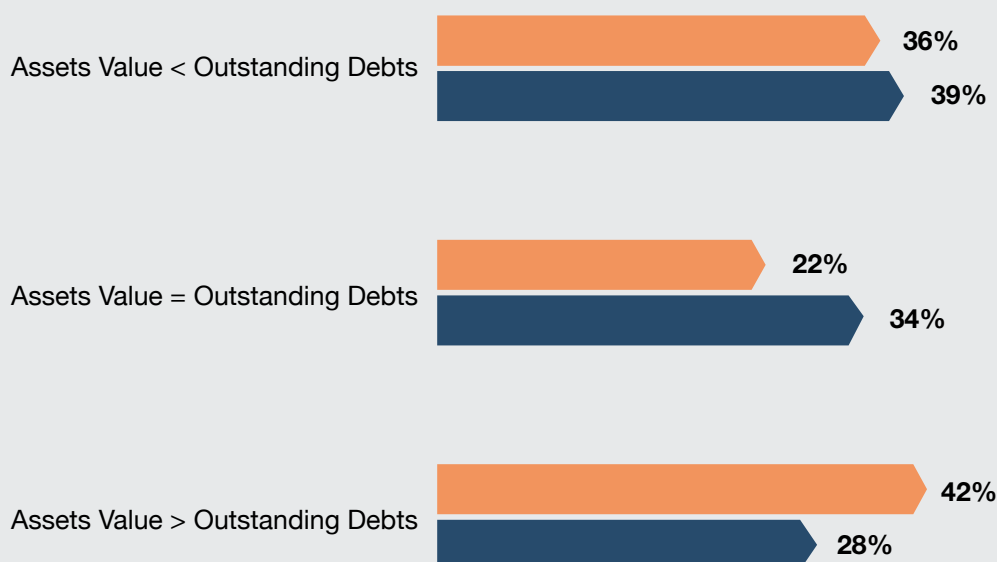
- II. 22% of *Investors* and 34% of *Non-investors* have balanced net worth. Two-fifths of the respondents are in their 30's with the majority earning below RM7,000 a month.
- III. Slightly above one-third of *Investor/Non-investor* possess assets valued below their outstanding debts. This finding is attributed to respondents below 30 years old, and monthly income below RM3,000 a month.

These findings correspond with Agensi Kaunseling dan Pengurusan Kredit's (AKPK) survey on *Financial Behaviour and State of Financial Well-being of Malaysian Working Adults*, which revealed that high

cost of living is the main reason Malaysian Working Adults (MWAs) are unable to save. Due to high indebtedness, settling one's debts is the number one financial goal of MWAs.

To understand the respondents' level of indebtedness, the Nationwide Survey revealed that this is owing to various types of loans, especially significant exposures to vehicle hire purchase and mortgage loans (Figure 8). Most of the respondents are aged between 30 and 49 years. It is also noted that for *Non-investors*, one-third of respondents aged 50 and above (i.e. entering retirement age) are still repaying their mortgage loans.

Figure 7:
Investors' and Non-investors' Net Worth

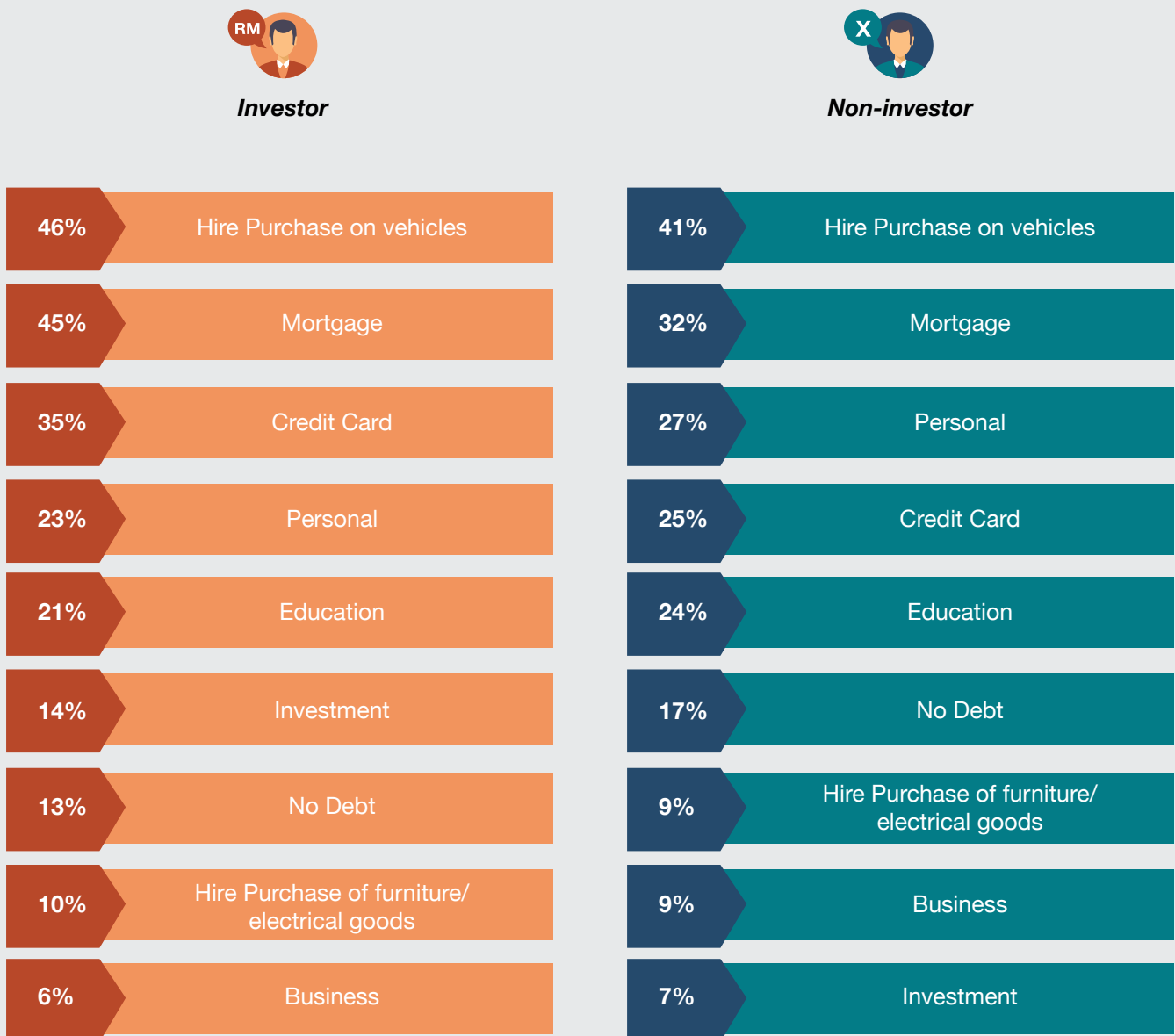


Other interesting observations are:

I. In the *No debt* category, majority of the respondents are earning below RM3,000 a month. Additionally, two-fifths of *Investors* and *Non-investors* are aged 50 and above. Not possessing any debt could be due to ineligibility for loans or they have fully settled their debts.

II. Personal loans are also among the top five (5) types of loans for both respondent groups where most of the respondents are between the age of 30 and 39 years, and those earning below RM7,000 a month. It is possible that the increasing cost of living is the driving factor towards high exposure to personal loans.

Figure 8:
Investors' and Non-investors' Types of Loans



2.2 DETERMINING SAVINGS BEHAVIOUR

With assets and debts being the main contributory factors towards how much one can save or invest, the Nationwide Survey analysed the savings habit of *Investors* and *Non-investors* as shown in Figure 9.

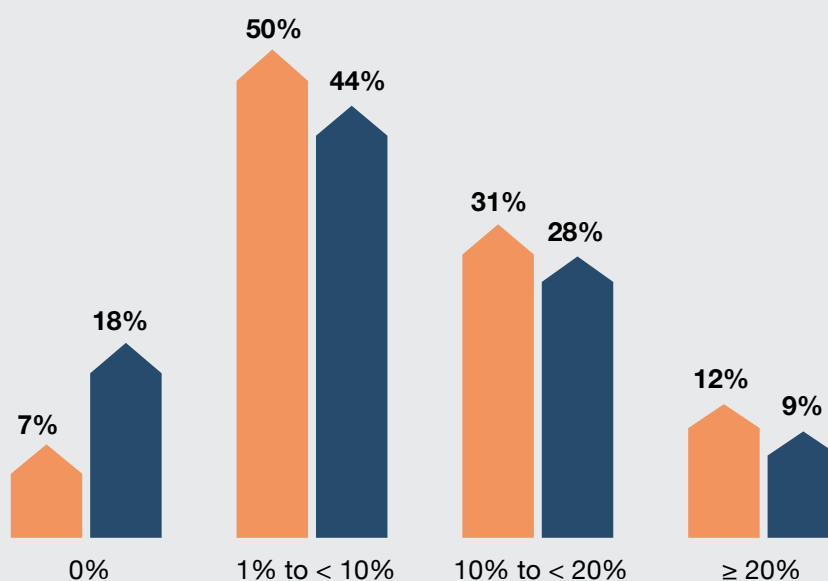
Based on the responses, the following is noted:

I. The *Investor* group has a higher percentage of savers in all *Savings Allocation* categories.

II. For benchmarking purposes, the 10% savings rate prescribed by AKPK is used as a threshold to assess the state of savings habit among the respondents. Sadly, more than 50% of respondents from both groups are unable to meet the 10% threshold.

III. As expected, respondents from a higher income class have the ability to save at least 10% of their monthly income.

Figure 9:
Investors' and Non-investors' Savings Allocation (Percentage of Monthly Income)



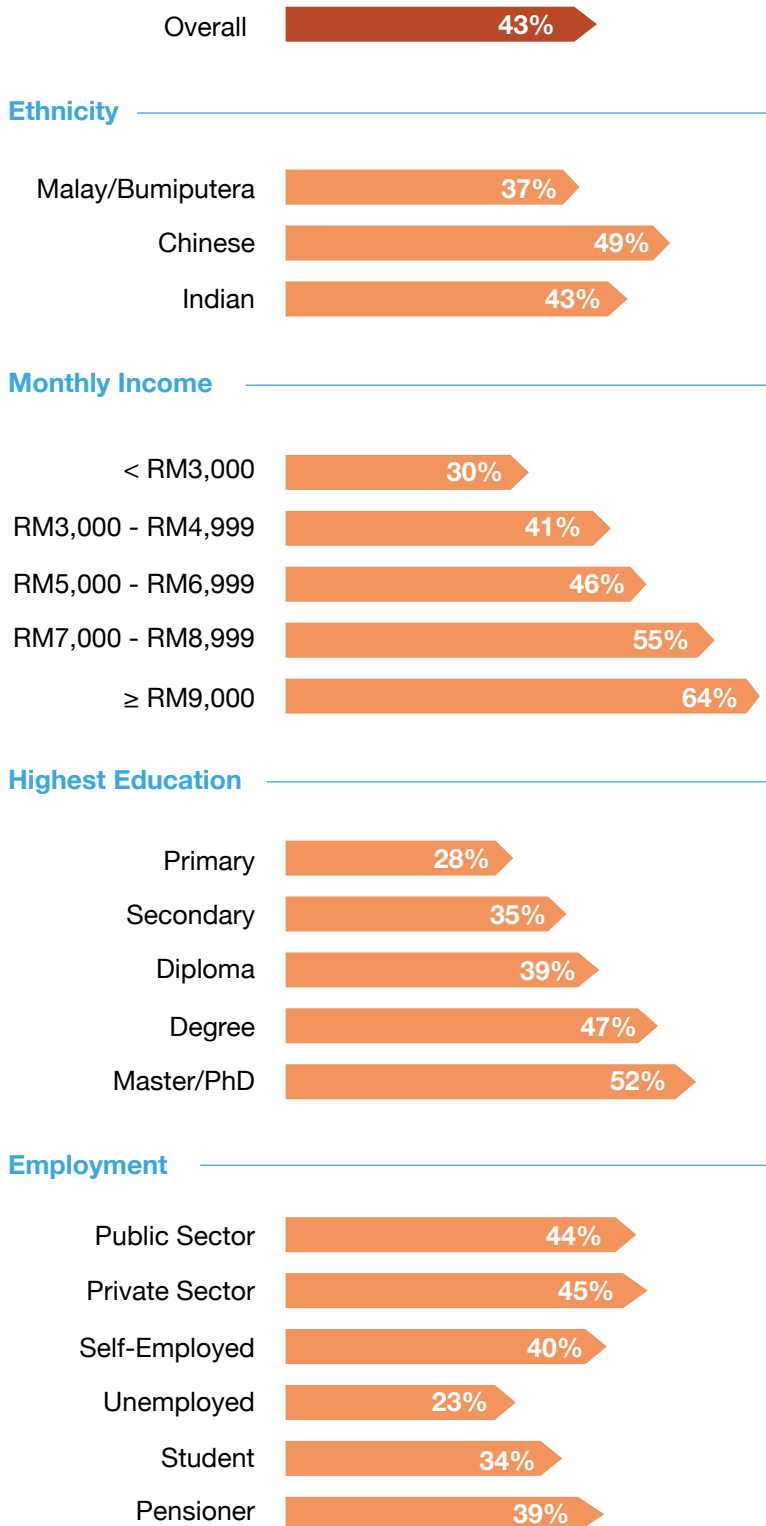
Note: Excludes compulsory savings contribution to EPF




2.2.1 Summary of Savings Behaviour of Investors based on Socio-demographics

The following chart (Figure 10) summarises the savings behaviour of *Investors* based on socio-demographics.

Figure 10:
Investors' Savings Allocation (at least 10% of monthly income) by Socio-demographics





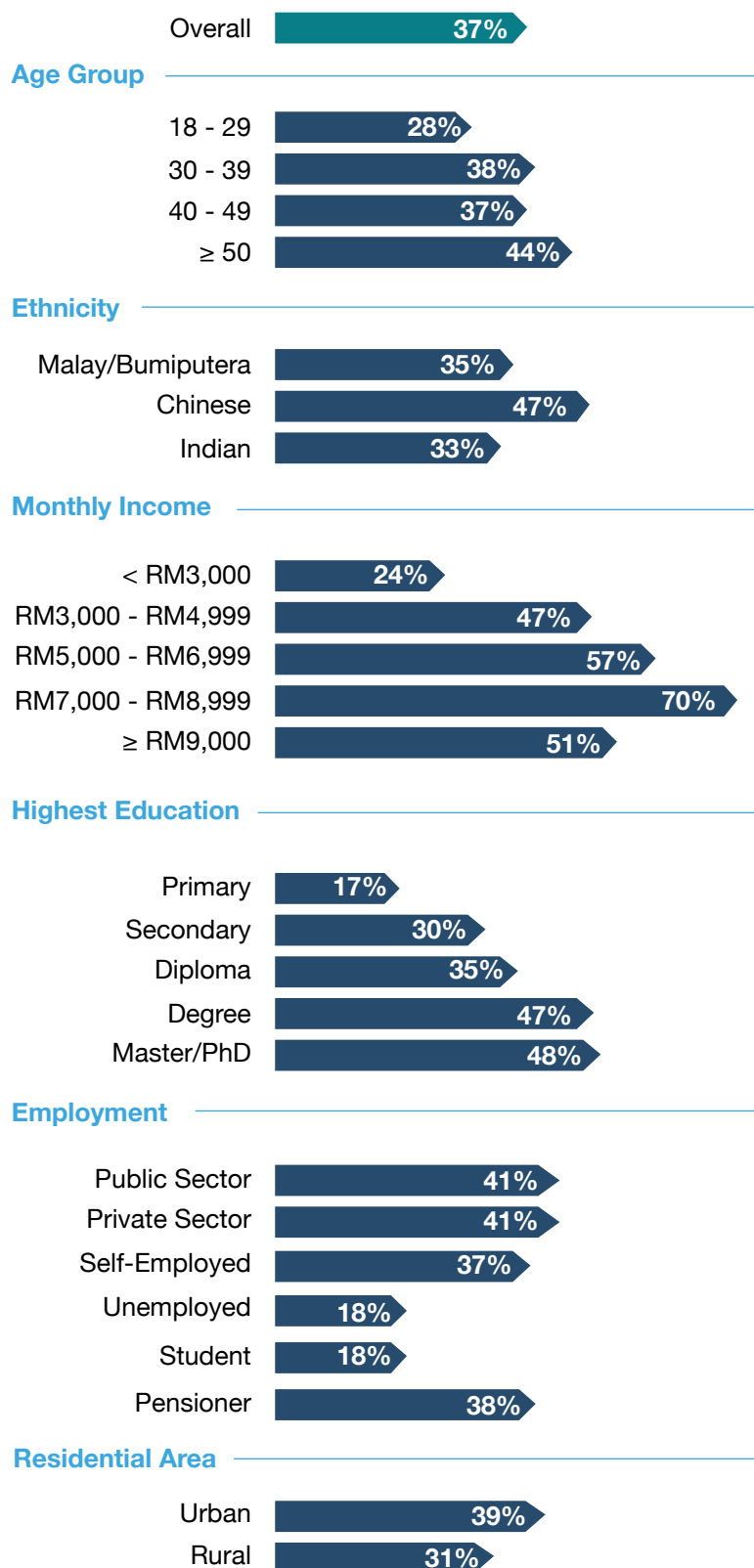
Investor
Allocate ≥ 10% of monthly income for savings

- I. Overall, 43% of the *Investors* are allocating at least 10% of their monthly income for savings.
- II. Segments that tend to allocate such amount for savings are:
 - Chinese ethnicity
 - Earning a monthly income of RM9,000 and above
 - Master/PhD holders
 - Working in private sector
- III. Although a small portion of *Investors* are unemployed, they are still able to save. They might be employed in the gig economy (paid-per-job basis) or not registered in the formal labour force statistics.

2.2.2 Summary of Savings Behaviour of *Non-investors* based on Socio-demographics

The following chart (Figure 11) summarises the savings behaviour of *Non-investors* based on socio-demographics.

Figure 11:
Non-investors' Savings Allocation (at least 10% of monthly income) by Socio-demographics



Non-investor

Allocate ≥ 10% of monthly income for savings

- I. Overall, only 37% of the *Non-investors* are allocating at least 10% of their monthly income for savings.
- II. Segments that tend to allocate such amount for savings are:
 - Aged 50 and above
 - Chinese ethnicity
 - Earning a monthly income of RM7,000 - RM8,999
 - Master/PhD holders
 - Working in public and private sectors
 - Residing in urban area
- III. Only a small percentage of *Non-investors* who are unemployed and students (18% each) allocate 10% for savings. They might have part-time jobs and/or in the gig economy (paid-per-job basis).

2.3 UNDERSTANDING INVESTMENT BEHAVIOUR

The Nationwide Survey analyses the investment behaviour of the respondents and the following are key observations:

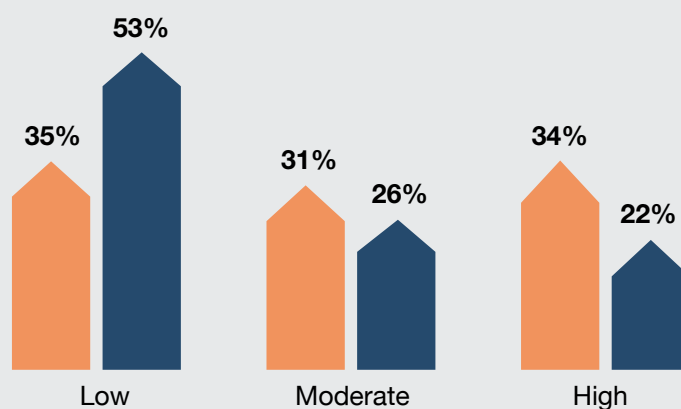
2.3.1 Low Risk Appetite for Investments

The situation has not changed much since the 2008 Survey, where low risk appetite remains the main priority for investing. 35% of *Investors* and 53% of *Non-investors* prefer investments/savings that offer capital preservation (Figure 12). The primary

contributors from these groups of respondents are also those with high gearing and barely/just meeting basic needs. This implies that the limited disposable financial resources may significantly curtail the risk appetite among this group of respondents.

Risk profiles are evenly distributed among the *Investors*. It is attributed to the wide-spread of investment choices offered by UTS that caters to different levels of risk tolerance. However, among *Non-investors*, more than half of the respondents are found to have low risk tolerance.

Figure 12:
Investors' and Non-investors' Risk Appetite



Low - Capital preservation is very important

Moderate - Capital preservation is my objective, but I can accept some capital depreciation

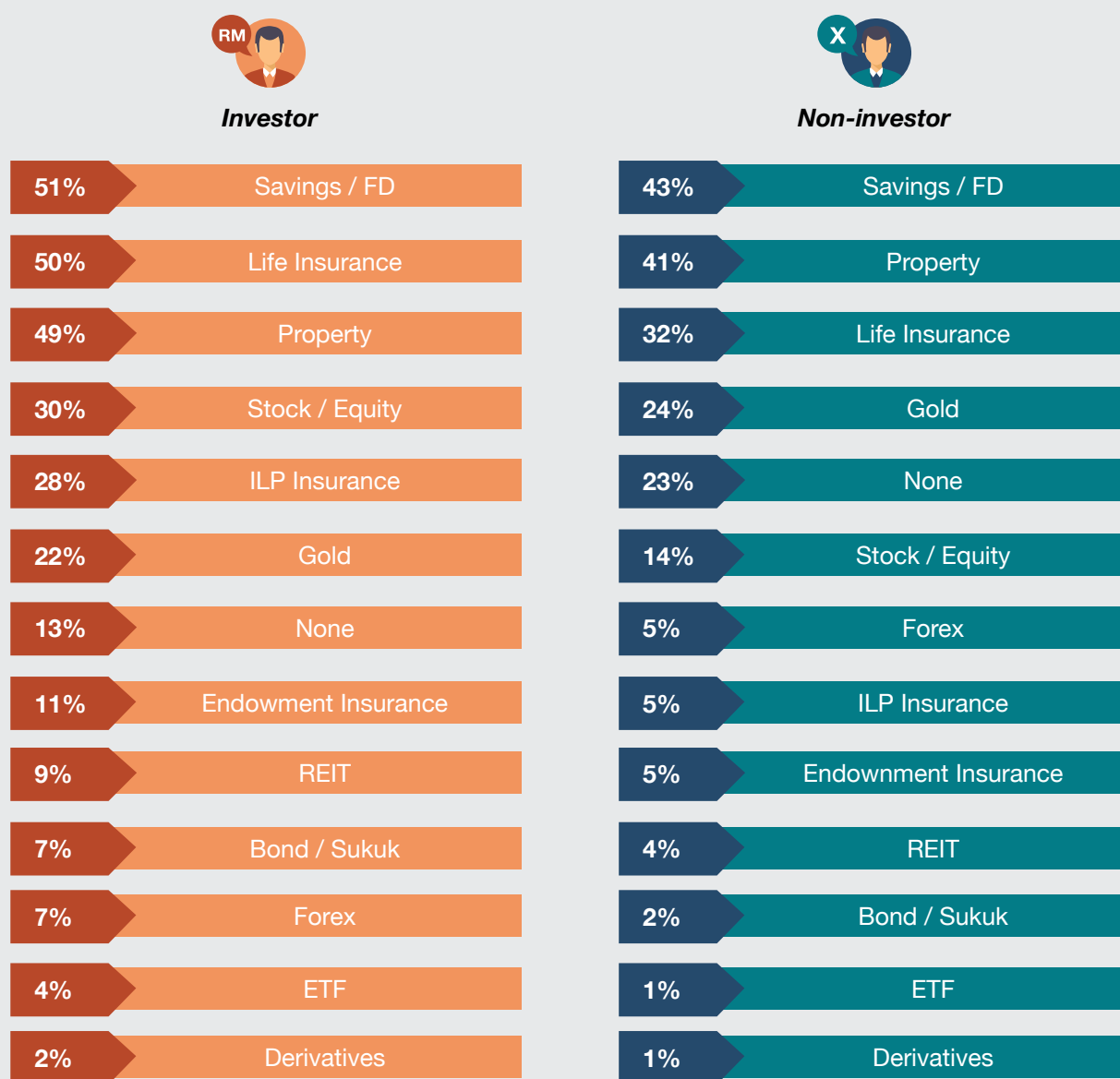
High - I understand the risk and am willing to accept capital depreciation in my investments

2.3.2 Risk-driven Experience

The low risk tolerance is also reflected in their preferred investment and savings vehicles (excluding UTS and PRS) where both *Investors* and *Non-investors* ranked their top three (3) choices as savings/fixed deposit

(FD), property and life insurance, all of which are generally characterised as stable and conservative options (Figure 13).

Figure 13:
Investors' and Non-investors' Savings and Investment (other than UTS and PRS)



2.3.3 Investment Influencers

Both *Investors* and *Non-investors* cited family and investment experts (i.e. columnists) as their primary influencers when making investment decisions. In addition, both categories of respondents also cited that mass media in the forms of television and radio, newspapers and magazines, as well as billboards to be the least influential factors.

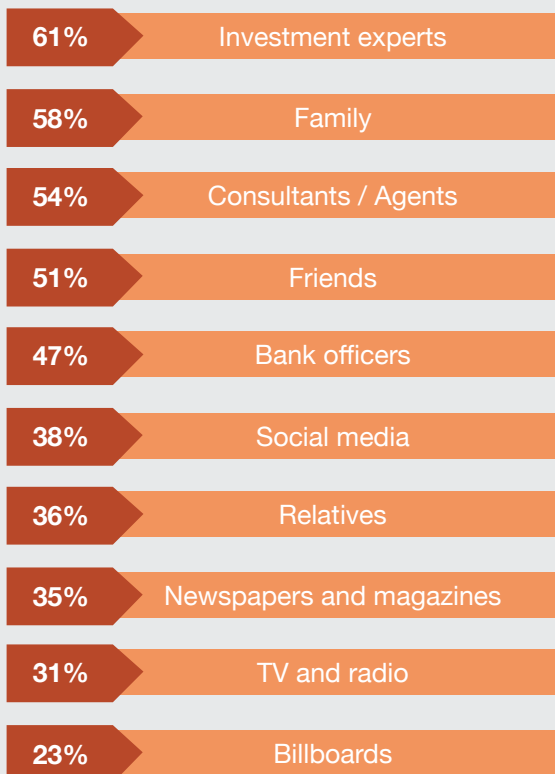
Overall, the preference for human interaction in guiding investment decisions is still prevalent (more than 50%) amongst respondents (Figure 14). Advice given by consultants, for example, are seen to be crucial in helping *Investors* and *Non-investors* in making investment decisions, besides receiving advice from family members, investment experts, bank agents and friends.

Figure 14:
Investors' and Non-investors' Investment Influencers

Investment experts (e.g. columnists) is the key source influencing investment decision among Investors



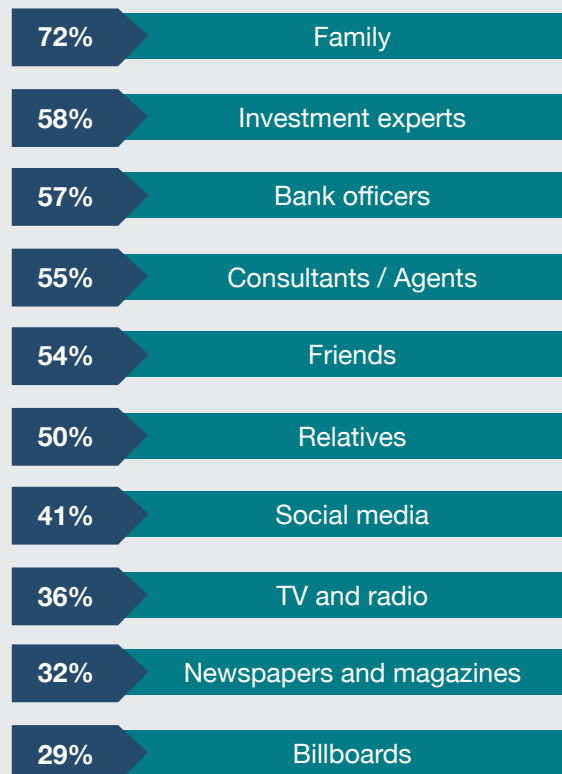
Investor



Family is the key source influencing investment decision among Non-investors



Non-investor



2.3.4 Existing Investment Flows

Specifically, on the *Investors* group who already has investments in UTS and/or PRS, the Nationwide Survey delves deeper into their investment habits and experiences.

I. Investment concentration

Majority of *Investors* invest in UTS only, followed by UTS & PRS and PRS only (Figure 15). This is expected in tandem with the UTS' relatively early presence as an investment product as compared to PRS which was only introduced in 2012. Detailed types of investments by socio-demographics are shown in Figure 17.

II. Source of investment funds

More than half of the respondents invest using cash (i.e. personal savings and regular income), whilst one-third leverage on both cash and via their EPF savings, and 13% depend solely on their EPF savings for UTS investment (Figure 16). Detailed source of investment funds by socio-demographics are shown in Figure 18.

Figure 15:
***Investors'* Investment Concentration**

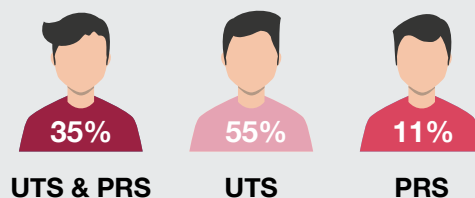


Figure 16:
***Investors'* Source of Investment Funds**

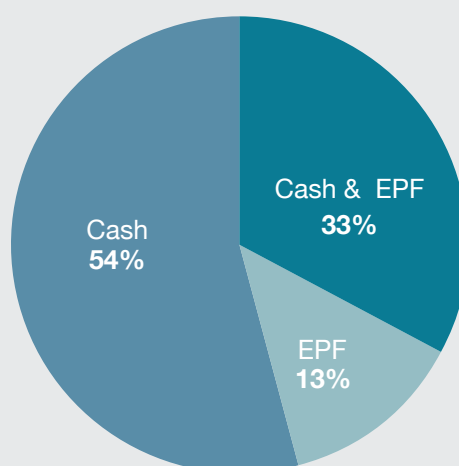
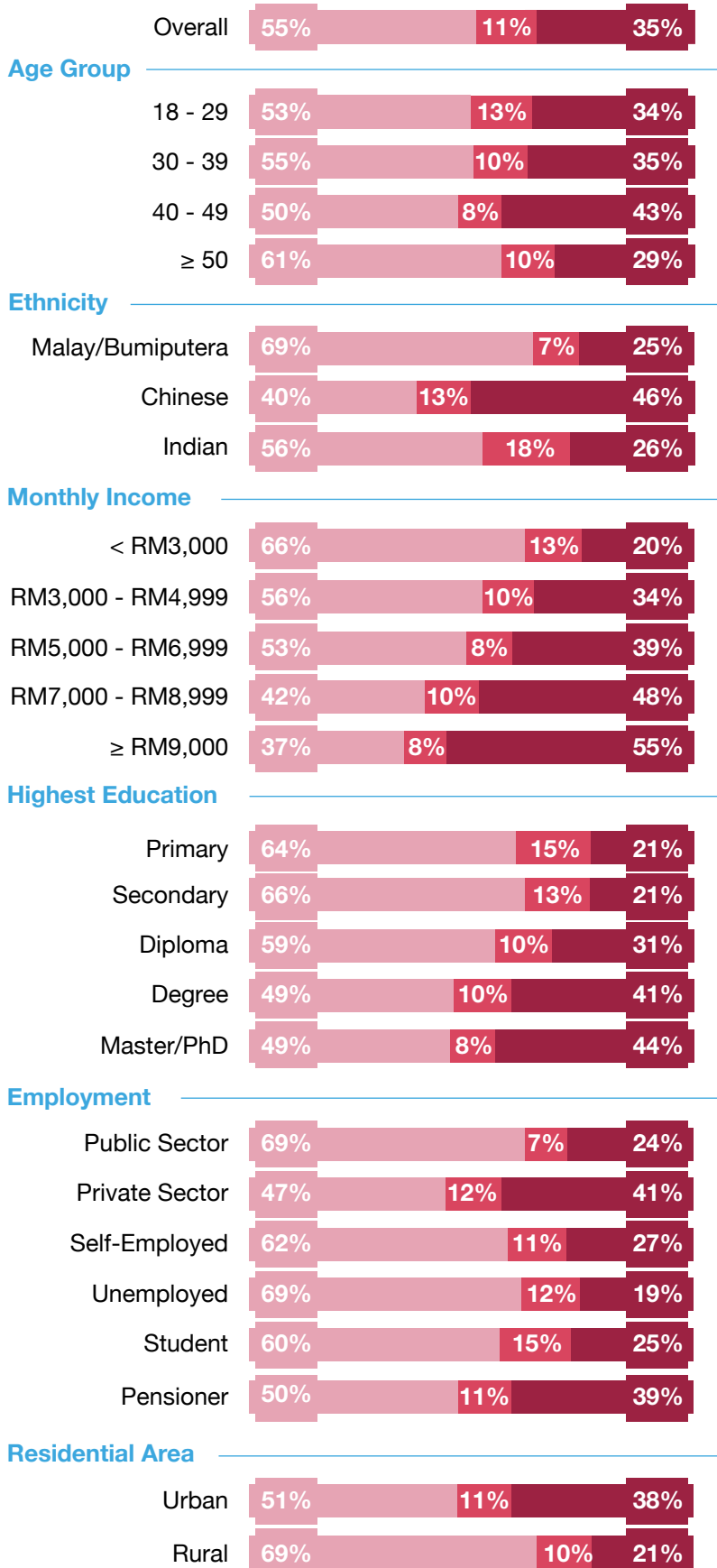


Figure 17:
Investors' Investment Concentration by Socio-demographics



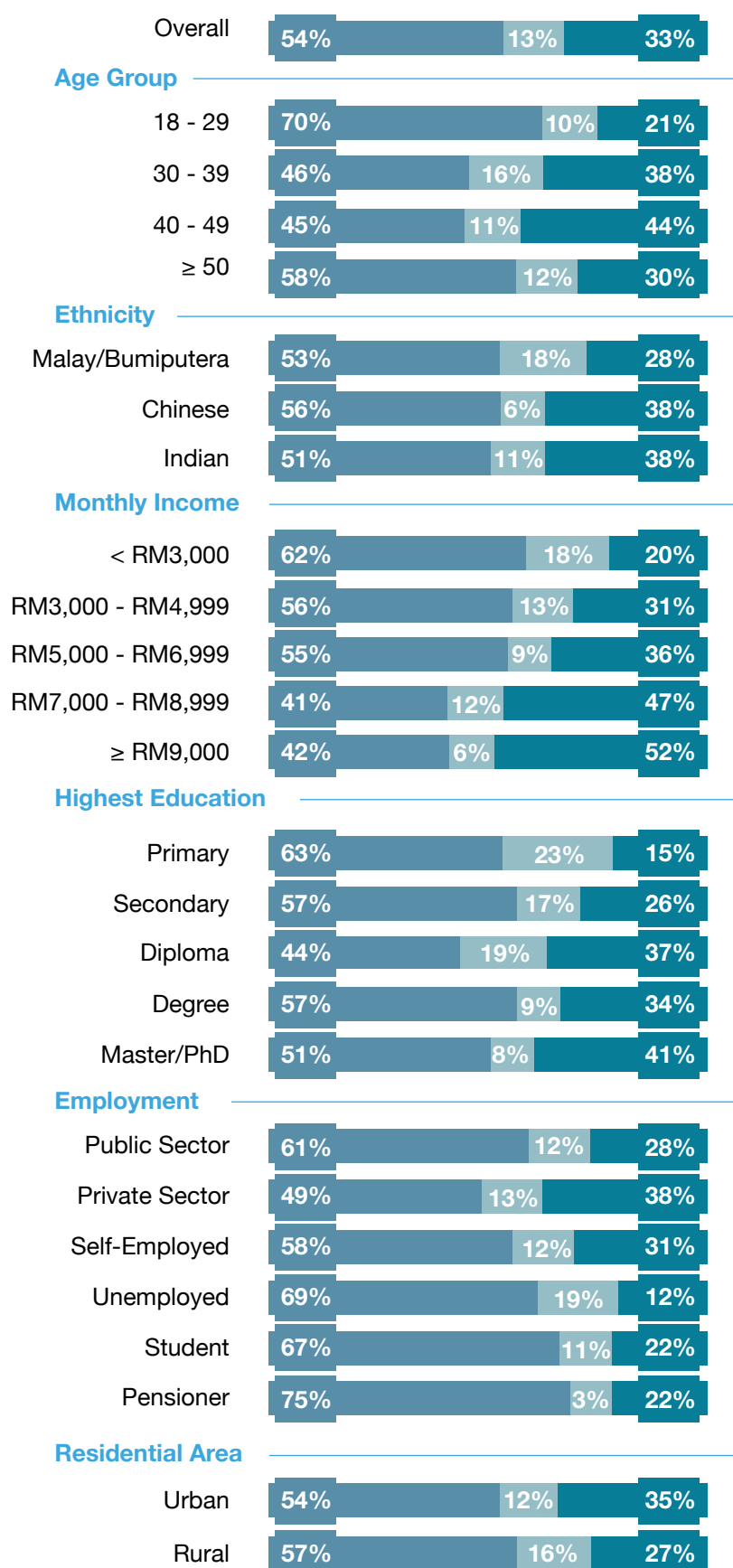
- I. 55% of the *Investors* invest in UTS only. Segments that prefer UTS only are:
 - Aged 50 and above
 - Malay/Bumiputera ethnicity
 - Earning a monthly income of less than RM3,000
 - Secondary school leavers
 - Working in public sector
 - Residing in rural area

- II. 11% of the *Investors* invest in PRS only. Segments that prefer PRS only are:
 - Aged 18 - 29
 - Indian ethnicity
 - Earning a monthly income of less than RM3,000
 - Primary school leavers
 - Students
 - Residing in urban area

- III. 35% invest in UTS and PRS. Investing in both is more common amongst:
 - Aged 40 - 49
 - Chinese ethnicity
 - Earning a monthly income of RM9,000 and above
 - Master/PhD holders
 - Working in private sector
 - Residing in urban area

■ UTS ■ PRS ■ UTS & PRS

Figure 18:
Investors' Source of Investment Funds by Socio-demographics



I. 54% of the *Investors* use cash for UTS investment. It is more common amongst:

- Aged 18 – 29
- Chinese ethnicity
- Earning a monthly income of less than RM3,000
- Primary school leavers
- Pensioners
- Residing in rural area

II. 13% of the *Investors* invest using EPF savings only (via the EPF Members Investment Scheme), relatively more amongst:

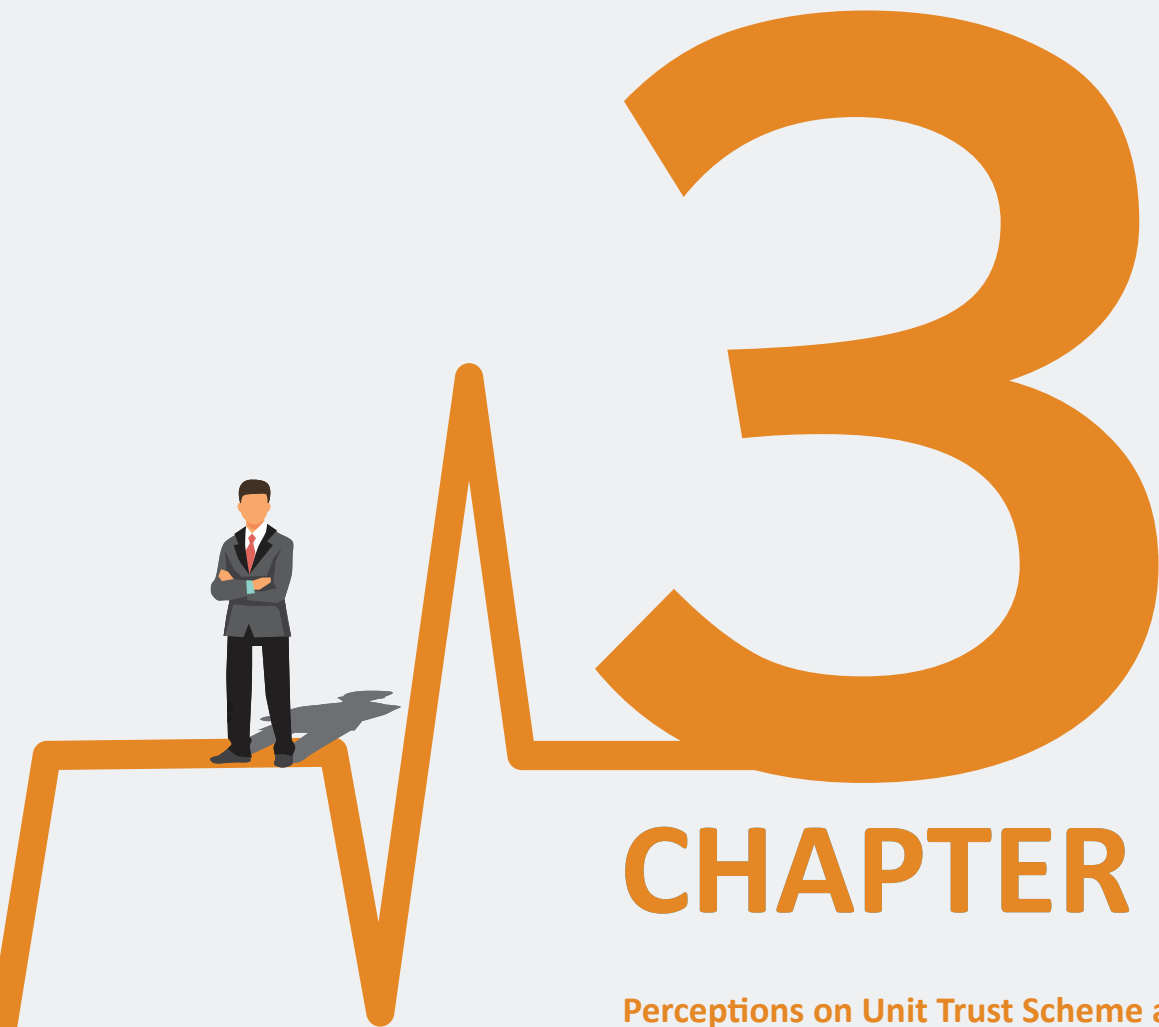
- Aged 30 - 39
- Malay/Bumiputera ethnicity
- Earning a monthly income of less than RM3,000
- Primary school leavers
- Unemployed
- Residing in rural area

III. 33% invest in UTS utilising both cash and EPF savings. It is more common amongst:

- Aged 40 - 49
- Chinese and Indian ethnicities
- Earning a monthly income of RM9,000 and above
- Master/PhD holders
- Working in private sector
- Residing in urban area

 **Cash**  **EPF**  **Cash & EPF**





3

CHAPTER

Perceptions on Unit Trust Scheme and Private Retirement Scheme

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PERCEPTIONS ON UNIT TRUST SCHEME AND PRIVATE RETIREMENT SCHEME

3.0 THEN AND NOW

3.0.1 Unit Trust Scheme

The Unit Trust industry has been one of the fastest growing segments in the Malaysian Capital Market since the '90s. Buoyed by a series of catalysts, ranging from product and distribution channel liberalisation to tax incentives, the industry has benefited as evident by the growth in NAV and investors base. However, post Global Financial Crisis (GFC) (circa 2007 – 08), the momentum of the industry's once aggressive growth trajectory has gradually decelerated.

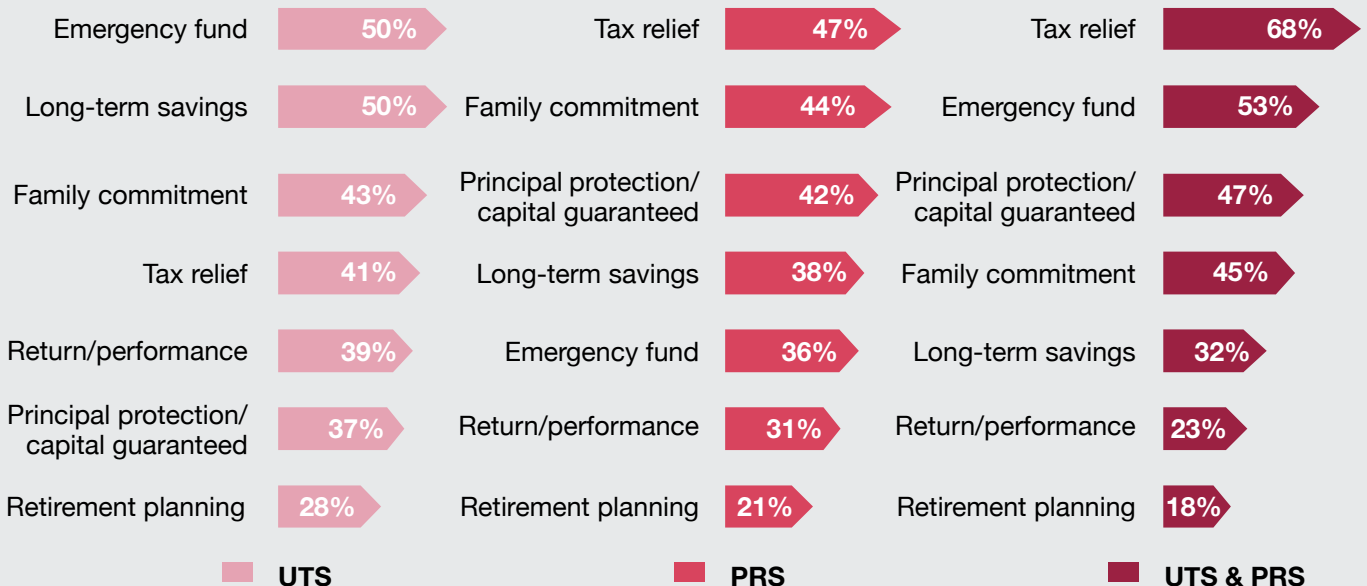
3.0.2 Private Retirement Scheme

PRS was introduced in 2012 to ensure a robust and sustainable multi-pillar pension system, and to complement EPF funds in providing sufficient post-retirement income to Malaysians.

With the perennial scrutiny on returns, risks, fees and charges, this chapter is dedicated towards understanding the following:

- I. *Investors'* main objective(s) when making investment;
- II. *Investors'* level of satisfaction;
- III. *Investors'* investment holding period and intention to make additional investment portfolios; and
- IV. Challenges and barriers faced by *Investors* and *Non-investors* to invest in UTS and PRS.

Figure 19:
Investors' Investment Objectives (UTS, PRS, UTS and PRS)



3.1 REASON(S) FOR INVESTING INTO UTS AND PRS

3.1.1 Investment Objective

In this section, we analysed *Investors'* reason(s) for investing in UTS and/or PRS, and uncovered the observations shown in Figure 19:

- I. Emergency funds and long-term savings – these reasons were given by half of UTS *Investors*.
- II. Tax relief – this factor has generated a positive impact, with almost half of PRS *Investors* citing tax relief as their reason for investing. Overall, almost 70% of both UTS and PRS *Investors* have been driven/influenced by tax reliefs in making their investment choices.

- III. Despite the strong 'retirement planning' messages associated with UTS and PRS products, this reason/objective ranks the lowest for both UTS and PRS *Investors*.

3.1.2 Driving Factors to Invest in UTS and/or PRS

In tandem with the *Investment Objective* analysis, we discovered similar patterns in the responses obtained (Figure 20):

- I. For UTS *Investors* – the ability and flexibility to start investing with a small amount, whilst being able to diversify and reduce investment risks are the primary reasons.
- II. For PRS *Investors* – similar to UTS, the flexibility to start investing with a small investment amount for PRS is also an attractive factor in addition to the tax relief offered.

Figure 20:
***Investors'* Top 5 Driving Factors to Invest in UTS and/or PRS**

Top 5 Driving Factors to Invest in UTS

- 1 I can start with a small amount
- 2 UTS offers diversified investment (reduces risk)
- 3 I invest to achieve my financial goals
- 4 I invest with expected consistent return in long run
- 5 I can track the performance of my investment

Top 5 Driving Factors to Invest in PRS

- 1 I can enjoy tax relief from investing in PRS
- 2 I can start with a small amount
- 3 PRS offers diversified investment (reduces risk)
- 4 I invest to achieve my financial goals
- 5 I invest with expected consistent return in long run

3.2 INVESTORS' EXPERIENCE

The Nationwide Survey analyses the *Investors'* investment experience for UTS and PRS to understand their level of satisfaction, investment “stickiness” (i.e. holding period for investments), channels of investment and future investment plans.

3.2.1 UTS Investors

Overall, 76% of UTS *Investors* are satisfied with their investments (Figure 21). Among the reasons for their satisfaction included:

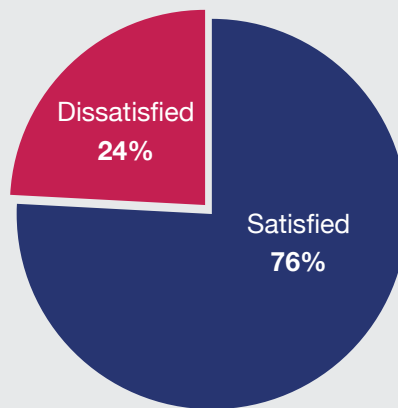
- I. 22% like the management and stability of the UTMCs/Distributors.

- II. 21% are happy with the services from Consultants/UTMCs/Distributors.

Conversely, the 24% of UTS *Investors* who are not satisfied with their investments attributed their dissatisfaction to the following reasons:

- I. 23% dislike the fees and charges imposed, possibly due to poor returns and/or poor service levels provided by Consultants/UTMCs/Distributors.
- II. 22% are unhappy with the advice provided by Consultants/UTMCs/Distributors.

Figure 21:
Investors' Experience with Investments in UTS



No	Dissatisfied	%
1	Fees and Charges	23%
2	Advice (Consultant/ Company)	22%
3	Service (Consultant/ Company)	21%
4	Fund Performance	20%
5	Management & Stability (Company)	15%

No	Satisfied	%
1	Management & Stability (Company)	22%
2	Service (Consultant/ Company)	21%
3	Advice (Consultant/ Company)	20%
4	Fund Performance	20%
5	Fees and Charges	18%

3.2.2 PRS Investors

Overall, 71% of PRS *Investors* are satisfied with their investments (Figure 22). Among the reasons for their satisfaction included:

- I. 13% like the management and stability of the PRS Providers/Distributors.
- II. 12% are happy with the services from Consultants/PRS Providers/Distributors and the availability of consolidated statements for PRS investments, respectively.
- III. It is worth noting that 9% of the *Investors* are pleased with the feature unique to PRS i.e. 8% of tax penalty for withdrawal. This suggests that a small group of PRS *Investors* are receptive to the withdrawal penalty as a way of practicing “self-discipline” to save for retirement, as such penalty will be waived once they reached age 55.

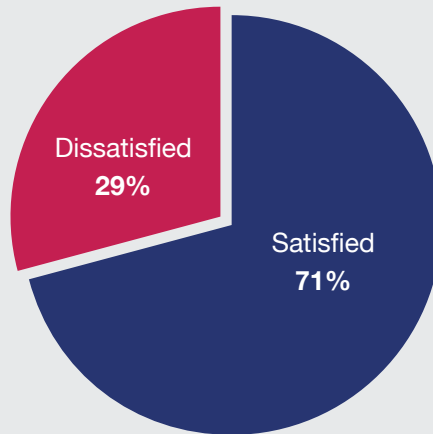
Notwithstanding, 29% of the PRS *Investors* are dissatisfied with their investments due to the following reasons:

- I. 13% dislike the withdrawal penalty. The absence of withdrawal options (such as education and housing purposes) as compared to those offered under EPF may make PRS being perceived as more restrictive especially if *Investors* need to withdraw for such purposes.

Note: The Nationwide Survey was conducted prior to the announcement of Federal Budget 2020, where the Government has allowed PRS members to make pre-retirement withdrawals for healthcare and housing purposes without having to pay any tax penalty.

- II. 12% are unhappy with the fees and charges imposed, as well as advice and services provided by Consultants/PRS Providers/Distributors, respectively. This suggests that the value of advice and services provided by certain Consultants/PRS Providers/Distributors should be improved beyond sharing information on the RM3,000 tax incentive. That could include, among others, helping investors achieve better investment outcomes and fulfilling investors’ needs for retirement planning.
- III. Interestingly, there are 12% of PRS *Investors* who dislike the PRS’ default investment approach (i.e. in line with the investors’ age). Given that this feature is a default selection only in the absence of investors’ fund selection, the awareness on key features of PRS, including default investment in line with the age of investors, should be further enhanced.

Figure 22:
Investors' Experience with Investments in PRS



No	Dissatisfied	%
1	8% Tax Penalty for PRS Withdrawal	13%
2	Fees and Charges	12%
3	Advice (Consultant/ Company)	12%
4	Default Investment in line with Age	12%
5	Service (Consultant/ Company)	12%
6	Fund Performance	11%
7	Consolidated Statement	10%
8	Online top-up	10%
9	Management & Stability (Company)	9%

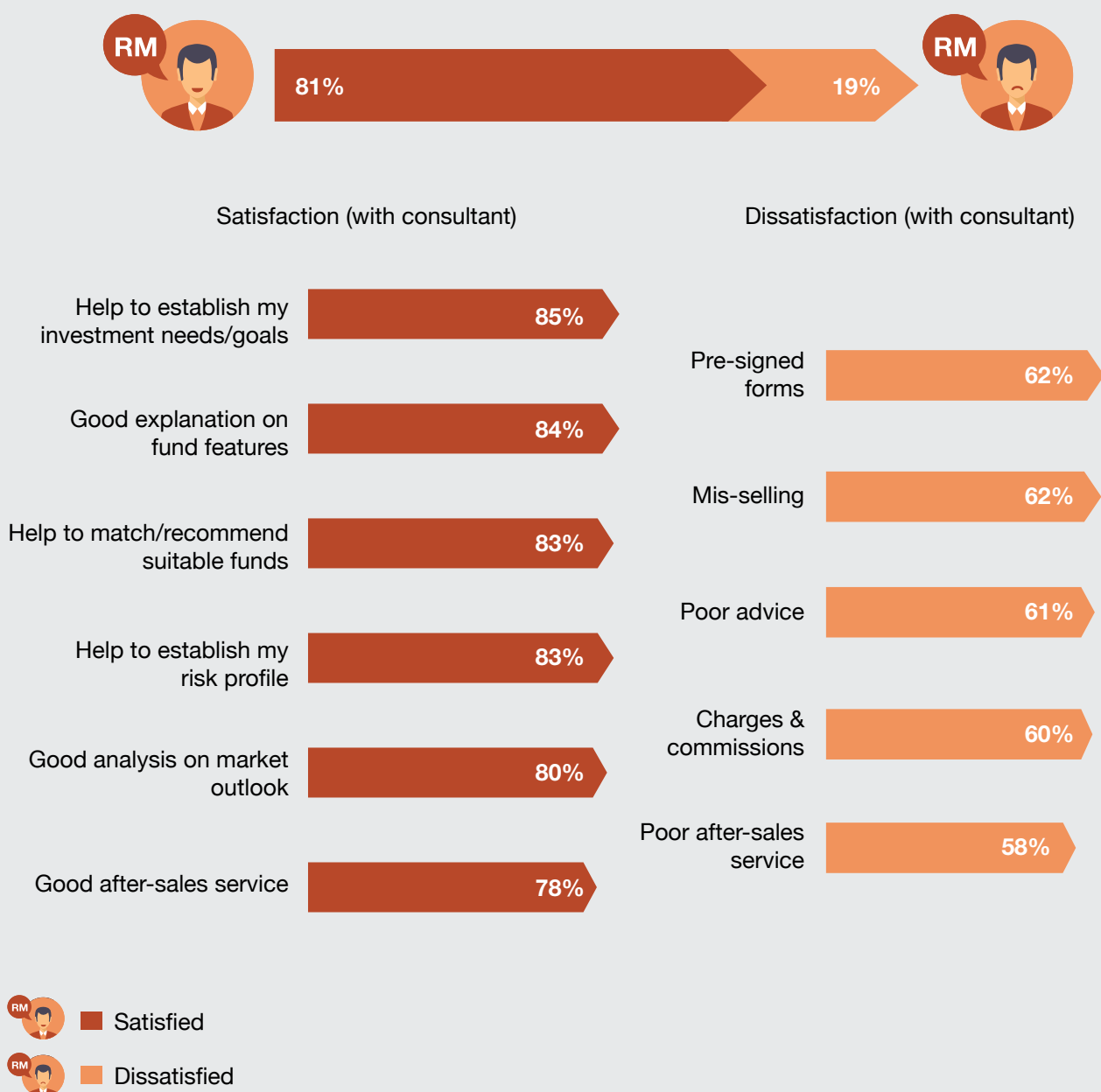
No	Satisfied	%
1	Management & Stability (Company)	13%
2	Service (Consultant/ Company)	12%
3	Consolidated Statement	12%
4	Online top-up	11%
5	Advice (Consultant/ Company)	11%
6	Fund Performance	11%
7	Default Investment in line with Age	11%
8	Fees and Charges	11%
9	8% Tax Penalty for PRS Withdrawal	9%

3.2.3 Satisfaction with Consultants

A further look into experience with UTS/PRS Consultants revealed that 81% of *Investors* are satisfied with the services provided by UTS/PRS Consultants (Figure 23). Meanwhile, 19% of respondents expressed dissatisfaction towards the services rendered, where

they claimed that their Consultants have practiced pre-signing forms and mis-selling, which will be addressed in the *Recommendation* section of this report.

Figure 23:
Investors' Experience with UTS/PRS Consultant's Services



3.3 INVESTMENT DURATION

3.3.1 Current Investment Holding Period

In general, UTS *Investors* tend to have a long-term investment horizon. From the UTS *Investors* surveyed, 59% have held their current investments for at least four (4) years, 34% for one (1) to three (3) years, with the remaining 7% at less than a year (Figure 24).

From a satisfaction-level perspective, 59% of UTS *Investors* have held their current investments for four (4) years and above because they are satisfied with their investments.

Upon further analysis, we noted that the following factors also have an impact on UTS *Investors'* investment holding period:

- I. Presence of advisers (including Consultants and financial planners) to continuously service the *Investors*.
- II. Investment frequency – *Investors* who invest regularly tend to hold their investments longer than *Investors* who invest on ad-hoc or lump-sum basis.
- III. Source of investment funds – *Investors* who invest using both cash and EPF savings tend to hold their investments longer than *Investors* who invest using cash or EPF savings.
- IV. Level of awareness on UTS.

As for PRS *Investors*, 46% have held their current investments for four (4) years and above. However, our analysis showed that satisfaction with investments does not have a significant impact on their current investment holding period.

The three (3) areas that have an impact on current holding period are as follows:

- I. Investment frequency – *Investors* that invest regularly tend to hold their investments longer than *Investors* who invest on ad-hoc or lump-sum basis.
- II. Investment objectives – *Investors* cited tax relief of RM3,000 and return/performance as the reasons for investing tend to hold their investments longer.
- III. Level of awareness on PRS.

3.3.2 Intended Investment Holding Period

Overall, both UTS and PRS *Investors* displayed similar trend in their respective intended investment holding periods. 80% of UTS *Investors* and PRS *Investors* intend to hold their units for a period of four (4) years and above. Further analysis indicated that satisfied *Investors* intend to hold their units for a longer period (Figure 25 and 26).

Figure 24:
UTS Investors' Current Investment Holding Period and Their Satisfaction Level

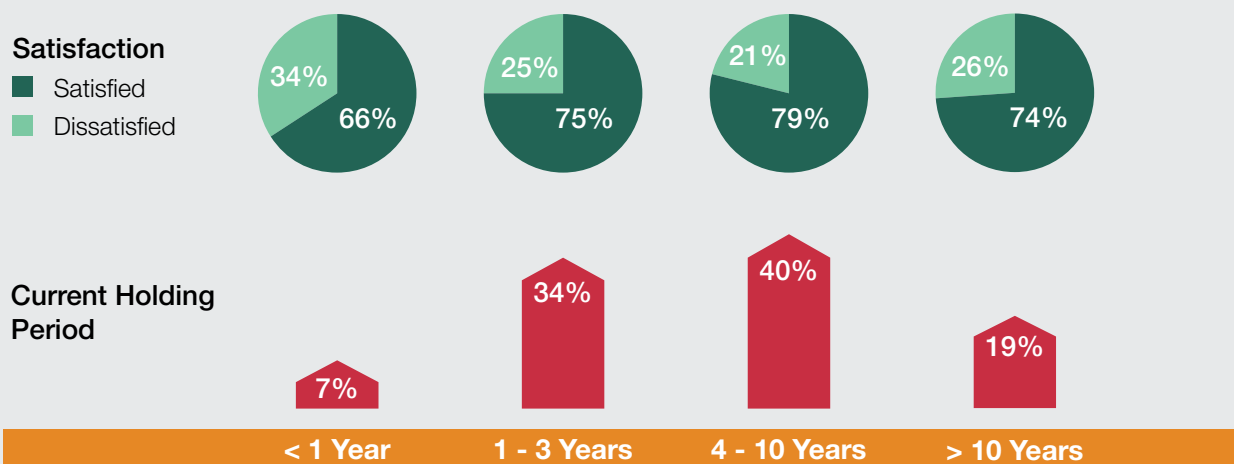


Figure 25:
UTS Investors' Intended Holding Period and Their Satisfaction Level

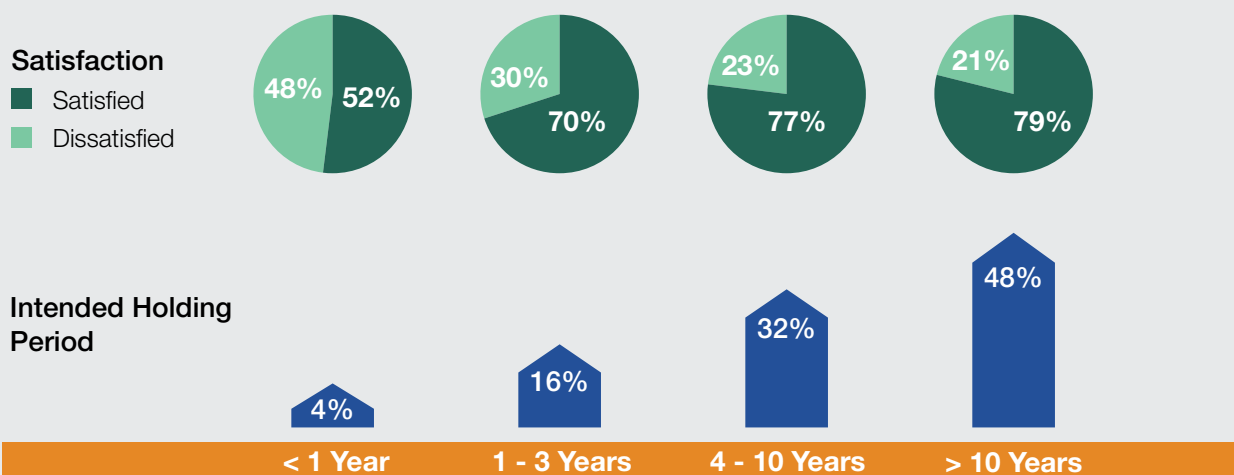
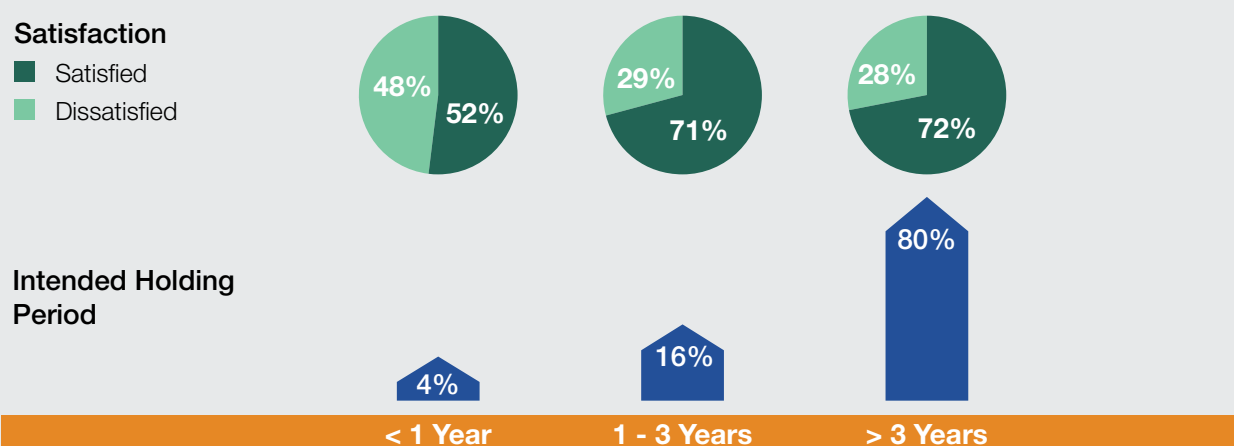


Figure 26:
PRS Investors' Intended Holding Period and Their Satisfaction Level

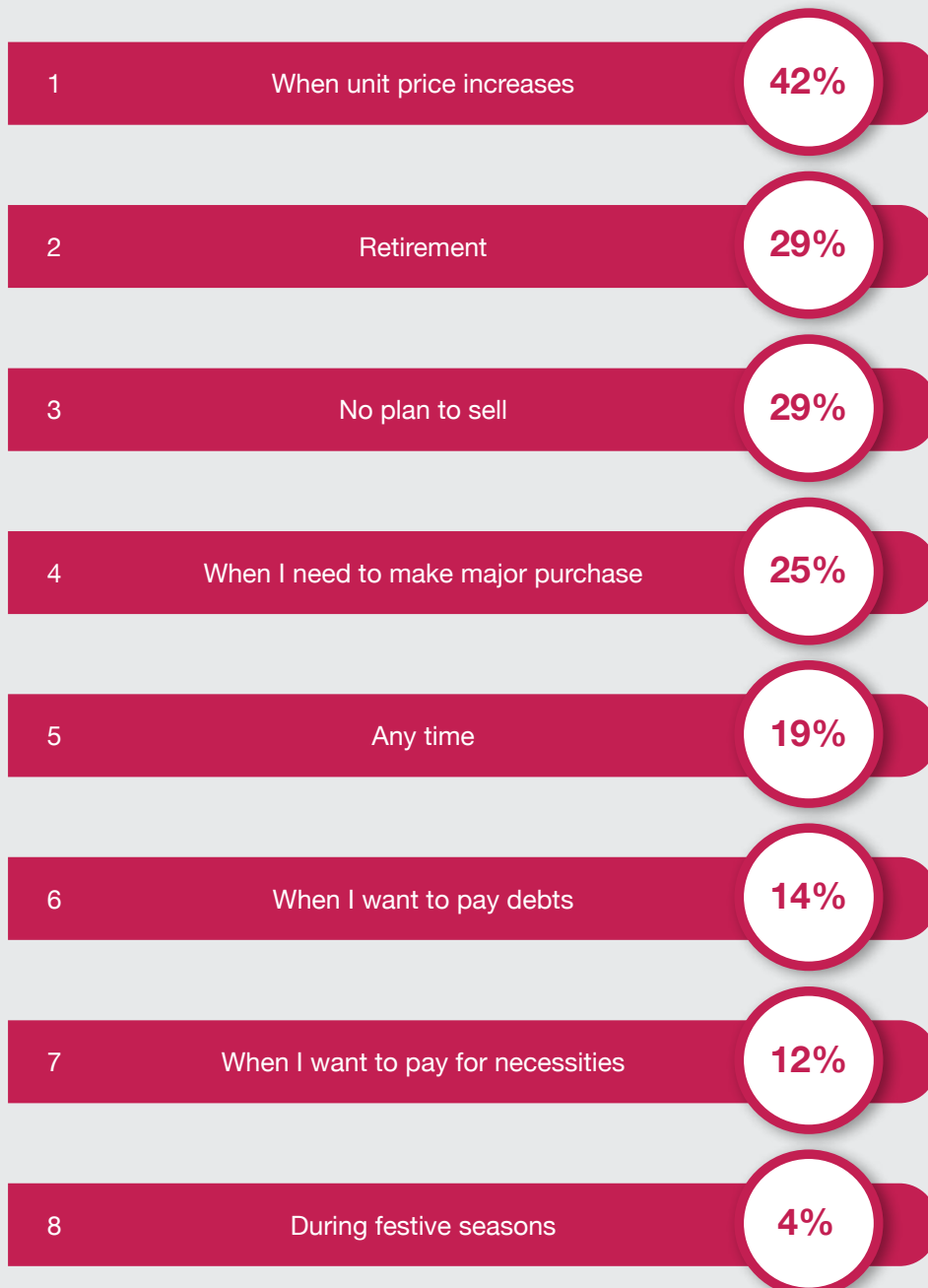


3.3.3 Reasons for Redemption

The Nationwide Survey assesses the possible trigger events that can influence the *Investors'* investment duration. Hence, the Survey requested *Investors* to rank possible trigger events that will result in redeeming their investments in the near future (Figure 27).

As expected, investment returns dominated the responses where 42% indicated that they will sell their investments when the unit prices increase (above their cost). Other reasons included retirement (29%) and funding a major purchase (25%). Interestingly, 29% of respondents also cited that they have no intention to redeem their investments in the near future.

Figure 27:
***Investors'* Reasons for Redemption**



3.3.4 Investment Avenues/Distribution Channels

In terms of investment channels, it is noted that the conventional methods (such as visiting a bank, agency, UTS/PRS company) remain the top choices (Figure 28). The observation is concurrent with the sales contribution by the channels shown in Figure 29.

Comparing with the SC's data on gross sales as at December 2019, the top three (3) distribution channels that contributed to high UTS sales were UTMC, IUTA and UTS Consultant (Agency). UTMC was the major contributor at RM131.54 billion and registered a double digit increase in the six (6)-year gross sales CAGR. Significant growth in gross sales was also recorded by UTS Consultant (Agency) and Financial Planner (CUTA) between 2013 and 2019.

Figure 28:
Investors' Preferred Channel of Investment

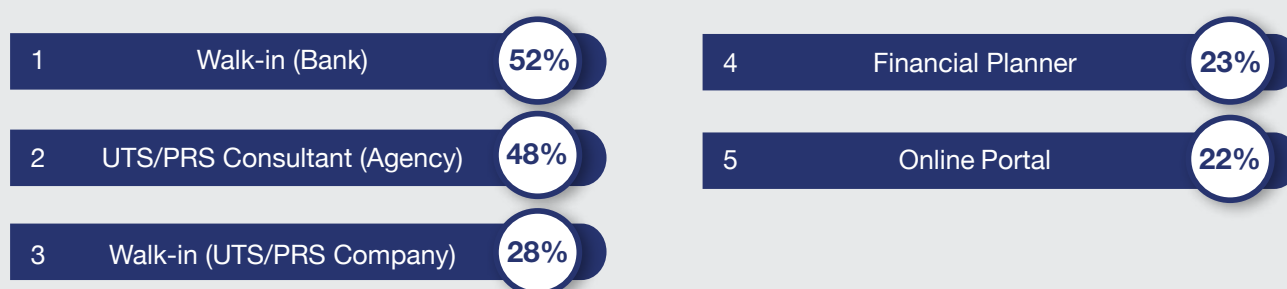


Figure 29:
Gross Sales Value by Distribution Channels

Distribution Channel	Gross Sales Value (RM billion)		6-Year CAGR (2013 – 2019)
	2013	2019	
Unit Trust Management Company (UTMC)	51.96	131.54	17%
Institutional Unit Trust Adviser (IUTA)	72.69	63.95	-2%
Unit Trust Consultant (Agency)	22.87	51.07	14%
Corporate Unit Trust Adviser (CUTA)	0.15	1.39	45%
Others	4.39	1.92	-13%
Total	152.06	249.87	9%

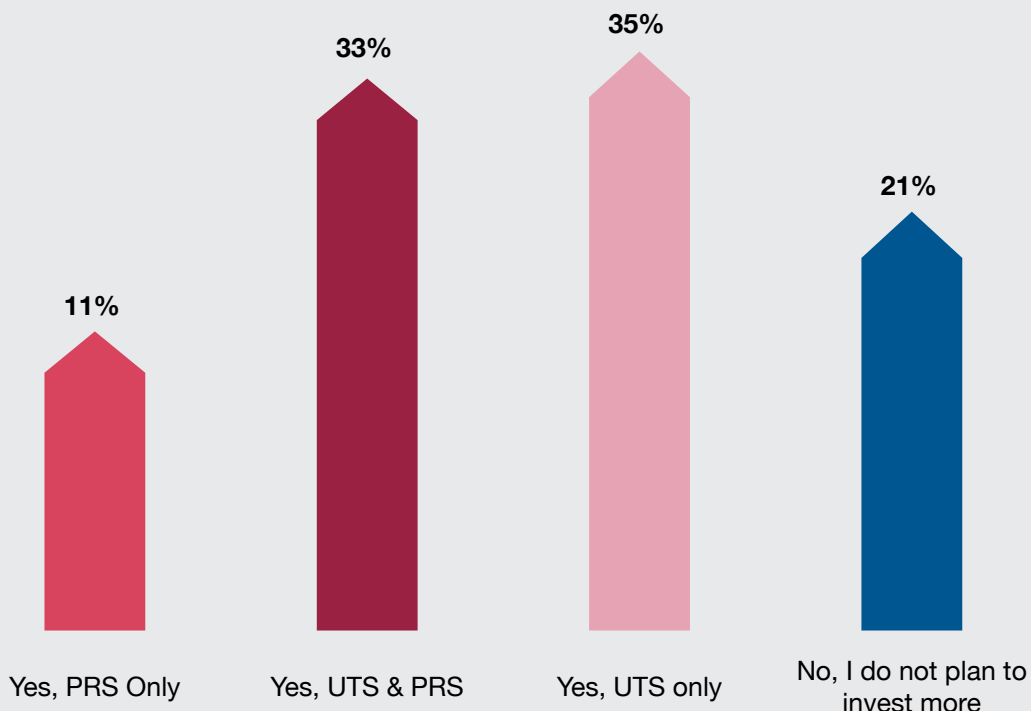
Source: Securities Commission Malaysia (Annual Reports 2014 – 2019)

3.3.5 Investors' Future Plan for UTS and PRS Investments

Despite the positive *Investor* satisfaction feedback, it does not guarantee an overall increase in future investments, whereby 21% of the *Investors* do not want to increase their investments within the next five (5) years. The primary respondents in this category are *Investors* earning less than RM3,000 a month, aged 50 and above and/or possess a low risk appetite.

However, 79% of the *Investors* indicated they will add more investments within the next five (5) years, of which 35% chose UTS only, 33% chose both UTS and PRS, and 11% settled for just PRS investments (Figure 30).

Figure 30 :
Investors' Types of Investments to add on in the Next 5 Years



3.4 CHALLENGES AND BARRIERS TO INVEST IN UTS AND PRS

3.4.1 Challenges to Invest in UTS and/or PRS

This section works on understanding the challenges that are preventing *Investors* from investing further in UTS and/or PRS. The multiple-choice responses in Figure 31 were obtained.

3.4.2 Barriers to Invest in UTS or PRS

Furthermore, we assessed **sole** UTS and **sole** PRS *Investors* as to why they have not invested in PRS or UTS respectively.

As shown in Figure 32, those who invest solely in PRS are not keen to invest in UTS mainly due to the

perception that UTS provides lower than expected returns. Conversely, the prevalent factor deterring UTS *Investors* from venturing into PRS is their limited knowledge about the scheme.

3.4.3 Barriers to Invest among *Non-investors*

Amongst the *Non-investors*, concerns about the risk associated with investments is the main barrier for investing in both UTS and PRS (Figure 33). The lack of exposure, insufficient knowledge or understanding of the investment statements and processes are evidently seen across both schemes, hence discouraging *Non-investors* from investing. Difficulties and time consuming to monitor investments are also illustrated as amongst the top five (5) barriers for *Non-investors* from venturing into UTS and/or PRS.

Figure 31:
Challenges in Investing among *Investors*



Nonetheless, among the *Non-Investors*, majority indicated that they are willing to give UTS and/or PRS a try. Upon further study on the *Non-investors'* savings and investment behaviour, as well as their perceptions on UTS and PRS, the Nationwide Survey

has identified potential segments that would allocate at least 10% of their monthly income for savings and have the intention to invest in the schemes. Detailed distribution of the potential target segments is shown in Figure 34.

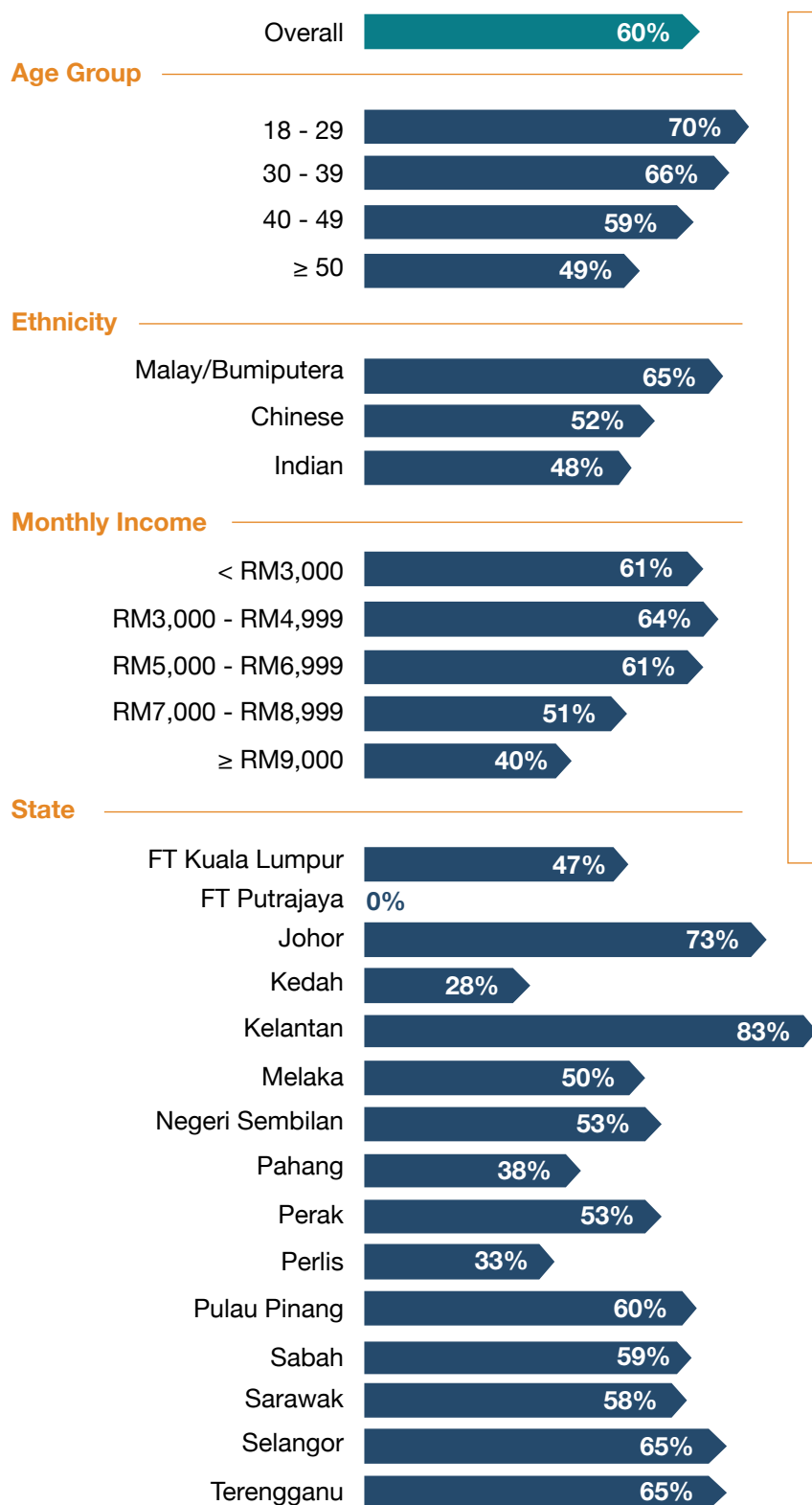
Figure 32:
Barriers to Invest among UTS or PRS Investors



Figure 33:
Barriers to Invest among *Non-investors*



Figure 34:
Potential *Investors* (*Non-investors* who allocate at least 10% of Monthly Income for Savings and intend to invest in UTS and/or PRS) by Socio-demographics



Non-investor

- I. 60% of *Non-investors* that put aside at least 10% of their monthly income for savings have indicated they intend to invest in UTS/PRS.
- II. The potential segments are:
 - Aged 18 - 29
 - Malay/Bumiputera ethnicity
 - Earning a monthly income of RM3,000 - RM4,999
 - Top 5 states: Kelantan, Johor, Terengganu, Selangor and Pulau Pinang.





CHAPTER

Role of Technology in Saving and Investing

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4.2	Factors Affecting FinTech Usage	65

Update as at June 2020:

As this Survey was conducted before the COVID-19 pandemic, we note from recent developments that the embracing of technology to invest or offer investment products has even accelerated.

ROLE OF TECHNOLOGY IN SAVING AND INVESTING

4.0 THEN AND NOW

The advent of FinTech and social networking sites (social media) have offered a new dimension to the UTS and PRS industries, where technological advancements have made it easier for companies to disseminate information to investors in a fast and efficient manner.

In the past 10 years, the industry has seen major technology developments in the space of the Employees Provident Fund Members Investment Scheme (EPF-MIS). Started in late '90s, qualified EPF members are allowed to withdraw their savings and invest in EPF-approved UTS. The EPF-MIS started with manual withdrawals before digitising submissions via the Elektronik Pilihan Pelaburan Ahli (e-PPA) in 2011. The withdrawal process was further digitised via the introduction of the Electronic Members Investment Scheme (e-MIS) in 2019, thus enabling EPF members to perform transactions in Unit Trusts via the EPF's portal or online portals managed by approved fund management companies.

The introduction of Fund Supermarket in late 2008 has also put Malaysia on par with other regional markets in offering buying and selling UTS online. Investors are becoming more receptive to the online investment platform recently as the total Assets Under Advisory (AUA) garnered from the channel has increased 56% in the past 10 years (Figure 35). Key catalysts contributing to the growth include wider and cheaper Internet access, cheaper transaction costs (especially charges for online transactions, which have been lowered from RM2 to RM0.10 per transaction) and more affordable smartphones.

This chapter focuses on the impact of FinTech on both *Investors* and *Non-investors*, with the intention of understanding how this can be used to better leverage on the usage of technology to benefit investors and UTS/PRS industries. This includes developing platforms for Consultants and investors for easy access to fund information, handle customer's enquiries and disseminate notices to relevant parties.

Figure 35:
Online Investment Statistics, 2009 – 2019

Item	2009	2019	10-Year CAGR
Number of Funds*	141	684	17%
Number of Account Holders	1,529	35,784	37%
AUA (RM million)	9.58	792.27	56%

* Note: Funds with multiple classes of units are counted as multiple funds.
Source: iFast Capital Sdn. Bhd. and Phillip Mutual Berhad.

4.1 ADAPT AND CHANGE

As summarised in Figure 36, a sizeable portion of *Investors* are aware of FinTech, with 46% of them having FinTech on their devices, while a further 41% are already adopting the usage of FinTech on their devices. Detailed information on the usage of FinTech by socio-demographics is shown in Figure 38.

Generally, those who embrace FinTech tend to access the technology regularly, where the majority uses FinTech between 5 – 10 times a month. *Investors* tend to have a higher frequency of FinTech usages (11 times and above) than *Non-investors* (Figure 37).

Figure 36:
Investors' and Non-investors' Awareness of FinTech



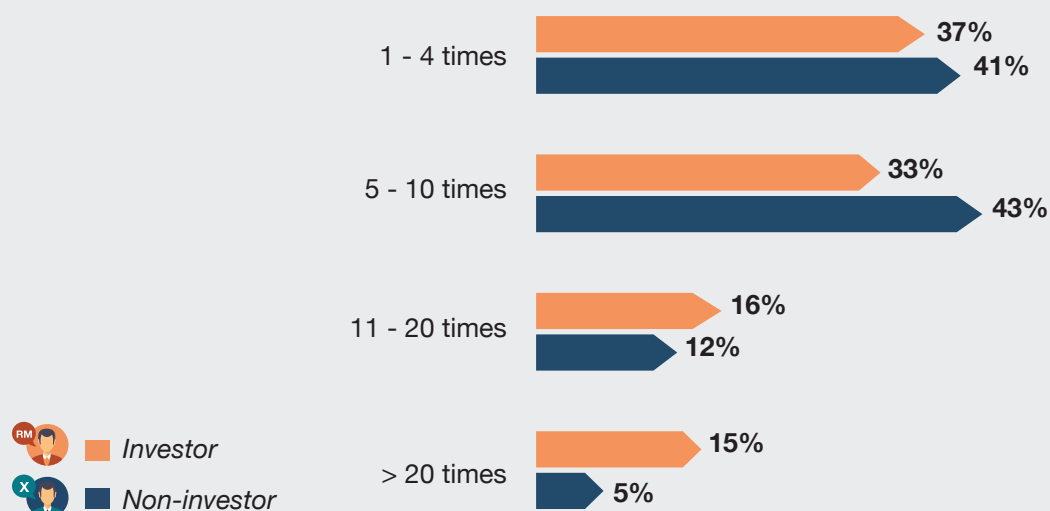
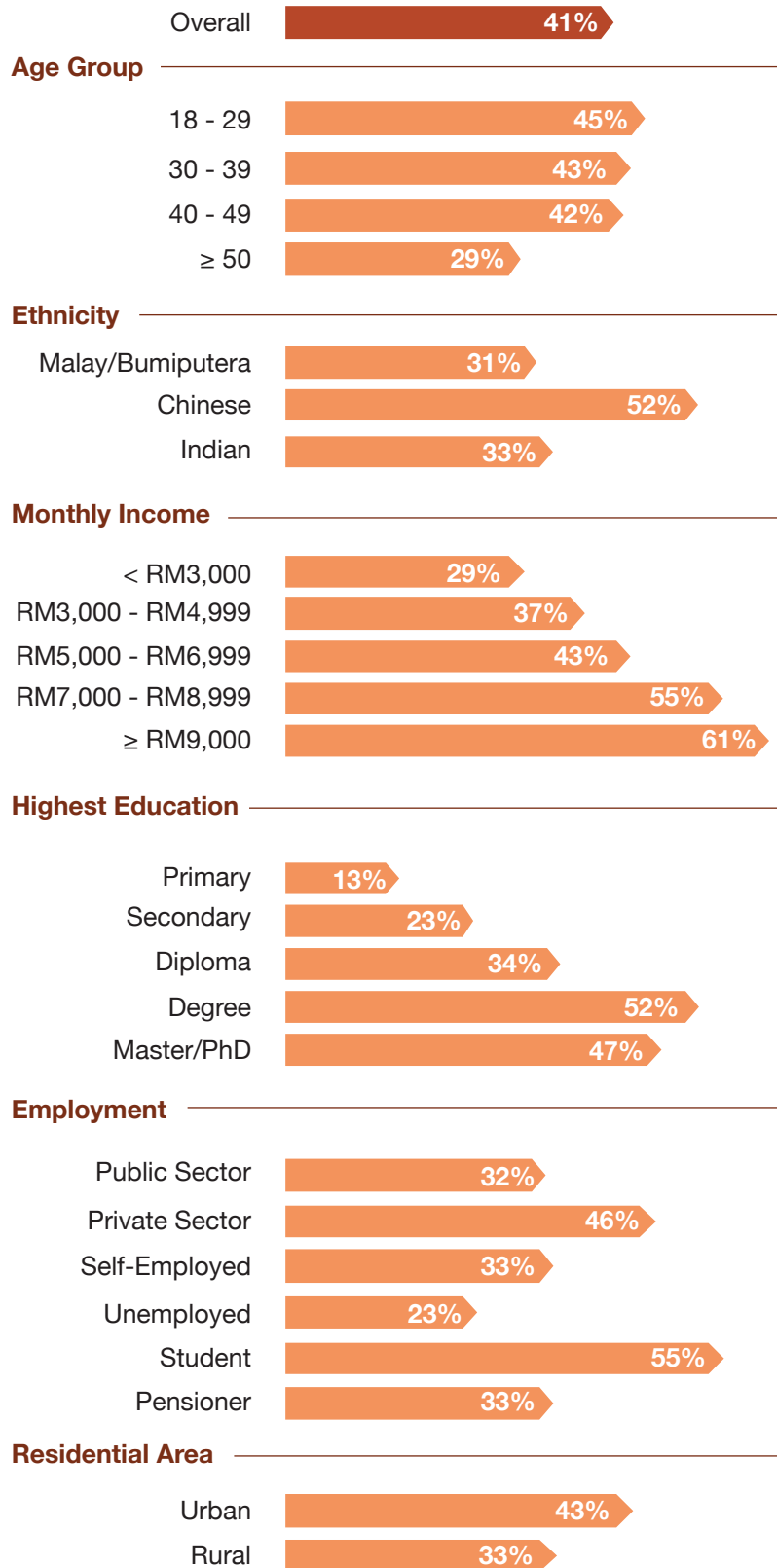
	 <i>Investor</i>	 <i>Non-investor</i>
Know about FinTech	46%	29%
FinTech available on device(s)	46%	28%
Use FinTech on device(s)	41%	23%

Figure 37:
Investors' and Non-investors' FinTech Usage Frequency (Monthly)



The following chart (Figure 38) summarises *Investors’* FinTech usage based on socio-demographics.

Figure 38:
***Investors* Using FinTech on Devices by Socio-demographics**



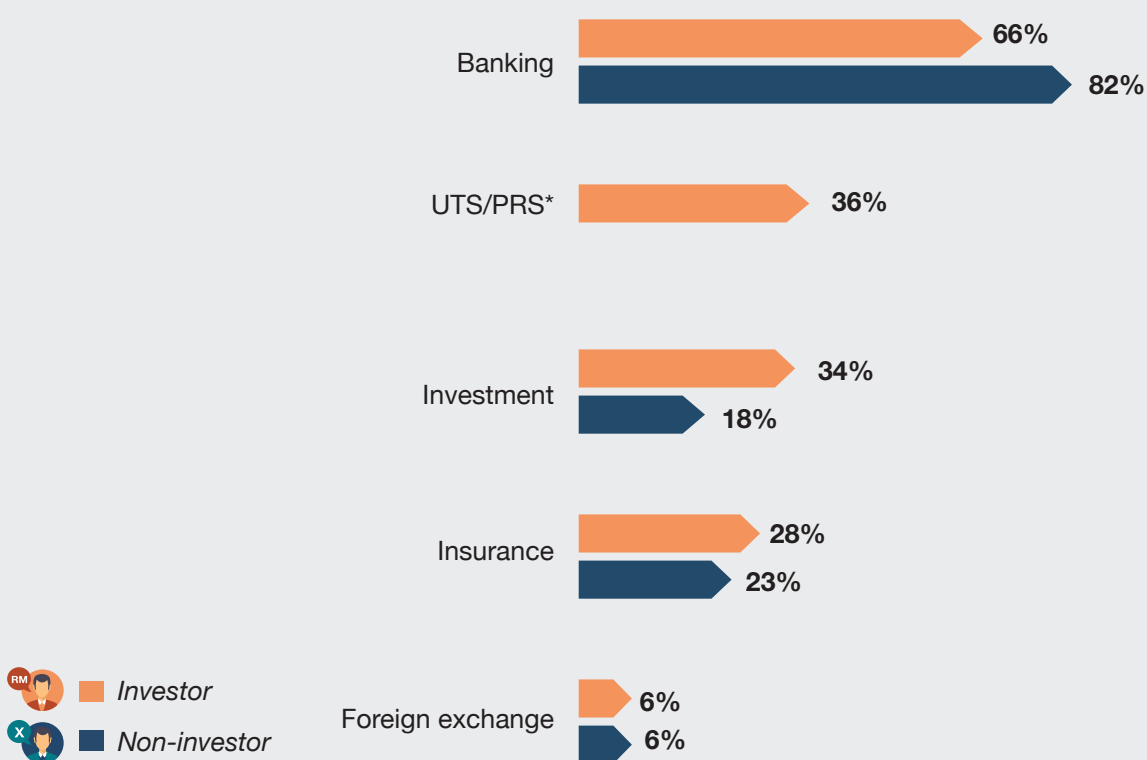
Investor

- I. 41% of the *Investors* are using FinTech on their devices.
- II. The use of FinTech is relatively higher among the following segments:
 - Aged 18 – 29
 - Chinese ethnicity
 - Students
 - Earning a monthly income of RM9,000 and above
 - Degree holders
 - Residing in urban area

Majority of *Investors* (66%) and *Non-investors* (82%) use FinTech for banking transactions, followed by FinTech activities relating to UTS/PRS, other investments, insurance and foreign exchange (Figure 39).

The prevalent use of FinTech for banking transactions is largely due to the fact that online banking is a mainstay in Malaysia and has become increasingly popular. As highlighted in the Malaysian Communications and Multimedia Commission (MCMC) Internet Users Survey 2018⁷, 54% of Internet users have online banking as compared to 41% in 2016⁸.

Figure 39:
Investors' and Non-investors' Types of FinTech Transactions



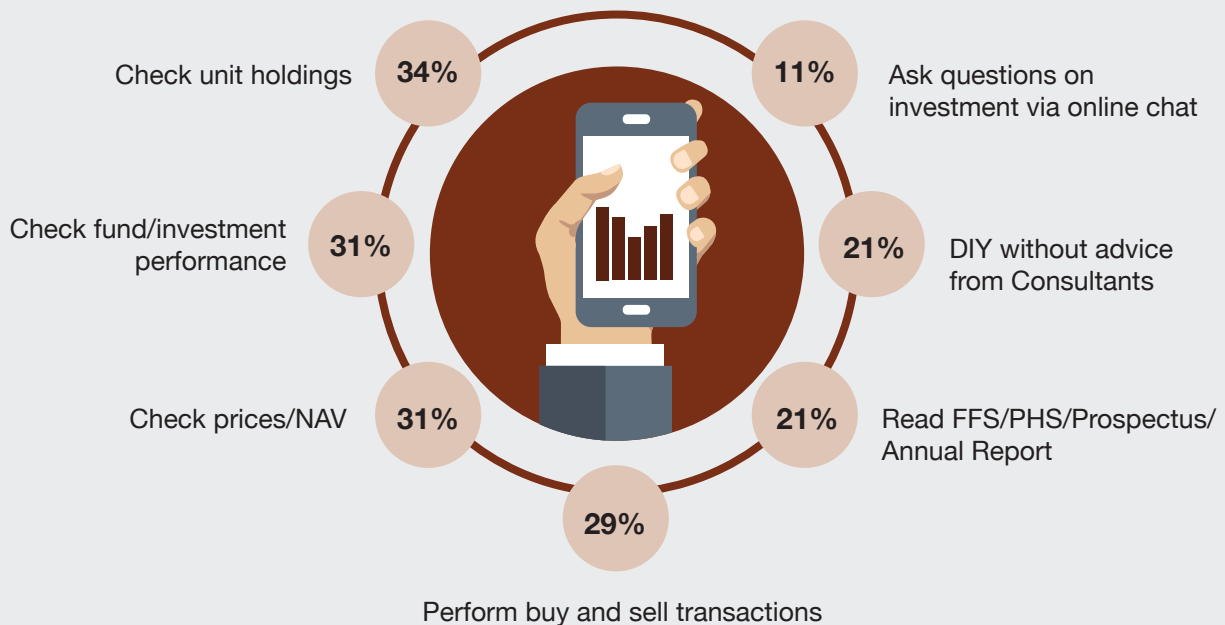
* Note: Not applicable to Non-investors

When asked about FinTech services in UTS and PRS, *Investors* often use FinTech to monitor their funds in relation to their unit holdings (34%), investment performance (31%) and pricing/NAV (31%). This is followed by performing buy and sell transactions (29%), reading fund fact sheet (FFS)/product highlights sheet (PHS)/prospectus/annual report (21%), invest without advice from Consultants (i.e. Do-it-yourself (DIY)) (21%) and accessing the online chat function to enquire on investments (11%) (Figure 40).

This is in contrast with the responses in Figure 28, where accessing an online portal is the least preferred investment channel; hence, it implies that *Investors* tend to gravitate towards professional bank personnel or Consultants at the pre-onboarding stage for investment advice, but are subsequently comfortable with using the online platforms to conduct post-onboarding transactions.

It is observed that frequent use of FinTech for UTS/PRS generally takes place once the *Investor* has subscribed to a fund, and subsequent post-onboarding activities such as monitoring unit holdings, NAV, etc. are fairly simple and straightforward to do via FinTech platforms.

Figure 40:
Investors' FinTech Services Usage in UTS and PRS



Note: The above are percentages of Investors who ticked "always" to the respective services

4.2 FACTORS AFFECTING FINTECH USAGE

As seen in Figure 41, *Investors* and *Non-investors* are looking for FinTech services that are efficient with a 24-hour service, user friendly and provide easy access to information.

Nielsen (2008)

- Non-Unit Trust investors feel that general information is not easily available, and do not know how the system works.
- Unit Trust investors feel that information is not timely and not readily available.

Nationwide Survey (2019)

- Better access to information.

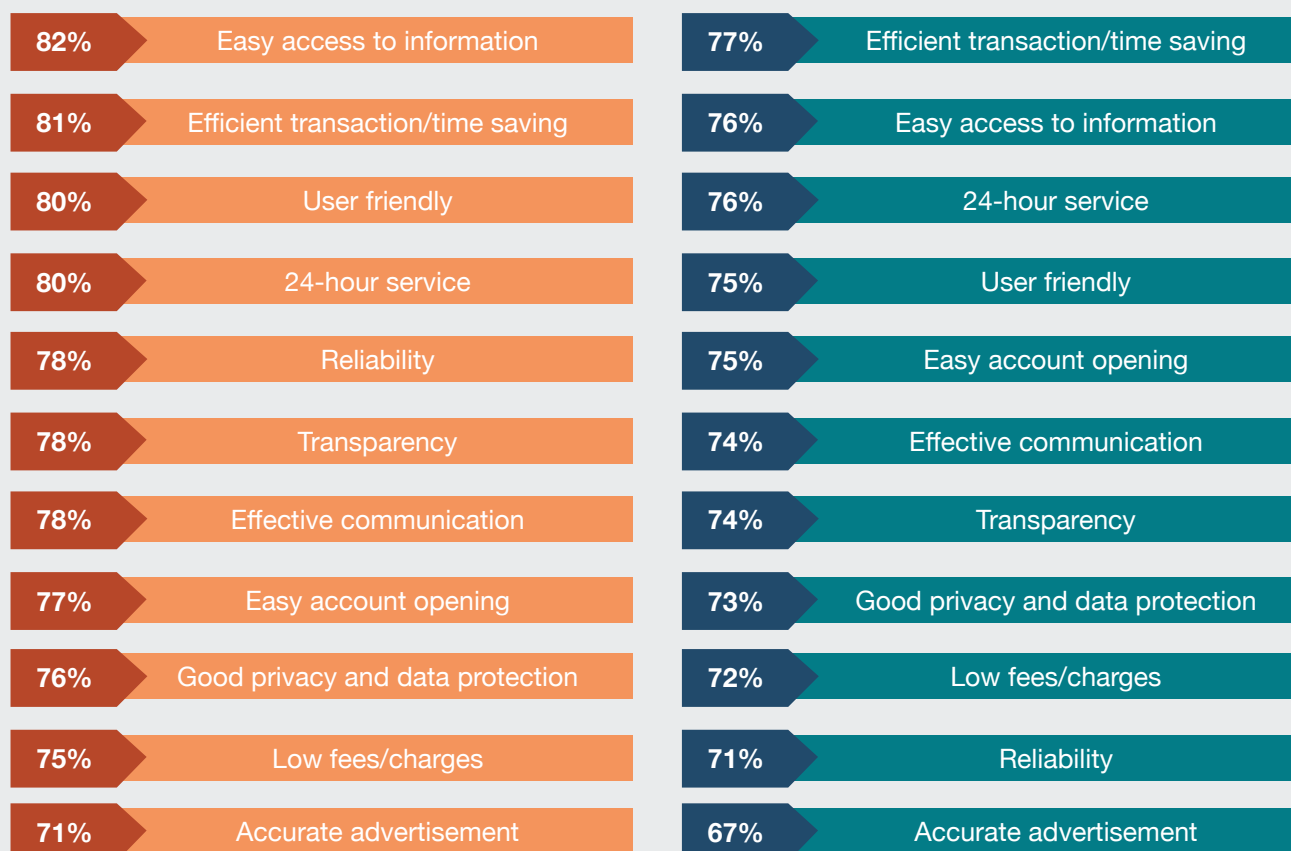
Figure 41:
Factors Affecting FinTech Usage in Investment Activities among *Investors* and *Non-investors*



Investor



Non-investor







CHAPTER

Thoughts and Expectations about Financial Future

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THOUGHTS AND EXPECTATIONS ABOUT FINANCIAL FUTURE

5.0 THEN AND NOW

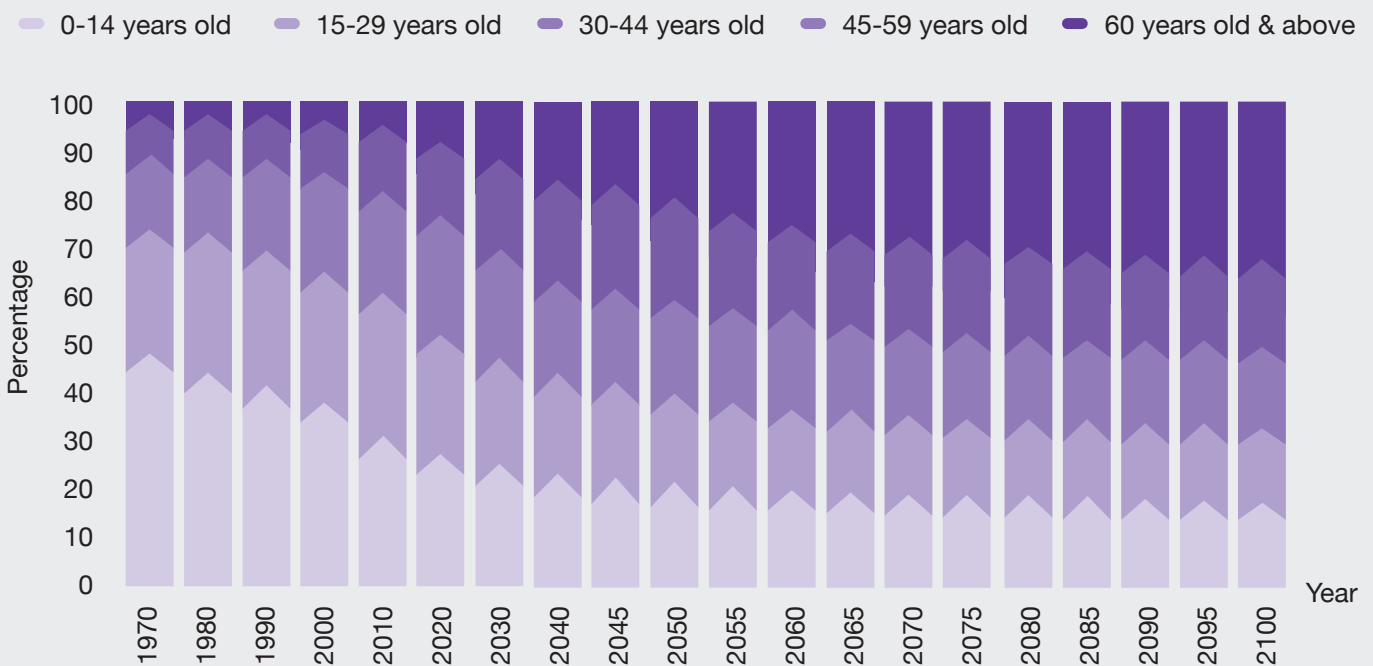
The reality of retirement in Malaysia is slowly shifting. The long-held approach of relying on dependents and on one’s own EPF savings as a source of income during retirement years may no longer be adequate.

According to the Department of Statistics Malaysia (DOSM), the life expectancy of Malaysians continues to rise each year, where the average life span is now at 75 years, as compared to 72 years in 2000⁹. In addition, the fertility rate in Malaysia has continued to decline,

where it is currently at 1.8 babies per woman, which is well below the replacement level of 2.1 babies¹⁰.

The increase in life span and the declining fertility rate have contributed to a demographic shift in the country, whereby Malaysia officially becomes an ageing country this year (2020) with the percentage of its population aged 65 and above hitting 7.5%. Figure 42 shows the changes in Malaysia’s population by age group from 1970 – 2100. By 2050, the population of those aged 60 and above will be more than every other age group.

Figure 42:
Malaysia Population Growth, 2010 – 2040¹¹



Source: Department of Statistics Malaysia and United Nation Department of Economic and Social Affairs

DOSM also forecasts that Malaysia will be classified as an aged country in 2040, which is when 65-year olds and above make up 14% of the population¹², whilst the youth population, who are expected to work and contribute economically is steadily shrinking.

This in turn translates to an enhanced need for retirement planning as retirees are expected to stretch further their finite savings for a longer period during retirement as opposed to their forefathers.

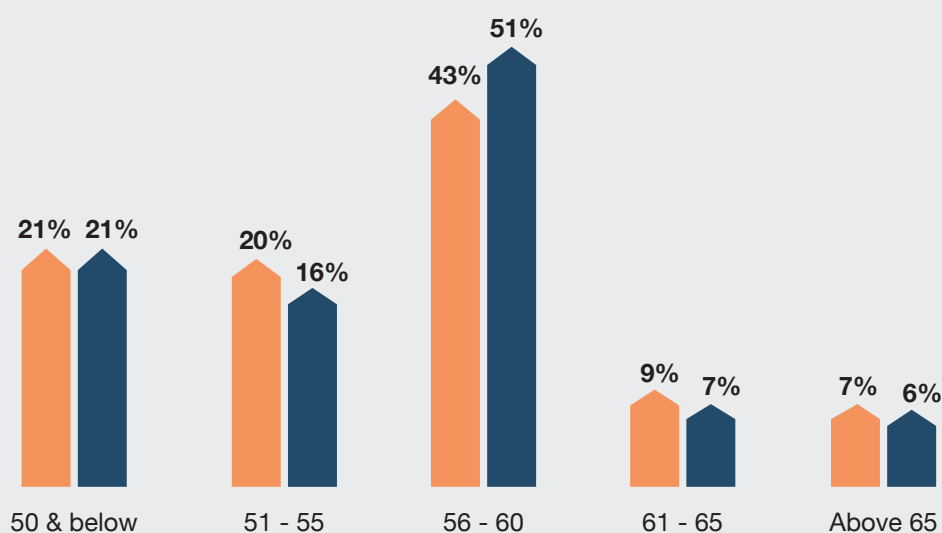
5.1 RETIREMENT GOALS

Despite the increasing life expectancy, majority of respondents from both *Investors* (43%) and *Non-investors* (51%) have cited that they plan to retire around the age of 56 – 60 years old (Figure 43). Upon closer inspection on the profile of those who have

responded to this option, it is worthy to note that Malaysians, regardless of age, income level, marital status, academic qualification and employment, generally intend to also retire by the time they are 56 – 60 years old.

It is most likely that this is not largely driven by their respective socio-economic factors, but due to the social norm in Malaysia where the law under the Minimum Retirement Age Act 2012 has set the minimum retirement age at 60 years.

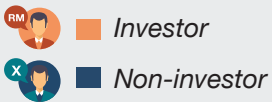
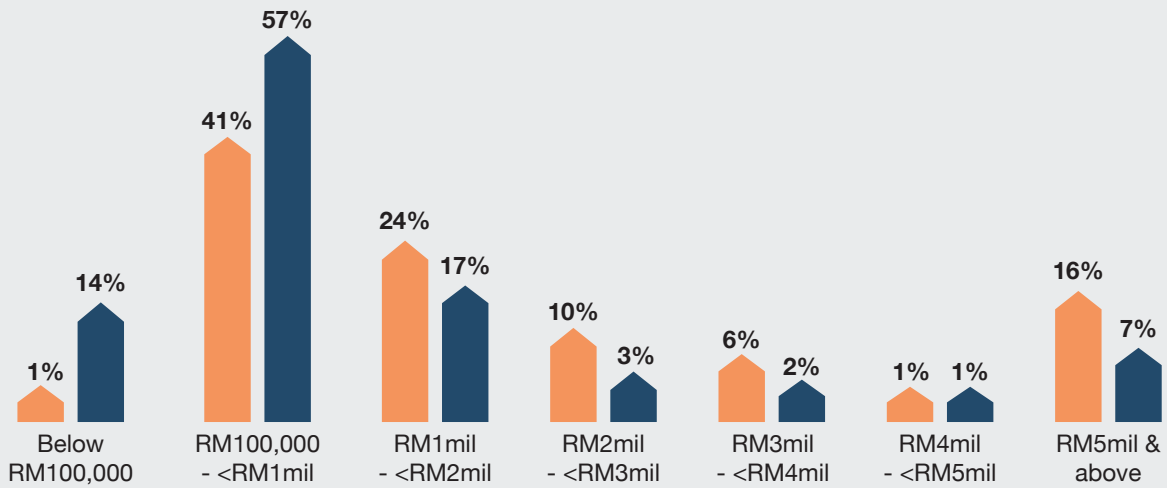
Figure 43:
Investors' and Non-investors' Expected Retirement Age



Both groups have responded similarly, where the majority of *Investors* and *Non-investors* have cited their retirement savings goal to be below RM1 million (Figure 44). It is further observed that there are more *Non-investors* (34%) than *Investors* (13%) whose retirement savings goal is below EPF's recommended minimum EPF savings of RM240,000 by the age of 55¹³.

As expected, respondents who earn a monthly income of RM3,000 and above aim to have savings exceeding the EPF threshold, whilst respondents earning below RM3,000 have less than RM240,000 to support their post-retirement life.

Figure 44:
Investors' and Non-investors' Expected Retirement Amount



As seen in Figures 45 and 46, despite having set their respective retirement goals, majority of respondents are not very confident that they are able to retire as planned. It is more concerning that even among those who are aiming to have retirement savings of below RM100,000 are just as unsure about their ability to meet this target that is very well below EPF's recommendation of keeping the minimum savings.

This may imply that the awareness and ability for retirement planning among Malaysians are relatively low and need to be improved.

A further look into the various demographics i.e. age, income level, marital status, academic qualification and employment revealed that respondents overall are only somewhat confident about meeting their retirement goals.

Figure 45:
Investors' Confidence Level to Retire with Set Retirement Goal

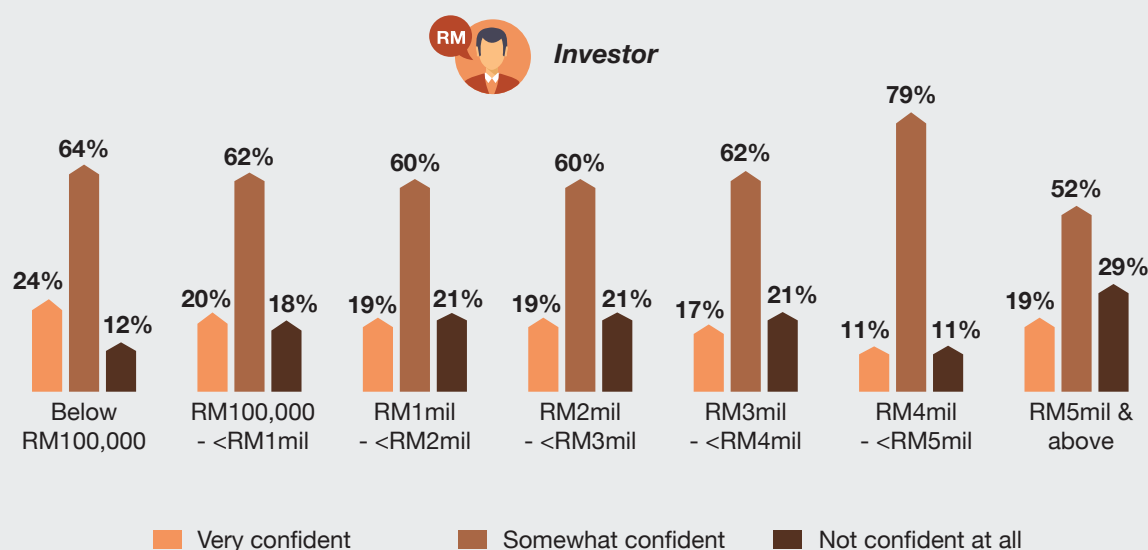
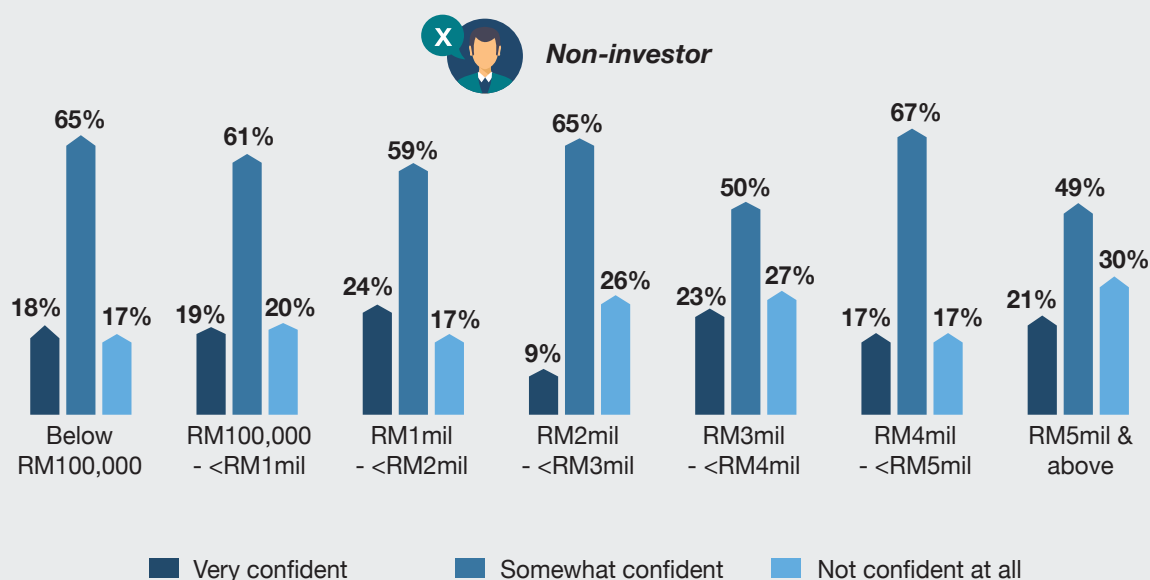


Figure 46:
Non-investors' Confidence Level to Retire with Set Retirement Goal



5.2 POST-RETIREMENT

This lack of confidence is echoed in the responses stated in Figure 47, where most respondents are uncertain if they will need to work post-retirement.

Both *Investors* and *Non-investors* expect their expenses to increase during retirement, particularly on medical needs [*Investors* (42%) and *Non-investors* (76%)] (Figure 48) and are likely to depend on their EPF savings to manage their increasing expenses (Figure 49).

Figure 47:
Investors' and Non-investors' Requirement to Work Post-retirement

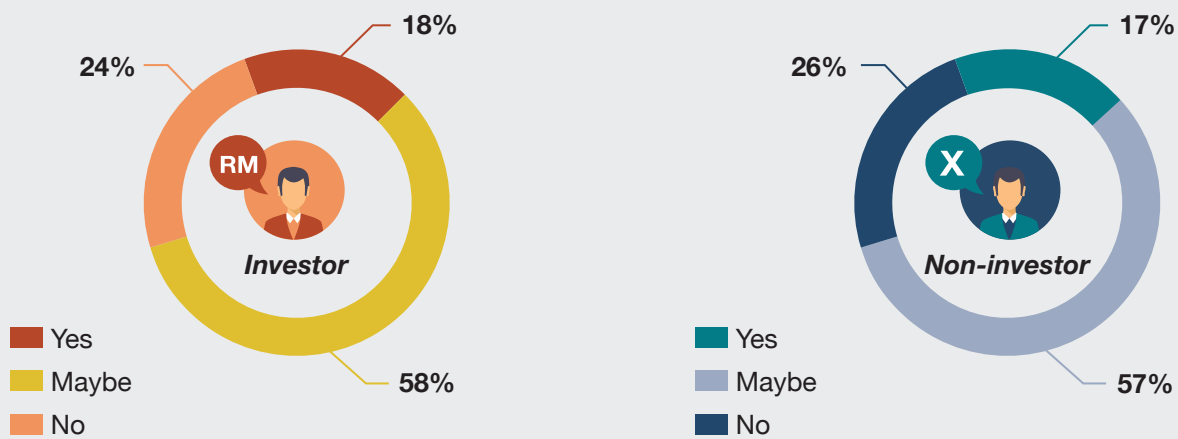
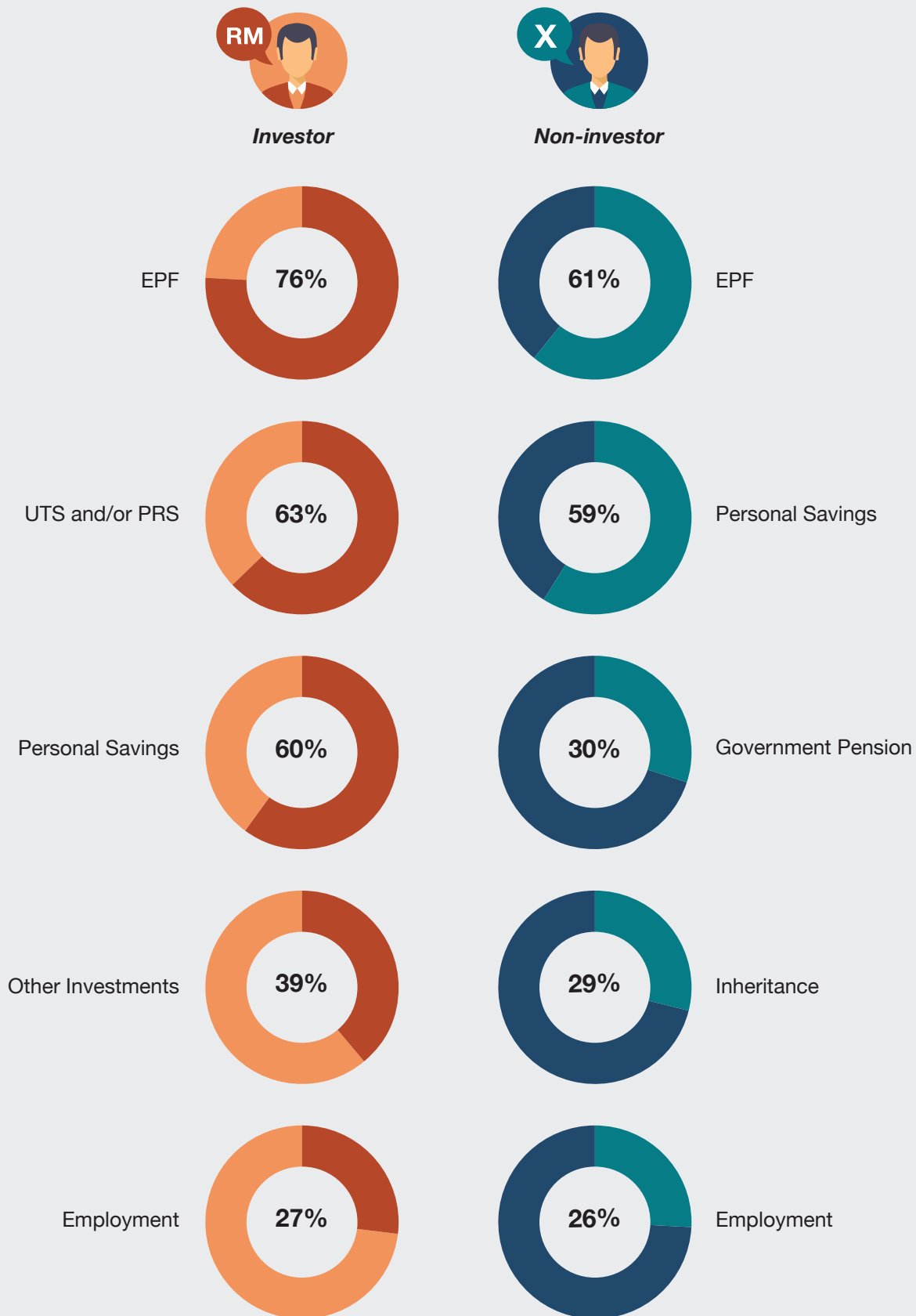


Figure 48:
Investors' and Non-investors' Main Expenses Post-retirement

		Medical	Basic Needs	Long-Term Care	Children	Parents	Lifestyle-Related Activities
 Investor	Increase	42%	35%	32%	43%	38%	33%
	Maintain	18%	43%	36%	30%	37%	34%
	Decrease	39%	23%	32%	27%	25%	33%
 Non-investor	Increase	76%	51%	51%	44%	38%	53%
	Maintain	17%	36%	37%	29%	40%	30%
	Decrease	7%	12%	13%	26%	22%	17%

Figure 49:
Investors' and Non-investors' Top 5 Income during Retirement



However, the current EPF members' average savings of RM200,000¹⁴ at the age of 54 is inadequate (Figure 50). This is below EPF's recommendation to have minimum EPF savings of RM240,000 by the age of 55.

Coupled with the latest insight from EPF, where seven (7) in 10 retirees in Malaysia will live with RM210 per month until aged 75, or deplete their savings in less than two (2) years¹⁵, Malaysians face the risk of outliving their retirement assets/savings.

Figure 50:
EPF Members' Average Savings at Age 54

Year	Active Members			Inactive Members		
	Number of Members	Total Savings (RM)	Average Savings (RM)	Number of Members	Total Savings (RM)	Average Savings (RM)
2008	53,022	7,027,524,442	132,539.78	130,653	2,860,548,303	21,894
2009	54,939	7,681,372,168	139,816.38	134,556	3,055,433,736	22,708
2010	62,028	8,868,040,956	142,968.35	148,844	3,528,282,764	23,705
2011	62,358	9,304,858,493	149,216.76	146,172	3,418,820,359	23,389
2012	68,151	10,788,445,936	158,302.09	157,425	3,802,693,654	24,156
2013	73,168	12,193,461,751	166,650.20	160,131	4,203,516,072	26,250
2014	76,424	13,767,990,019	180,152.70	166,131	4,578,149,209	27,557
2015	81,646	15,875,114,998	194,438.37	169,425	5,343,743,319	31,540
2016	82,332	16,819,459,387	204,288.24	170,844	5,812,652,311	34,023
2017	84,777	18,129,750,322	213,852.23	147,160	6,456,208,469	43,872
2018	94,260	19,781,564,850	209,861.71	151,577	6,660,005,444	43,938

Note: Total Savings Amount not inclusive of annual dividend
Source: Employees Provident Fund (Annual Report 2018)







CHAPTER

Key Recommendations

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KEY RECOMMENDATIONS

6.0 RECOMMENDATIONS FROM SURVEY FINDINGS

Based on the Nationwide Survey's findings, the report has identified several recommendations to address the gaps for FIMM's key stakeholders i.e investors, Consultants and FIMM Members and Distributors.

6.1 RECOMMENDATIONS TO MEET INVESTORS' NEEDS

6.1.1 Investor Education and Awareness

The Nationwide Survey has highlighted that there are still knowledge gaps amongst the investing public, where financial literacy appears to be lacking. To counter this, more efforts in investor education and awareness need to be undertaken, which are specifically tailored for the UTS and PRS industry, as follows:

- I. Manage investors' perception by enhancing messaging on risk factors associated with UTS and PRS, as well as the impact of inflation on savings returns.
- II. Launch a youth-oriented investor education campaign highlighting the benefits of long-term investment, as the youth are the future investors. University undergraduates, in particular, will benefit from such educational outreach as this is the segment that will be joining the workforce upon graduation.

- III. Increase public coverage via magazine and newspaper articles/columns that address common misconceptions on UTS and PRS, e.g. understanding fund performance. Additionally, well-known columnists can be engaged to target specific investor demographics by publishing articles that are relevant to their concerns.

- IV. Set up physical exhibition booths at shopping malls to target families.

- V. Collaborate with banks to distribute FIMM brochures/materials at their branches.

- VI. Enhance advertising and promotional campaigns by focusing on the following concepts:

- Importance of long-term regular investments i.e. dollar-cost averaging
- Retirement planning
- Needs/goal-based investing

6.1.2 Federal Budget

Additional Federal Budget proposals can be considered, such as:

- I. Tax relief for financial books and programmes.
- II. Extend tax relief of RM3,000 for PRS.

6.2 RECOMMENDATIONS TO MEET CONSULTANTS' NEEDS

- I. Embark on a Nationwide Survey on UTS and PRS Consultants to study their behaviours, services and key issues affecting their work. The survey should also look into providing solutions to future-proofing Consultants.
- II. Upgrade and upskill Consultants via e-learning portals by providing modules on personal financial/retirement planning and goal-based advice.
- III. Develop the FIMM financial calculator to assist Consultants when providing advice on needs/goal-based investment to their clients.

6.3 RECOMMENDATIONS TO MEET MEMBERS' NEEDS

- I. Conduct an in-depth research on UTS/PRS fees and sales charges and its impact to investors' investment across different duration. Considering that cost of investing has been mentioned as a deterrent factor, an in-depth research on UTS/PRS fees and sales charges, particularly in a longer term perspective, will be conducted. This research can be done as a collaborative effort between FIMM with its Members and Distributors to demystify misconceptions on "exorbitant" UTS/PRS fees and sales charges.

- II. Explore possible expansion of investor pool by leveraging on the Nationwide Survey datasets, whereby FIMM can collaborate with research institutions to identify:
 - Potential segments for existing *Investors* that are currently underserved.
 - Potential segments for existing *Investors* who do not plan to have additional investments.
 - Potential segments among *Non-investors*.
- III. Enhance product development and services by conducting focus groups with subject matter experts on sales and marketing, operations, IT and FinTech.
- IV. Perform an in-depth research on UTS/PRS investment risk and performance to address public misconception that UTS/PRS investment is highly risky and to educate on the impact of return performance based on different investment strategies.

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Amanah Saham Nasional Berhad



AmBank Islamic Berhad



AmFunds Management Berhad



Apex Investment Services Berhad



Areca Capital Sdn. Bhd.



Bank Kerjasama Rakyat Malaysia Berhad



Bank Muamalat Malaysia Berhad



Bill Morrisons Wealth Management Sdn. Bhd.



BIMB Investment Management Berhad



CIMB Bank Berhad



Hong Leong Asset Management Berhad



iFAST Capital Sdn. Bhd.



Kenanga Investors Berhad



Kuwait Finance House (Malaysia) Berhad



Malayan Banking Berhad



Manulife Investment Management (M) Berhad



Maybank Asset Management Sdn. Bhd.



OCBC Bank (Malaysia) Berhad



Pheim Unit Trusts Berhad



Phillip Mutual Berhad



PMB Investment Berhad



Principal Asset Management Berhad



Public Bank Berhad



Public Mutual Berhad



RHB Asset Management Sdn. Bhd.



RHB Bank Berhad



Saturna Sdn. Bhd.



Standard Financial Adviser Sdn. Bhd.



UOB Asset Management (Malaysia) Berhad



ABBREVIATIONS

AFC	Asian Financial Crisis
AKPK	Agensi Kaunseling dan Pengurusan Kredit
AUA	Assets Under Advisory
CAGR	Compound Annual Growth Rate
CUTA	Corporate Unit Trust Adviser
DIY	Do-it-yourself
DOSM	Department of Statistics Malaysia
EPF	Employees Provident Fund
EPF-MIS	EPF Members Investment Scheme
ETF	Exchange Traded Fund
FFS	Fund Fact Sheet
FIMM	Federation of Investment Managers Malaysia
FinTech	Financial Technology
FMUTM	Federation of Malaysian Unit Trust Managers
GFC	Global Financial Crisis
ILP	Investment-linked Product
IUTA	Institutional Unit Trust Adviser
IT	Information Technology
MWA	Malaysian Working Adult
NAV	Net Asset Value
PHS	Product Highlights Sheet
PRS	Private Retirement Scheme
REIT	Real Estate Investment Trust
SC	Securities Commission Malaysia
UTMC	Unit Trust Management Company
UTS	Unit Trust Scheme

APPENDIX

Dilman (2007) provides the following formula for estimating desired sample sizes:

$$N_s = \frac{N_p (\rho)(1 - \rho)}{(N - 1) \left(\frac{B}{C}\right)^2 + (\rho)(1 - \rho)}$$

N_s = completed sample size needed (notation often used in n)

N_p = size of population (notation often used is N)

ρ = proportion expected to answer a certain way (50% is most conservative)

B = level of sampling error (0.05 = $\pm 5\%$; 0.03 = $\pm 3\%$)

C = statistics associate with confidence interval (1.645 = 90% confidence level); 1.960 = 95% confidence level; 2.576 = 99% confidence level)

Number of samples required for this research is:

N_p = 22,329,797 (size of population aged 15 - 64)

ρ = 0.5

B = 0.025

C = 1.960

$$N_s = \frac{22,329,797 (0.5)(1 - 0.5)}{(22,329,797 - 1) \left(\frac{0.025}{1.960}\right)^2 + (0.5)(1 - 0.5)}$$

N_s = 1,537 (the minimum sample size for this survey)

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