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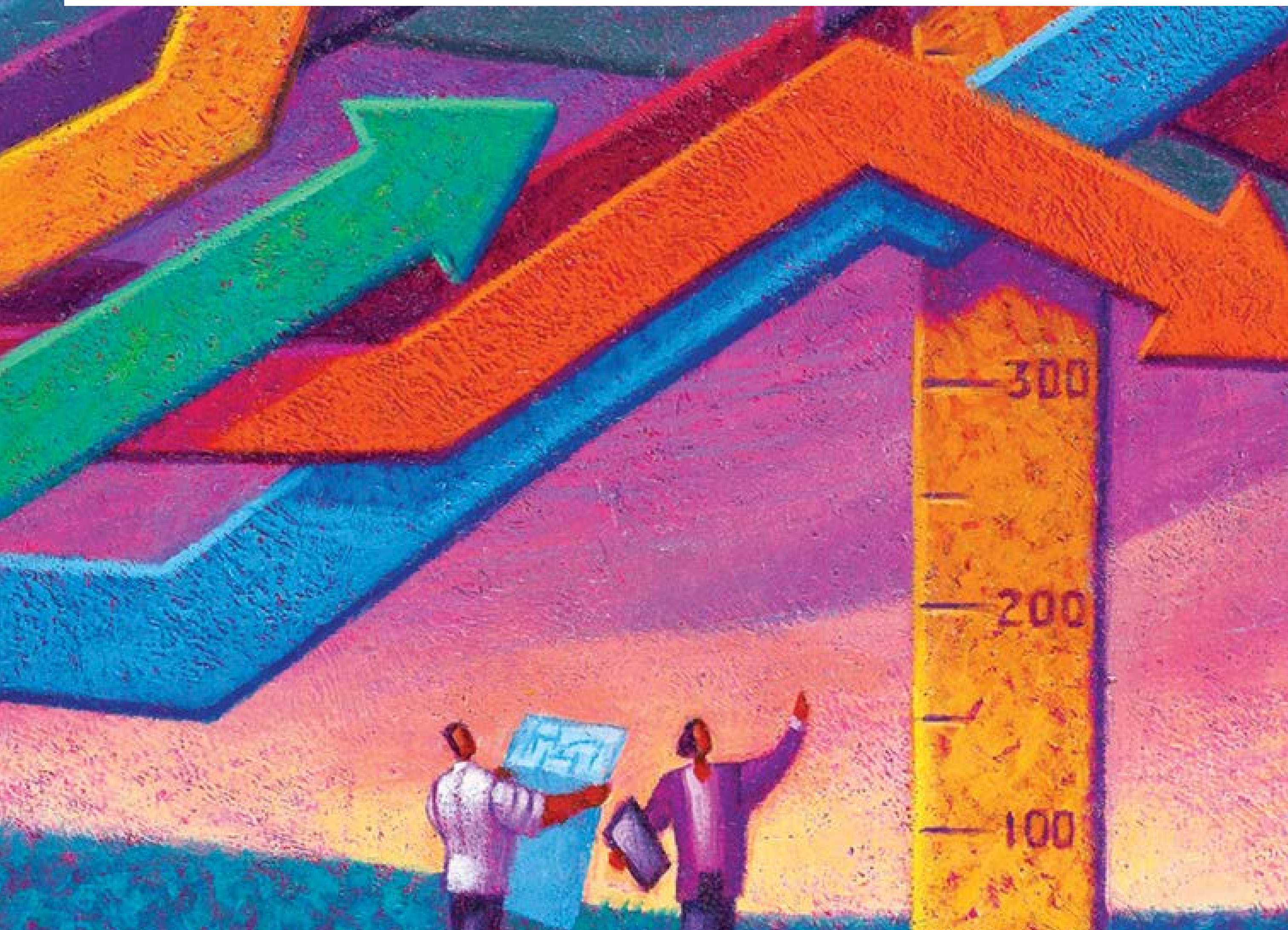

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RETIREMENT PLANNING

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FEATURES

We welcome views and comments from our readers. Please share your thoughts with us via email to *fimmtoday@fimm.com.my.*

CEO's Foreword

For A Better Tomorrow...

Malaysia is shifting towards an aging nation and therefore, a change in mindset is necessary when it comes to retirement. In the future, retirement planning, especially for private sector employees who do not have the luxury of a secured government pension, may no longer be an option.

This is a huge leap as elderly Malaysians culturally expect to depend on their children upon retirement. This is a similar belief across Asia whose society is still bound to the traditional familial financial support model.

Considering the squeeze on household incomes due to the global economic challenges, relying on children who may be struggling to support their own families in the future may be a tad too promising.

The popular assumption is that the Employees Provident Fund (EPF) alone is sufficient. However, commissioned research and studies have proven otherwise.

Many retirees realise that they should have started earlier and saved more to enjoy the financial independence after they have retired to maintain the lifestyle they are used to.

This is why planning for retirement is crucial. Malaysians must take responsibility for their long term financial future in order to have a comfortable retirement and truly enjoy the fruits of their working age.

Private Retirement Schemes (PRS) thus comes in as the third pillar of Malaysian's multi pillar pension framework. It is a voluntary scheme for all individuals, whether employed or self-employed. Launched two and a half years ago, PRS, is a long term retirement scheme that aims to help individuals accumulate savings for retirement under a well-structured and regulated environment.

Since PRS is not mandatory, for the industry to grow and function as a very much needed complementary pension fund, participation from all segments of the society is necessary.

An aging population is a blessing as it is a challenge. Early awareness therefore benefits as it helps people to understand better the various strategies and choices they can make today for a better tomorrow.

Nazaruddin Othman

Life After Retirement

do we have enough?

By **Tengku Mazlinda**

When it comes to retirement, the first question that comes to mind is how much is enough?

Government servants are guaranteed a pension of 50 per cent of their last drawn income for as long as they shall live after the mandatory retirement age of 58 (for those accepted into government service after July 1, 2008) without having to set aside their salary into a retirement fund.

In contrast, private sector workers contribute a compulsory 11% of their salary with an additional 12% minimum contribution from their employers to the Employees' Provident Fund (EPF) for an income after retirement. But is this enough?

It isn't. According to Private Pension Administrator (PPA) CEO Dato' Steve Ong, Malaysia's current income replacement ratio is set at 30% for a comfortable retirement. While this seems high, it is far less than the 57% average for Organisation of Economic Cooperation and Development (OECD) countries.

This is based on studies which indicated that individuals who want to maintain the lifestyle they are accustomed to need to allocate one third of his monthly income to obtain two-thirds of income replacement upon retirement.

The compulsory contribution to EPF totals 23%, which is still 10% shy of the one third needed and it is to address this shortfall and boost retirement savings for Malaysians that the Private Retirement Schemes (PRS) was established as the third core state pension framework.

To demonstrate, a 30-year-old executive with an income of RM4,000 (3% annual increment), a current EPF balance of RM50,000, who saves 10% of his salary in PRS, will have about RM1.27 million in his retirement fund (based on 23% EPF contribution with a 2.5% return per annum and 10% PRS contribution at 6% p.a. return) by the time he retires at 60.

Based on the average life expectancy of 75, he will have about RM7,000 a month for 15 years or RM5,290 a month until he is 80.

In comparison, a 30-year-old executive with the same income who do not contribute an additional 10 % to PRS will only have about RM840,000 in his retirement fund. This works out to RM4,670 a month for 15 years or RM3,500 a month for 20 years after retirement.

An income of RM3,500 a month may not sound bad for a former executive who most probably have settled paying his home loan, but what about a clerk who earns RM1,500 a month? Or a janitor earning RM1,200?

EPF chief executive officer Datuk Shahril Ridza Ridzuan has revealed that nearly 80% of workers who will turn 55 this year will not have enough savings in their EPF to live above the poverty line.

They would not have enough in total EPF savings to enable them to live on RM800 a month lower, than Malaysia's average poverty line income of RM830 for the next 20 years after retirement.

Knowing that EPF alone will not be enough, how does one start saving in PRS?

After determining how much is needed and how many years a future contributor has left until retirement, he or she can choose to contribute to one or more PRS providers and select either the age-based default option or other preferred fund.

At the moment, there are eight PRS providers in the country: Affin Hwang Asset Management Berhad, Kenanga Investors Berhad, Public Mutual Berhad CIMB-Principal Asset Management Berhad, AIA Pension and Asset Management Sdn Bhd, AmInvestment Services Berhad, Manulife Asset Management Services Berhad and RHB Asset Management Sdn Bhd.

Generally, the minimum initial contribution is RM100 and the minimum additional contribution is RM50. Fees vary according to providers but contributors can expect a sales charge of up to 3%, management fee (per annum of fund's NAV) of up to 2.25%, and annual trustee fee of up to 0.04% (per annum of fund's NAV).*

Which fund to choose? Future contributors are advised to choose based on their retirement needs (growth/income), risk tolerance (low/moderate/high), and preferences (conventional/syariah).

There are various funds available but all eight providers offer three basic funds: Conservative Fund, Moderate Fund, Growth Fund, and Shariah Compliant/Islamic Fund.

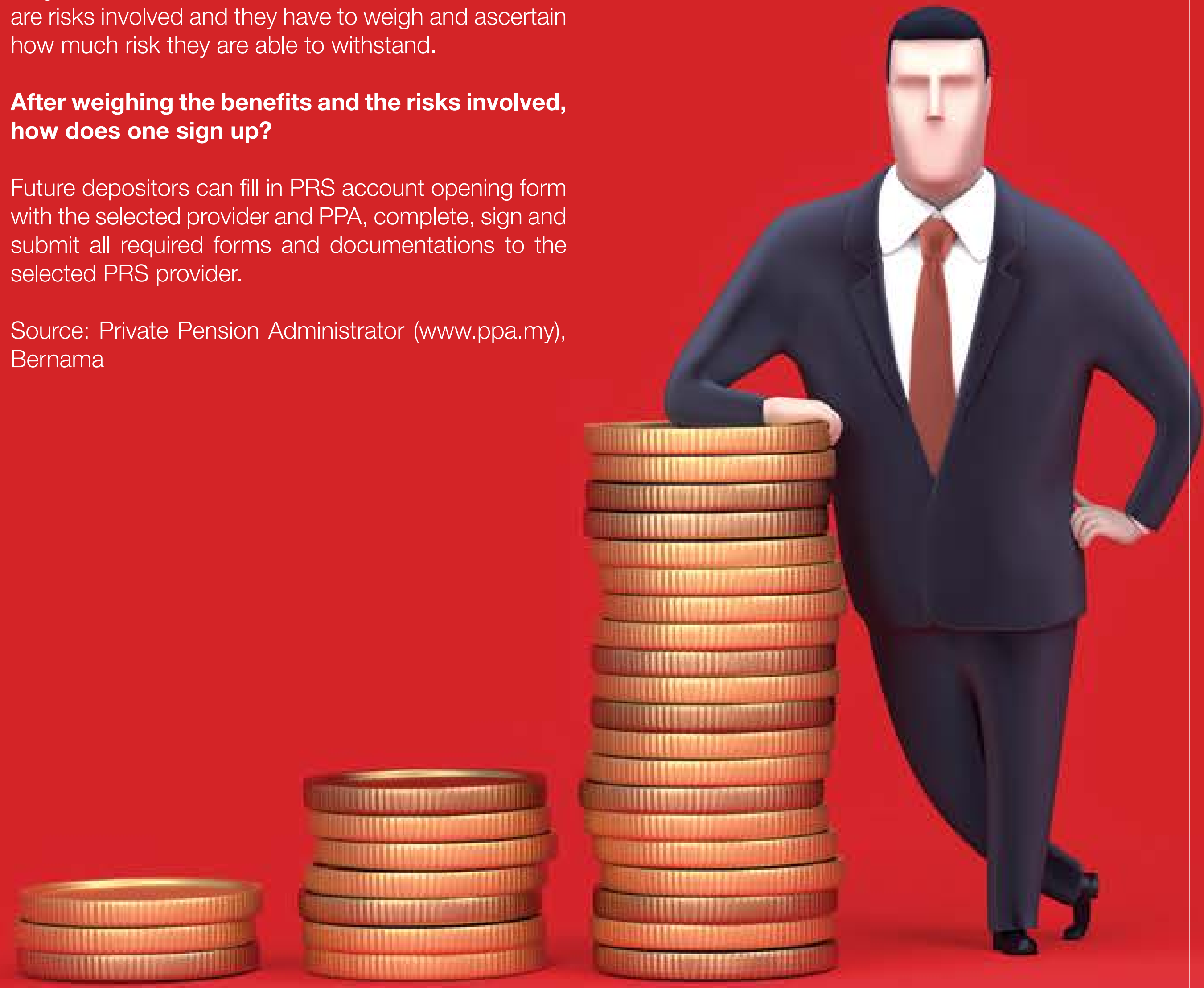
It is important to note that while the capital is preserved like EPF, PRS does not provide a guaranteed return like EPF, which has to maintain a minimum guaranteed return of 2.5% annually to its depositors.

Future contributors have to understand that PRS is a long term investment and as in all investments, there are risks involved and they have to weigh and ascertain how much risk they are able to withstand.

After weighing the benefits and the risks involved, how does one sign up?

Future depositors can fill in PRS account opening form with the selected provider and PPA, complete, sign and submit all required forms and documentations to the selected PRS provider.

Source: Private Pension Administrator (www.ppa.my), Bernama



TAPPING PRIVATE RETIREMENT SCHEMES' POTENTIAL TO RETAIN EMPLOYEES

By Tengku Mazlinda

Introduced in 2012, the Private Retirement Scheme (PRS) industry in Malaysia is still in its infancy. As of April this year, PRS asset under management (AUM) stood at RM865 million and it is expected to exceed RM1 billion by the end of the year.

Forecast by Securities Commission (SC) is that AUM for PRS within 10 years will exceed RM30 billion as the industry matures, coupled with the addition of PRS providers. Compared to AUM by Employees Provident Fund (EPF) which is the seventh largest pension fund in the world. PRS still has a long way to go.

Affin Hwang Asset Management Berhad Chief Marketing Officer Chan Ai Mei says investors sometimes pull back from investing into the PRS schemes as they are uncertain on the return of investments. "As these monies are meant to be for retirement, they want the certainty that the funds will be intact and managed well so that when they retire, the pot of money is there for them to utilise during their retirement years," says Chan.

The fact that it is not automatically done for them is also hindering a faster take up of PRS.

"Today if you are an employee of any company, the Human Resource takes care of all your EPF automatically. This process is really hassle free and therefore, employees are not required to take any further action. As they sign their Employment agreement, they also accept the mandatory contribution that the company will set aside for them. "As for PRS, many companies today have yet to adopt PRS as an alternative savings scheme for their retirement and to complement the mandatory savings with the EPF. Investing in the PRS scheme still requires for one to see the need of doing so and therefore a lot of education is still necessary from providers and the Private Pension Administrator (PPA) to continue this process of educating," says Chan.

Kenanga Investors Berhad Executive Director, Ismitz Matthew De Alwis agrees that one of the key hurdles faced by the average investors is of their lack of knowledge regarding investment and the available products in the market. They also perceive that investment is complex and performances are difficult to predict. As a result, many average investors choose either not to invest in financial products or invest without thorough research.

"The average investors also worry about the ever changing market cycles and global economic environment. Our advice is it is best to leave it to the professional fund managers to manage your funds. Needless alarm can damage your portfolio – not only because you can miss out on gains, but you can also unnecessarily lose money. Taking a long-term patient view on market fluctuations can lead to a bigger, better gains and wealth accumulation.

"Specifically for PRS, one of the hurdles is the lack of understanding regarding the importance of supplementing retirement savings. The challenge is to convince Malaysians that while the current retirement income system is working reasonably well for today's retirees, future retirees may not be saving sufficiently for retirement," he says.

Matthew points out that this is attributed to the substantial increase in life expectancy and a drastic fall in once high fertility rates – a typical consequence of industrialisation, rapid economic growth and urbanization. Another chief component of retirement provisioning in Malaysia and emerging Asian countries was its traditional system of strong family values and social norms in which most retirees relied largely on family support.

Malaysians, he says, need to start considering a more holistic retirement plan, taking into account financial, health, physical and social needs to secure their future needs. "PRS is a viable option to save for retirement it also allows contributors to choose the types of the fund according on their risk appetite and growth opportunities. PRS can also encourage regular

Source: Private Pension Administrator (www.ppa.my), Securities Commission (www.sc.com.my) Bernama

discipline savings when its contribution is done via salary deduction," says Matthew.

Chan concurs, as PRS offer products that have been designed for the purpose of retirement savings, hence the risk that is being taken in managing these products would differ from other financial products out in the market.

Moving forward, both Matthew and Chan believe that PRS should be taken up by corporate Malaysia as an employee retention tool as it has the flexibility to be customised to suit the needs of every corporate and corporations will be able to lure new talents and retain key employees.

At the moment, Matthew says many corporations are still lagging in their participation due to the additional system and administration required to implement PRS as part of their employee benefits.

"Kenanga Investors is currently working with companies that want to introduce PRS as part of employee benefits to retain their talents. This is a mid-term initiative that will only prove itself over the next 3-5 years. Educating and engaging both individuals and employers in our quest is important at this nascent stage," he says.

At Affin Hwang, the most popular plan for corporations is the immediate vesting schedules.

"Whatever amount that is in excess of the statutory mandatory requirement will be channelled to the PRS scheme of which staff can choose their preferred portfolio. We have five funds and each of these funds comes with a guided target return range which is guided on at least a three years rolling basis. Our Growth funds returns are between 9-11% per annum over a three-year rolling basis.

"Corporates can also consider cliff vesting. In a cliff vesting pension plan, if an employee leaves the company before becoming fully vested, he or she would not receive any retirement benefits. To motivate the employee further, graded vesting schedules can also be done where an employee is given 20% after each year for example and upon reaching five years of service with the firm, he/she would have been have given the full sum vested into his PRS account and into a portfolio of his choice," recommends Chan.

THE REALITY OF RETIREMENT IN MALAYSIA

By **Tengku Mazlinda**

While awareness among Malaysians has grown in the last two years about the importance of retirement planning with the establishment of the Private Retirement Scheme (PRS), participation, especially among the bottom 40 per cent of the income distribution group and the Bumiputeras is still low.

Meeting current living expenses, including servicing home, car, and paying off education loans are the main financial concerns for average Malaysians and saving for retirement, aside from the mandatory Employees Provident Fund (EPF) contribution is not a priority.

For this reason, it is not surprising when statistics from studies commissioned by both local and international organisations came back with alarming results.

EPF statistics showed that 80 per cent of the retirees have only RM800 a month to live by, which is below the country's poverty line of RM830.

"Statistics by the EPF have shown that 50 per cent of the retirees finish their savings in 5 years and 68 per cent of mandatory pension contributors have less than RM50,000 in their accounts.

Worsening the situation, 65 per cent still have outstanding debt upon retirement. According to HSBC's report, The Future of Retirement: Choices for Later Life, 86 per cent of Malaysian retirees continue to provide regular financial support to at least one of their family members and friends, including their grown-up children and grandchildren, while some support their parents.

Manulife Asset Management Services Berhad's Chief Executive Officer Wong Boon Choy points out that although various research have proven otherwise, many potential investors are still under the perception that their retirement savings with EPF is already sufficient.

"The average Malaysians are still hesitant to invest in PRS as they are not well informed about its features and benefits, especially when unit trust has more features to offer compared to PRS," he says.

Given the average life expectancy of Malaysian population is 75 years, Kenanga Investors Berhad Executive Director, Ismitz Matthew De Alwis says retirees must have savings that can last 15 or 20 years if they retire at 60.

"Research and case studies have clearly shown that many Malaysians do not have enough to spend during their retirement phase and on average, those employed utilise all their EPF savings within a short period of time," says Matthew.

Chan highlights that only about 20 per cent of EPF contributors who turn 55 this year are expected to have the recommended minimum savings of RM196,800 and she believes that the percentage is likely to stay about the same in the coming years if things do not change.

One of the ways, to encourage more people to save in PRS, says Chan, is by making subscription to the PRS scheme seamless for all Human Resource personnel.

"When a new hire joins a company, the process of how their EPF contribution goes into their EPF accounts is seamless. For PRS to work, a similar process should also be applicable," says Chan.

A solution to this is already in the pipeline. The Securities Commission Malaysia (SC) has drafted plans to make subscription as convenient as possible for a diverse range of employers to offer PRS to their respective employees.

This include the use of standardised forms and the streamlining of data submission, to facilitate employer's contribution to the PRS.

This bodes well for the industry and will encourage investors who are only held back because the process is not automated.

According to HSBC's survey, insufficient retirement savings has also forced retirees to go into semi-retirement rather than completely retire during their golden years to cope with rising cost of living.

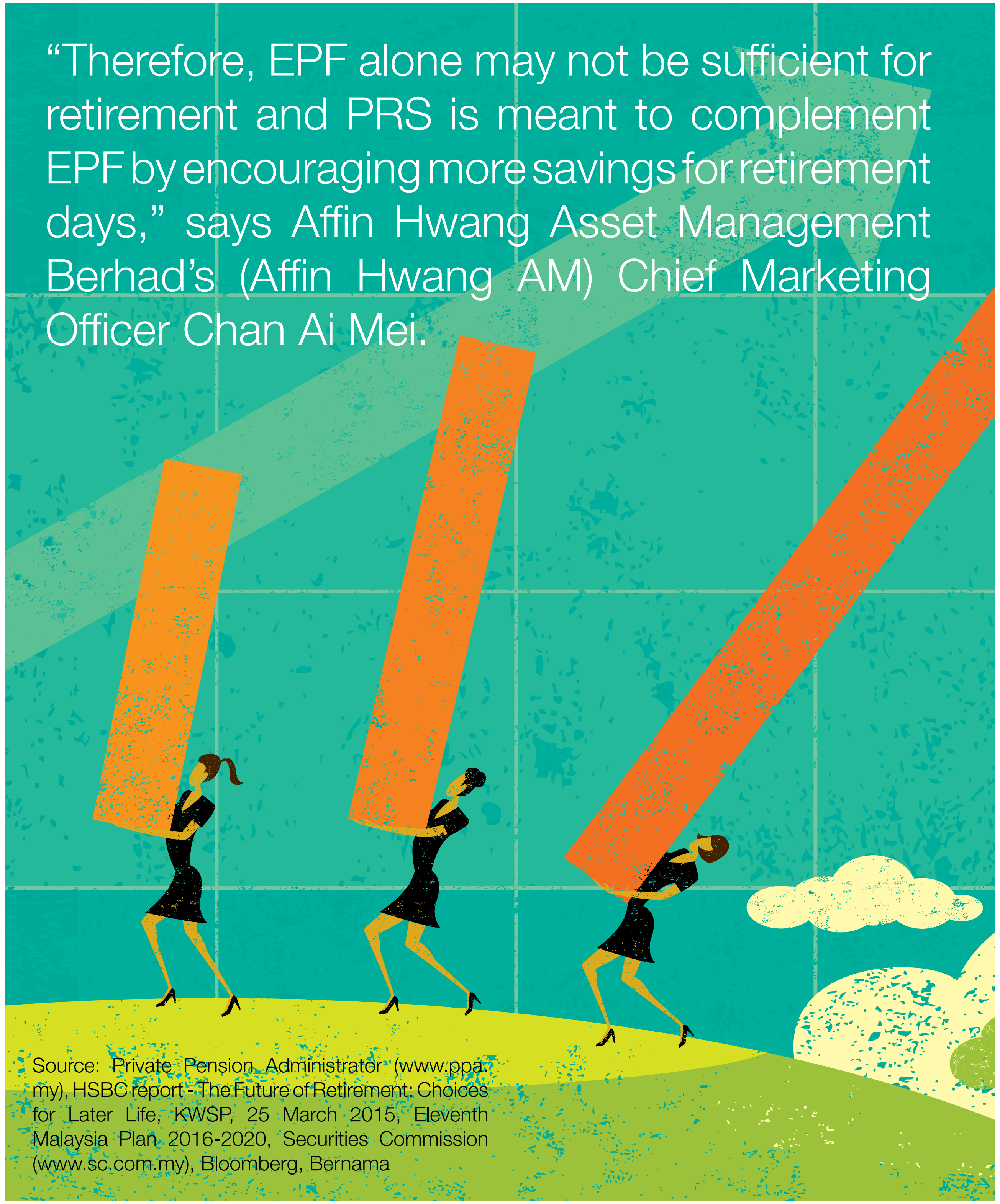
A total of 64 per cent of the respondents in Malaysia are planning to go into semi-retirement rather than completely retire, slightly higher than Singapore at 62 per cent. One of the keys to boost retirement savings, says Chan, is to have better incentives given to individuals, distributors or agents to continue to encourage the growth of the PRS scheme.

"The incentives are a good kick start to the adoption of PRS. However, more needs to be done to continue to enhance the incentives. As the returns on the investments into PRS are not guaranteed, many individuals and companies would have reservations to invest if the incentives are not good enough.

"In addition to that, increasing personal tax relief would also encourage individuals to increase their contributions into the scheme as well," added Chan.

From 2014 to 2018, there is a one off incentive of RM500 for young PRS members aged between 20 to 30 who have accumulated a minimum gross contribution amount of RM1,000 within a year. There is also individual tax relief of up to RM3,000 per annum which is applicable on gross contribution, i.e. inclusive of upfront charges.

The tax relief will be applied on taxable income, for individual contributions made to the PRS for the first 10 years from assessment year 2012.



Investors' Trust and Confidence:
Key to Sustainable Relationship

FIMM Annual Convention 2015

By **Tengku Mazlinda**

The annual FIMM convention 2015 themed "Investors' Trust and Confidence: Key to Sustainable Relationship" continued to reinforce FIMM's emphasis on educational activities for unit trust and private retirement scheme (PRS) consultants. Held at the Sime Darby Convention Centre on 6 Oct 2015, the one-day convention was attended by some 500 participants from the industry.

FIMM Chairman Datuk Siti Hadzar Mohd Ismail in her keynote address emphasised on the importance of one of the building blocks of the investment management infrastructure, the trust and confidence that would lead to a sustainable relationship between the investors and asset managers. "Just as businesses need capital to grow their businesses, investors need the avenue to grow their money. The roles of FIMM will come into play to ensure the orderly conduct of the frontline activities, educate the public on investment and facilitate any complaint for the purpose of protecting the investors' interest.

"It is pleasantly worth noting that the investment management industry continues to be the fastest growing market segment of the capital market with assets under management (AUM) surpassing the RM600 billion ringgit benchmark for the first time to reach RM630 billion at the end of 2014.

"With a total of 76 fund management companies, the total assets under management stood at RM657.4 billion as at 30 June 2015. The sources of assets under management were from unit trust funds, corporate bodies, Employee Provident Fund (EPF), private pension funds and charitable bodies.

"The growth of the investment management industry is contributed significantly by the unit trust segment, with the net asset value of the unit trust industry recorded at RM340.6 billion as at 31 August 2015, the largest in South East Asia. This accounted for 21.86% of the market capitalisation of Bursa Malaysia."

This growth, Datuk Siti said, was testament that the management industry in Malaysia has evolved as a viable and competitive component of the financial system, complementing it as a driver of economic growth and development.

However, she pointed out that the overall level of personal financial literacy was still not high and there was a need to reinforce greater financial literacy to help the people to better manage their personal finances in line with the country's move towards becoming a high-income economy.

Therefore, proper consumer education is needed if new growth engines, such as private pensions, wealth management and asset management, with their more complex products are to bolster.
In addition to organising seminars and events initiated to encourage broader and more informed retail investor participation such as education and outreach campaigns to engage investors across multiple platforms, Datuk Siti reminded consultants to engage and connect with existing and potential investors on social media platforms such as Facebook in order to expand reach across all segments of the investing public, including the younger and more tech-savvy demographics.

The industry is also poised to benefit from several demand growth drivers that represent opportunities for Malaysian investment management industry. They include:

i. Rising affluence of the Malaysian population - fuel demand for new and higher value financial products
ii. Increased awareness and interest in Islamic financial options - expected to propagate the number of investment products in the market

"Against this backdrop, we remain positive that Malaysia's investment management sector will continue to serve the needs of businesses and consumers in a high-income economy. However, to realise this, and continue attract and retain investor interest, we must strive to improve breadth and depth of product offerings.

"The reinforcement of the industry must be built upon a solid foundation - one that is based on relationship. The essence of this are two very important elements - trust and confidence - which are the bridge between FIMM as regulator, unit trust companies and consultants, and the retail investors. A sustainable relationship increases the potential to tap new market and growth opportunities, as well as spur innovation and facilitate investment flow," she said.

Meanwhile, FIMM Chief Executive Officer Nazaruddin Othman said that it is only apt that a unit trust industry is built upon mutual trust and confidence, which results in sustainable relationship, hence, the theme of the convention this year.

"While this opens doors to potential dealings, as consultants, much of our success also depends on relationship. Businesses do not only grow from product offerings, but they accumulate through months and years of cooperation with partners, clients and customers, in our case, they are investors - existing and potential ones.

"Trust and confidence are the foundation of a sustainable relationship between all parties involved. Such provides the synergies and opportunities for the investment management industry to evolve into an important component of the financial system that can contribute to enhance the prospects for a more balanced growth and financial stability," he concluded.

The 2015 FIMM Annual Convention covered four key areas, namely, The Rise of Asean and Malaysian Economic Outlook; Investment Planning is Not Just for Baby Boomers Anymore; Behavioural Challenges in Saving for Retirement; and Need-based Approach in Advising Clients for Investment.

Behavioural Challenges in Saving for Retirement

Speaker:
Private Pension Administrator Chief Executive Officer, Dato' Steve Ong

FIMM Annual Convention 2015

By **Tengku Mazlinda**

One of the most anticipated sessions at the FIMM Annual Convention 2015 was the Private Pension Administrator Chief Executive Officer, Dato' Steve Ong's presentation on how to change a potential client's behaviour when it comes to saving for retirement. He pointed out that the most difficult step was getting a client to change his or her behaviour and how they regard putting away money for retirement.

Dato' Steve said the reason people have not gotten started was because intention alone would not result in an action, and this necessitated a behaviour change. Many clients, he said, are still reluctant to sign on the dotted line because they could not see that whatever they save now is for them to spend later, and therefore, have a default behaviour of not doing anything.

Other default behavioural challenges that create a roadblock to saving are focusing on 'living now', spending and not saving, and saving later, giving the reason that they can't afford to do so now'.

"People have good intentions and they want to do the right thing, but what they want and what they actually do is something else. When we talk about planning for a retirement, we are talking about the future which is unknown. Some of us can't even plan for the next six months. We must change this, otherwise clients won't sign the dotted line. We have to reframe the situation so that clients understand the reality of retirement.

"Ask them what they want to do after retirement. They can dream all they want but they may never accomplish it if there is not enough income. Having a savings is not a sacrifice and not a loss, it is future spending. It is important for people to see and get into their minds that whatever they save is for them to spend and income stops at retirement.

"When we receive our income, we pay for everything and to everybody else, but not to ourselves. You (consultants) must say that this is the amount of money I want for myself, for my future. Don't you want to enjoy the same standard of living prior to retirement after retirement or even stepping it up?"

Dato' Ong said consultants must dispel the investor's fear of the future and investment risks by laying out the fact that although the Private Retirement Scheme (PRS) is a type of investment, it is dedicated for retirement and is a robust and well-managed scheme.

PRS, he reminded, also has a default option based on a client's age which takes away the need of thinking about how much money and which funds to invest in, but the client will also have the option of restructuring and customising the account portfolio over the coming years.

"Take for instance the Employees Provident Fund's (EPF) investment philosophy, 2.5% is the guaranteed minimum annual dividend but it delivers about 6% in recent years. PRS meanwhile, delivers inflation plus 2% on a three year rolling basis. The most important thing in PRS is to open the account. Clients must take the first step. Start sooner, pay less, and enjoy more because there will be the benefit of compounded growth."

He reminded that Malaysia is going to be an aging society in the year 2020 and 80% of the Malaysian population is unprepared to retire. Ong highlighted that although the minimum recommended EPF savings is RM198,000, this amount would only give contributors about RM800 to live on when they retire.

"Is that a retirement for the golden years? Think about it. This is the reality now. People cannot afford to retire. People finish their savings in five years. We have senior citizens who cannot make ends meet. This is the consequence of not being prepared."

Signing the dotted line

It is imperative for PRS consultants to be equipped with comprehensive knowledge about the product features, company's brand and fund performance or they risk failing to trigger the need and compel clients to sign.

The crux of the problem, Ong said, may lie in the present bias of over-valuing immediate rewards at the expense of long term intentions, resulting in procrastination - a behaviour to avoid when it comes to saving for retirement. A lack of self control to restraint impulsive spending behaviour was also another reason why clients put off saving for retirement.

"Now, it is about immediate gratification. We live for today, and let tomorrow come, but life is such that there is always tomorrow. What happens if we don't prepare? To manage earnings, we need self control, otherwise, we are never going to save. We are spending more than we earn by borrowing from banks and using credit cards to fund our lifestyle but what will happen later on?

"It is not about selling alone, it is about meeting your clients' needs. We have to advise clients about the spending and saving behaviour. How they spend affects what they save. They can't commit to save the recommended additional 10% because they fear the 'loss' of current spending ability. This is loss aversion behaviour - the tendency to prefer avoiding 'losses' is twice as strong as the reward felt from a gain.

"There is no such thing as hoping that things will work out on their own after retirement without preparing for it. Sign."

Needs-based Approach in Advising Clients

Speaker:
Ismitz Matthew De Alwis, Executive Director & Chief Executive Officer, Kenanga Investors Berhad

FIMM Annual Convention 2015

By **Tengku Mazlinda**

The terrain of the financial advising industry is ever changing and key players must learn to adapt and change to meet the demands of modern consumers. The widening scope of consumer trend that varies across generations present advisers with a whole new challenge including tapping into the potential of behavioural finance - a field that connects consumer psychology, sociology, economics and finance.

However, the reality at hand is harder than it seems. The advancement of technology and rapid flow of information available on the Internet create a different challenge for consumer approach.

Advisers can no longer use transaction-based approach to retain clients and must come up with a more personalised, focused strategy in order to remain relevant to modern consumers. The key is in building a lifelong or 'cradle to grave' relationship where the consumers' needs and wants are ultimately achieved.

Building a strong relationship that leads to a fulfilling financial journey will require advisers to understand consumers like never before. Identifying the consumers' needs and wants start with asking the right questions, explained by Kenanga Investors Berhad Executive Director and Chief Executive Officer, Ismitz Matthew De Alwis.

"Consultants need to have a change of mindset when approaching clients, this starts with asking the right questions to gauge a client's wants and needs. Different clients will require different types of questions and approach. This is where understanding of consumer trends across different generations and behavioural science take precedence.

"Do not forget what the client is saying, so listen to them. Nowadays, it is no longer enough to close sales, be happy and forget what transpired in the meeting. Take notes and draft the right timeline. In fact, there are clients that demand for reports and summaries of their financial plan, so the adviser must be able to provide such service.

"There are certain needs in every different cycles and an adviser must now be able to differentiate between client's needs and wants to draft the right plan. In conversations with clients, advisers must learn to hear what is said and what is not said," he said.

Matthew advised professionals to record and take note of conversation details because consumers are becoming more particular and demanding when it comes to services they receive. There are different needs and wants in every different stages of a consumer's life and while they are both important, they require sound planning and execution in order to work.

Data shows that consumers from the baby boomers generation - those born post-war to the 1960s, tend to change provider without complaining while Generation X (1960-1980) prefers channel of contact, appreciate consistency with relatively high disposable income at present. As consumers, Generation Y, otherwise known as Millenials operate in a disposable culture, prefers informality, loyalty and are in constant lookout for instant gratification. When it comes to Generation Y, they tend to set their own agenda, create own solutions to problems, appreciate a sense of community and likes to be entertained while consuming.

As different generations display distinctive consumer behavior patterns, their needs and wants are also different according to age. While consumers in their 20's are busy establishing career and occupation, they are keen on spending for travelling and education. When they hit 30's, their priorities change to acquiring assets such as housing and establishing business. This is in line with a survey conducted on Millenials that reveal their median marriying age to be 30 years old while the average marrying age for their parent's generation was 23 years old. After they turn 40, consumer priorities change to wealth accumulation and protection as their family grows. Throughout this life journey, financial advisers are tasked to identify the right financial plan that will ensure the clients needs and wants are met.

Matthew added that innovation and creativity in balancing the needs and wants of clients throughout their life journey are the ingredients needed for advisers to truly deliver the best service level.

"Remember that no one technique fits all. Different people require different approach and it is only through service that financial advisers can make an impact. The longevity of client-adviser relationships is determined by how services are delivered, whether they are consistent with the expectations and promises established between the adviser and his/her client. Advisers now need to look into client experience as a mean to establish stable relationships," he said.

"So much depends on a good financial portfolio that speaks to the client's needs and wants. Once a financial planner knows the client it is actually not difficult to craft a good financial portfolio. With this in mind, there must also be a balance between pursuit of return and managing risks. This starts with understanding the client's holistic needs," he said.

Fulfilling the client's holistic needs require advisers to understand the pyramid model that includes three factors - risk management, wealth accumulation and wealth preservation and distribution. Sitting at the base is risk management that covers emergency savings, insurance planning, business protection, disability protection and retirement planning solutions. Wealth accumulation is positioned in the middle that includes education savings, home, retirement savings, investment portfolio, executive benefits and business needs analysis. At the top is wealth preservation and distribution that covers estate planning at the very top and flows down to business exit planning and retirement distribution.

He also added that a continuous process of client engagement requires adviser to constantly listen to clients, consider and discuss to find the balance between their wants and needs, propose a solution to their problem, eventually engage and implement the plan while constantly reviewing the execution and adapting to changes.

"This is also where financial behavioural science comes into play again and advisers need to understand that the subject included basic understanding or flair of psychology, sociology, economics and finance. Sales people used to think that one must have a set of plan and attractions to get clients but nowadays, our client is our best salesperson.

"Write notes and gauge the clients as people better. If you remember details about them, you are building a long-term relationship. Their quality of life must improve because of your services. Do not come into a meeting assuming you're the best as there are always room for improvement.

"There are arguments on the differences between being persuasive and aggressive. Persuasion is about pushing the right button, knowing what the client wants and needs. It is harder than just being aggressive. When you listen to your clients and act on the discussion, you will find a solution to their problem. Indeed, the human aspect never takes a back seat."

ELEVENTH MALAYSIAN PLAN

Spotlight for Vision 2020

By **Lee Tien Xiang**
Fundsupermart Research Analyst

The 11th Malaysian Plan, which has been tabled out by Prime Minister Najib on 21 May 2015, signifies the government's continued commitment in realising Vision 2020, which is the goal for our country to obtain the status of a developed nation by 2020. In line with the aim to be a people economy, the latest 5-year comprehensive blueprint sets out goals that balance economic expansion and national wellbeing, detailing measures that encompass macroeconomic targets as well as socioeconomic policies.

Some of the key highlights under the 11th Malaysia Plan:

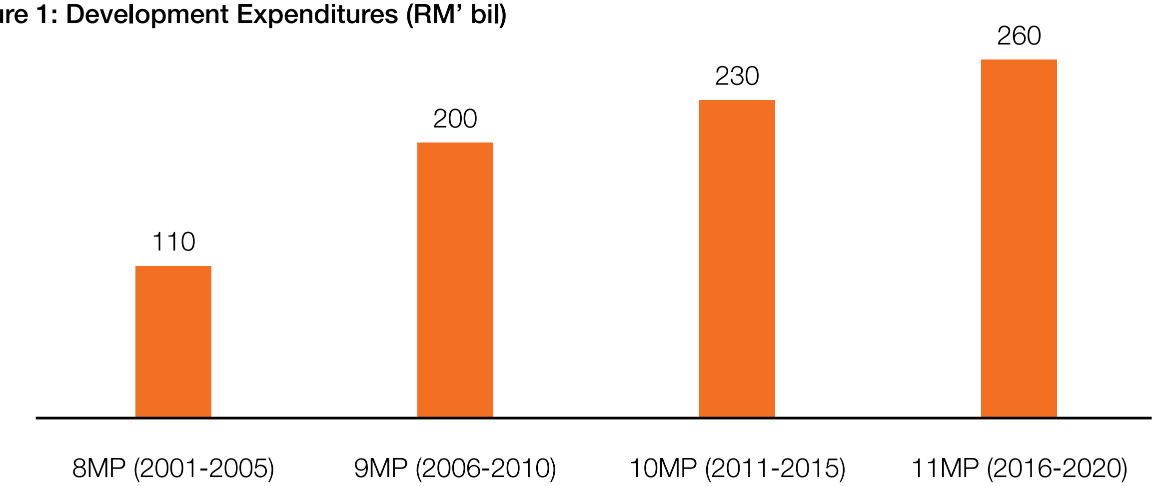
1. Malaysia economy to grow by 5%-6% per annum
2. GST to contribute an estimated average of RM31.4 billion revenue per year, as compared to the average of RM15.5 billion collected through the sales and services tax.
3. Government debt to moderate below 45% of the nation's GDP by 2020.
4. Skilled workers to comprise 35% of the overall labour force in 2020.
5. Labour productivity to increase from RM77, 100 in 2015 to RM92, 300 in 2020.

On Economic Growth

Over the past few years, Malaysia was able to enjoy strong economic growth partly due to the government spending on various mega-infrastructure projects initiated by the Economic Transformation Programme (ETP). Under the 11th Malaysian Plan, while the government continues to focus on improving the nation's public infrastructure, with the budget allocation for development expenditures increasing to RM260 billion as compared to RM230 billion allocated under the 10th Malaysian Plan (Figure 1), much of the economic growth over the next 5 years is expected to be driven by significant improvements in productivity as compared to the reliance on labour and capital.

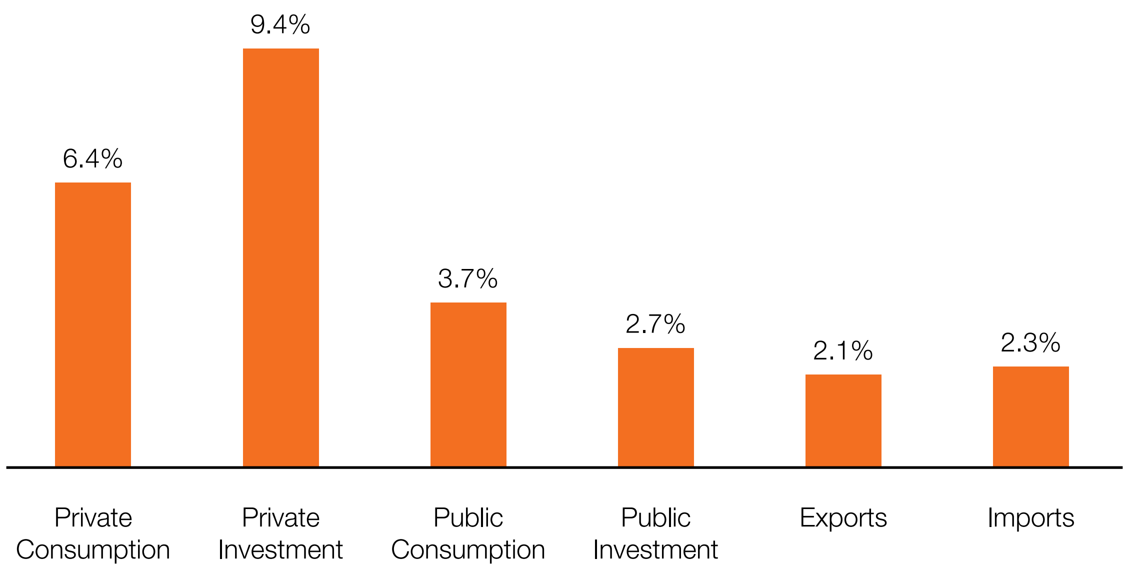
While government spending is expected to be on the conservative side, the government's continued efforts in up-scaling the nation's infrastructure facilities, through the ongoing ETP projects as well as innovation and productivity improvements, should bode well for the country's economic growth moving forward. Private sector participation in the government infrastructure projects is expected to increase over the years through the public-private partnership (PPP) mechanism, an initiative that aims to increase the private sector's involvement in the nation's economic development. The increased involvement by the private sector in the development of public infrastructures should lead to rising private investment, which is poised to be one of the main drivers that will allow the nation to grow within

Figure 1: Development Expenditures (RM' bil)



Source: Economic Planning Unit, Fundsupermart compilations

Figure 2: Breakdown of GDP growth by expenditure (2015-2020)



Source: Economic Planning Unit, Ministry of Finance, Fundsupermart compilations
Data are average annual growth rate, in 2010 price.

the targeted range set out under the 11th Malaysian Plan over the next five years (see Figure 2).

Although factors such as the goods and services tax (GST) implementation and low fuel prices might pose downside risks to the growth target in the near term, with the former affecting consumption negatively while the latter weighing on oil-related exports, continual government spending, as well as private sectors' involvement in public infrastructure projects, should lead to positive multiplier effects that should support the nation's growth moving forward.

On "People and Productivity" focused Growth

The initiatives by the government to enhance productivity across all segments and upgrade the quality of workforce are crucial steps for Malaysia to path towards being an advanced nation that can grow sustainably in the long run. With the theme being focused on people and productivity, the 11th Malaysian Plan introduces several measures that place greater emphasis on increasing productivity and developing human capital.

At the national level, productivity-linked incentives and performance targets will be introduced and regulatory reforms will be accelerated. At the industry level, the productivity enhancement will be placed on industry champions, with these industrial leaders acting as role models for their peers in conducting industry-specific productivity initiatives such as greater adoption of automation and improvement of business processes that can achieve operational excellence, greater efficiency and better cost savings.

With a focus of "people centric growth", the plan also emphasises on the country's competitive strength-a large pool of growing young working force that amounted to approximately 69% of the overall population. While the previous education policies focused mainly on quantity of labour development (primary and secondary education), the current focus is tilted towards quality labour development (tertiary education, post tertiary and industrial attachment programme) as to create more highly skilled labours in the economy. Various up-skilling and re-skilling programmes will be provided at the industry level and enterprise level to enhance their workforce's competitiveness and expertise.

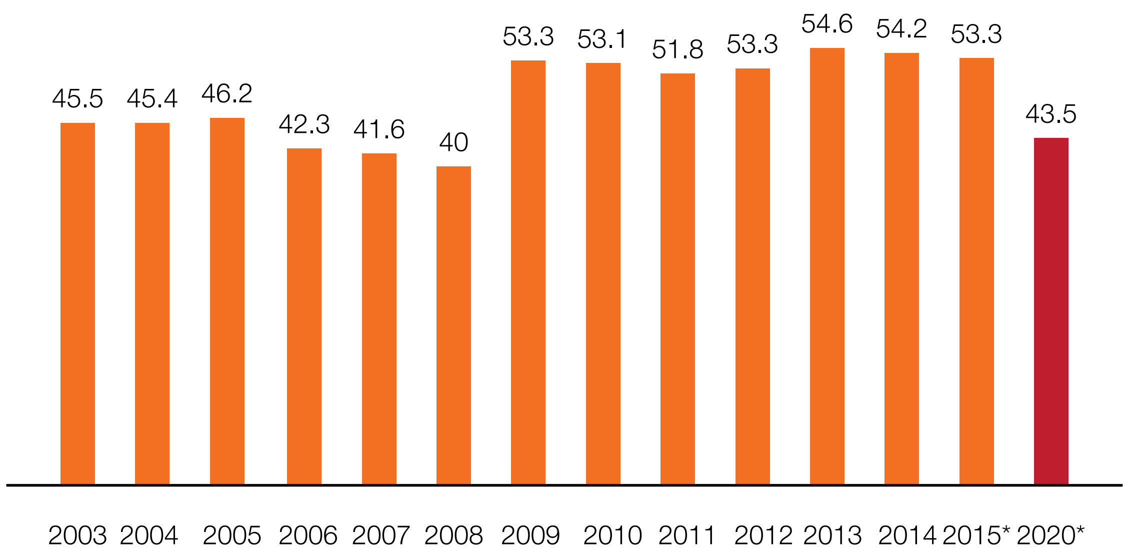
Industrial players and individual enterprises are expected to be incentivised with the introduction of productivity-based incentives by the government, prompting them to allocate greater portion of their investments towards enhancement, innovation, modernisation of their business operations, processes and supply chain management systems as well as human capital development.

On Fiscal Consolidation

The GST, which is charged on every stage of supply chain, is a taxation reform taken by the government to obtain a relatively stable flow of income by diversifying its source of revenues. The annual revenue collection from GST is estimated to be RM31.4 billion over the 5-year period, higher as compared to the average RM15.5 billion collected through the sales and services tax (SST) under the 10th Malaysian Plan; this allows the government to tackle the nation's decade-long fiscal deficit and move a step closer to achieving a balanced budget by 2020.

At this juncture, Malaysia's government debt to GDP stands well above the 50% level, exceeding the initial target of 49.9% set out in the 10th Malaysian Plan, partly owing to the oil price slump over the past few months. The nation's government debt has ballooned significantly since the Global Financial Crisis (see Figure 3) and this has raised concerns among market players of its negative impacts on the country's economic growth. In fact, a study by the International Monetary Fund (IMF) has indicated that high government debt level tends to have a negative repercussion on a country's long-term economic growth (Kumar and Woo, July 2010). Nevertheless, the enhancement of taxation system, coupled with prudent spending practices by the government, are poised to reduce the government total debt to below 45% of total GDP by 2020, which will help to reduce the debt drag on the economic growth moving forward.

Figure 3: Malaysia: Government Debt as % of GDP



Source: Economic Planning Unit, Fundsupermart compilations

In the near term, consumer sentiment might be dampened due to the 6% GST, but the new taxation system is meant to be a “short-term pain, long-term gain” procedure that will help to strengthen the nation’s fiscal position, an essential for long-term economic stability.

On Social Well-Being

The 11th Malaysian Plan also takes into consideration the need to enhance inclusiveness and equitable opportunities for all Malaysians. Similar to the previous Malaysian Plans, the bottom 40% household income group (B40) remains the focal point in the topic of social well-being, with the current plan aiming to create a larger middle-class society by uplifting the social living standards of B40 households.

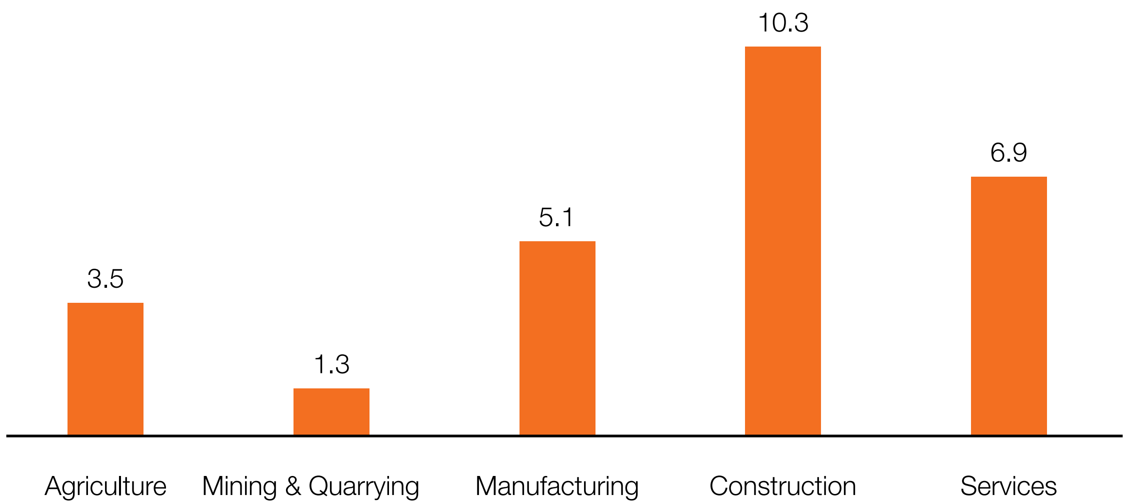
One of the plans is to increase the income and wealth of B40 households by providing better accessibility to higher education and skills training programmes. Higher educational background and skill sets should allow B40 households to secure higher paying jobs, which will result in better living standards and more consumption. Likewise, with the availability of financing options and business facilitation, small and medium enterprises (SME) in the rural areas, such as fishermen and farmers, will be able to adopt modern technologies, which will increase their output capacities as well as their incomes.

As the household income and wealth of the B40 group rises, consumption growth will eventually follow suit driving demand for various products within the economy. The changing consumption pattern of the enlarged middle-class group will create business opportunities, spurring investments and incentivising business entities to create more products to meet consumers’ demand. As such, the aim to uplift the living standards of B40 group serves as a decent strategy to kill two birds with one stone; driving domestic demand and encouraging private investments, a key factor of sustainable economic growth.

Our View

With the aforementioned measures proposed under the 11th Malaysian Plan, we believe that the targeted GDP growth range of 5% to 6% per annum for the next five years is achievable on the back of robust private investment, resilient domestic consumption and prudent government spending. In fact, the construction sector and the services sector are likely to the main beneficiaries from the initiatives under the plan (see Figure 4).

Figure 4: GDP by economic activities (%)



Source: Economic Planning Unit, Fundsupermart compilations

While the well-crafted 11th Malaysian Plan provides a decent framework for the nation to propel towards the right direction of becoming an advanced economy, the key for the realisation of Vision 2020 lies on the successful delivery of the proposed initiatives and the diligent monitoring process of the relevant parties involved (government, industrial players, enterprises, etc.).

In consideration to Malaysia’s resilient growth moving forward, we remain optimistic on the local market, which we have assigned a star rating of 3.0 (Attractive), and believe that there are still pockets of opportunities to be found within the nation’s equity space. Construction sector is expected to benefit directly from the ongoing ETP projects while the services sector, particularly those business entities that provide skill-training programmes and technical and mechanical support, should gain advantage from the productivity-themed initiatives detailed in the blueprint.

MANAGING YOUR FINANCE

By **Steve Lim**
Chief Learning Officer of Affin Hwang Asset Management Berhad

Years ago, a friend handed me a small book titled “The Richest Man in Babylon” written by George S. Clason and highlighted that this probably would be the only personal finance book I would ever need to read. The author owned a publishing house in the 1920s in the United States of America and wrote personal finance instructional parables set in the ancient Babylon. The series of parables became popular and later compiled into this book. After reading the book I had to agree with my friend that most of the points in the book are simple, commonsensical but often ignored or forgotten by most people. Here are the timeless and useful points that i have discovered in this book:

Pay ourselves first

All employees drawing a fixed salary know their salaries are net of the estimated schedular tax deducted at source before they reach their hands. In short, to ensure you pay your income tax, the government deducts the estimated tax from your salaries before you have the opportunities to splurge it on things which you might not necessary need. Why can’t you do the same thing? To ensure a secured financial future, you too should deduct, say, a minimum 10% of your net salary and set it aside in a separate bank account to allow it to grow over time. Call it the ‘Me Tax’- a tax to force discipline into your life to grow wealth with the help of time. It would slowly accumulate month after month for the next 30 years of your working life to be a significant savings for you.

Live below our means

Many people have no savings or are in financial distress because they have problem living below their means.

They live a RM5,000 life while earning RM3,000 a month. They spend money that is not earned yet via credit cards. They treat credit cards as extension of their purchasing power and convenient payment method while the plastic cards' only function should just be emergency drawing facility. They buy depreciating assets such as flashy cars beyond their income could afford by extending the repayment period to the longest the banks would allow i.e. 9 years. In the nutshell, only living below our means and postponement of material gratification could result in monthly financial surplus to be deployed in investments in appreciating assets.

Make our money work for us

While you work hard to build your career and climb the corporate ladders, the money set aside mentioned in the previous paragraphs should be invested wisely in assets with the potential to appreciate over time such as stocks, bonds, properties, unit trusts and etc. without too much interference from you. In other words, while you earn an active income from employment or businesses, there should be a passive stream of income to help you achieve your financial goals over the Long Term.

The term "long term" was deliberately printed in bold to highlight the powerful impact of the eighth wonder of the world – compounding returns. Benjamin Franklin left 1,000 pounds to a trust with a condition that the money was to remain untouched and allowed to multiply. 200 years later, the cities of Philadelphia and Boston received 2 million and 5 million respectively under his bequest. To illustrate, a RM250 a month investment into an equity fund with an average performance of 12% per year over a 30-year period would yield you a sum of RM874,000! A commitment of RM250 every month is not a whole lot of postponed gratification to begin with. And to profit 12% per year from equity investments over a very long investment horizon is quite achievable. The last variable in the equation is investment period. The key is to start now, automate this process of regular investments and allow time to work in your favor.

Insurance protects our wealth with Insurance

While insurance is not the main area of discussion in this article, it is important we understand how insurance policies help mitigate risks in our lives. So, before you turn away the persistent and annoying insurance salesman next time, do examine your own insurance coverages in the areas of medical, life and fixed properties such as car, house and household belongings. In short, insurance protects you, your family and your lifestyle when you encounter unfortunate and unexpected events. The most common problems working people encounter with regards to their existing insurance policies are under insurance or outdated coverages. And they usually discover it when it is too late to rectify. Like the saying goes, "Buy it when you don't need it. When you need it nobody would want to sell it to you." That is insurance.

Have a retirement plan

Ironically, we are not talking about insurance policies here but retirement fund to take care of you when you are no longer fit to work and support yourself. Statistics from the government have shown that Malaysians are extremely ill prepared with regards to retirement. Most young people think retirement is an event so remote that they do not need to think or plan toward it now but this mindset will deter them from benefitting from the amazing effect of investing regularly and compounding the returns to achieve a retirement sum that they could only dream of now.

The lock-in mechanism of Private Retirement Scheme ("PRS"), where Affin Hwang Asset Management Berhad is one of the PRS Provider, is necessary to instill discipline on contributors/investors to ensure they are not tempted to make discretionary purchases and only withdraw the funds when they are no longer fit to continue working to support their livelihood.

Of course, the points mentioned above are not exhaustive and there are other useful money management tips covered in the book. In a few words, I believe this book has this key message: start young, start early, invest responsibly, for a sure financial future.

Q&A

Ms. Chan Ai Mei

Chief Marketing Officer of Affin Hwang Asset Management Berhad (Affin Hwang AM).

What are the hurdles faced by an average investor to invest?

Investors sometimes pull back from investing into the PRS scheme as they are uncertain on the return of investments into PRS funds. As these monies are meant to be for retirement, they want the certainty that the funds will be intact and managed well so that when they retire, the pot of money is there for them to utilise during their retirement years.

It's not automatically done for them. Today if you are an employee of any company, HR takes care of all your EPF automatically when you are an employee of a company. This process is really hassle free and therefore employees are not required to take any further action when they join a firm. As they signed on their Employment agreement, they also accepted the mandatory contribution that the company will set aside for them. As for PRS, many companies today have yet to adopt PRS as an alternative savings scheme for their retirement and to complement the mandatory savings through EPF.

Investing into the PRS scheme still requires for one to see the need of doing so and therefore a lot of education is still necessary from providers, the PPA to continue this process of educating. Investors need to ascertain which portfolio works best for them according to their risk appetite.

Has the ringgit decline affect the volume of investment in Malaysia?

Yes the investment sentiment and negative news on 1MDB debacle has affected investment volumes in Malaysia. We do see some investors diversifying their investments into other currencies to hedge against the depreciation of the MYR namely into SGD and AUD.

Do you see PRS being made compulsory to address the shortfall of EPF in ensuring a comfortable retirement?

It is the PRS Providers wish that the PRS be made compulsory, or at least the amount above the statutory 12% or 13%. Should employers contribute more than the statutory requirement, that portion to be channeled to the PRS schemes. That would provide a lift and boost to the PRS schemes. In addition to that, increasing the tax relief would also encourage individuals to increase their contributions into the scheme as well.

How do you suggest PRS should work alongside EPF?

Statistics* by EPF have shown that 50% of the retirees finish their savings in 5 years and 68% of mandatory pension contributors have less than RM50,000 in their accounts. Therefore, EPF alone may not be sufficient for retirement and PRS is meant to complement EPF by encouraging more savings for retirement days. The process of adoption should mimic that of EPF for all HR personnel to make subscribing to the PRS scheme seamless. When a new hire joins a company, the process of how their EPF contribution goes into their EPF accounts are seamless. For PRS to work, the similar process should also be applicable. Education efforts should also be done jointly between the PRS and EPF teams.

* Source: KWSP, 25 March 2015

Do you think PRS should be taken up by corporate Malaysia as an employee retention tool?

Yes, PRS has the flexibility to be customised to suit the needs of every corporate. There are a few plans which corporates in Malaysia can consider for their employees to assist in the retention of key employees. Immediate vesting schedules are the most popular with Affin Hwang at the moment as we adopt this for our firm and look to also implement this within the Affin Hwang Capital Group. Whatever amount that is in excess of the statutory mandatory requirement, will be channelled to the PRS scheme of which staff can choose their preferred portfolio. We have 4 funds today and will be adding 1 more in July. Each of these funds comes with a guided target return range which is guided on at least a 3 years rolling basis. Our

Growth funds guided returns are between 9-11%p.a. over a 3 years rolling basis.

Besides the immediate vesting schedules, corporates can also consider cliff vesting which is a lump sum amount tied to a certain number of years of service of an employee. If a firm would like to ensure this employee stays over the next 5 years, a lump sum can be determined up front and vested for the employee should he/she stay with the firm for 5 years; the vested lump sum amount would be transferred to the said employee as the employee reaches 5 years of service. To motivate the employee further, graded vesting schedules can also be done where an employee is given 20% after each year for example and upon reaching 5 years of service with the firm, he/she would have been have given the full sum vested into his PRS account and into a portfolio of his choice.

Are the incentives given by the government to individuals and companies enough to entice them to invest in PRS?

The incentives are a good kick start to the adoption of PRS. However, more needs to be done to continue to enhance the incentives. As the returns on the investments into PRS aren't guaranteed, many individuals and companies would have reservations to invest if the incentives are not good enough.

For Malaysians, how much is the minimum amount to be put away to maintain their living standard?

According to PPA, it is very important for us to ensure that we have the recommended 2/3 replacement income of last drawn salary as monthly retirement income to continue to enjoy the lifestyle we have become accustomed to. PPA's research suggests that you will have to set aside 1/3 of your monthly income to achieve the 2/3 replacement income. As Malaysians, we are fortunate to have the mandatory minimum EPF contributions totalling 23% (namely 11% from employee and minimum 12% employer contribution), you will possibly need to contribute an additional 10% or more, to make up the 1/3 or 33% savings for our retirement fund.

When PRS was introduced in 2013, SC expect PRS to have RM30 billion in 10 years. Is this achievable considering the economic downturn in Malaysia?

As at June 2015, the AUM is close to MYR900million. As education continues on the need to save more for retirement and to have another pot of money for retirement, AUM will continue to grow. The key is also to have more incentives to be given to distributors/agents to continue to encourage the growth of the PRS scheme. More corporates need to see the importance to adopt the PRS at the Corporate level. At present, the adoption of PRS with SMEs are more encouraging than bigger corporates due to the process for the change/adoption to happen. Most large corporates would require a much longer approval process before PRS can be adopted at the corporate level.

What is the Bumiputera take up compared to non Bumiputera?

Bumiputera = 9.7%
Non-Bumiputera = 90.3%

What is the breakdown of PRS contributors in terms of age/gender/fund type?

Age group breakdown:-
18-30 years old 22%
31-40 years old 32%
41-50 years old 26%
51 & above 20%

Gender:-
Female 49%
Male 51%

Fund type:-
PRS Growth Fund 53%
PRS Moderate Fund 20%
PRS Conservative Fund 7%
Aiiman PRS Shahriah Growth 20%

How many percent have enough saved to retire?

According to EPF, Only about 20% of its contributors who turn 55 this year are expected to have RM196,800 in total savings. That percentage is likely to stay about the same in the coming years.

Nearly 80% of workers who will turn 55 this year will not have enough savings in their Employees Provident Fund (EPF) to live above the poverty line, according to figures released by the fund's chief executive officer.

What are the differences between PRS products and other financial products - how do they measure up in terms of performance and risk?

PRS is a product that has a very specific objective tied to it which is for the specific purpose of saving for Retirement. Hence, the product has features that discourages and restricts withdrawals from the scheme. This is a good thing as it inculcates discipline to savers. As the monies can only be withdrawn at retirement age, the pot of money can be preserved throughout the years of the employee up till retirement age to supplement the existing mandatory retirement scheme. Two pots are always better than one. In addition to that, investors of the scheme are able to select the portfolio of investments that they prefer according to their risk appetite and age.

Our PRS funds run on guided target returns over a 3 years rolling basis of:-

Conservative	=	4-5%p.a.
Moderate	=	5-7%p.a.
Growth	=	9-11%p.a.

The risks on the core portfolios are also lower than other similar funds in the market as they have set asset allocation that allows the manager to invest only up to 70% into equities in the growth portfolio, up to 60% into equities in the Moderate portfolio and only up to 20% into equities for the conservative portfolio.

* * *

THE JOURNEY TO RETIREMENT STARTS NOW!

Stand first: Young adults starting a career may think that retirement is long way ahead, whilst they are preoccupied with their current career and lifestyle pursuits. However the reality is that they have started their journey to their retirement from day they started working. Before they know it, retirement will be knocking at their doors. As such, they need to plan and start saving to replace their earned income whilst they are working, to ensure adequate retirement income in the future.

Retirement has become a topical issue for this country. Malaysia will soon become an aging nation and articles about preparing financially for retirement and news about aging-related issues are frequently in the headlines.

This rise in public interest can be attributed to the convergence of several trends: longer life expectancy, increasing cost of living, smaller urban families and rising inflationary pressures. Now, there is a greater sense of urgency to start saving for the time when one no longer earns an income. Repeated statements by the Employees Provident Fund (EPF) that the majority of its contributors do not have sufficient funds at age 55 to support retirement has also served to caution the public and advice them into looking at alternative instruments for savings.

The Private Retirement Scheme (PRS) aims to close the gap between EPF savings and the amount needed to support retirement. PRS was launched to provide a robust and well regulated retirement savings scheme, for the public to save more for their retirement.

The Private Pension Administrator (PPA) is the central administrator for the PRS industry and is actively involved in advocating and educating the public on why and how to plan for retirement with the PRS.

Although the PRS is less than 3 years old, awareness of this voluntary retirement savings industry has already spread across the working population. Out of 13.2 million working individuals, about 32% or 4.2 million people know of the PRS.

Saving for retirement takes time and commitment to ensure that sufficient retirement funds are accumulated over the entire working life. Retirement funds are accumulated through regular monthly contributions, just like EPF monthly deductions from monthly salary that over time with compounding growth builds the retirement nest egg. The best time to start saving more for retirement is to do it when at the start of working life. Starting early makes a big difference in terms of the accumulated fund balance at retirement. As the saying goes "you reap what you sow", the earlier and the more you save will go towards building your retirement funds, which you will need to draw upon to fund your retirement years.

In line with this, PPA is actively promoting the PRS to young working adults aged 20 – 30 years old, to start saving more for their retirement with PRS. This focus on the young working adults is supported by a one-off government's PRS youth incentive of RM500, for those making a minimum PRS contribution within a calendar year. Since the launch of the PRS Youth Incentive campaign in March last year, the sign up rate among the young working adults has seen a quantum growth, resulting in the youth membership accounting for over 30% of the total PRS members base.

PPA's focus is on reaching the youth with tailored advertising and promotion campaigns, in particular through the use of social media channels. A dedicated website for the youth www.prsyouth.my, has generated substantial traffic flow, averaging over 20,000 visitors per month. This has shown that young working adults are paying close attention and interest in looking at their retirement savings, in spite of their concentration on their current lifestyles.

Clearly, the youth are beginning to treat retirement planning seriously. This is encouraging since the best time to start saving for retirement is at the start of one's career. PPA is encouraging the young working adult to start with contributing at least 10% of their monthly salary to their PRS account, which is affordable and manageable. The monthly PRS contributions can be auto debited or transferred electronically from their banking accounts, making it easy to commit towards regular monthly contributions.

Another key decision required is the selection of PRS funds. PRS offers age based default fund options, which makes it easy for the youth to select their funds based on their current age. For the youth segment, they could easily choose the default growth funds to start with as it is designed for members below the age of 40. The default growth funds offers long term higher potential returns with corresponding risks. For those more investment savvy, they can also opt to select the PRS funds from the non-core funds, based on their risks and returns appetites.

There is no better time than now for youths to start saving in PRS for their retirement. Inevitably, the future will be here faster than they think and it is best to be equipped to face the future and even enjoy their retirement years with adequate savings to sustain their lifestyles. Indeed, the journey to retirement starts now and the landscape of their future depends on the choices they make today.

Dato' Steve Ong is CEO of the Private Pension Administrator (PPA), the central administrator for the Private Retirement Scheme (PRS). The PPA is tasked by the Securities Commission Malaysia to promote the growth of the PRS industry, create general awareness and educate the public on retirement saving. The PPA also works to protect the interests of PRS contributors.

FIMM A Quick Quiz

1. **What is Private Retirement Scheme (PRS)?**
2. **How many PRS providers are there in Malaysia and what are they?**
3. **Is there any incentive for PRS contributors?**

Notes

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