

# ***INTRODUCTION TO RETIREMENT PLANNING***



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# CATEGORIES OF EMPLOYMENT IN MALAYSIA



**Civil Servants,  
or public sector**



**Private sector**



**Self-employed**

## Public Sector

**Public sector** folks are in pensionable employment, with what we call as Defined Benefits, DB

## Private Sector

**Private sector** folks are in a Defined Contribution scheme, DC.

- By Law, we need to contribute a certain percentage of our salary, together with a certain percentage from our Employers, to our pension fund via the mandatory retirement scheme EPF or KWSP.
- We don't have pension benefits like civil servants, but we have retirement savings which are available to us when we reach our retirement age.
- And if you have been following the news, you would get the message that EPF SAVINGS ALONE ARE NOT ENOUGH!



# CATEGORIES OF **EMPLOYMENT** IN MALAYSIA

Now, **self-employed**, the third category.

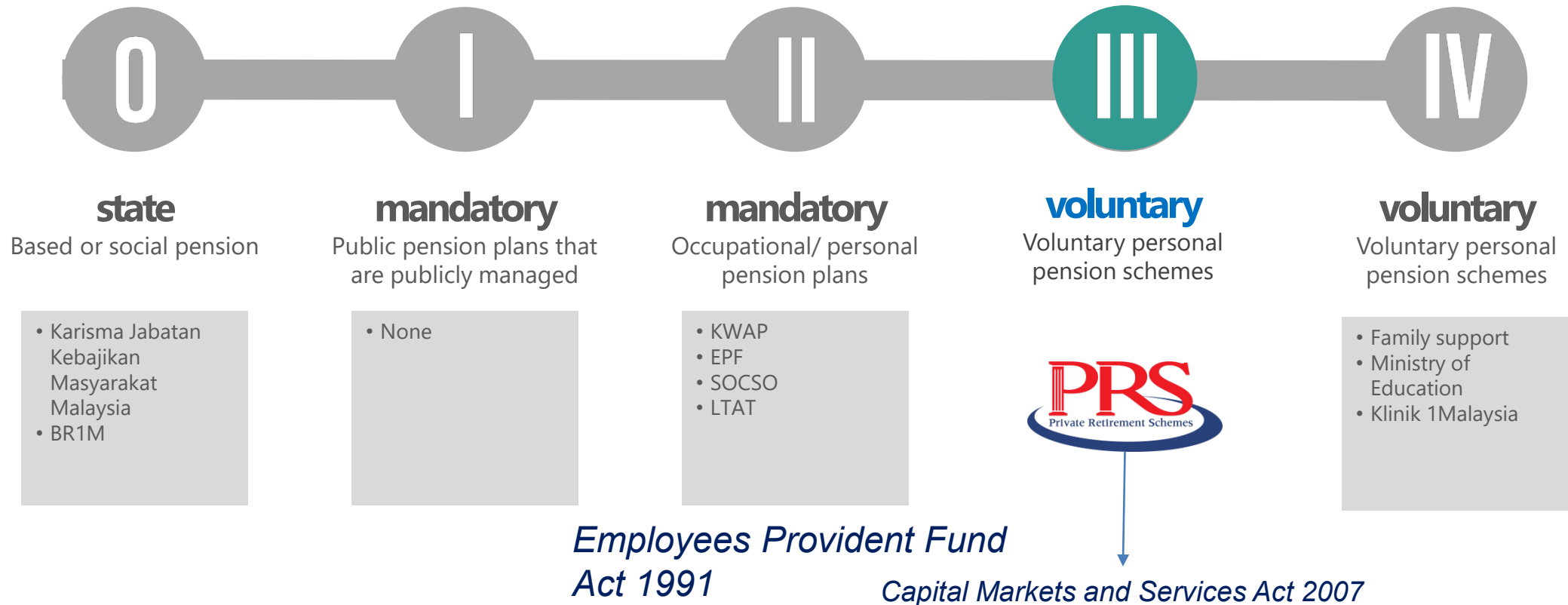
Self employed covers a wide range of careers or jobs – from business owners, professionals like lawyers and doctors, and to e-hailing and the food business, physical stall operators, deliveries and those doing online.

We are also seeing proliferation of what is now becoming a buzz word – **GIG** economic worker:

- consists of income-earning activities outside of standard, long-term employer-employee relationships, and usually involves some digital platforms.
- does not come under the mandatory schemes either EPF or SOCSO



# MALAYSIA **SOCIAL SECURITY** FRAMEWORK



# TYPES OF RETIREMENT PLANS

## Defined Benefit Plans

- *more commonly known as a pension plan, offers guaranteed retirement benefits for employees, and next of kin. Defined benefit plans are largely funded by employers, with retirement payouts based on a set formula that considers an employee's salary, age and tenure with the company. (eg. civil servants).*

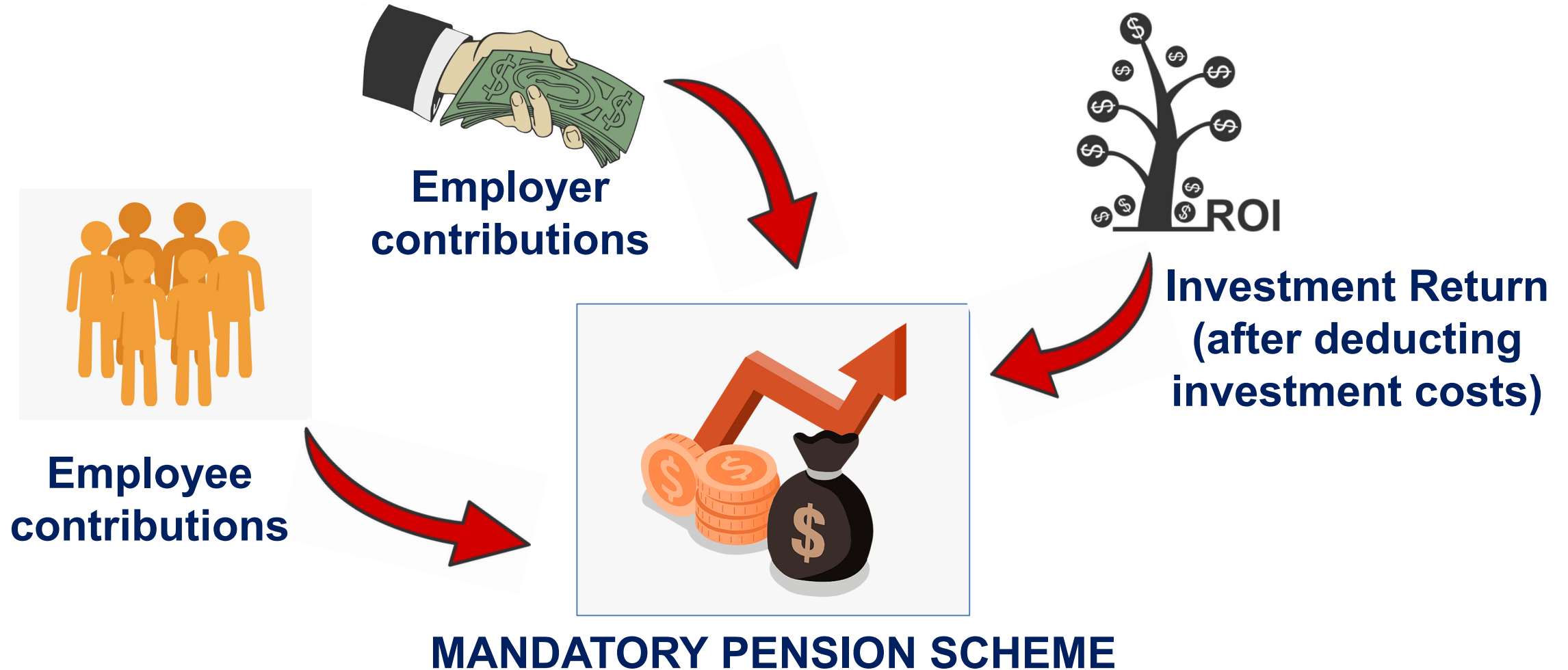
## Defined contribution plans

*This talk will focus more on (2).*

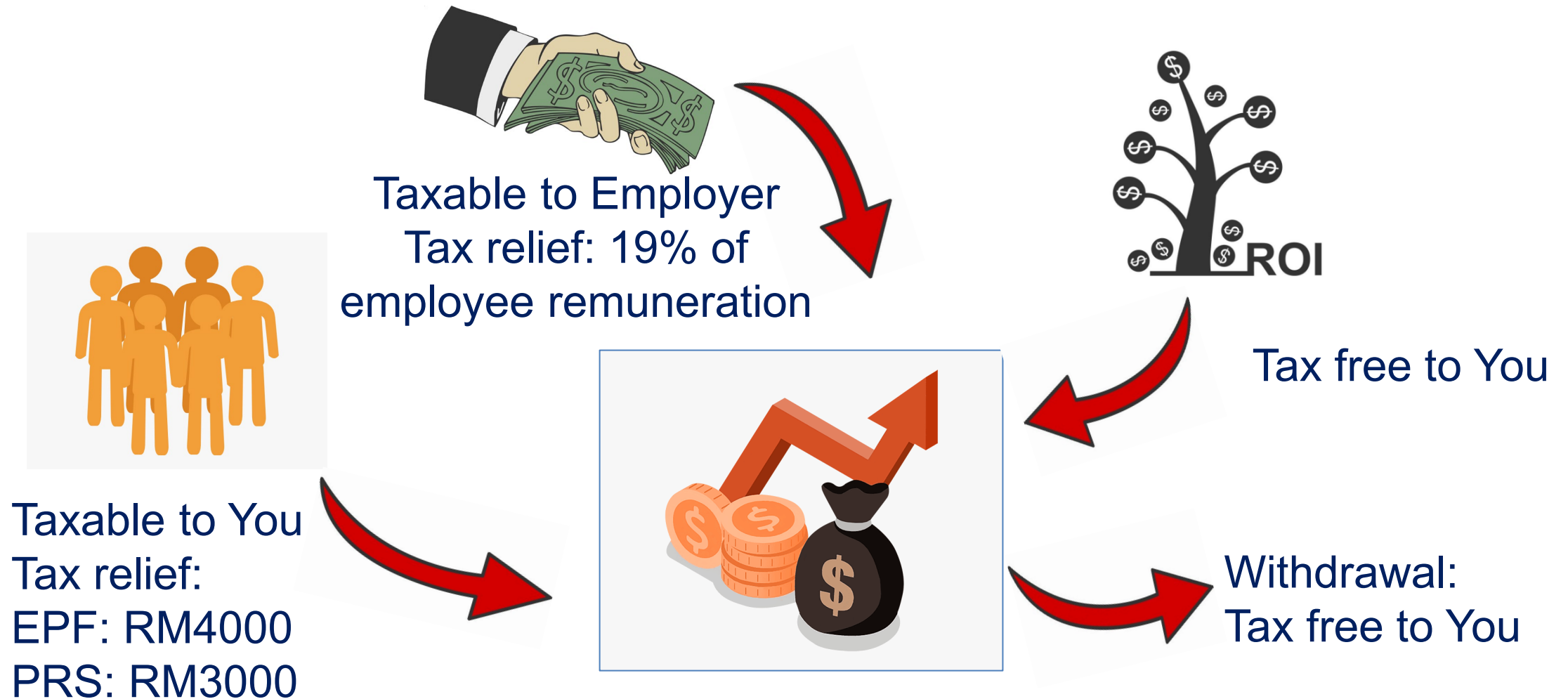


defined benefit

# UNDERSTANDING **DEFINED CONTRIBUTION** IN MALAYSIA



# UNDERSTANDING TAX IMPLICATIONS



# PRINCIPLES OF RETIREMENT PLANNING

- Assess your retirement needs early by determining what lifestyle you want to live,
- Plan on how much money you need each year to afford it,
- Develop a saving plan, a different jar for retirement
- Save, save, save!
- Save before you spend!





# WHY RETIREMENT PLANNING IS IMPORTANT?

1. You can't work forever
2. You may live long
3. You want to enjoy life after working so hard
4. Good healthcare is expensive
5. Good holiday is expensive
6. You want to be financially independent at old age
7. You don't want to burden your kids
8. You want to leave something for your kids



VS



**Financial  
Independence  
Retire  
Early**



*they are not your retirement fund!*

*you are not their emergency fund!*

*By starting to invest in your retirement early on in your career, your funds will accumulate and grow over time, leaving you with a substantial enough fund to fulfill your retirement dreams.*

# THE **YOLO** LIFE?




**YOU  
ONLY  
LIVE  
ONCE**

The idea behind this term is that as **you get only one life**...

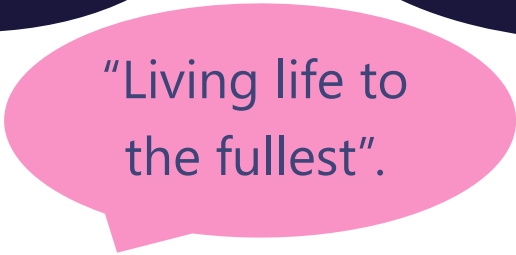
**Some people would be:**



"Living in the moment".



"Doing the things they love the most".



"Living life to the fullest".

# THERE WILL BE MORE TOMORROWS

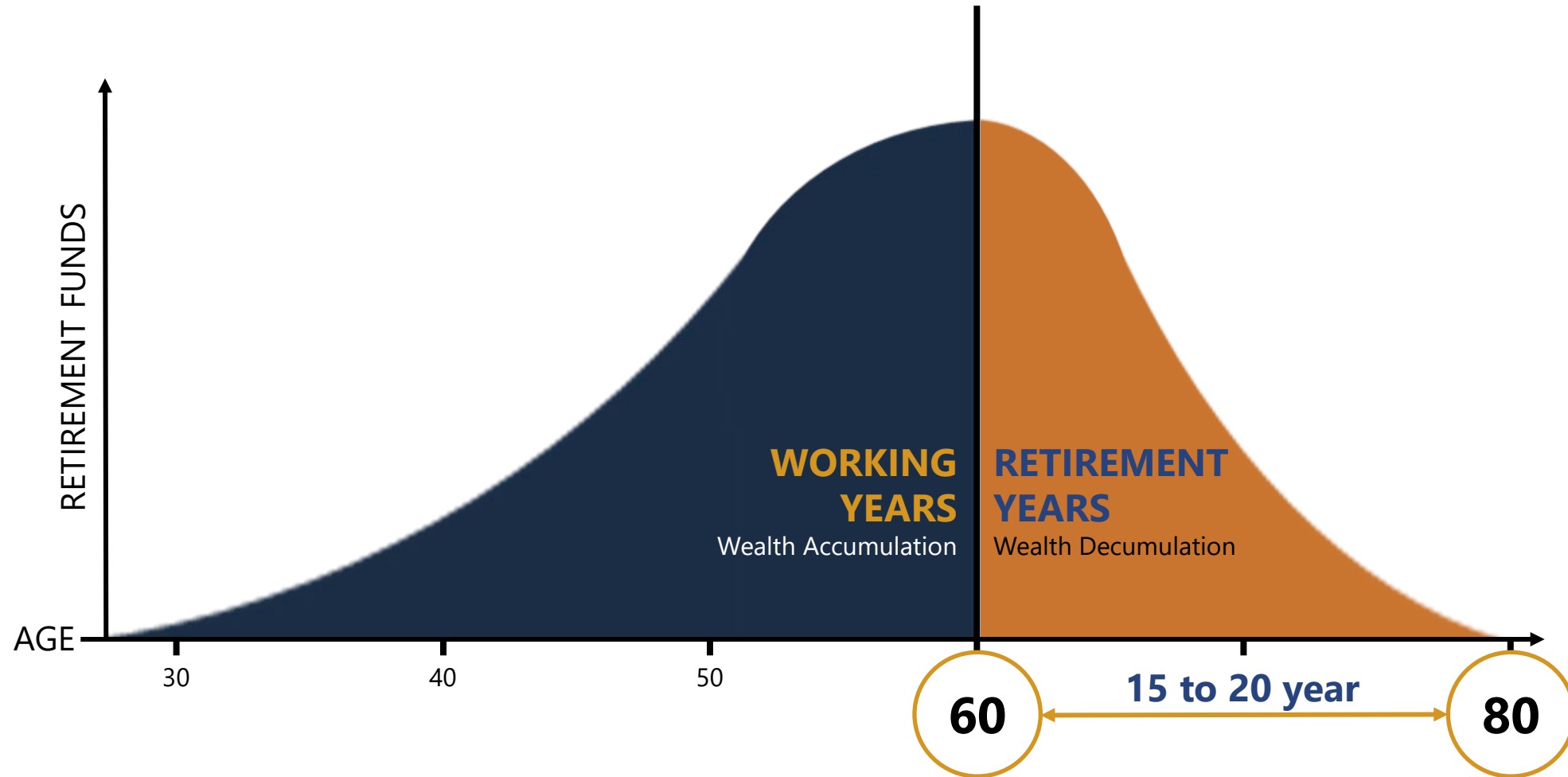
**YOU ONLY LIVE ONCE... NOW IT'S LONGER**



Source: Life Expectancy in Malaysia 2020, Jab Perangkaan Negara

How to make sure you have enough when the time comes?

# TYPICAL WORKING LIFE CYCLE





# WHY YOU NEED TO SAVE FOR **YOUR FUTURE?**

## Know the 3 Retirement Concerns

1. Adequacy (How much?)
2. Sufficiency (How long?)
3. Sustainability (How strong?)



# ADEQUACY (HOW MUCH?)

It is recommended that you should have  
**2/3 replacement income** when you retire.

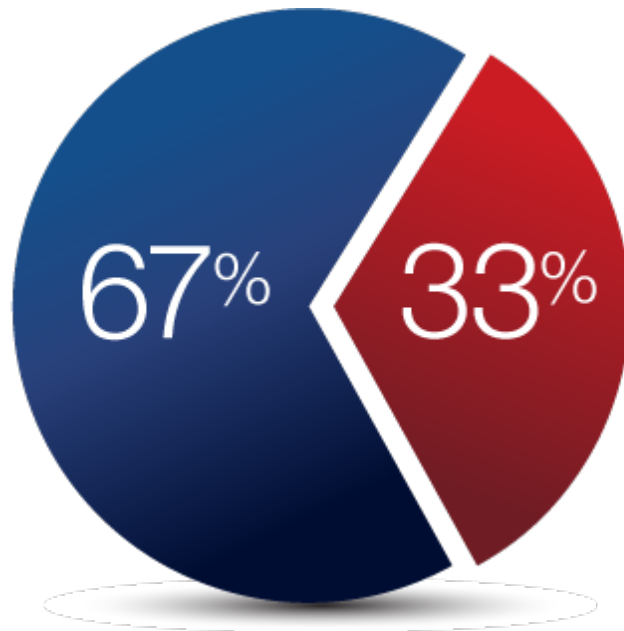
## AFTER RETIREMENT

Have **67%** (2/3)  
of your last drawn salary

### Example:

Last drawn salary = RM9,000

Retirement income = RM6,000/month



## NOW

Save **33%** (1/3)  
of your monthly salary

**12%** Employer Contribution

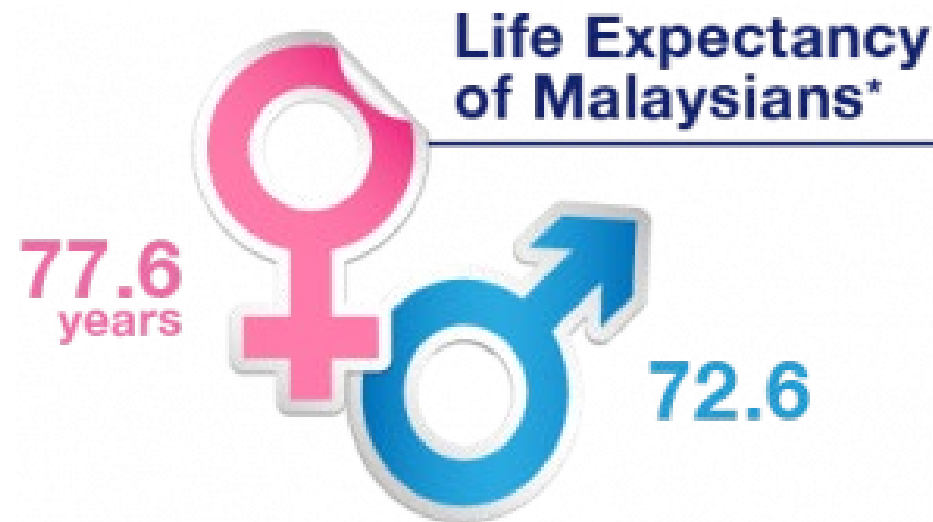
**11%** Employee Contribution

**10%** SAVE in PRS

and do so much more  
when you retire

# SUFFICIENCY (HOW LONG?)

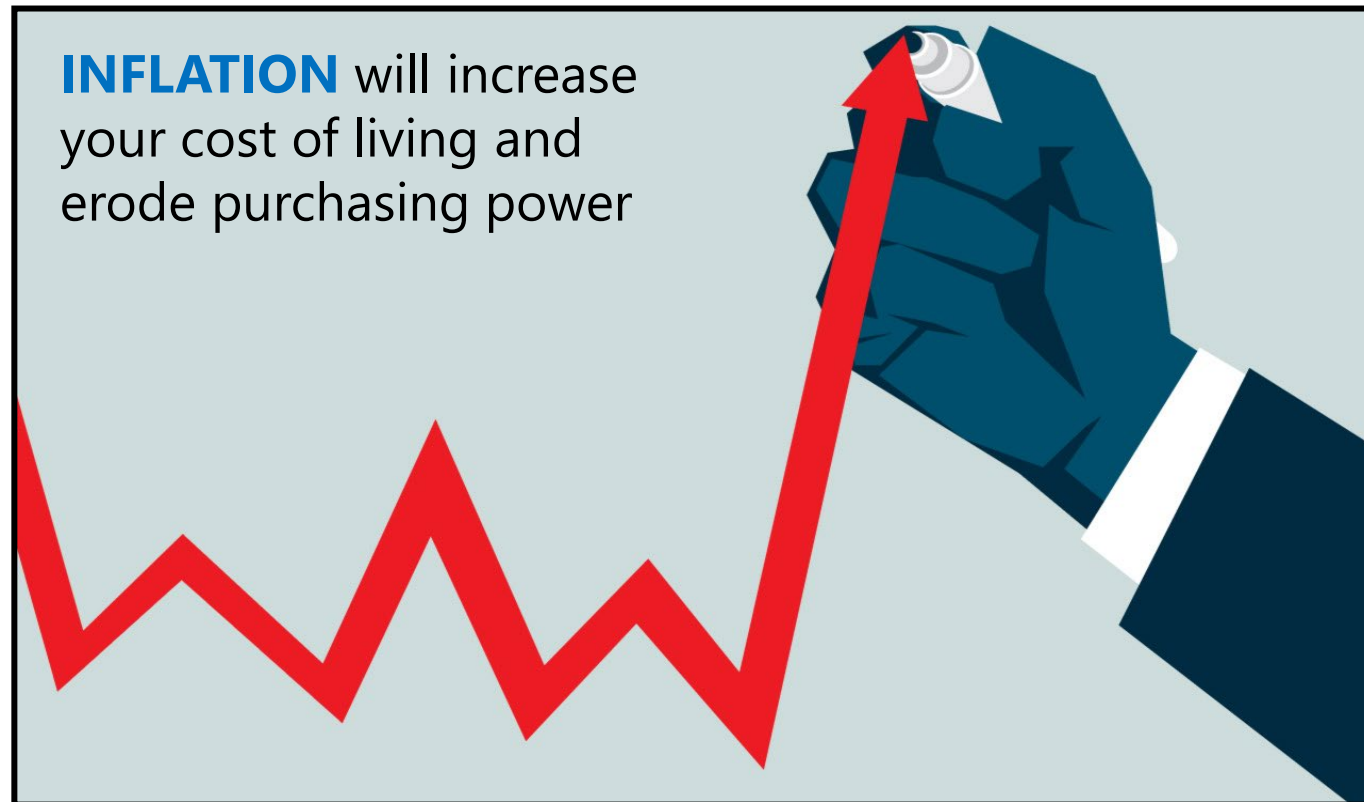
You will need to have sufficient retirement savings to last at least **a minimum 20 year**



Source:  
Malaysia Department of Statistics, 2020

# SUSTAINABILITY *(HOW STRONG?)*

Maintaining your standard of living now will  
**cost you more** in the future.





# WHAT IS THE **PRIVATE RETIREMENT SCHEMES** (PRS)?



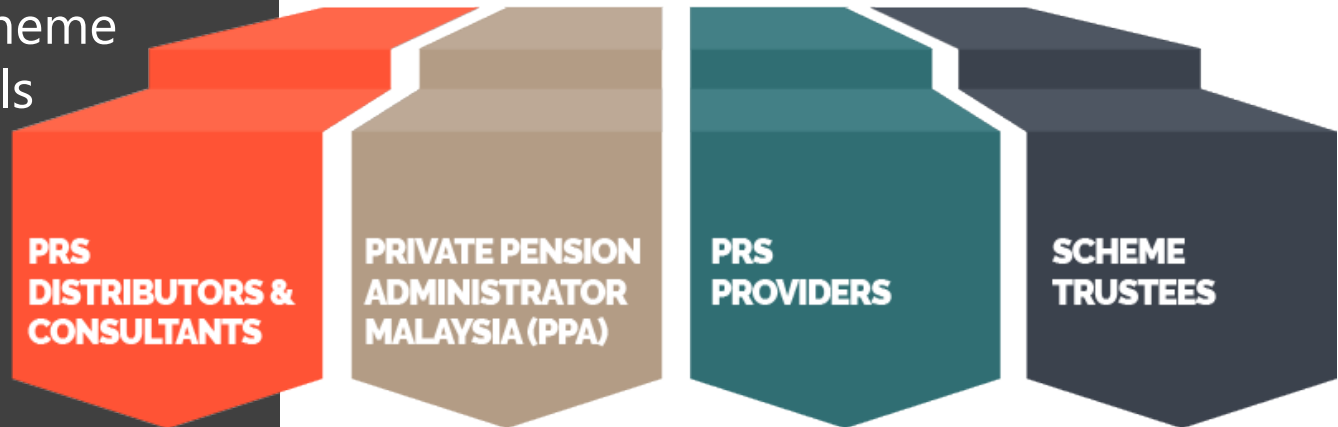
PRS is a voluntary long-term savings and investment scheme designed to help individuals save more for their retirement.

Launched in July 2012

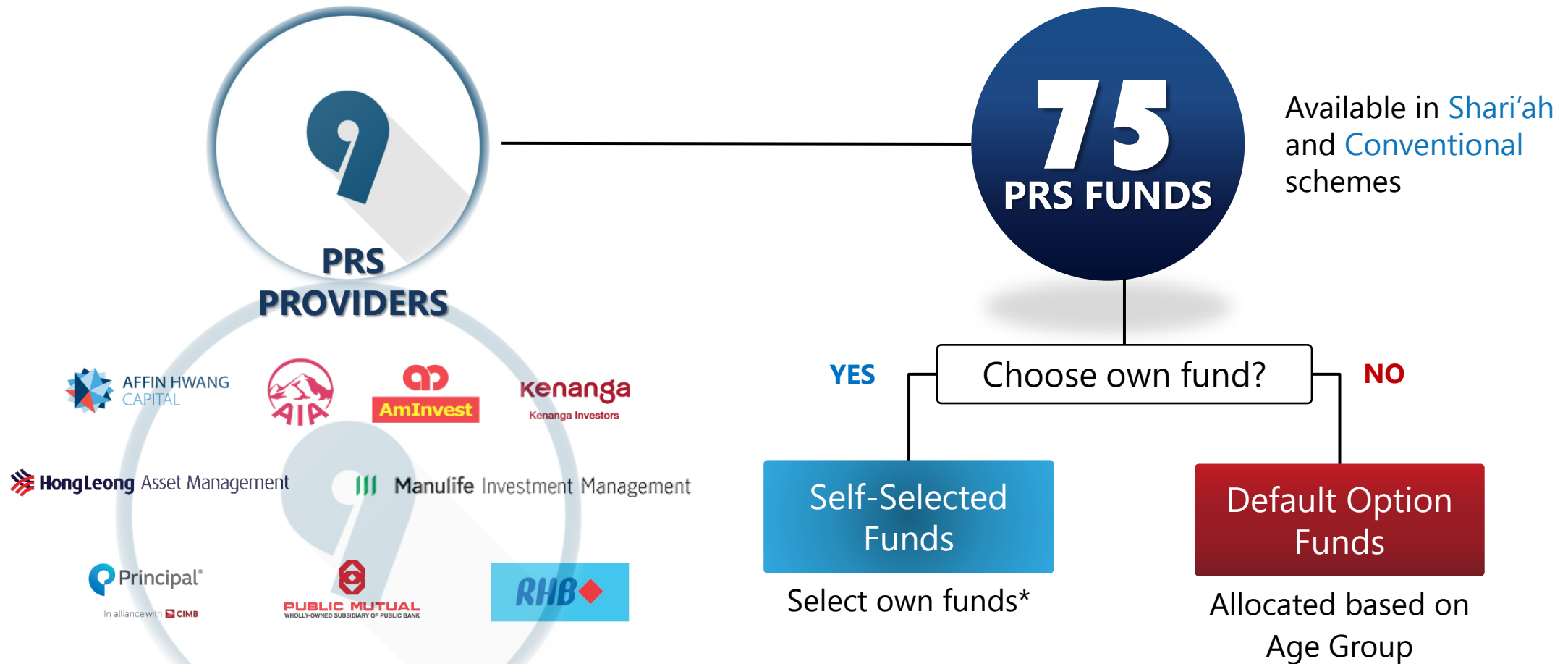
## KEY COMPONENTS



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia



# PRS PROVIDERS & FUNDS



\*subject to fulfilling the suitability assessment form

For more information on the funds please read the PRS Providers' Disclosure Document and Product Highlights Sheet.

# HOW PPA ADDS VIBRANCY TO THE PENSION LANDSCAPE



**Private Pension Administrator Malaysia** is the **central administrator** for the PRS industry.

## ONE-STOP CENTRE

### Public

on retirement learning and PRS.

### PRS Members

services related to accounts and investments with any of the eight (8) Providers.



**Marketing Campaigns**

**Digitalisation**  
via PRS Online

## How PPA Adds Vibrancy to the Pension Landscape

**Continuous Education**

**Collaborations**



Retirement  
Savings Made  
Easy

Affordable  
& Flexible



Regulated  
Framework



Save Now,  
Indulge Later  
I, Save in PRS.

Starts here >

#ISaveInPRS



Promote Employee  
Well-Being



Up to 19%  
Tax Deduction\*



Attract,  
Enrich and  
Retain Talents



Strengthen  
Working Bonds



*\*On Employees' Remuneration*

# WE, Save in' PRS.

Shaping Our Savings for The Future.

Lead The Way >



**PRS**  
**ONLINE**



I'M PREPARED FOR  
**LIFE AHEAD**

START EARLY TO  
**ENJOY MORE**



# My Future, My Own I, Save in PRS.

Begin now >

#ISaveInPRS

**ENROL OR  
TOP UP NOW**



**HASSLE-  
FREE** WITH  
PRS ONLINE



**UP TO  
RM3,000  
ANNUALLY\*.**



\*PRS Tax Relief extended to Year 2025



# I, Love My RM3,000 PRS Tax Relief

Boost your retirement savings with PRS

Don't miss out! >

#ISaveInPRS

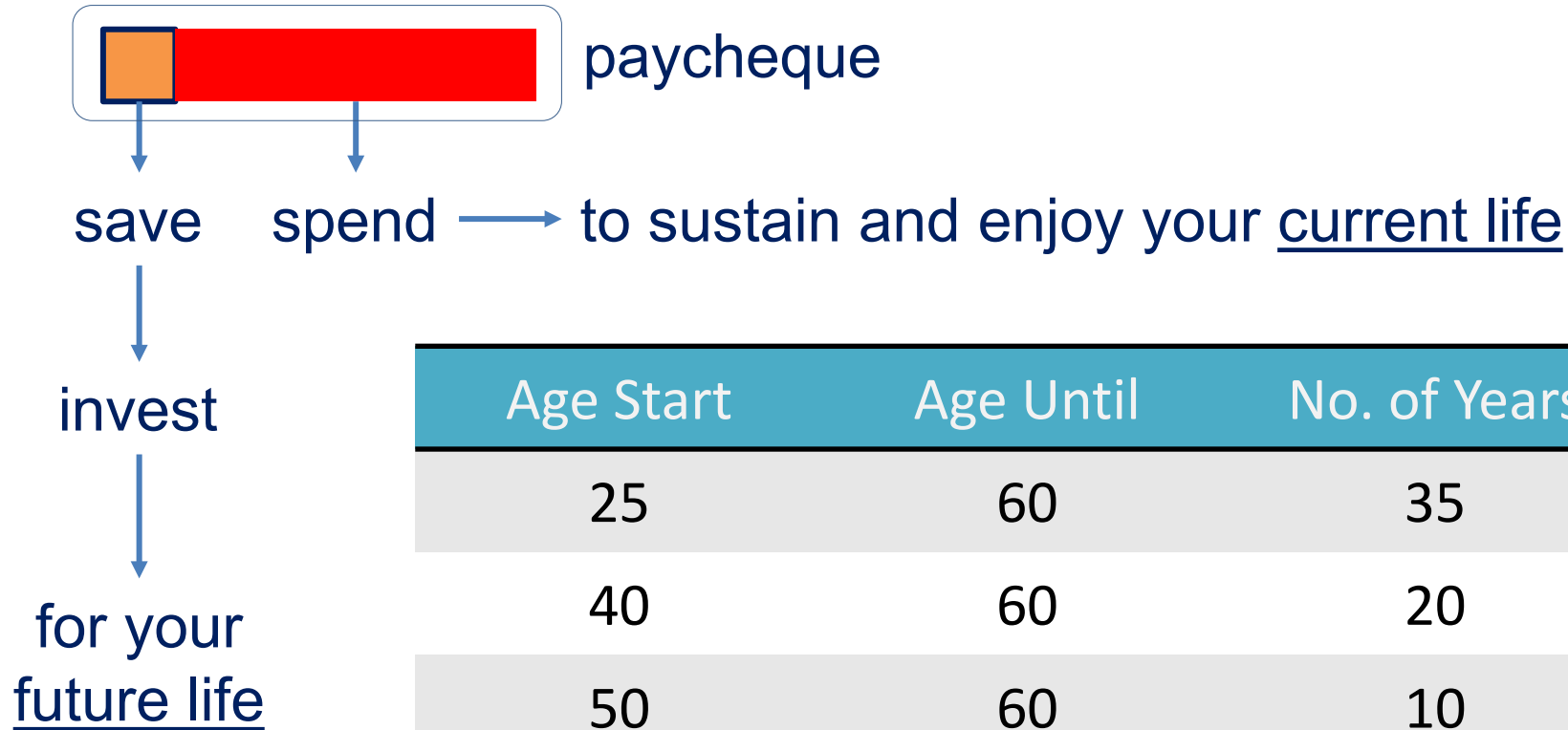


# I, SAVE IN PRS





# SAVE, INVEST AND COMPOUNDING GROWTH



Age Start	Age Until	No. of Years	FV
25	60	35	113,609
40	60	20	41,103
50	60	10	15,528

Invest RM100 monthly for an expected return of 5% annually

# BEWARE OF INVESTMENT SCAMS



T.I.P.U video by Securities Commission Malaysia (0:30)

<https://youtu.be/JeYzGAEqA8>

For more information, refer to:



[www.ppa.my/prslive](http://www.ppa.my/prslive)



[www.ppa.my](http://www.ppa.my)



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# Thank You!

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