SUPPLEMENT YOUR RETIREMENT SAVINGS WITH TAILORED AND FLEXIBLE SOLUTIONS

Most Malaysians understand the importance of saving for retirement, but how many are saving enough to live comfortably in their old age?

Ahmed Muzni Mohamed, CEO of Maybank Islamic Asset Management Sdn Bhd (MIAM), points out that 68% of Employees Provident Fund (EPF) members do not have RM240,000 — the minimum requirement for retirement, according to the fund — in their EPF accounts.

"It means about two-thirds of EPF members have less than RM1,000 per month, or about RM33 per day, to spend in the next 20 years post-retirement," Muzni says.

The situation looks dire for those aged 54 and above. According to the EPF, 70% of them have less than RM50,000 in their accounts, which means they have less than RM208 per month to spend in the next two decades if they retire immediately. This translates into about RM7 per day, just enough to buy a simple meal.

Only about 0.46% of total EPF members have more than RM1 million in their accounts. They may look wealthy, but it would translate into only about RM4,100 per month in 20 years.

"Even the very few 'EPF millionaires' are not as well off as they seem once they stop working at the age of 60. And I'm pretty sure they will live more than 20 years post-retirement.

"These numbers show how important it is for Malaysians to start saving early for their retirement," says Muzni.

Is the lump-sum figures sufficient, with the current cost of living?

Based on the average EPF savings rate. EPF covers **only**

33% of the replacement ratio for those earning RM 5,000 pre retirement.

16% of those earning RM 10,000 pre retirement.

Average EPF savings by an active member at age 54 is RM 204,910.	Gives out RM 1,138 per month over a period of 15 years.	Will deplete in 5.7 years with a monthly expense of RM 3,000.

Source: Schroders, Bloomberg, EPF Annual Report 2020

Note: Straight-line calculation and assumes a retirement period of 15 years while returns during retirement equals inflation

Be prepared to take care of yourself post-retirement

Shrinking purchasing power and household size are two other factors that play into the importance of saving early for retirement.

Citing a recent report published in the US, Muzni says millennials born between 1981 and 1996 are only about 80% as wealthy as Generation X at 40.

"It also means millennials, many of whom are working adults today, are 20% poorer than their parents even though they earn more in total sum. The research wasn't conducted in Malaysia, but the situation is likely similar locally, as salary increments have not been catching up with real inflation on the ground in recent decades."

The size of households globally, including in Malaysia, has shrunk too. Today, each family would have two to three children compared with the past when there were more. "For instance, I come from a family of eight siblings. My younger brothers and sisters have only two to three children, which is common nowadays. What it means is the cost for the younger generation to support their parents when they retire is higher, as there are fewer siblings to share the cost."

Combining the two factors causes a mindset shift among the younger generation. They are less likely to support their parents financially in their old age while staying afloat to care for themselves and their families. Neither would they ask for an inheritance from their parents.

As this trend continues, it is more important that the younger generation starts saving early for retirement. "They should invest in various asset classes not limited to bonds and fixed income for better returns. They should be prepared to take care of their own finances post-retirement without relying too much on their children," says Muzni.

If there is an essential lesson that the pandemic has taught in the past two years, it is to have an extra pot of savings for retirement that is flexible enough for withdrawal during times of crisis, he adds.

"A person can be building up his retirement nest egg for many years without touching it. But when a crisis hits, your job and income are affected, which leave you with no choice but to withdraw part of your retirement savings to tide you over the challenging period.

"Having mandatory savings for retirement is necessary, but you should supplement it with something more flexible to put food on the table during extremely challenging times."

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>
> **— Ahmed Muzni Mohamed,** CEO of Maybank Islamic Asset Management Sdn Bhd

First shariah-compliant flexible retirement solution

Because of the urgent need for Malaysians to start saving early for retirement, combined with the flexibility to ride through stormy periods, Maybank Asset Management Sdn Bhd (MAM) launched its first Flexible Retirement Solution on Feb 15.

The solution comprises two new global shariah-compliant funds: the Maybank Global Wealth Moderate-I Fund and Maybank Global Wealth Growth-I Fund.

The two mixed-asset funds are tailored for investors' retirement planning, focusing on capital preservation to safeguard their money and minimise their losses during challenging times. It does not mean, however, that they are not aiming for attractive returns.

The Maybank Global Wealth Moderate-I Fund targets an annual return of 6% per annum. In comparison, the Maybank Global Wealth Growth-I Fund aims to generate a target return of 8% per annum.

Maybank Islamic Asset Management is the External Investment Manager while Schroder Investment Management (Singapore) Ltd (Schroders) is the Investment Adviser for the solution. Schroders is one of the biggest offshore providers of shariah solutions in Malaysia, with £716.9 million in assets under management as at Sept 30, 2021.

A key feature of the two funds is their mandate to invest globally in shariah-compliant equities, sukuk, exchange-traded funds and various asset classes. They also adopt a dynamic asset allocation that allows fund managers to move investors' money freely between multiple asset classes, depending on markets and economic conditions.

Moreover, the flexibility accorded to fund managers is provided to investors, as they can decide how much they want to invest in and allocate to each fund according to their personal and family circumstances and life cycles. The funds do not impose switching fees as well as withdrawal restrictions and fees.

Investors who are unsure about how much they should invest in or allocate to the two funds can visit any Maybank branch or contact their Maybank Relationship Manager or Personal Financial Adviser for advice.

"Investors can also engage Maybank for financial planning advice and other services. For instance, investors can explore using the income distribution of the two funds to pay for insurance premiums or request will writing services.

"It is important that our investors see the two funds as part of the retirement solutions provided by MAM, instead of as standalone products," says Muzni.

The two funds under the Maybank Flexible Retirement Solution charge 1.8% per annum in annual management fee and a sales charge of up to 5% of the NAV per unit.

New funds and digitalisation plan

Looking ahead, MAM aims to introduce its flexible retirement solution through digital platforms that would lower investment costs and provide investors with more convenience to make their own investment decisions.

It will take time before this service can be made available, however, as investment and retirement are relatively complex issues and more easily explained through intermediaries such as agents and financial planners.

Muzni says a new fund could be included in its flexible retirement solution this year, pending approval by the Securities Commission Malaysia.

When launched, the fund could be the first of its kind in the local market that allows investors to withdraw their income and principal in stages over a given period, according to their retirement needs.

To subscribe, please contact your Maybank Relationship Manager or Personal Financial Adviser; or, for more information, visit maybank-am.com.my