



THE THIRD AGE

The end of the beginning | Not the beginning of the end

- Employees Provident Fund
- 28 June 2019



▲ EPF: By the Numbers

▲ The Post-Industrial World: Changing Demographics

▲ Challenges and Opportunities

▲ A Call to Action

PURPOSE OF EPF



Provide replacement income when a person is no longer **FULLY PRODUCTIVE** or **NOT WORKING**

VISION

Helping members achieve
A BETTER FUTURE

MISSION

SAFEGUARDING
members' savings and
DELIVER
excellent services



EPF ASPIRATIONS



FINANCIAL SECURITY

Adequate and sustainable income to live and retire comfortably

- ▶ Savings
- ▶ Investment
- ▶ Protection
- ▶ Shelter



HEALTHY

Live a healthy life and have access to good medical and nursing facilities

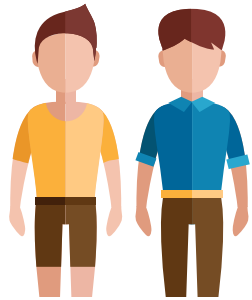


HAPPY & MEANINGFUL LIFE

Independent and social integration



EPF at a glance



14.2m

MEMBERS

532,360
(NEW)



7.1m

ACTIVE
MEMBERS



507,114

EMPLOYERS

67,073
(NEW)



748,687

SIMPANAN SHARIAH
SUBSCRIBERS

64,631
(NEW)



RM71.5b

CONTRIBUTION
COLLECTIONS (YEARLY)

RM839.6b
(TOTAL MEMBERS'
FUND)



RM47.6b

WITHDRAWALS
(YEARLY)

RM4.0b
(MONTHLY)



RM23.8b

NET
CONTRIBUTIONS
(YEARLY)



68

BRANCHES

52
(WITH RAS)



Overview of the social protection system in Malaysia

SOCIAL ASSISTANCE

- ▶ Cash transfer, in-kind, transfers to the elderly
- ▶ Health assistance
- ▶ Disaster relief

SOCIAL INSURANCE

- ▶ Old age pension
- ▶ Employment injury insurance
- ▶ Employment insurance scheme

LABOUR MARKET INTERVENTION

- ▶ Livelihood programme
- ▶ Skills/knowledge development programme

CHALLENGES

- ▶ **FRAGMENTED FRAMEWORK** not able to effectively address issues faced by people

- ▶ **LACK OF COMPREHENSIVE PROGRAMME** to cover adult population

- ▶ **INADEQUATE PROACTIVE PROGRAMMES** to prepare the workforce for the Fourth Industrial Revolution



ILO Recommendation 202, 2012

“Nationally defined sets of basic social security guarantees....”



Access to a set
of goods and
services constituting
**ESSENTIAL
HEALTHCARE** including
maternity
care

All



Basic
**INCOME SECURITY FOR
CHILDREN**

Family & Children



Basic
INCOME SECURITY
for persons in
ACTIVE AGE
unable to earn
sufficient income

Working age

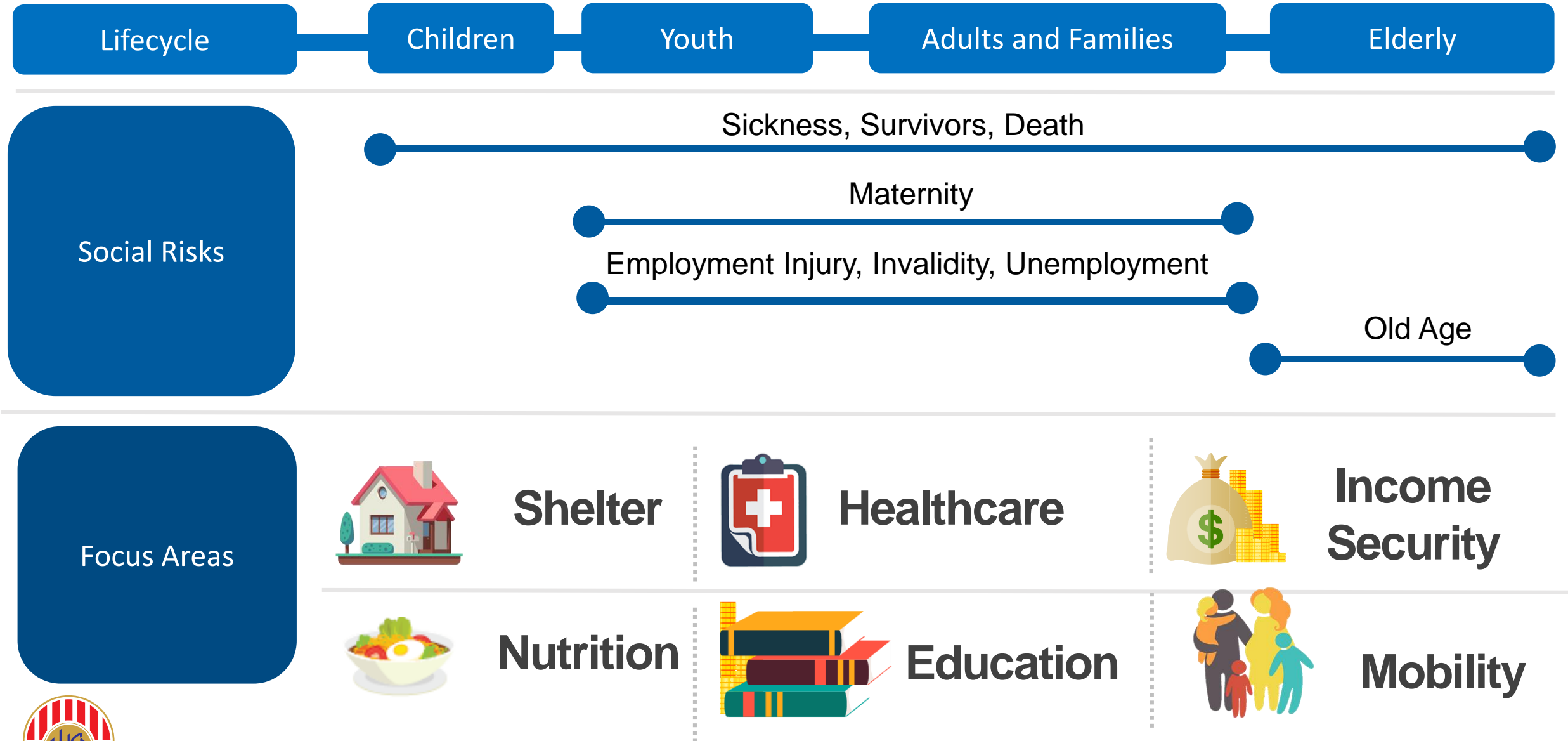


Basic
INCOME SECURITY
for persons in
OLD AGE

Old age

National Definition of Minimum Levels

From womb to tomb: Social risks across lifecycle



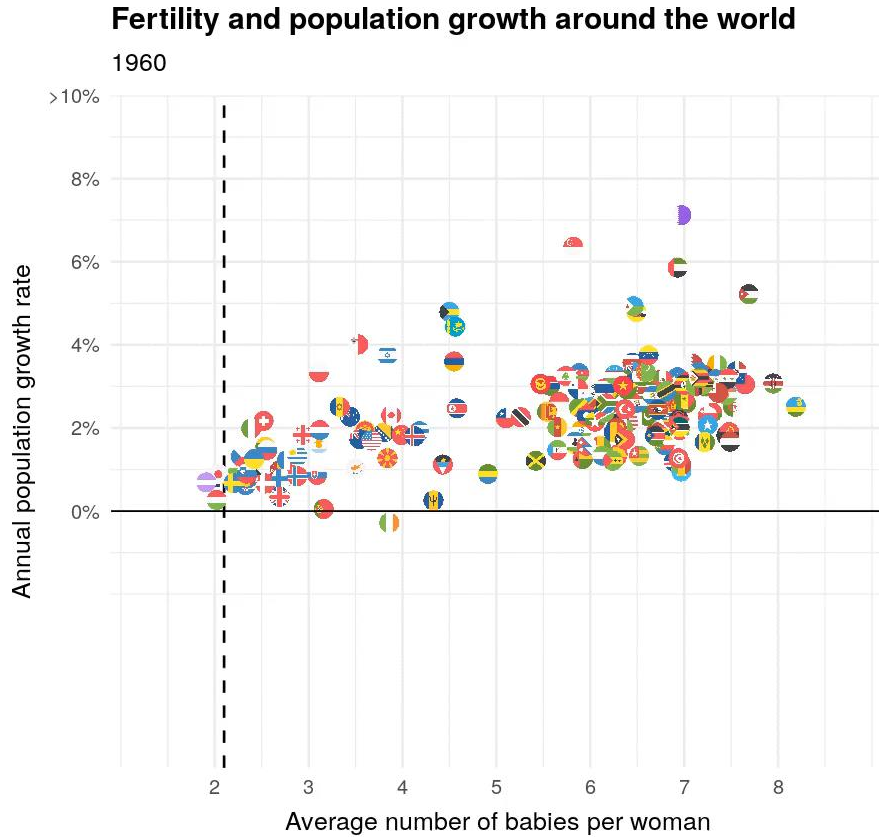
▲ EPF: By the Numbers

▲ The Post-Industrial World: Changing Demographics

▲ Challenges and Opportunities

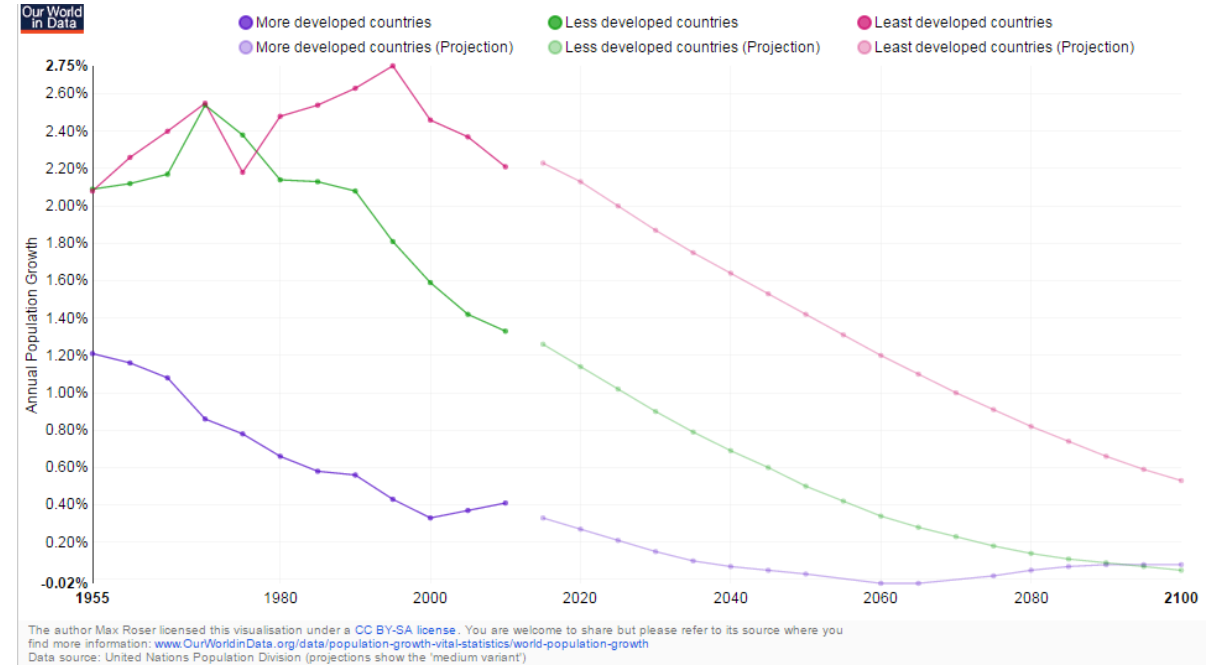
▲ A Call to Action

Global Fertility Rates and Population Growth

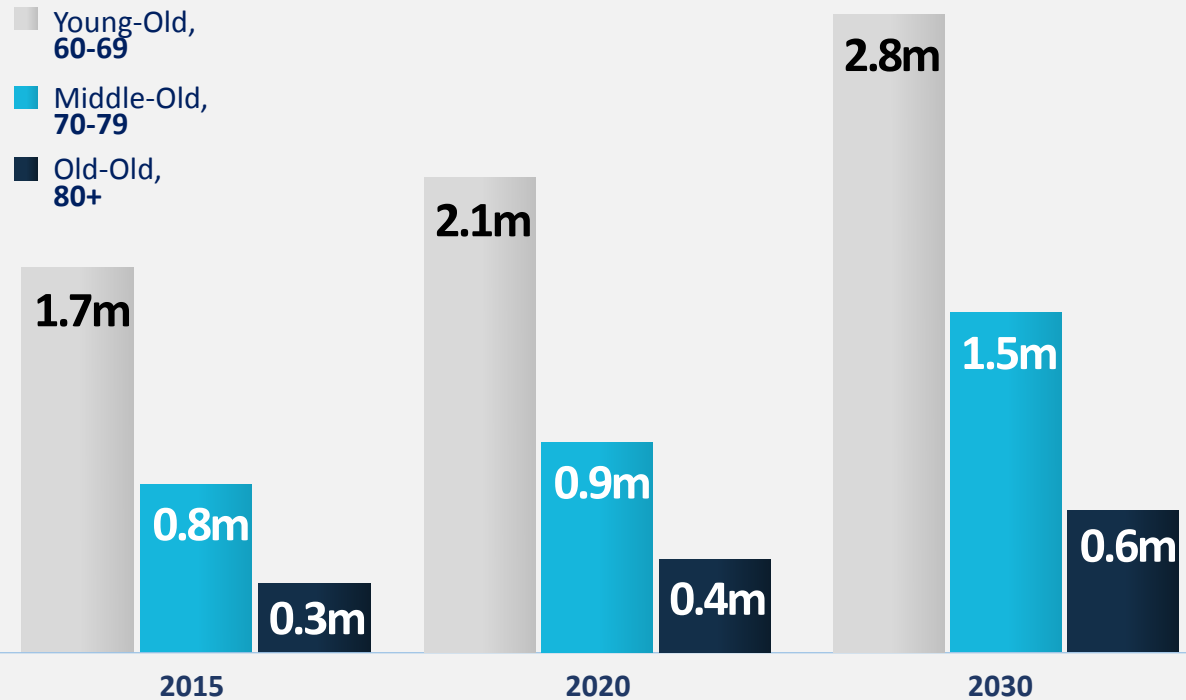


Created by @countcarbon. Data from Gapminder
The dashed line shows replacement level fertility

Global Population Growth 1955-2100

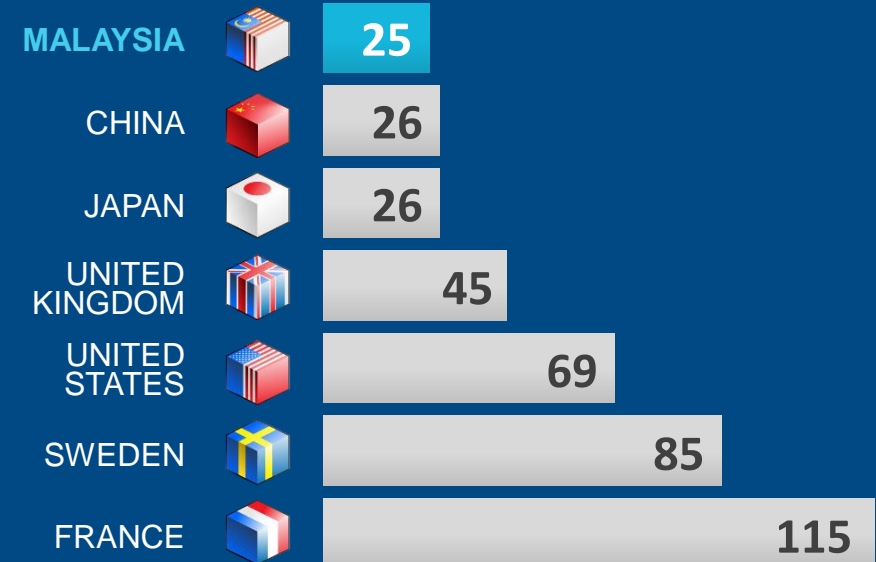


Malaysia is one of the fastest ageing countries in the world



The elderly population will **DOUBLE** within a short period of 15 years.
(2015-2030)

FROM AGEING TO AGED

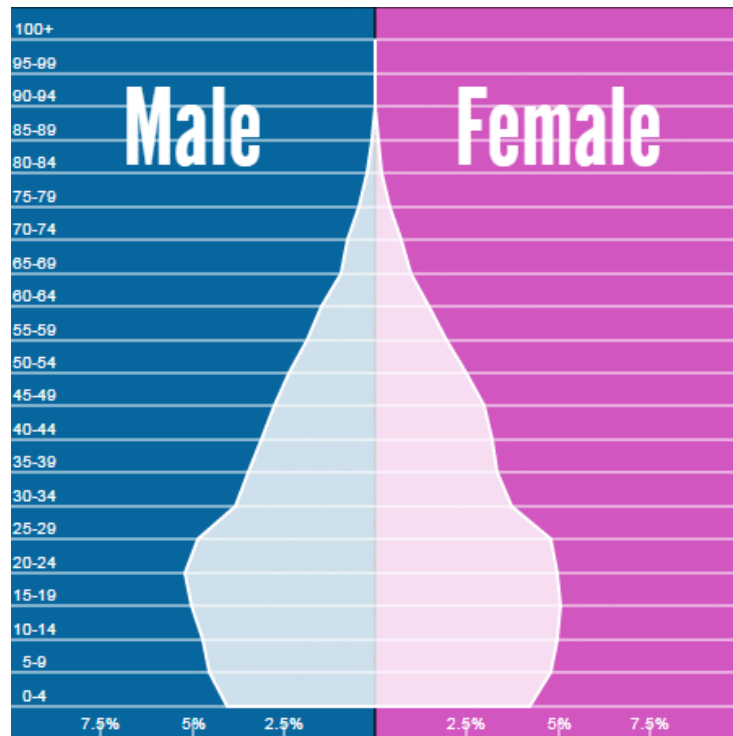


The interval in which the percentage of aged 65 and over doubles **from 7% to 14%.**

Malaysia is ageing faster than other countries.

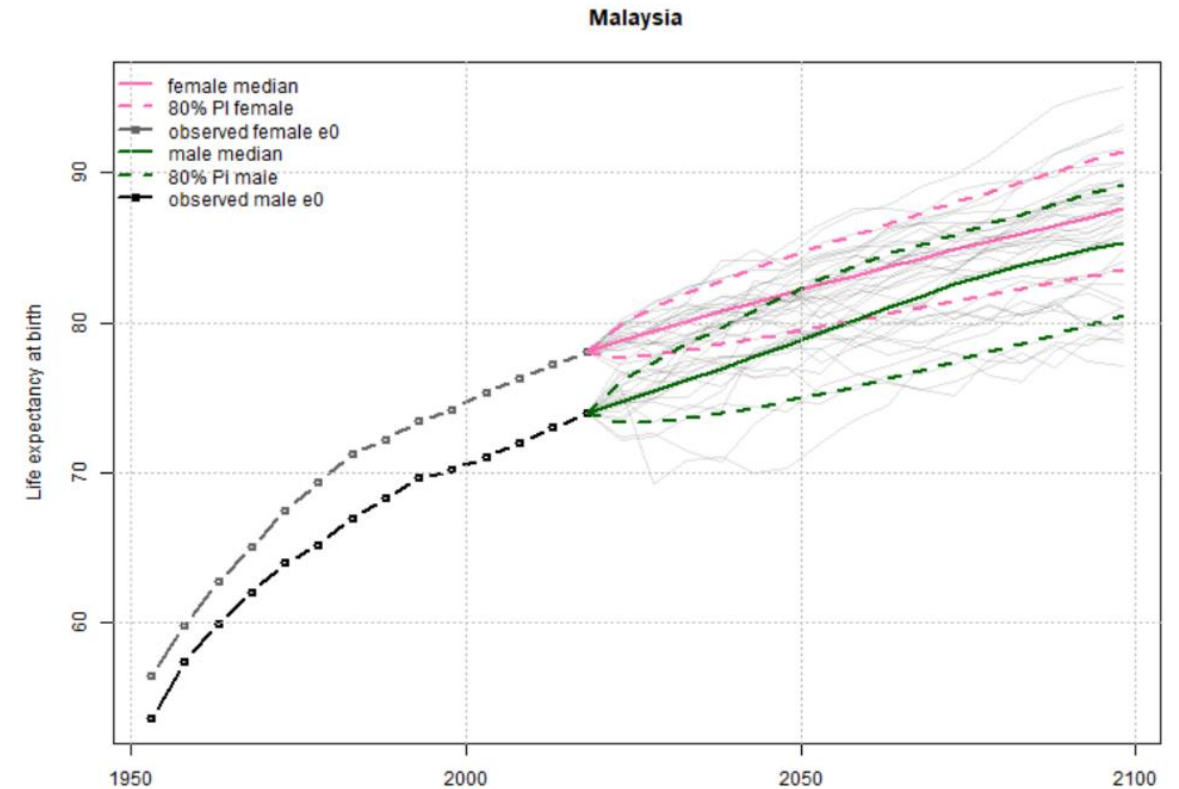


Increasing Life Expectancy



Malaysia 2010-2050

Life Expectancy 1950-2100



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United Nations, DESA, Population Division. *World Population Prospects 2019*. <http://population.un.org/wpp/>



1



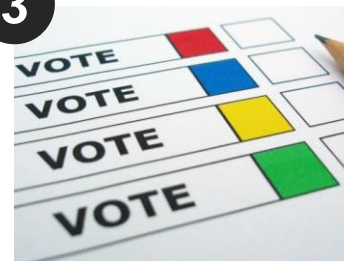
Growth

2



Investment

3



Politics

▲ EPF: By the Numbers

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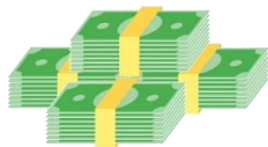
Issues and challenges

1



**Ageing and
longevity**

2



**Adequacy
amidst longevity
risks**

3



**Low social
protection coverage**

4



**Low financial
literacy**

5



**Burgeoning
health issues**

Facts on LONGEVITY

1 IN 3
will live beyond
100
YEARS OLD

Source: World Economic Forum

10
YEARS
loss of
HEALTH LIFE
EXPECTANCY

Source: World Health Organisation

OCTOGENARIAN
80-89 years old

CENTENARIAN
>100 years old

TODAY	2050
134 MILLION	1.0 BILLION
500K	4.0 MILLION

Source: World Economic Forum

90-95
YEARS OLD
Capacity of human body to be
HEALTHY

Source: World Health Organisation

90
YEARS OLD
Global life
expectancy by
2050

Source: World in 2050, PwC

2x
MEDICAL COST
Increase at **AGE 80**
compare to 60

Source: World Health Organisation

80
YEARS OLD
Malaysia life
expectancy by
2050

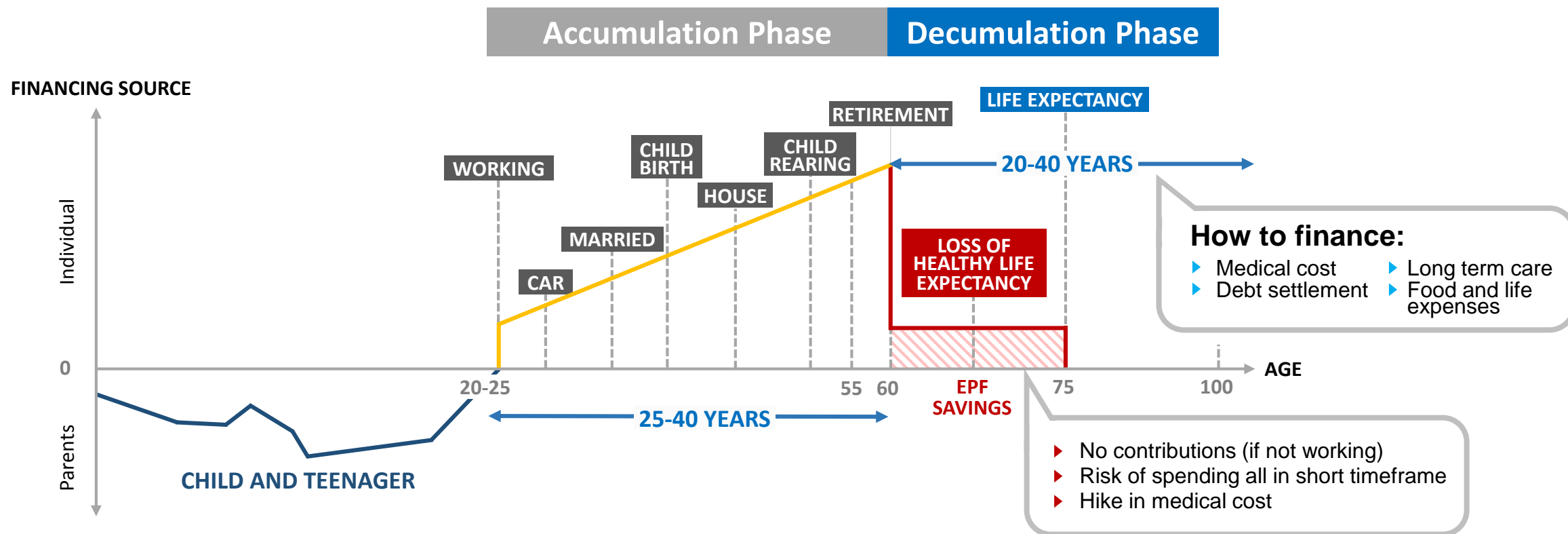
Source: World in 2050, PwC

80
YEARS OLD
Malaysia life
expectancy at
AGE 60

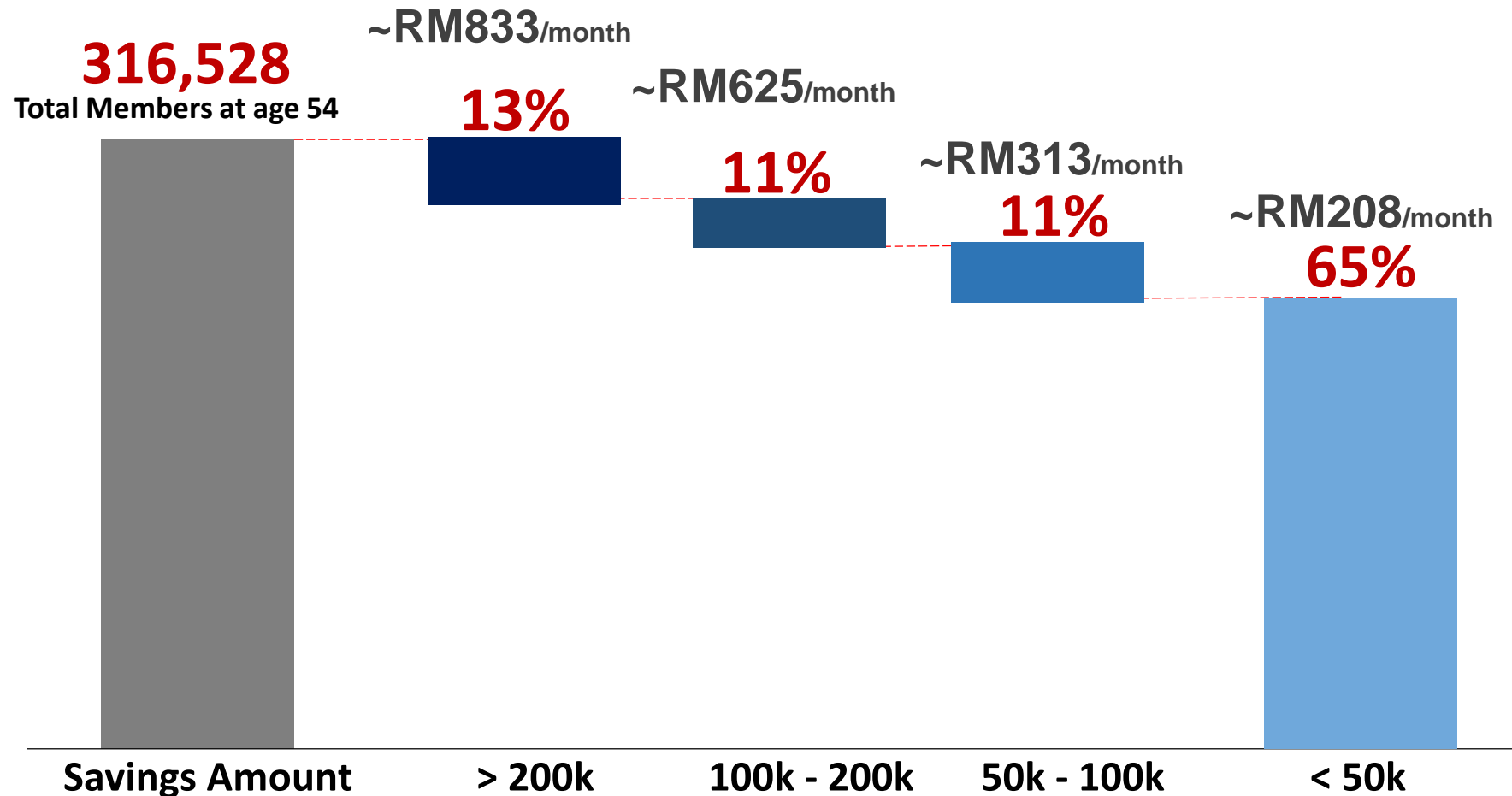
Source: World Health Organisation



Longer Life Expectancy – the new normal



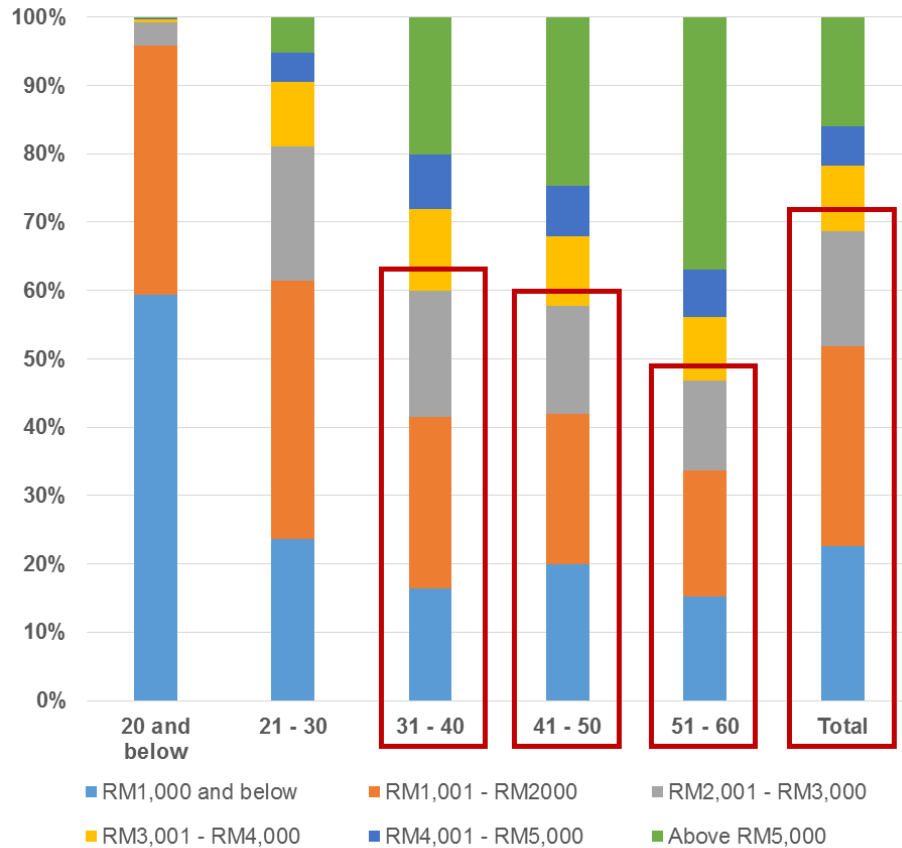
2 in 3 members age 54 have savings LOWER THAN RM50K (Account 1 + 2)



65% of members in risk of living below the **POVERTY LINE** at old age



Low salaries observed across all age groups



► Many members aged 31-60 and have dependents, make ≤RM3,000 or less per month

Source: EPF Statistics

68%
(9.9 mil)

Source: EPF Statistics

members do not consistently contribute to EPF

31%
(2.3 mil)

Source: EPF Statistics

Active members achieve Basic Savings

50%

Source: UM Survey

EPF members above age 55 exhausted their EPF savings in 5 years

Note: RM50k can approximately last for only 4-5 years

Low salary

Inconsistent contributions

*No minimum wage

Low EPF savings despite high contribution rates



7 in 10 members do not have enough savings to live above poverty line

Large segment of Malaysian adults are either uncovered / under-covered

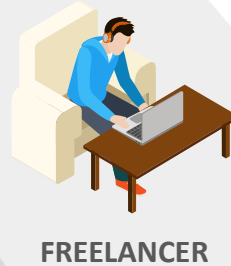
CHALLENGE 3

INFORMAL
SECTOR

19%
4.4MIL



**OUTSIDE
LABOUR
FORCE** **32%**
7.1MIL



ADDRESS ADEQUACY

EXPAND COVERAGE

DIVERSIFICATION OF NEW
CONTRIBUTIONS

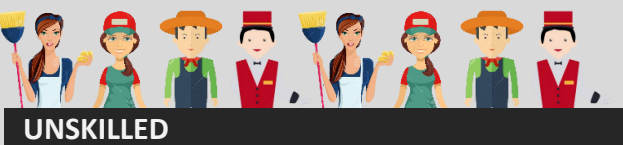
TOTAL LABOUR FORCE

15.3MIL

FORMAL
SECTOR

49%
10.9MIL

(Only 7.4 mil actively contribute to EPF)

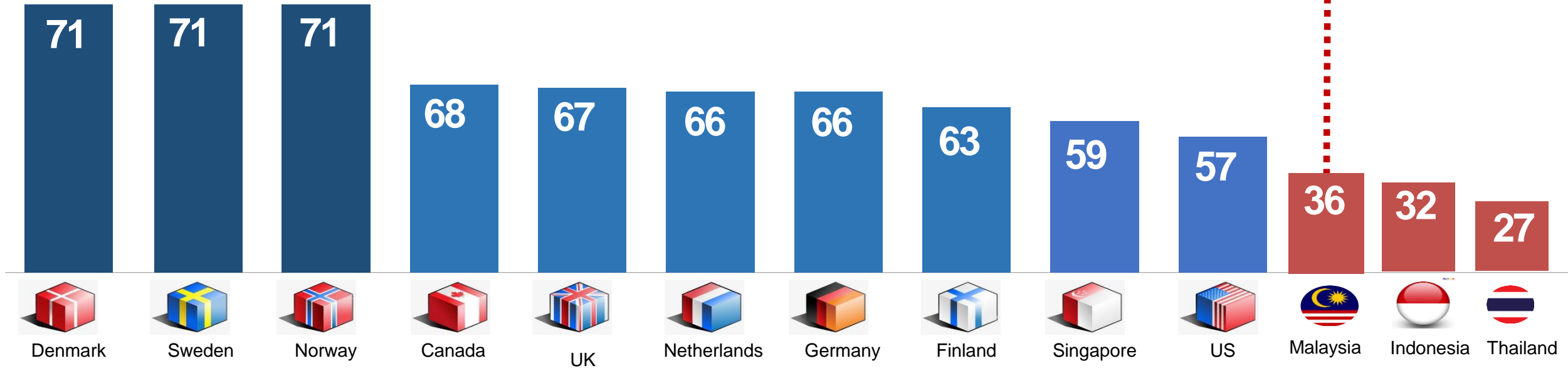


KWSP | EPF

Source: Department of Statistics (2019). Employees Provident Fund (2019), CUEPACS (2015), CUEPACS (2019)

Malaysians have low financial literacy

Malaysia ranked 66th overall and 3rd in South East Asia



Denmark, Sweden and Norway
scored at the top ranking

Singapore adults
most financially literate in Asia



Malaysians LACK THE KNOWLEDGE AND SKILLS for long-term financial planning

100,610

Malaysians declared
bankrupt
(From 2013-2017)



34%

of them are between
34 – 44 years old

Source: Insolvency Department, 2017

146%

Malaysia's household
debt to household
income, **higher than US
levels**



On average, for every
RM1 earned,
Malaysians **owe RM1.46**

Source: McKinsey Global Institute Report, 2015

28%

Total national savings rate for
Malaysia
(% of GDP)



Household savings rate

1.5%

(% of disposable income)

0.7%

(% of GDP)

Source: Data DoSM as at 2015

Malaysia has the **lowest savings in the world** after Japan.
High income economies are at **9% of GDP**



Low financial literacy leads to poor decisions and behaviour

SAVINGS

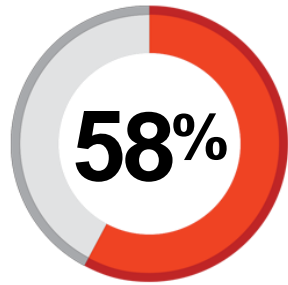


Save their money
in **TABUNG HAJI /**
ASN / ASB



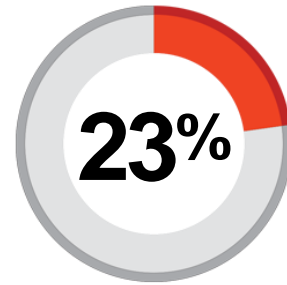
MEMBERS have no
other savings apart
from EPF

INSURANCE



DO NOT HAVE
any insurance
plan

RETIREMENT



ESTIMATED
INCOME
REPLACEMENT
RATE should be
more than 60%



Confident can
ACHIEVE AT LEAST
60% INCOME
REPLACEMENT
RATE at retirement



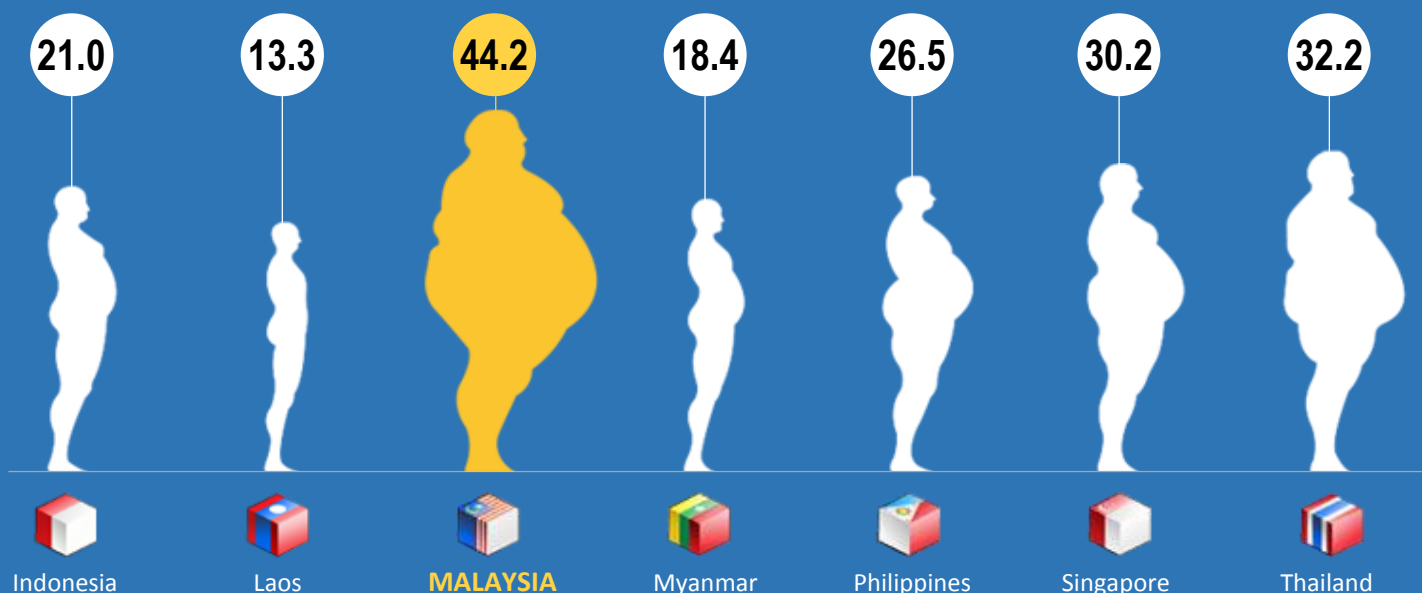
Indicate their
retirement
income can
cover **BASIC**
LIVING EXPENSES
ONLY

Source: EPF Financial Literacy Survey 2017



BURGEONING HEALTH ISSUES due to unhealthy living

Overweight prevalence (%) for adults of both sexes (BMI > 27kg/m²)



6 in 10

Malaysians face
**non-communicable
diseases (NCD)**



1 IN 5 have diabetes



1 IN 2 are physically inactive



1 IN 3 have hypertension



1 IN 5 are smokers

BUT, IN JAPAN

8 IN 10

Japanese elderly **live
healthily and
actively**

Opportunities

1



**Gerontology
and
Healthcare**

2



Employment

3



Education

4



**Financial
Services &
Advisory**

5



**Assisted
Living**

Malaysia needs to invest in the infrastructure for meaningful living regardless of age



KWSP | EPF

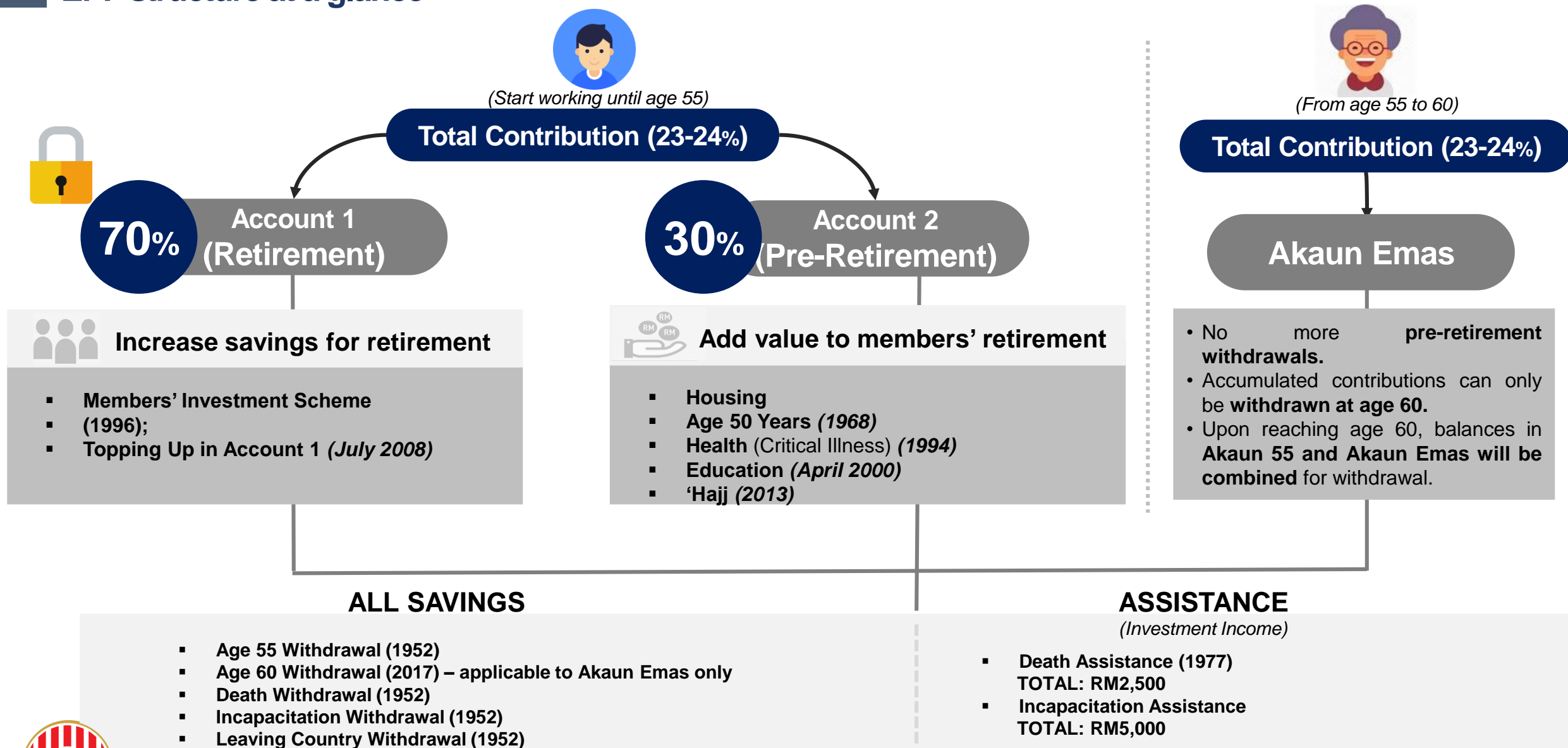
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EPF structure at a glance



Multi-channels for members to increase their EPF savings



Contribute more than the statutory rate

Both **employees and employers** can opt to contribute at a **rate exceeding the statutory rates**



Additional voluntary contributions

Members can **increase their EPF savings voluntarily**, up to **RM60,000 a year**



Top-up savings contributions

Members can contribute **any amount anytime to Account 1** of their **parents, spouse**, as well as **sons or daughters**.



Voluntary retirement savings programmes



1 i-SARAAN

- Self-employed
- Informal sector
- Housewives
- Students



2 HOUSEWIVES PROGRAMMES

- i-SURI (Eligible women registered in e-Kasih)

i-SARAAN - Encouraging self-employed and those working in the informal sector TO SAVE FOR THEIR RETIREMENT

Key Features



Government incentives of
15% or max RM250/year



***Flexible contribution** amount at
anytime



No minimum amount
Maximum contributions
at **RM60k per year**

Benefits



Annual dividend



Death benefit



Shariah compliant
savings option



Tax relief



i-Akaun
online services

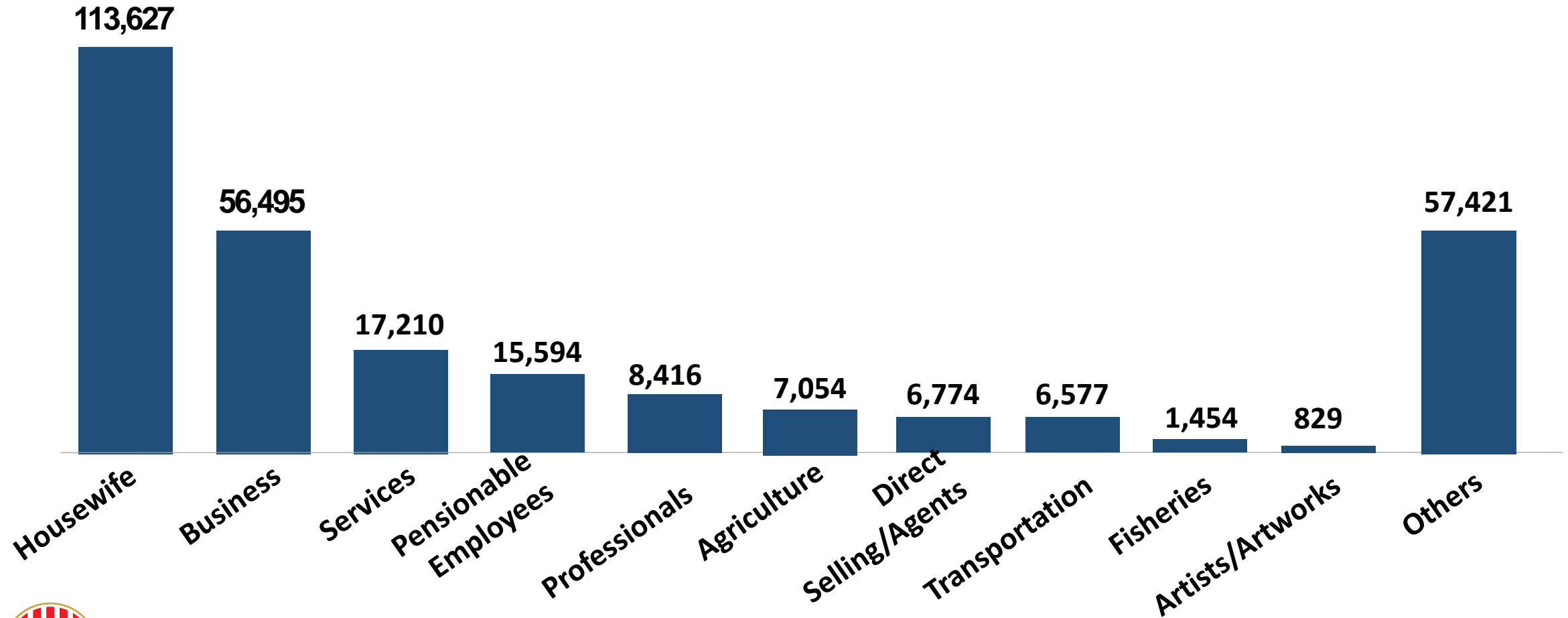


Retirement advisory
services



i-SARAAN participants according to sector

Total Registration: 291,451



Voluntary retirement savings programmes



1 i-SARAAN

- Self-employed
- Informal sector
- Housewives
- Students



2 HOUSEWIVES PROGRAMMES

- i-SURI (Eligible women registered in e-Kasih)

i-SURI - to enable housewives to save for their retirement



- Women who categorized as poor and hardcore poor as registered in the eKasih system - **Wife of Head of Household (HOH) and Female HOH, which includes widow, divorcee or single**
- Malaysia citizen
- Yet to reach the age of 60

Key Features



Government incentives of
RM40 or RM480/year



Maximum contributions
at **RM60k per year**



Contribute **at least RM5 a month**
or RM60 a year

Benefits



Annual dividend



Death and
Incapacitation
benefits



Shariah compliant
savings option



Tax relief



i-Akaun
online services



Retirement advisory
services



Retirement advisory services (RAS) - Empowering members to take charge of financial decisions

- ▶ Provide **BALL PARK ESTIMATE** and establishing **RETIREMENT GAPS** through:

- Compounding effect
- Where to live?
- Lifestyle
- Life expectancy
- Wealth



- ▶ Analysing **NET WORTH, INSURANCE COVERAGE, RETIREMENT COST** and **OPTIONS** if not enough



- ▶ Education on financial and retirement planning **MISTAKES** and **MYTHS, HEALTH PREVENTION**



- ▶ **OUTREACH** to the public on EPF scheme, retirement planning and encouragement to save and plan for retirement



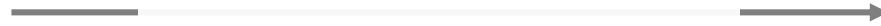
More than 160,000 individuals sought advice from RAS

VALUE PROPOSITION	Personalised planning	Free and impartial	Options, tips and guides
INITIATIVES	83 RAS officers	52 branches	13 Outreach teams
UP-SKILLING	Registered Financial Planning	Communications and Engagement	Emotional Intelligence



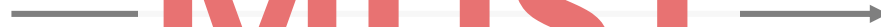
To accumulate RM 1 MILLION @ age 60

20 YEARS
OLD



RM690/MONTH

30 YEARS
OLD



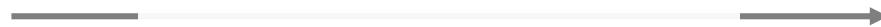
RM1,254/MONTH

40 YEARS
OLD



RM2,520/MONTH

50 YEARS
OLD

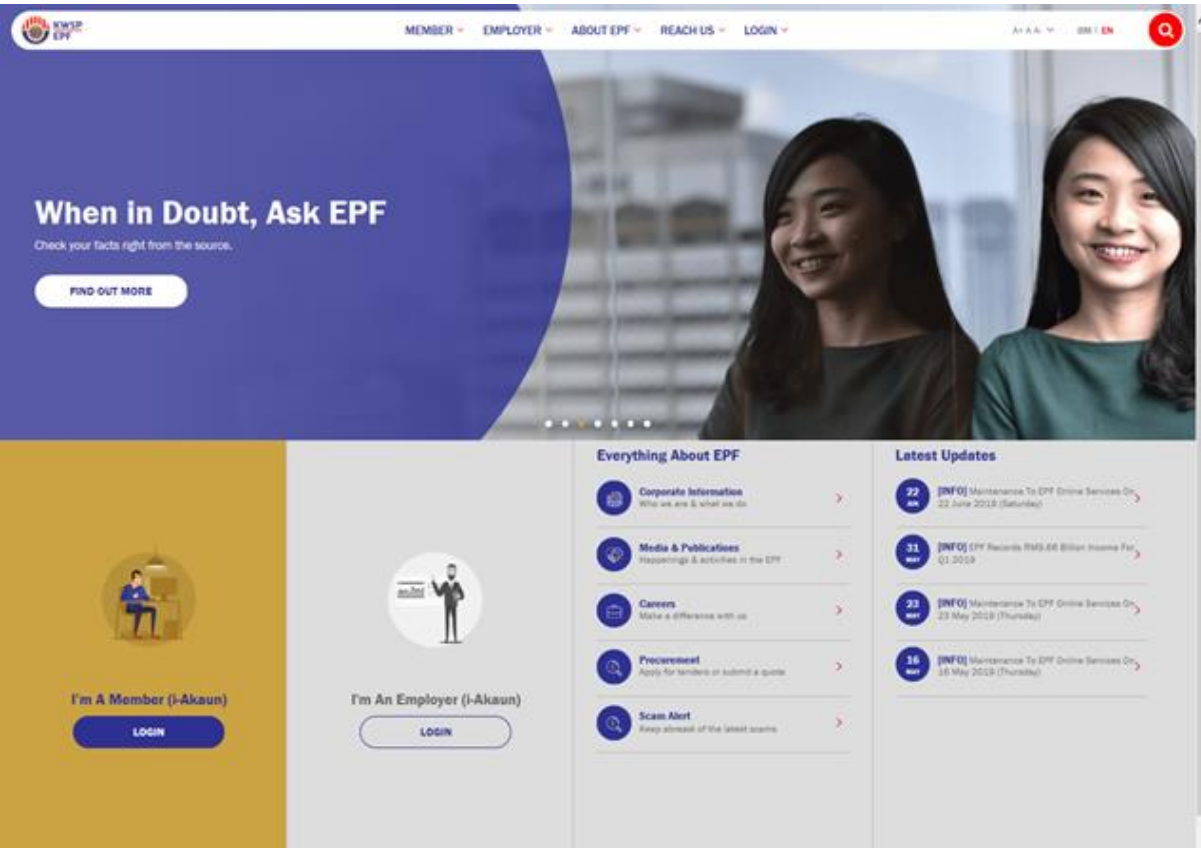


RM6,625/MONTH

**MUST
SAVE**

Start saving early to gain benefit of compounding returns





EPF CONTACT CENTRE

03-8922 6000

www.kwsp.gov.my



Appendix



Who should participate in i-Saraan?

- ▶ Farmers / Fishermen
- ▶ Taxi / Ride-hailing drivers
- ▶ Small / Online business owners
- ▶ Insurance / Unit trust / Real estate agents
- ▶ Babysitters / Domestic helpers
- ▶ Pensionable employees
- ▶ Housewives
- ▶ Students

