



**Kumpulan Wang Simpanan Pekerja**  
*Employees Provident Fund of Malaysia*



# EPF : FINANCIAL LITERACY TRANSFORMATION

ASSA GOOD PRACTICES WORKSHOP 2015

FINANCIAL LITERACY TRACK

# Agenda

**Overview on Financial Literacy**

**Issues and Challenges**

**Transformation**

**Retirement Advisory Service**

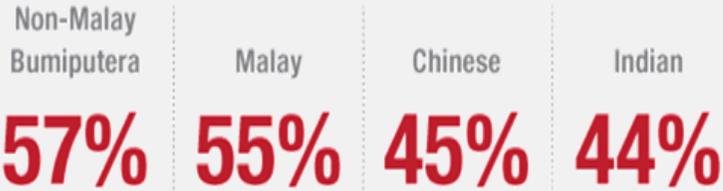


# Low financial literacy

Majority of Malaysians are not financial literate

## No Financial Assets

### NO FINANCIAL ASSETS

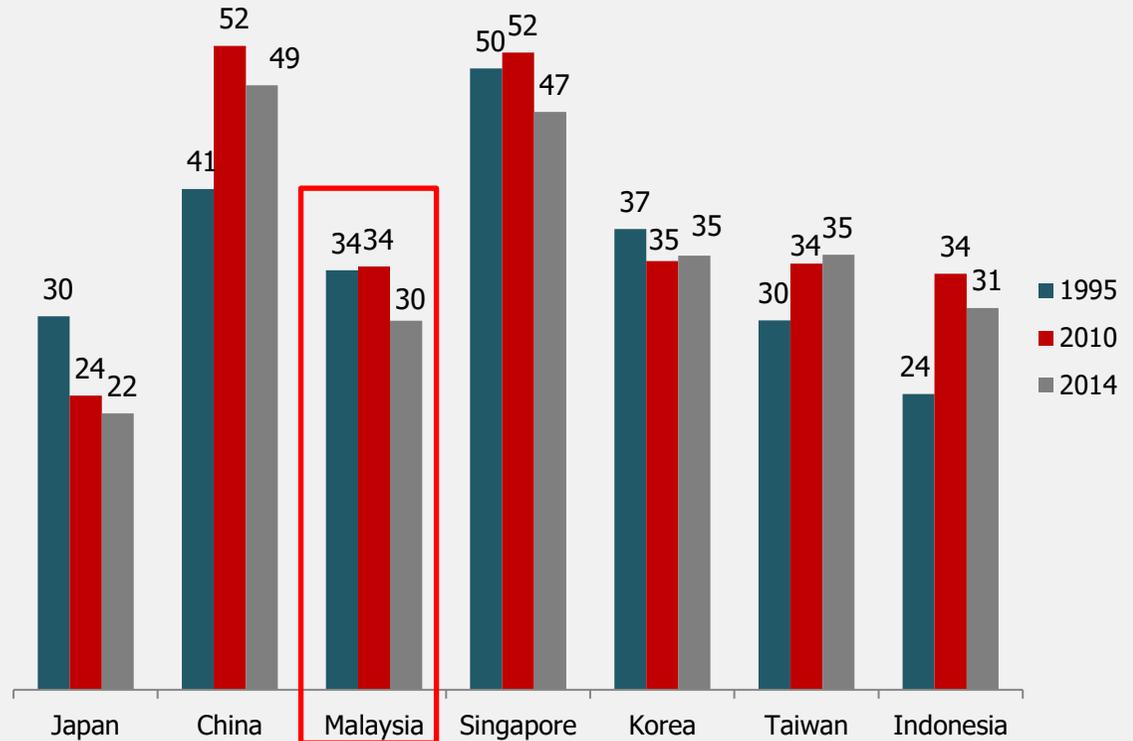


### HOUSEHOLDS WITH ZERO SAVINGS



Source : UNDP

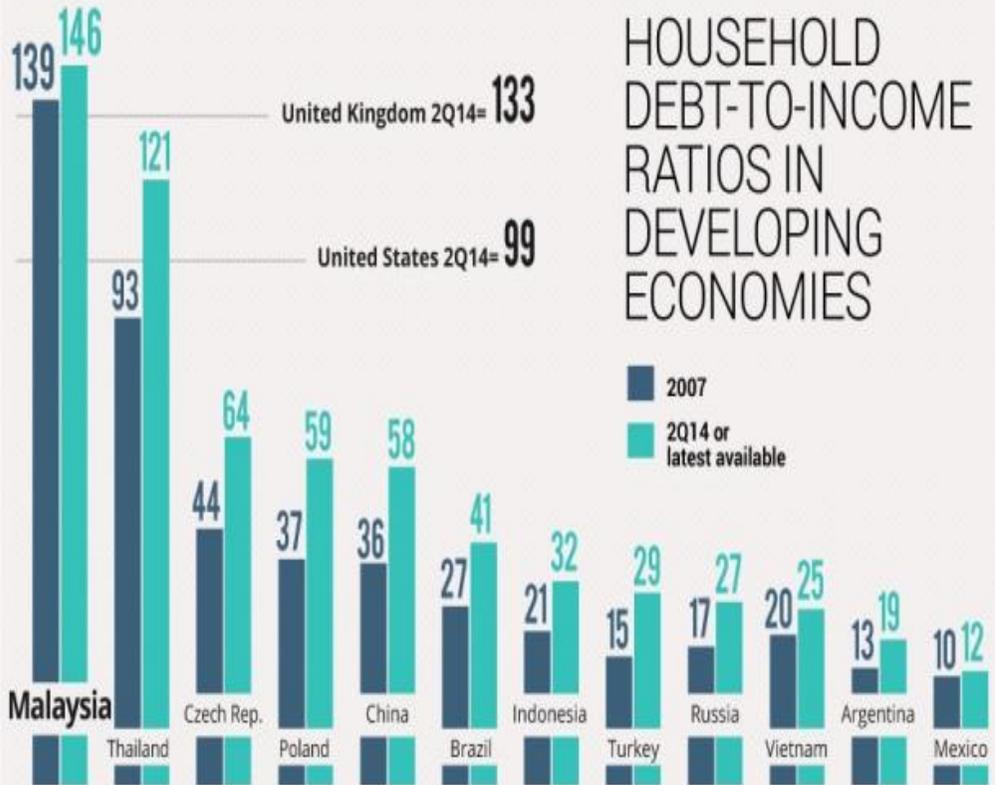
## Gross National Savings Against GDP (%)



Source : International Monetary Fund (IMF)

# Low financial literacy

## Increasing household debt

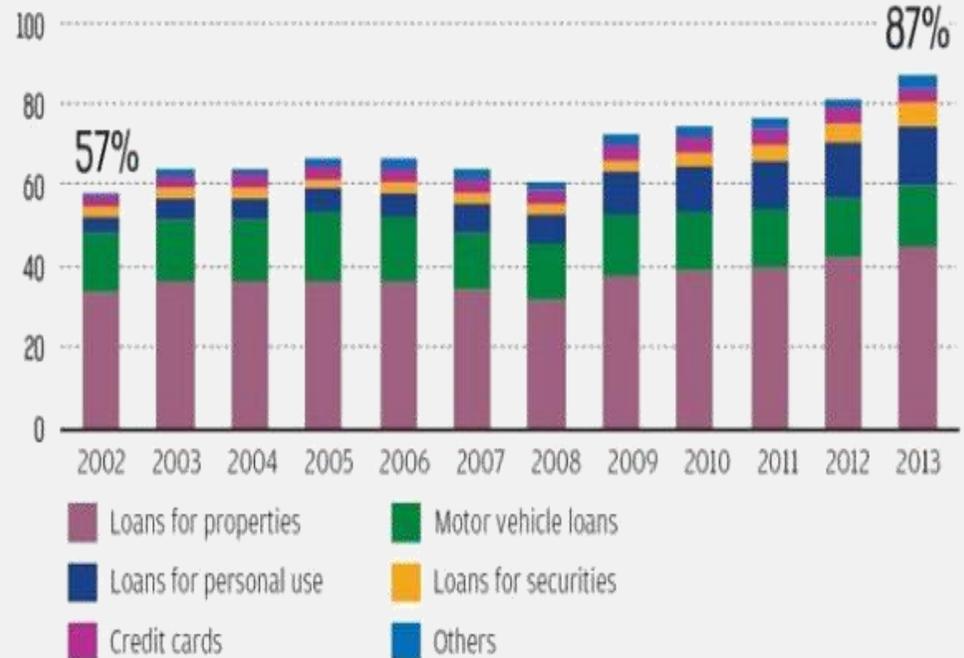


Source: Mckinsey Global Institute



### Composition of household debt

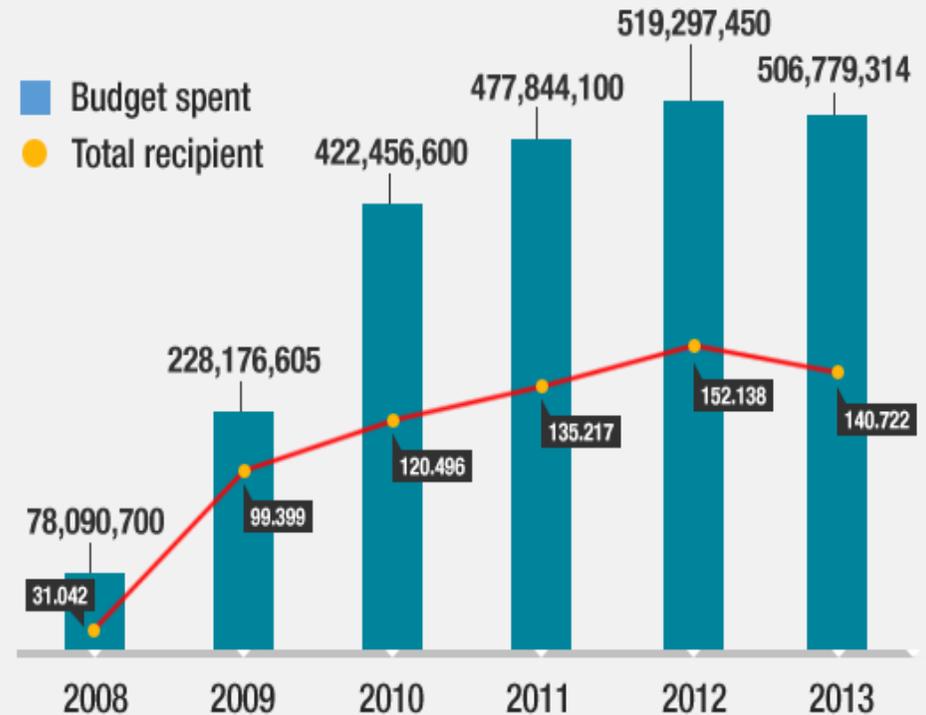
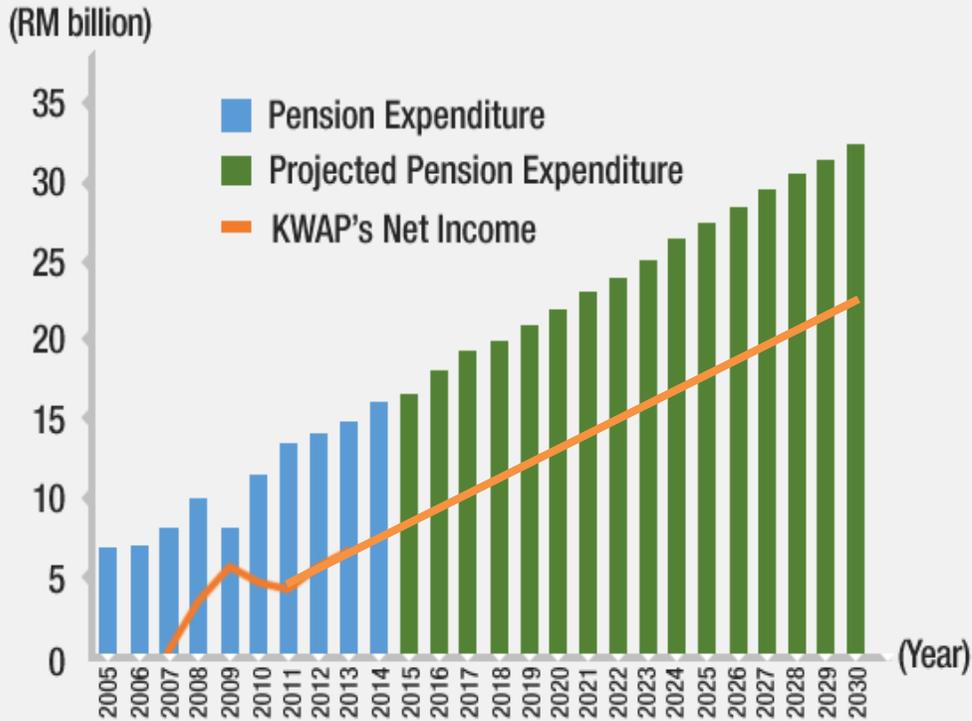
% of GDP



Source: Bank Negara Malaysia



## To eradicate elderly poverty



**Projected** annual public pension expenditure may hit RM22billion (2020) or RM32.5billion (2030)

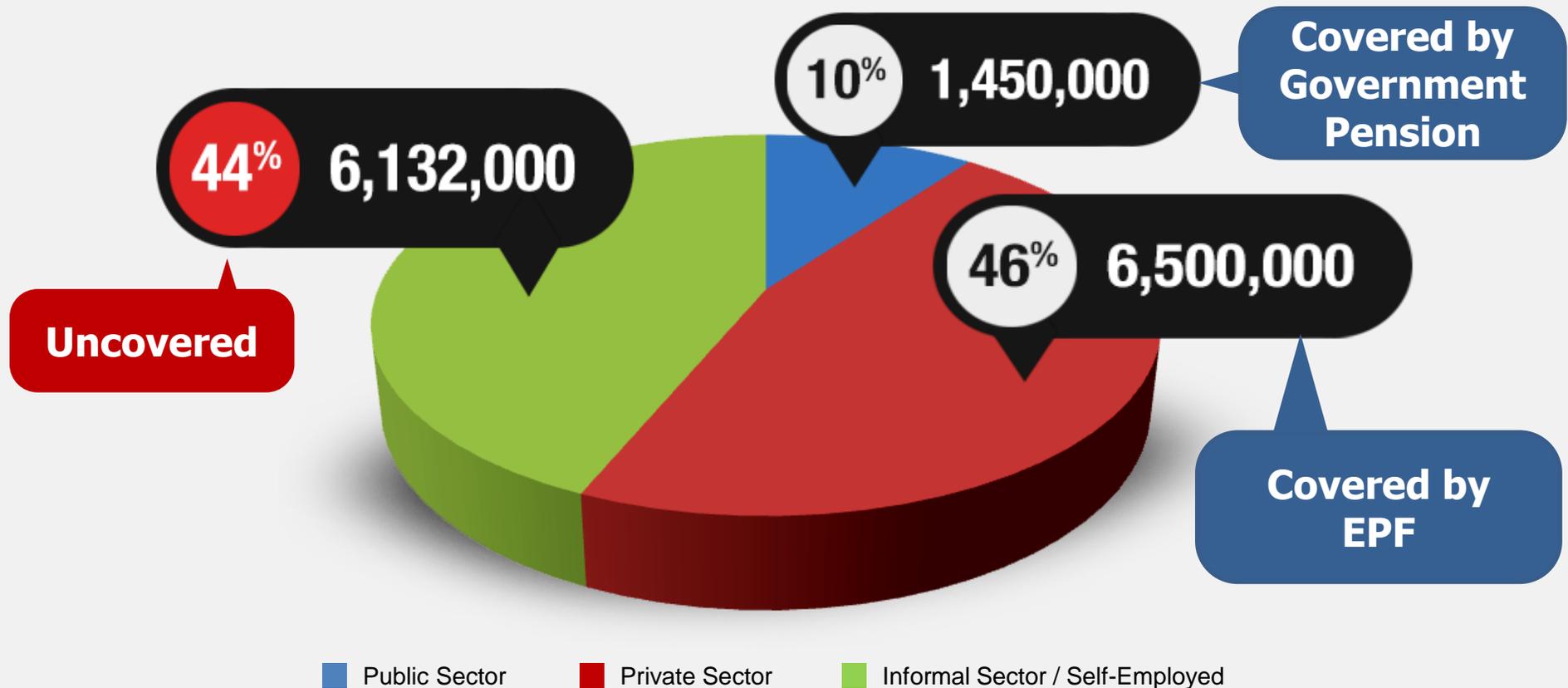
**Increased** budget spent for Bantuan Orang Tua (BOT)

Source:  
Economic Report, 2005-2013 | KWAP Annual Report, 2007-2013  
Department of Statistics Malaysia

Source:  
Department of Social Welfare (JKM)

# No formal system for the self-employed

**44 percent** of labour force not covered by any pension scheme



Source: Ministry of Human Resources

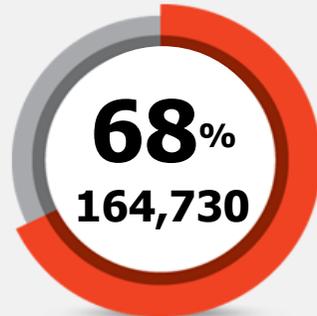
# Inadequacy of retirement savings

Majority of our members do not have enough savings for retirement



## Total Members

achieved the **Basic Savings Quantum** According to age band



## Total Members Age 54

have savings **lower than RM50,000**



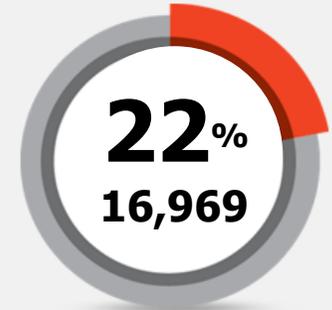
## Ex-EPF Members

exhausted their EPF savings in **5 years**



## Active Members

achieved the **Basic Savings Quantum** according to age band



## Active Members Age 54

achieved the **Basic Savings**

Assuming that the members spend only RM820 per month, **RM50,000 can only last for 5 years.**

# Inadequacy of retirement savings

## Reasons for low savings

1

### Low Salary

- **89% (5.9 million)** active members earn below RM5,000 monthly.

2

### Low Contribution Rates pre 1995

- Low contribution rates from **1952 – 1995**:
  - Employer: range within **5 – 11%**
  - Employee: range within **5 – 10%**

3

### Pre-retirement Withdrawals that don't build assets

- Age 50 Withdrawal that serves **no purpose**.

4

### Early Retirement

- **Minimum Retirement Age Act for private sector** only effective on **1<sup>st</sup> July 2012 (Age 60 years)**

5

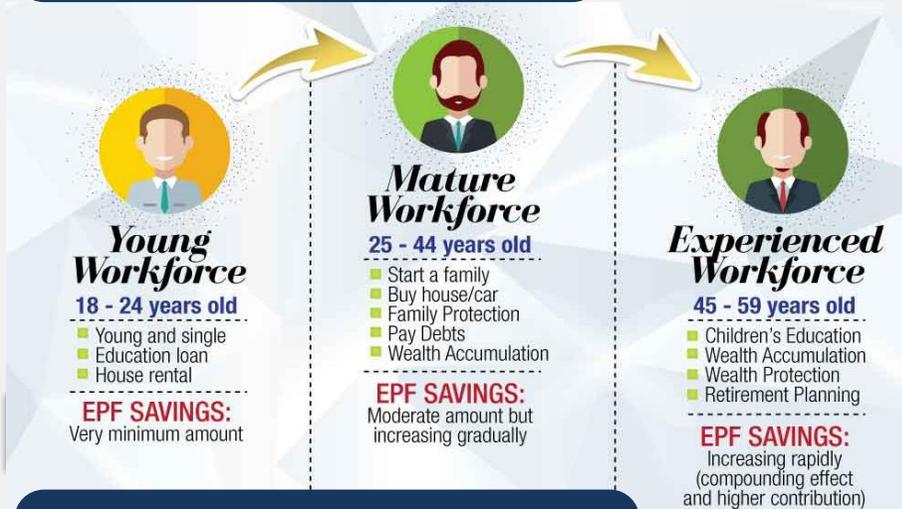
### Member's behavior and lifestyle

- **71% (105,182) members age 55 – 60 years** still prefer lump-sum withdrawal.

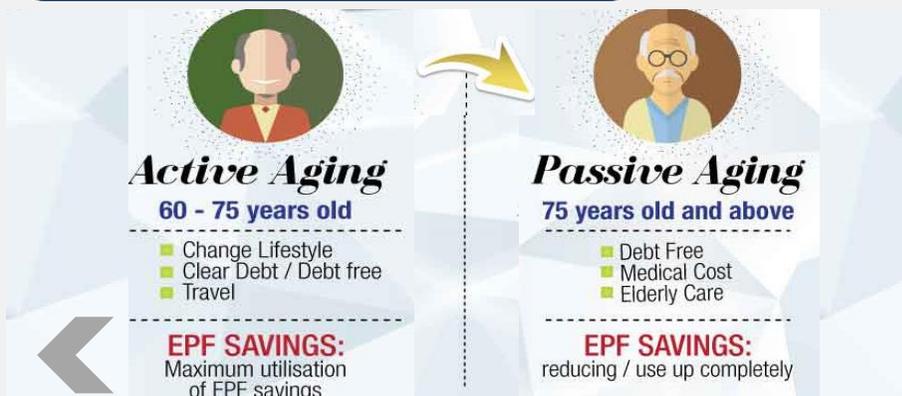
# Financial Literacy

Able to make informed financial decisions

## Working Phase/Accumulation



## Retirement Phase/Decumulation



Savings	Protection	Investment
<ul style="list-style-type: none"> <li>EPF Savings;</li> <li>PRS;</li> <li>Personal Savings;</li> <li>Fixed Deposits; and</li> <li>Other types of savings (Tabung Haji).</li> </ul>	<ul style="list-style-type: none"> <li>Life;</li> <li>General;</li> <li>Medical;</li> <li>Annuity;</li> <li>Education; and</li> <li>Estate Planning.</li> </ul>	<ul style="list-style-type: none"> <li>Unit Trust;</li> <li>Securities;</li> <li>Bonds;</li> <li>Commodities; and</li> <li>Real Estate.</li> </ul>



- Phase withdrawals (EPF and personal savings);
- Annuity payment; and
- Protected by healthcare/other insurance; and
- Bequest

# Think Members' First

## Be Mobile First

- Develop websites for mobile first
- Apps for members and staff
- Adaptive websites

## Provide Options and Choices

- Provide Investment choices
- Decumulation and Accumulation products  
(lifelong income, protection)
- Enhance Products and Services

## Build Sustainable Social Security Ecosystem

- Advocate national level income layering and financial Literacy
- Facilitate Social Security Masterplan
- Expand coverage

## Be Trusted Advisor

- Expand RAS beyond counter
- All Executives as Retirement Advisors
- Financial Literacy

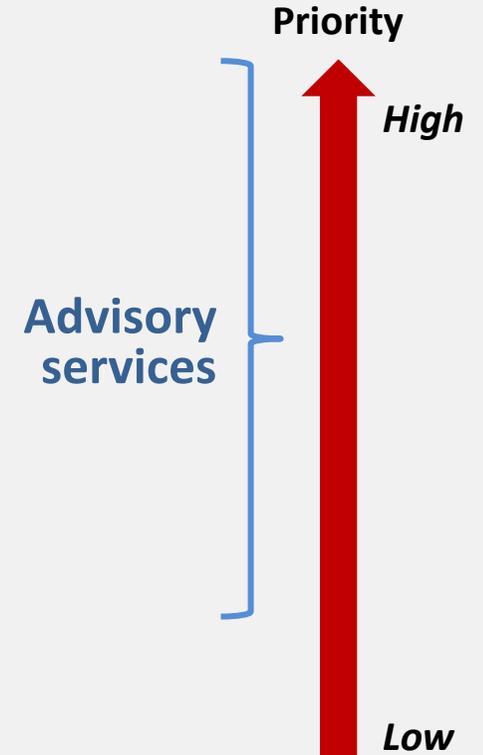
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TRANSFORMATION

# How our service will transform to offer more advisory

CURRENT

FUTURE



Will impact branch layout, branch footprints, call center upgrading, people upskilling, mobile team scheduling



# Financial Literacy : Activities



## Objective:

To increase **financial awareness and understanding** among the Malaysian public

## Key Deliverables for 2015

- Increase # of public awareness briefings
- **Module on financial knowledge** to be introduced at:
  1. Vocational Institute (*current*)
  2. Tertiary and College level (*to be introduced*)

# Retirement Advisory Services (RAS)

**RAS**  
Retirement Advisory Services

Let us guide you in planning  
for your retirement.

**Come See Us Today,  
It's Complimentary!**

Available now at : 1) Bangunan KWSP, Jalan Raja Laut, Kuala Lumpur.  
2) Bangunan KWSP, Jalan Gasing, Petaling Jaya.

Make an appointment with us by contacting our Call Centre 03-8922 6000  
For more info, visit [www.kwsp.gov.my](http://www.kwsp.gov.my) | [Facebook](#) | [Twitter](#) | [RASPlus](#)

KEMERDEGAAN BERSEKUTUAN  
KEMAJUAN BERSAMA-SAMA

## Objective:

- To assist EPF members with a **sustainable retirement planning**

## Key Deliverables for 2015:

- Staff @counter will be **provided skills and knowledge** to ensure they are able to provide advisory services to members
- RAS will be offered at **6 additional spokes** in 2015 (total: 8 branches)
- By 2017 – 18 spokes

# RAS and Financial Literacy components

**RAS COUNTER  
SERVICES**

**RAS FINANCIAL  
PLANNING  
MODULE**

**MEDIA  
CAMPAIGN**

**PUBLIC  
BRIEFINGS AND  
ENGAGEMENT**

**RAS MICROSITE**

**RAS MOBILE APPS**

**RAS TRAINING FOR  
ALL EXECUTIVES AND  
KEY FRONTLINERS**

**FINANCIAL LITERACY  
MONTH**

**CALL CENTER  
RETIREMENT  
ADVISORY**

**MOBILE TEAM  
ADVISORY**

**THANK  
YOU**

