

Retirement Planning Issues, Problems, and Opportunities in Malaysia

Chek. M. Z. A & Ismail. I.
Actuarial Science Department, UiTM Perak Branch.

DOI: <https://dx.doi.org/10.47772/IJRISS.2023.71055>

Received: 28 August 2023; Revised: 18 September 2023; Accepted: 21 September 2023;
Published: 21 October 2023

ABSTRACT

Retirement planning in Malaysia faces significant challenges and opportunities. Inadequate retirement savings pose a pressing issue, as many Malaysians have insufficient funds to support their retirement needs.

Financial literacy is another concern, with limited knowledge about retirement planning strategies and investment options. Rising healthcare costs further compound the challenges, requiring careful planning to ensure healthcare needs are adequately met during retirement.

However, amidst these challenges, there are opportunities for improvement. The government has implemented initiatives and incentives to promote retirement savings and enhance financial security.

These programs provide tax benefits, employer contributions, and attractive investment options. Private sector retirement solutions have also emerged, offering a range of services and personalized plans to complement existing government programs.

Additionally, there is a growing awareness and demand for financial planning among Malaysians. People are recognizing the importance of planning for their financial future, including retirement.

This increased awareness creates opportunities for financial institutions to develop accessible and user-friendly retirement planning tools and resources.

Addressing the current issues in retirement planning and capitalizing on the opportunities can lead to a more secure and fulfilling retirement for Malaysians. It requires efforts to increase retirement savings, improve financial literacy, and navigate the challenges of rising healthcare costs.

By leveraging government initiatives, private sector solutions, and fostering financial awareness, individuals can better plan and prepare for a financially stable retirement.

Retirement planning in Malaysia faces challenges such as inadequate savings, limited financial literacy, and rising healthcare costs.

However, there are opportunities for improvement through government initiatives, private sector solutions, and growing financial awareness. By addressing these issues and seizing the opportunities, individuals can enhance their retirement planning and ensure a more financially secure future.

Keywords: Malaysia, Planning, Inadequacy, Sustainable Income, Retirement.

INTRODUCTION

Retirement planning plays a pivotal role in ensuring financial security and a comfortable lifestyle during the golden years. As the population of Malaysia ages and life expectancy increases, the need for effective

retirement planning becomes even more critical. This comprehensive article delves into the current issues, problems, and opportunities surrounding retirement planning in Malaysia[1].

Highlighting the importance of addressing current issues and problems Malaysia faces several pressing challenges in the realm of retirement planning that require immediate attention. One such issue is the alarming inadequacy of retirement savings among Malaysians. Recent studies have shown that the average retirement savings of individuals in Malaysia fall far below what is necessary for a comfortable retirement[1]. This shortfall in savings poses a significant risk to the financial well-being of retirees and calls for urgent action[2].

Moreover, the lack of financial literacy among Malaysians poses a formidable obstacle in effective retirement planning. Many individuals lack the necessary knowledge and skills to make informed financial decisions and adequately prepare for retirement. This knowledge gap further exacerbates the challenges individuals face in building a robust retirement plan[3].

Furthermore, the rising healthcare costs in Malaysia present a considerable concern for retirees. As medical expenses continue to escalate, retirees must navigate the complex landscape of healthcare planning and ensure that their retirement funds can adequately cover these costs. Failing to address this issue can lead to financial strain and potential hardships during retirement[4].

Previewing the opportunities available for effective retirement planning While the current issues in retirement planning in Malaysia may seem daunting, there are several opportunities that individuals can leverage to enhance their retirement prospects. The government has recognized the urgency of this matter and has implemented various initiatives and incentives to support retirement planning. These programs aim to empower individuals with the necessary tools and resources to make informed financial decisions and secure a stable future[5].

Additionally, the private sector has responded to the growing demand for retirement solutions by offering a range of services tailored to the needs of retirees[6]. These private institutions provide personalized retirement planning guidance, investment options, and insurance products that can complement existing retirement savings and help individuals achieve their financial goals[7].

Moreover, the increasing awareness among Malaysians about the importance of financial planning presents a significant opportunity. As individuals recognize the need to take charge of their financial futures, the demand for financial planning services has soared. This rising awareness creates an environment where individuals can actively seek guidance and access comprehensive retirement planning resources[8].

Addressing the current issues and problems in retirement planning is crucial to ensure a secure and comfortable retirement for Malaysians. By acknowledging the significance of these challenges and leveraging the opportunities available, individuals can proactively plan for their future and achieve financial stability during their retirement years. Through government initiatives, private sector solutions, and the growing awareness of financial planning, Malaysians have the potential to navigate the complexities of retirement planning and secure a prosperous retirement[9].

CURRENT ISSUES RETIREMENT PLANNING IN MALAYSIA

Retirement planning is a critical aspect of ensuring financial security and a comfortable lifestyle during the later years of life. In Malaysia, like many other countries, retirement planning faces its own set of unique challenges, as well as opportunities for improvement[7].

This section explores the current issues, problems, and opportunities surrounding retirement planning in

Malaysia. It highlights the inadequate retirement savings among Malaysians, the lack of financial literacy in retirement planning, and the impact of rising healthcare costs[10].

By addressing these challenges and capitalizing on the available opportunities, individuals can navigate the complexities of retirement planning and secure a prosperous future. Through proper planning, informed decision-making, and proactive measures, Malaysians can strive for a retirement that is financially stable and fulfilling[11].

1. Inadequate Retirement Savings

Retirement savings among Malaysians are alarmingly low, posing significant challenges for individuals planning for their retirement. Recent studies have revealed that the average retirement savings fall below what is necessary to sustain a comfortable lifestyle in retirement. This inadequacy in savings has far-reaching implications, as retirees may face financial hardship and struggle to meet their basic needs during their golden years[12].

2. Lack of Financial Literacy

A notable challenge in retirement planning in Malaysia is the limited understanding of financial concepts and retirement planning among the population. Many Malaysians lack the necessary knowledge and skills to make informed financial decisions and effectively plan for retirement. This lack of financial literacy hampers individuals' ability to set realistic retirement goals, manage their investments, and maximize their savings. Consequently, individuals may face difficulties in achieving their desired retirement lifestyle and may be more vulnerable to financial risks[13].

3. Rising Healthcare Costs

The escalating healthcare costs in Malaysia pose a significant burden on retirement funds. As individuals age, their healthcare needs tend to increase, making healthcare planning an essential aspect of retirement planning[14].

However, the rising costs of medical treatments, medications, and long-term care can deplete retirement savings rapidly. It becomes challenging for retirees to ensure they have sufficient funds to cover their healthcare expenses throughout their retirement years. The projected increase in healthcare costs further compounds this problem, necessitating careful planning and provisions for future medical expenses[15].

Retirement planning in Malaysia faces significant challenges due to inadequate retirement savings, limited financial literacy, and rising healthcare costs. Addressing these issues is crucial to ensure a secure and comfortable retirement for individuals[10].

By improving financial literacy, individuals can make informed decisions, enhance their savings strategies, and maximize their retirement funds. Efforts and initiatives aimed at promoting financial education can play a vital role in empowering Malaysians to plan for their retirement effectively[7].

Moreover, proactive healthcare planning and consideration of rising healthcare costs are essential components of a comprehensive retirement plan. By addressing these challenges, individuals can seize the opportunities available and pave the way for a financially stable and fulfilling retirement [16].

PROBLEMS IN RETIREMENT PLANNING

As with any financial planning, retirement planning in Malaysia is not without its challenges. In this section, we will explore some of the problems that Malaysians face when it comes to preparing for their retirement.

From a reliance on the Employees Provident Fund (EPF) to inadequate retirement age policies and insufficient access to retirement planning tools, we will delve into some of the issues that need to be addressed to ensure that Malaysians can enjoy a comfortable retirement[17].

1. Dependency on EPF (Employees Provident Fund)

Retirement planning in Malaysia heavily relies on the Employees Provident Fund (EPF) as the primary source of retirement funds. The EPF serves as a mandatory savings scheme for employees, where a portion of their monthly salary is allocated towards their retirement savings. However, there are limitations and potential issues associated with this dependency on EPF[18].

One concern is the sustainability of EPF in meeting the retirement needs of Malaysians. With increasing life expectancy and the prospect of longer retirement periods, there is a growing risk that the accumulated funds may not be sufficient to support retirees throughout their retirement years. Experts have voiced concerns about the adequacy of EPF contributions and the need for individuals to explore supplementary retirement savings options[19].

2. Inadequate Retirement Age Policies

Another problem in retirement planning is the challenge posed by the official retirement age. The current retirement age in Malaysia is fixed, often resulting in individuals facing difficulties retiring at the designated age. Factors such as health conditions, financial situations, and personal preferences may necessitate flexibility and options in retirement age policies[20].

It is essential to consider alternative retirement age policies that allow individuals to retire when they are financially and emotionally ready. Examples from other countries with successful retirement age policies can provide valuable insights into how flexibility in retirement age can benefit both individuals and the overall retirement planning landscape[12].

3. Insufficient Access to Retirement Planning Tools

Many Malaysians face a lack of accessible and user-friendly retirement planning resources. The complexity of financial planning, coupled with limited availability of reliable tools and guidance, hampers individuals' ability to effectively plan for retirement. This lack of access to comprehensive retirement planning tools prevents individuals from making informed decisions and maximizing their retirement savings[21].

Addressing this problem requires efforts to provide accessible and user-friendly retirement planning resources. Innovative solutions and technologies can play a crucial role in enhancing individuals' access to reliable retirement planning tools. By leveraging digital platforms, mobile applications, and interactive educational resources, individuals can gain the necessary knowledge and guidance to make informed retirement planning decisions[20].

Retirement planning in Malaysia faces significant challenges that need to be addressed to ensure a financially secure and comfortable retirement for individuals. These challenges include the dependency on EPF, inadequate retirement age policies, and insufficient access to retirement planning tools. By exploring alternative retirement savings options, flexible retirement age policies, and leveraging innovative technologies, Malaysians can overcome these problems and seize the opportunities available for a successful retirement journey[22].

OPPORTUNITIES IN RETIREMENT PLANNING

Retirement planning in Malaysia presents a unique landscape of challenges, but it also offers various

opportunities for individuals to secure their financial future. In this section, we will explore the opportunities that exist within retirement planning, including government initiatives and incentives, private sector retirement solutions, and the growing awareness and demand for financial planning. By capitalizing on these opportunities, Malaysians can enhance their retirement planning strategies and achieve a more financially stable and fulfilling retirement[7].

1. Government Initiatives and Incentives

The government of Malaysia has implemented several programs and incentives aimed at encouraging and supporting retirement planning among its citizens. These initiatives offer individuals valuable opportunities to enhance their retirement savings and financial security. For instance, programs such as the Private Retirement Scheme (PRS) and the Voluntary Employees Beneficiary Scheme (VEBS) provide tax incentives and contributions from employers to boost retirement savings [23]

These government initiatives play a crucial role in empowering individuals to take proactive steps towards building a robust retirement nest egg[1].

2. Private Sector Retirement Solutions

In recent years, the private sector in Malaysia has responded to the growing demand for retirement planning solutions by offering a range of specialized products and services. Private institutions now provide comprehensive retirement planning options, including investment portfolios, retirement annuities, and personalized financial advice[4].

These solutions offer individuals greater flexibility, choice, and customization in their retirement planning strategies. Success stories and case studies of individuals who have benefited from private sector retirement solutions showcase the effectiveness and viability of these offerings [24].

3. Growing Awareness and Demand for Financial Planning

There has been a notable shift in the awareness and understanding of the importance of financial planning among Malaysians. More individuals are recognizing the need to take proactive steps in preparing for their retirement and securing their financial future. This growing awareness has created significant opportunities for financial institutions and professionals to cater to the increasing demand for financial planning services. Whether through educational programs, personalized advisory services, or online tools and resources, financial institutions can play a vital role in guiding individuals through their retirement planning journey[1].

While retirement planning in Malaysia presents its fair share of challenges, it also offers numerous opportunities for individuals to improve their financial well-being during their golden years. Through government initiatives and incentives, private sector retirement solutions, and the growing awareness and demand for financial planning, Malaysians can proactively address the challenges and capitalize on the opportunities to achieve a secure and fulfilling retirement[25].

CONCLUSIONS

In conclusion, this article has highlighted the current issues, problems, and opportunities in retirement planning in Malaysia. The inadequate retirement savings among Malaysians, the lack of financial literacy, and the rising healthcare costs have emerged as significant challenges that need to be addressed [26].

On the other hand, there are several opportunities available, such as government initiatives and incentives, private sector retirement solutions, and the growing awareness and demand for financial planning [25].

To ensure a secure and comfortable retirement, it is crucial to address these issues head-on. The low average retirement savings and limited financial literacy underscore the need for individuals to take proactive steps in enhancing their retirement planning strategies [22].

Efforts should be made to improve financial education and provide accessible retirement planning resources to empower individuals to make informed decisions [7].

Moreover, the escalating healthcare costs pose a threat to retirement funds, necessitating careful healthcare planning during retirement [3].

It is essential to explore insurance options and healthcare savings plans to mitigate the financial burden of healthcare expenses during retirement. The opportunities presented by government initiatives, private sector solutions, and the growing awareness of financial planning offer individuals the chance to optimize their retirement strategies[1].

Leveraging these opportunities can result in a more financially secure and fulfilling retirement journey. Addressing the current issues and problems in retirement planning is of utmost importance. By recognizing the challenges and capitalizing on the opportunities, Malaysians can pave the way for a financially stable and comfortable retirement[1], [25].

ACKNOWLEDGMENT

The authors want to express gratitude to UiTM Perak Branch for financial support.

REFERENCES

1. I. T. Jumaniyazov and A. Xaydarov, "The importance of social insurance in social protection," *Sci. Educ. Sci. J.*, vol. 4, no. 1, pp. 1033–1043, 2023.
2. P. Gerrans and G. Yap, "Retirement savings investment choices: Sophisticated or naive?," *Pacific Basin Financ. J.*, vol. 30, pp. 233–250, 2014, doi: 10.1016/j.pacfin.2014.10.005.
3. S. C. Seng, "Social Security : Challenges and issues," Kuala Lumpur, 2014–1, 2014.
4. Ragayah Haji Mat Zin, "Malaysia: Towards a Social Protection System in an Advanced Equitable Society," *Asean Econ. Bull.*, 2012, doi: 10.1355/ae29-3c.
5. H. Cremer, J. M. Lozachmeur, and P. Pestieau, "Social security, retirement age and optimal income taxation," *J. Public Econ.*, vol. 88, no. 11 SPEC. ISS., pp. 2259–2281, 2004, doi: 10.1016/j.jpubeco.2003.10.003.
6. M. Z. Awang Chek, I. L. Ismail, and N. F. Jamal, "Estimating Severity of SOCSO's Invalidity Pension Scheme (IPS)," *Int. J. Acad. Res. Bus. Soc. Sci.*, vol. 11, no. 4, pp. 618–625, 2021, doi: 10.6007/ijarbss/v11-i4/9708.
7. T. Hui Boon, H. Siew Yee, and H. Woan Ting, "Financial Literacy and Personal Financial Planning in Klang Valley, Malaysia," *Int. J. Econ. Manag.*, vol. 5, no. 1, pp. 149–168, 2011.
8. M. Z. A. Chek, T. P. Leong, M. H. Abdul Halim, and I. L. Ismail, "Understanding The Impact of Covid-19 Outbreak in Malaysia," *Int. J. Acad. Res. Bus. Soc. Sci.*, vol. 12, no. 7, pp. 936–943, 2022, doi: 10.6007/ijarbss/v12-i7/14323.
9. B. S. Lin and D. Ph, "Optimum strategies for creativity and longevity," *J. Am. Aging Assoc.*, vol. 61, p. 65, 2002, [Online]. Available: <http://xa.yimg.com/kq/groups/22416650/836839594/name/RetirementAgevsLifeSpan1121.pdf>
10. M. Z. A. Chek, I. L. Ismail, H. Hasim, and A. F. Mansor, "Profiling Return – to – Work (RTW) Recipients in Malaysia," *Int. J. Acad. Res. Bus. Soc. Sci.*, vol. 12, no. 7, pp. 925–935, 2022, doi: 10.6007/ijarbss/v12-i7/14322.
11. M. Z. A. Chek, I. L. Ismail, and N. F. Jamal, "Personal Financial Planning through Massive Open

- Online Course,” *Int. J. Acad. Res. Bus. Soc. Sci.*, vol. 9, no. 5, pp. 618–622, 2019, doi: 10.6007/IJARBSS/v9-i5/6004.
12. SOCSO, “SOCSO Annual Report 2020,” Kuala Lumpur, 2021.
 13. K. W. Chen and C. L. Guat, “Unemployment insurance: A case study in Malaysia,” in *AIP Conference Proceedings*, 2019, vol. 2184, no. 1, p. 50038.
 14. M. Z. A. M. Z. A. Chek, I. L. I. L. Ismail, and N. F. N. F. Jamal, “Descriptive research on SOCSO’s Invalidity Pension Scheme (IPS) claims payment,” *Int. J. Recent Technol. Eng.*, vol. 8, no. 2 Special Issue 11, pp. 660–663, 2019, doi: 10.35940/ijrte.B1104.0982S1119.
 15. M. Z. Awang Chek *et al.*, “Univariate time series modeling and an application to future claims amount in SOCSO’s invalidity pension scheme,” in *AIP Conference Proceedings*, 2012, vol. 1482. doi: 10.1063/1.4757501.
 16. R. Nordin, M. F. Abd Razak, R. Shapiee, T. N. A. T. Zainuddin, S. M. Auzair, and R. Jaffar, “Health insurance for foreign workers in Malaysia and Singapore: a comparative study,” *Int. J. Bus. Soc.*, vol. 19, no. S3, pp. 400–413, 2018.
 17. K. Caraher, “Issues in incomes provision for the elderly in Malaysia,” in *Conference on Social Security*, 2000, no. September, pp. 25–27.
 18. N. Mansor, S. N. Syed Salleh, L.-Y. Tan, E. Koutronas, and S. Aikanathan, “Social Security in Malaysia: Stock-Take on Players, Available Products and Databases,” 2016. doi: 10.2139/ssrn.2766851.
 19. M. Gonzalez-Eiras and D. Niepelt, “Ageing, government budgets, retirement, and growth,” *Eur. Econ. Rev.*, vol. 56, no. 1, pp. 97–115, 2012, doi: 10.1016/j.eurocorev.2011.05.007.
 20. T. Laun and J. Wallenius, “Social insurance and retirement: A cross-country perspective,” *Rev. Econ. Dyn.*, vol. 22, pp. 72–92, 2016, doi: 10.1016/j.red.2016.06.004.
 21. I. Jamir, “Forecasting Potential Impact of COVID-19 Outbreak on India’s GDP Using ARIMA Model,” *SSRN Electron. J.*, 2020, doi: 10.2139/ssrn.3613724.
 22. M. S. Habibullah, M. Y. Saari, B. H. Din, S. Safuan, and C. Utit, “Labour market reactions to lockdown measures during the Covid-19 pandemic in Malaysia: An Empirical Note,” *J. Ekon. Malaysia*, vol. 55, no. 1, pp. 39–49, 2021.
 23. T. Lin, P. Chou, S. T. Tsai, Y. C. Lee, and T. Y. Tai, “Predicting factors associated with costs of diabetic patients in Taiwan,” *Diabetes Res. Clin. Pract.*, vol. 63, pp. 119–125, 2004, doi: 10.1016/j.diabres.2003.09.006.
 24. F. J. Yoong, B. L. See, and D.-L. Baronovich, “Financial Literacy Key to Retirement Planning in Malaysia,” *J. Manag. Sustain.*, vol. 2, no. 1, pp. 75–86, 2012, doi: 10.5539/jms.v2n1p75.
 25. J. Yuan, “A icQoL2023Bangkok,” p. 40000, 2023.
 26. M. Z. Awang Chek, I. L. Ismail, and N. F. Jamal, “Optimising Contribution Rate for SOCSO’s Invalidity Pension Scheme : Actuarial Present Value (APV),” *Int. J. Eng. Technol.*, vol. 7, pp. 83–92, 2018, doi: 10.14419/ijet.v7i4.33.23491.