

Private Retirement Schemes (PRS) in Malaysia



About InvestSmart®

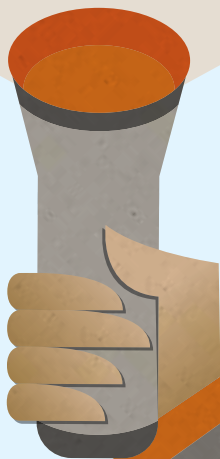


InvestSmart® is a comprehensive investment awareness and literacy campaign under the Securities Commission Malaysia's investor empowerment initiative. It aims to:

- (a) enable more confident and informed retail participation in the capital market.
- (b) provide the public, particularly the next generation of investors, with valuable investment information, presented in a simplified format through new technology and multimedia platforms, supplementing existing investor education channels.

The InvestSmart® approach is guided by three main principles:

- **Comprehensiveness:**
To target all segments of the Malaysian investing population to educate them with fundamentals of making sound investment decisions.
- **Simplicity:**
To demystify investing by using plain language and employing impactful methods.
- **Multiple modalities:**
To carry out our efforts through multiple channels: both traditional and new media, as well as face-to-face engagements.



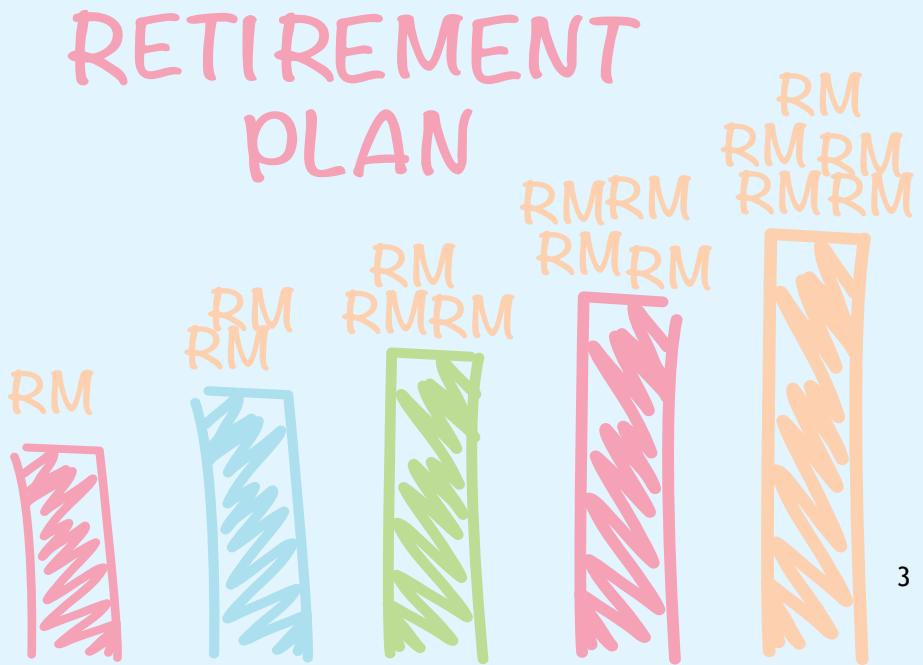
For more information, visit www.investsmartsc.my or download our InvestSmart® app from



Introduction

Retirement can be a tough subject for many working individuals. Without a steady income, many people worry that when they retire they won't enjoy the same lifestyle that they are used to.

The most important thing to do in retirement planning is to plan your finances so that you are able to maintain the standard of living that you enjoyed while you were working. The EPF scheme is a great initiative in ensuring that all of us have a retirement financial back up. However, relying on the EPF alone might not be enough. One of the best ways to ensure a better retirement savings plan is to invest through the many investment options available such as stocks, unit trusts and private retirement schemes.

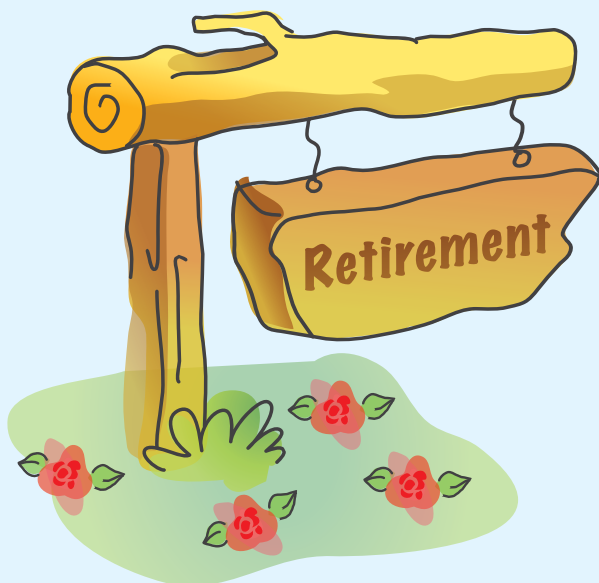


What is a Private Retirement Scheme (PRS)?

A PRS is a voluntary long-term investment scheme to help individuals save up for their retirement. It is not the same as the mandatory contributions made to EPF but rather, it complements EPF.

As opposed to other non-retirement savings plans, PRS aims to ensure that savings are utilised primarily for retirement purposes, hence a bulk of the investments (70% of all contributions) cannot be withdrawn until the retirement age. Monies that are put in are invested for you by the approved PRS providers, and in the long-run you stand to gain potential returns.

Contributions can be made by individuals or employers. Choose from a range of retirement funds within a PRS scheme. Your choices should be based on your own retirement needs, goals and risk appetite.



What are the Key Components of the PRS framework?

The PRS framework is made up of the following key components:



PRS Providers

- Offer and manage PRS funds.
- For more information, visit www.ppa.my for the full list of approved PRS providers.



Scheme Trustees

- Assets of each PRS are held by an independent scheme trustee under a trust.



PRS Distributors and Consultants

- They are licensed by the SC for dealing in PRS or registered persons with Federation Investment Managers Malaysia (FIMM).



Private Pension Administrator

- Provides central administration and services for investors. It keeps track of, facilitates and maintains records of all PRS related transactions made by investors.
- It also promotes public awareness of PRS. Please note that PPA does not manage the PRS funds nor accept contributions.



Securities Commission Malaysia

- Regulates and supervises all intermediaries in the PRS industry.

What are the Main Characteristics of PRS?



- Gives you choice and flexibility in investment decisions and control of your retirement savings.
- Voluntary in nature - contributions need not be in fixed amounts or intervals.
- Freedom to choose - contribute to just one fund under a PRS or several funds by different Providers.
- Contributions will be divided into and maintained in sub-accounts A (70%) and B (30%). The value of these sub-accounts may increase or decrease according to the worth of each unit held from day to day. These units are priced daily.
- Freedom to change PRS Providers once a year. Even if you invest in one scheme, you are allowed to move to another scheme (any amount) once a year.

What are the Benefits of PRS?

- Supplements your current savings with a scheme to suit your retirement needs and factors in rising living standards
- Allows self-employed individuals to enjoy the benefit of a retirement scheme just as much as company-employed individuals



Who can Join And Contribute to a PRS fund?

All Malaysians and foreigners aged 18 and above, including self-employed individuals, employees and retail investors.



How do I Join a PRS?



STEP 1:

Choose a PRS provider.

STEP 2:

Talk to the PRS distributor / consultant that is distributing the fund you are interested in.

STEP 3:

Complete the relevant forms and if necessary, go through a suitability assessment with your PRS distributor/consultant.

STEP 4:

The PRS distributor/consultant will open a PPA account under your name. Remember to bring:

- RM10 for opening fee
- Identification card/ Police/ Armed Force ID (For Malaysians); or
- Identification card/ Passport (for foreigners).

STEP 5:

You will receive a notification from the PRS Provider of units created for your fund(s) and a welcome letter/email containing relevant details of your account will be sent to your correspondence address.

What should I Know When Choosing a PRS?

Factors to Consider

- Your age
- Your retirement objective and investment goal
- Your risk tolerance/appetite
 - For slow and stable retirement savings growth, choose a conservative investment; for high returns, go for higher-risk instruments

Types of Funds

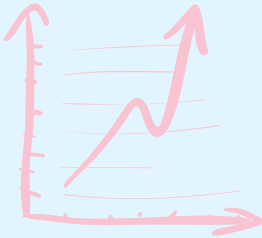
A default option is for members who have selected their PRS provider but do not specify a fund option. It caters for different age groups. PRS providers need to ensure that the relevant members are switched to the default funds in accordance with the relevant age as shown below:

	Growth Fund	Moderate Fund	Conservative Fund
Age group	Below 40 years of age	Members aged 40 years and above but have not yet reached 50 years	Members aged 50 years and above
Parameters	Maximum 70% equities	Maximum 60% equities	80% in debentures/ fixed income instruments, of which 20% must be in money market instruments and a maximum of 20% in equity
	Investment outside Malaysia is permitted	Investment outside Malaysia is permitted	Investment outside Malaysia is not permitted

How do I Keep Track of my PRS investments?



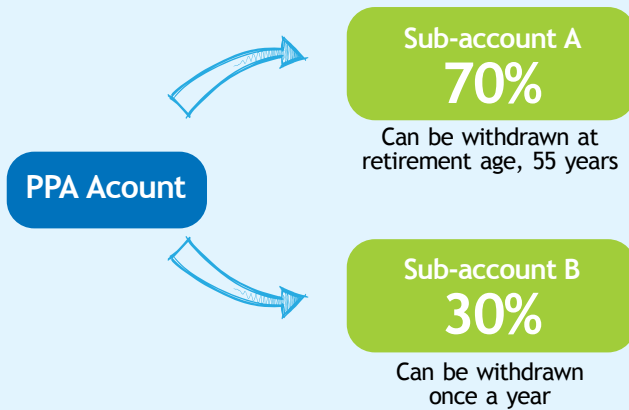
By visiting the PPA website or contacting your PRS provider. You will also receive periodic statements from your PRS Providers and a consolidated statement from the PPA, which includes all contributions you have made to the PRS.



Can I Take Out My Money?

As this is a long term investment scheme, you can only take out your money from your PRS under the following circumstances:

- a) When you reach retirement age (currently it is 55 years);
- b) Upon the death of a member (savings paid to executor, administrator or estate of the member);
- c) Permanent migration to a different country; and
- d) For pre-retirement withdrawals (only once a year from sub-account B).



Referring to pre-retirement withdrawals, you may only withdraw an amount from sub-account B from each PRS provider once a year. The first withdrawal can only be requested by you one year after making the first contribution to any fund under the Scheme (whether the contribution is made by your employer on your behalf or by you). Though you can withdraw the funds for any reason, a tax penalty of 8% on the withdrawal amount will be deducted by the PRS provider before the balance is credited into your account.



Read the following documents before making a contribution to the PRS:

- a) **Product highlights sheet**- an easy to understand summary of key information of the funds under the Scheme
- b) **Disclosure document**- a more comprehensive documentation providing information on the PRS

As with all types of investments, the returns from contributions made to PRS funds relies on the performance of the funds and may go up as well as down. Therefore, before making any investment decisions, make sure you understand the PRS features involved such as fees and charges, minimum contributions and other requirements. Remember that among the best steps towards a good investment is making informed investment decisions.



A Securities Commission Malaysia Initiative

Tel: +603-6204 8999
Email: aduan@seccom.com.my
www.sc.com.my
www.investsmartsc.my

