

## Financial Well-Being for Golden Age Citizens in Malaysia

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### Introduction

A growing number of countries in the world are experiencing an increase in their elderly population (people older than 60) as a result of improved healthcare and advances in medical technology (World Health Organization, 2022). This demographic shift, known as population ageing, is leading to an increase in the number of the elderly in the workforce, as well as a greater demand for healthcare and social services. This trend is also putting pressure on pension systems and social security programmes, as governments struggle to provide for an ageing population (Bernama, 2022). Some countries are implementing policies to encourage older workers to remain in the workforce, while others are exploring alternative retirement models such as phased retirement or reverse mortgages. It's also important to note that population ageing is not only occurring in developed countries but also in many developing countries, creating significant economic, social, and political challenges (World Health Organization, 2022).

### Ageing Population in Malaysia

Malaysia is also experiencing the effects of population ageing, with the proportion of

elderly in the population projected to increase significantly in the coming years (David, 2022). According to the Economic Outlook 2023 Report released by the Ministry of Finance, the proportion of elderly in Malaysia is expected to rise from 7.3% in 2022 to more than 15% in 2050 (Bernama, 2022). This demographic shift is likely to have significant implications for the country's economy, labour market, healthcare system, and social security programmes.

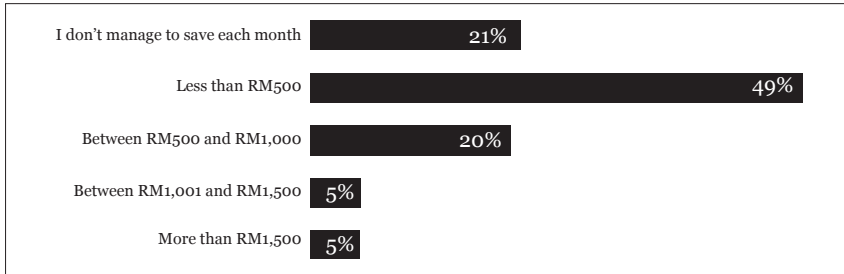
The government of Malaysia has recognized the need to prepare for an ageing population and has implemented various policies and programmes aimed at addressing the challenges it poses. For example, the government has increased the eligibility age for the Employees Provident Fund (EPF) and Social Security Organization (SOCSO) to 60 years and has introduced the "Bantuan Warga Emas" to provide financial assistance to the low-income elderly (MAMPU, 2021). Additionally, the government has also launched many initiatives which aim to promote active ageing, improve the quality of life of senior citizens, and develop a sustainable and inclusive society for the elderly in their golden years (Bernama, 2022).

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**Figure 1**

Malaysian Financial Literacy Survey by RinggitPlus : Most Malaysians save less than RM500 monthly



Source: Zunaira Saieed. (2022, December 14). Malaysians saving less, most do not have enough in retirement funds: Survey. The Straits Times

However, as the population of the elderly continues to grow, it is important for Malaysia to continue to evaluate and adapt its policies and programmes to ensure that they are effective in addressing the challenges of population ageing and the financial well-being of the ageing population.

#### Retirement Funds are Insufficient

For most Malaysians, retirement planning is an old concept that has faded into obscurity (Haron et al., 2019). Many Malaysians are financially stressed, and many of them do not have enough money saved for retirement. As shown in the Figure 1, 70 per cent of Malaysians save less than RM500 per month (S\$153) or do not save at all (Zunaira Saieed, 2022).

Many Malaysians rely solely on EPF as their pension fund. As of December 2021, EPF had 15.21 million members. EPF reported in September 2021 that members retiring in the next few years will need about RM600,000 to maintain a decent standard of living in their golden years (Zunaira Saieed, 2022). Ironically,

as of November 2021, about 3.6 million EPF members in Malaysia have less than RM1,000 in their accounts. This statistic shows some Malaysians are unable to guarantee their financial well-being in their golden age. As shown in Figure 2, 63 per cent of Malaysians reported that if they lost their jobs, they could survive for only three months or less (Saieed, 2022).

Two-thirds of EPF members under 54 have an account worth less than RM50,000 that will last for only four and a half years (Cindy Yeap, 2022). Since most Malaysians rely solely on the EPF to save for retirement, the situation is even more dire. This kind of retirement savings rate puts them at risk of living below poverty in their golden age.

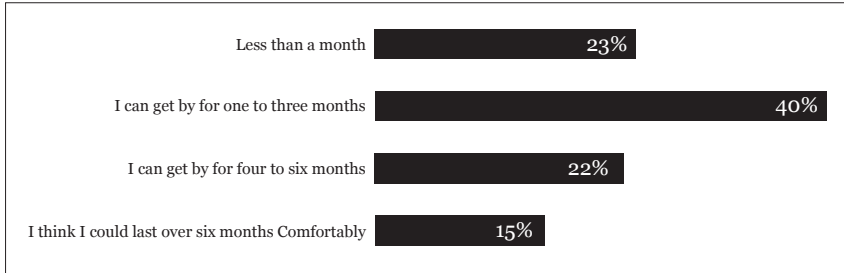
#### Planning for Financial Well-Being

Financial well-being in our golden age is an important consideration for all of us. There are several key factors to consider when planning for financial well-being during our golden age, including:

1. Saving enough money: It is important

**Figure 2**

Malaysian Financial Literacy Survey by RinggitPlus : Most Malaysians' saving will last them 3 months or less



Source: Zunaira Saieed. (2022, December 14). Malaysians saving less, most do not have enough in retirement funds: Survey. The Straits Times

- to start saving for our golden age as early as possible, as the power of compound interest can greatly increase the amount of money we will have available in retirement.
2. Diversifying investments: Diversifying investments can help reduce risk and ensure that our portfolio will be able to withstand market fluctuations.
3. Planning for healthcare expenses: Healthcare expenses can be significant in the golden age, so it is important to plan for them by having adequate health insurance coverage and setting aside money for out-of-pocket expenses.
4. Long-term care insurance: Long-term care insurance can help cover the cost of care in the event of a prolonged illness or injury, which can be a significant financial burden.
5. Creating a budget: Creating a budget can help ensure that our savings will last throughout our golden years. Knowing our fixed and variable expenses can also help us plan and make adjustments to our savings plan.
6. Retirement Planning: It is important to know when we want to retire and how much we need during retirement, what kind of lifestyle we want to have in our golden age, etc. We can work with a financial advisor or retirement planner to come up with the right plan or use online tools to better understand our options and design a plan that fits our needs.

By considering these factors and making a plan, we can help ensure that we will be financially secure and comfortable during our golden age years.

### Conclusion

Financial well-being is crucial for maintaining one's standard of living in our golden age. The COVID-19 pandemic has added an extra layer of complexity to retirement planning, as it has affected many people's income and savings (Chong & Swee, 2022). To be financially well in our golden age, it is important to take a holistic approach that includes strategies for saving, investing, and spending. We believe that to achieve financial well-being in our golden age, we should start early, be consistent, and seek professional advice when necessary. And most importantly, to be flexible and adapt our plan as our life and circumstances change ■

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