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The Longevity Dividend: Turning Longer Lives into Better Ones

Blue-chip Stocks & Exchange-traded Funds to be Added to PRS Universe

The Edge

Voluntary schemes, such as the Private Retirement Schemes (PRS), and other innovative solutions that may better prepare Malaysians for old age came under the spotlight during a panel discussion, titled 'Managing wealth and investing for retirement', at The Edge Third Age Megatrend Symposium 2026.

Taufiq Iskandar, CEO of the Private Pension Administrator Malaysia (PPA), which oversees the PRS, said PPA is looking to introduce a new feature next year that will allow PRS members to invest in exchange-traded funds (ETFs) and selected large-cap stocks, on top of PRS funds, subject to regulatory developments.

The PRS refers to voluntary long-term savings and investment schemes designed specifically for retirement. Its biggest draw is the personal tax relief of up to RM3,000 annually on contributions. These schemes mostly feed investors' money into several unit trust funds for diversification.

Taufiq said the aim is to shift PRS to an "account-driven model from a "product-driven structure", similar to the 401(k) retirement plan in the US, the Individual Savings Account in the UK and the Nippon Individual Savings Account in Japan.

Under the account-driven model, instead of investing in PRS for tax relief, qualified Malaysians would each have a PRS account, which they can fund and use to invest for retirement. These investments, whether in PRS funds, ETFs or selected blue-chip stocks, would be eligible for the personal tax relief that is currently enjoyed by PRS members.

"The Securities Commission Malaysia, when it launched the Capital Market Master plan (2026-2030), announced that it wanted to open up PRS to ETFs. That will be the first phase before we onboard selected large-cap stocks into the universe/' said Taufiq.

"This is one of the ways we will solidify the value proposition of PRS, which is giving you the autonomy to decide [on your investments] based on your return target and risk profile ...We want to incentivise people [to voluntarily save and invest more for retirement]."

Datuk Wira Ismitz Matthew De Alwis, CEO of Kenanga Investors Bhd, echoed Tan Sri Azman Mokhtar's view in an earlier session that a better and more vibrant reverse mortgage market would help the elderly better fund their retirement.

"I think it is something very exciting. Within the structural environment in Malaysia, it is not that easy to launch a reverse mortgage (product). It also comes under [the purview] of different regulators. But it definitely is a [funding] option as the country's population continues to age," he said.

De Alwis said mature townships with a long history, such as Subang Jaya and Petaling Jaya, tend to have vacant properties as the next generation of families migrate and live overseas. These properties have been left vacant, or they could be occupied by parents who have already retired.

"When an emergency happens, when there's a need for extra money, it is very difficult for the elderly to get a loan from the bank. So, this is where reverse mortgage comes into play", he said.

STATISTICS SHOW MALAYSIANS ARE SAVING MORE FOR RETIREMENT POST-COVID

Mass withdrawals from Employees Provident Fund (EPF) accounts to pay for daily expenses drew heated debate during the pandemic. The good news is that the situation has been turning around, with Malaysians now saving more across both EPF and PRS.

According to news reports, EPF said its members contributed a total of RM121.5 billion last year, an increase of 12.3% from 2024, driven by higher membership, wage growth and sustained confidence in the provident fund.

Taufiq said PPA has seen an encouraging increase in PRS membership and contributions, indicating that Malaysians are paying greater attention to retirement planning. As at August, PRS funds had received over RM700 million in net contributions, representing about 70% of the total contributions for the whole of last year.

He added that PRS contributions in the most recent three months represented 40% of the total contributions this year as Malaysians topped up their contributions towards the end of the year for the personal tax relief of RM3,000. Meanwhile, PRS membership had grown to 707,000 as at August, from about 650,000 when he joined PPA in October last year.

"More importantly; PRS is seeing a higher level of participation from existing members, with about 26% of net contributions as at August coming from returning members," said Taufiq. While the amount is small compared to EPF contributions, these figures are meaningful as PRS is a voluntary scheme, showing that Malaysians are taking the initiative to actively save and invest for retirement. Nevertheless, De Alwis cautioned

that the growing awareness of retirement planning does not necessarily mean Malaysians are taking the necessary actions. They may know its importance, but they may still not have enough retirement savings when the time comes.

"Retirement awareness is definitely increasing. But the other part of it is retirement readiness. I think this is something a lot of us have questions about," he added.

He said many Malaysians remain heavily dependent on their EPF savings, partly because they regard the mandatory contributions as being sufficient for retirement without further thought and despite warnings from industry experts. De Alwis said EPF savings may increasingly be insufficient for retirement as the average life expectancy increases over the years.

When life spans are extended, people will need to grapple with rising healthcare and aged care costs more than before. "Even with EPF's basic savings target of RM390,000, by 2030, if you spend RM5,000 a month, you will only have enough for about 6% years before the whole portfolio is depleted/ he pointed out.

Another thing worth watching is whether the pandemic has, subtly or not, changed how people think about their retirement funds. Will they treat their retirement savings as an emergency fund instead of leaving it untouched and letting it compound over the long term?

'After the pandemic, people became more aware of financial shocks when an unexpected event happens. Will they start dipping into their retirement savings through EPF during times like these? So, you have your savings, but at the same time, you were also drawing down your retirement savings [for emergencies]. That doesn't work," said De Alwis.

HOW WOULD YOU INVEST RM1 MILLION FOR RETIREMENT?

As panellists, Taufiq and De Alwis also shared briefly how they would invest RM1 million for retirement, assuming they received the sum in cash today. On asset allocation, Taufiq said he prefers a 50:50 portfolio, or investing 50% in equities for growth opportunities and the other 50% in bonds and other fixed-income instruments for more stable returns.

He added that many Malaysians, especially those of the older generation, have most of their wealth tied to real estate, properties or real estate investment trusts (REITs), which is not what he personally prefers. "For me, my current portfolio is more skewed towards EPF than real estate. I'm not a believer in having three, four houses. That's my personal bias".

Taufiq is keeping an eye on the performance of REITs as the world enters a market cycle where interest rates are rising. "From a market cycle standpoint, I'll be very wary of real estate, including REITs.

"Seasoned fund managers would see that in an interest rate hike cycle, you would expect REITs to underperform, and they may be wary when it comes to [investing in] property", he said.

Interest rates tend to go up when inflation is climbing. When interest rates are rising, yields on newly issued bonds rise in tandem, which can be good for fixed-income investors looking to deploy money into new bond issuances. "The good thing about the rising inflation environment is that it has tipped the balance to a higher yield environment, something that we have not seen for many years. This is generally good for pension funds," said Taufiq.

"In this regard, for my [retirement portfolio], I'm happy. Because I'm underexposed to property and more exposed to an income investment strategy."

Nevertheless, he said smart investors should look deeper into the different types of bonds to generate better risk-adjusted returns as the dynamics in the bond market are changing, especially for government bonds, whose prices are affected by each government's fiscal condition.

"If you notice, the smart money is not switching to equities in a big way, but they are switching within that fixed-income [universe] to higher quality paper. You need to look at, you know, whether it is worth holding a 10-year US Treasury with a 5% yield. Is it safe enough? Some might not think so, and might prefer to buy, for instance, a SoftBank issuance that has been oversubscribed", said Taufiq.

"So, don't just stop at asset allocation when you look at fixed-income. We need to look within the universe. The same goes for equities. You are no longer just buying into the company. You also need to look at the sector [the company is in]".

For instance, investors are treating Gamuda Bhd like an artificial intelligence (AI) play even though it is a construction company, as it benefits from the ongoing data centre trend. Meanwhile, as markets mature and liberalise, investors today are exposed to many types of products, such as inverse and leveraged ETFs and those that use covered call strategies, among others.

"You really need to know what you buy. For me, it's the sector that matters. And within sectors, I think we are at a pivotal point in the history of mankind, where technology, mainly AI, has become a general-purpose technology," he said. On the other hand, De Alwis prefers a traditional 60:40 portfolio, or investing 60% in equities and 40% in fixed-income. The 60% is allocated to growth stocks, with a mix of local and regional equities. In both, he would invest a little more in new economy sectors, such as technology and AI-related stocks.

The remaining 40% is allocated to fixed-income, including money market funds and bonds. While the fixed-income portfolio is slightly smaller than the equity portfolio, it has to be looked after carefully so that the equity portfolio can stay untouched and compound over the long term.

"That 40% portion would include funds for emergencies, something you can withdraw quickly so that you won't disturb your 60% portfolio. Because sometimes, when you are overinvested in equities, and when the market is down and things go wrong, you will need to sell your equities for cash. You will suddenly find yourself selling down [shares] while the market keeps going down. And when the market goes up later, you start buying again, but at a higher price," said De Alwis.

"You need some discipline [in investing]. This is where your 40% portfolio and emergency fund come into play. They allow you to not dip into your growth pot."

Taufiq echoed De Alwis' view and highlighted the importance of liquidity. "People look at market risk but tend not to look at liquidity risk. But many of us today experienced it during the Covid period. It's something we don't talk about often, but it is very important", he added.

THINK ABOUT THE DECUMULATION STAGE

De Alwis also reminded the participants to think about the decumulation stage of their investing journey, which means the period when they start drawing down, spending or withdrawing from their accumulated retirement assets and investments to cover their living expenses. "I've said this a lot of times. We all talk about investing during our accumulation stage. But I think many of us do not pay enough attention to the decumulation stage that happens after your retirement/ he added.

De Alwis stressed that this is important because when people think about their post-retirement lifestyle and the amount, they would need to sustain it, they can then work backwards to find out how much money they would need and the best investment strategy to follow. "So, my last word is for you to think about your decumulation stage. Every time, everywhere you go, people are selling you accumulation products, to buy this, grow this, do that. But decumulation is very important. That's where the Third Age comes into play," he said.

"Ask yourself: what do you want to do after you retire? How do you want to spend your money? Then you can decide what investments you want to make, be it equities, fixed income or ETFs. That stage is very important".

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The Edge Third Age Megatrend Symposium was held at the KLGCC Convention Centre on 3 October 2026.

