News Release

Sun Life

Sun Life Malaysia Survey Highlights Inflation Challenges for Retirees

As Asia's population ages, younger generations are retiring later to save more

- In Malaysia close to a half of today's retirees express regret over past financial decisions with the biggest reasons being not saving enough (68%), followed by not investing wisely (53%), and not considering inflation in their planning (47%).
- Over 50% of respondents will leave planning for retirement expenses within 5 years of retirement.
- Younger respondents are adjusting expectations in light of looming challenge including delaying their retirement. Primary reasons include the need to save more (64%), the need to cover increased living expenses (56%) and the desire to remain active (44%).

Kuala Lumpur, 24 October 2024 – As Asia Pacific faces a significant demographic shift with nearly one in four over the age of 60 by 2050[1], new research by Sun Life Asia reveals challenges and opportunities for retirement planning across the region. The research revealed that 53% of Malaysians leave planning for retirement expenses until five years or less before retirement and 15% will not plan for retirement expenses at all.

The research, titled *Retirement Reimagined: facing the future with confidence*, surveyed over 3,500 respondents across mainland China, Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, and Vietnam, about their aspirations and planning practices as they prepare for old age.

Majority Malaysians surveyed are ill-equipped to deal with financial realities of retirement

The research reveals growing desire for independent financial security in old age as retirement plans shift from state pension schemes and reliance on the family unit to prioritize individual savings and investments. Saving for retirement was cited as the number one financial goal over the next 12 months across all age groups surveyed. However, many are ill-equipped to deal with financial realities as 53% will leave planning around retirement expenses until five years or less before retirement, and a worrying 15% will not plan for this at all.

Raymond Lew, CEO and President/Country Head at Sun Life Malaysia said: "The retirement landscape in Malaysia is undergoing a profound transformation, driven by increased longevity and shifting societal norms. Our research shows that while independent financial security is seen as the foundation for a rewarding retirement, many people remain unprepared for the realities they face. Early planning and disciplined saving are key to facing your golden years with confidence."

While most respondents save at least 10% of their income for retirement, an alarming 37% do not. When asked about planned sources of income in retirement, the average expectation was for 20% of income to be drawn from cash savings, underscoring a potential missed opportunity to maximise retirement income through investments and ensure it keeps pace with inflation.

Retirees caught off guard by higher costs and regret insufficient preparation

In a warning sign to future generations, 40% of retirees in Malaysia expressed that they had not planned their retirement expenses. This has led to 28% of retirees being caught off guard by higher-than-expected costs, a number that looks only set to grow as inflation continues to bite and notably higher than the Asia average of 20%.

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[1] Source: Asia Development Bank: https://www.adb.org/what-we-do/topics/social-development/aging-asia

For those caught off guard by higher costs, the key factors are the general cost of living (87%) and healthcare expenses (48%). In response, many have been forced to cut spending (94%) and liquidate investments (35%).

Approximately 42% of retirees express regret over past financial decisions with the biggest reasons being not saving enough (68%), followed by not investing wisely (53%), and not considering inflation when planning (47%).

Younger generations are adjusting expectations: retiring later and saving more

Interestingly, younger respondents are increasingly aware of the looming challenge and are adjusting expectations accordingly. Current workers anticipate retiring at an average age of 63, six years later than the average age that current retirees exited the workforce (57).

Similarly, 18% of non-retirees actively have postponed their retirement plans, compared to only 6% of retirees who did the same, reflecting changing economic conditions and personal circumstances. The primary reasons for delayed retirement include the need to save more (64%), the need to cover increased living expenses (56%) and the desire to remain physically and mentally active (44%).

Those anticipating a later retirement age are more likely to cite increased living expenses (59%), compared to 29% among current retirees who delayed their exit from the workforce.

Gold Star Planners look to their later years with optimism, while Retirement Rebels struggle

The survey also reveals stark differences between two distinct groups: the “Gold Star Planners” meticulously making retirement plans, and the “Retirement Rebels” who have none. The Gold Star Planners plan their expenses more than five years ahead of retirement, save more than 10% of their income for retirement, and are well-protected by insurance and pension products.

Comparing the Gold Star group to the Retirement Rebels, who have no insurance and pension protection, nor sufficient planning and saving around their later years, reveals interesting insights. Retired Gold Star planners are more likely to stay within their expected expenses (73% vs. 31%) and less likely to regret post-retirement financial decisions (14% vs. 40%).

The Gold Star group is far more likely to consult professional sources on retirement planning including financial institutions and independent advisers, and they are more they are more confident about their health and financial wellbeing in their later years.

Across all groups in Malaysia, the number one aspiration for retirement is spending quality time with family and friends (32%), followed by global travel (27%) and the prospect of escaping the daily grind of work and relaxing (19%). The greatest concerns associated with later years are health issues and physical decline (59%), factors that could put these dreams at risk.

Lew added: “Ensuring the wellbeing of our growing senior population is a shared challenge in our communities. While health is the most important pillar, it is also inextricably tied to economic security, productive work, strong family and social connections in the community. We have a unique opportunity to redefine what a secure and healthy retirement looks like and that means empowering people to approach their post-career years confidently with proactive plan for their finances.”

This year, Sun Life Malaysia launched the InsureLit Campaign to boost Malaysians' insurance and takaful knowledge, which also emphasising the importance of retirement and legacy planning. The campaign educates the public on how simple and affordable insurance/takaful plans can help individuals build and protect their wealth for a secure retirement, while also safeguarding their loved ones' finances against unexpected events.

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Notes to Editors

The findings in this survey were analysed and established through a total of 3,552 interviews conducted online in July 2024 across mainland China, Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, and Vietnam. Majority of respondents were drawn from middle to high income backgrounds, with some representation from lower income bands, with a minimum age of 30.

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As a life insurance and Family Takaful provider, Sun Life Malaysia offers a comprehensive range of products and services to Malaysians across the country and is focused on helping Clients achieve lifetime financial security and live healthier lives. Sun Life Malaysia distributes its products through a range of distribution channels including bancassurance and bancatakaful, agency force, direct marketing and telemarketing, corporate and government business and e-distribution.

Sun Life Assurance Company of Canada is a principal operating life insurance subsidiary of Sun Life Financial Inc., a leading international financial services organisation providing insurance, wealth and asset management solutions to individual and corporate Clients. Sun Life has operations in a number of markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda. As of June 30, 2024, Sun Life had total assets under management of $1.46 trillion. For more information, please visit www.sunlife.com.

Sun Life Financial Inc. trades on the Toronto (TSX), New York (NYSE) and Philippine (PSE) stock exchanges under the ticker symbol SLF.

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