

The Net Asset Value of Private Retirement Schemes (PRS)

Private Retirement Schemes (PRS) are just like any other investment plans. If you're thinking about contributing to PRS, you'll probably want to know how value and pricing of PRS are calculated. To do so, you'll need to know about **Net Asset Value (NAV)**.

To put it in the simplest terms possible, NAV determines the value of your PRS plan. In view that the actual calculation of NAV isn't something that most members of the public would be familiar with, all you need to know is that NAV can affect your PRS contribution in the following three manners.

First of all, understand that whereas shares indicate ownership of a company, units denote ownership of a PRS plan and are priced based on NAV. Say you contribute RM1,000 to a plan with an NAV of RM1, you will own 1,000 units of the said plan. But if you contribute RM1,000 to a plan with an NAV of RM2, you will only own 500 units of that plan.

Secondly, NAV can be used to track the performance of your PRS plans. For example, say you contribute RM1,000 to a PRS plan with an NAV of RM1, the value of your account would rise to RM2,000 if the NAV rises to RM2. Similarly, if the NAV declines to RM0.50, the value of your account also decreases to RM500.

Thirdly, you'll need to understand the relation between NAV and dividend payout. Basically, the value of the NAV falls every time you receive a dividend, as the dividend you receive is actually subtracted from the NAV itself. But because PRS is not bounded by law to hand out a dividend every year, the PRS Provider may choose instead to retain the earning. In such a scenario, the NAV of your PRS plan may grow at a faster pace compared to other PRS plans that pay out dividends periodically.

And that's really it! These are the basic things you'll need to know about NAV and its relation to PRS. Now that you know how the basic calculations work, you'll be able to monitor your PRS accounts and maximize your retirement funds much more effectively.

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