

EPF will focus on helping members rebuild savings

ALTHOUGH the withdrawal facilities launched by the Employees Provident Fund during the pandemic – namely i-Lestari, i-Sinar and i-Citra – have provided some measure of short-term financial relief for survival, the federal statutory body says that it is concerned about the impact such withdrawals will have on members' retirement wellbeing.

As the economy recovers, EPF will look into helping members rebuild their savings, its chief executive officer Datuk Seri Amir Hamzah Azizan was reported as saying on Sept 24.

In an email interview with Sunday Star, EPF says that it is currently working on a number of strategic responses ranging from extending coverage, expanding sources of contributions through multiple channels, exploring post-retirement monthly drawdown offerings to finance retirement needs, advocating an income layering approach through diversification of retirement income sources, and enhancing financial literacy through comprehensive financial education and awareness.

"The EPF is also strengthening our advisory services to include full-fledged financial and retirement planning modules to assist members to make informed financial decisions. Collectively, the implementation of these strategies are expected to drive progress towards the EPF's main goal of ensuring Malaysians are protected during retirement, on top of other systemic reforms that will strengthen Malaysia's social protection system," it says.

"In terms of the impact on EPF, we have been successful in minimising the effect on the EPF's portfolio, thanks to our disciplined investment approach and robust liquidity management guided by our strategic asset allocation. The EPF is working closely with the government as well as other stakeholders to overcome these challenges."

The Covid-19 pandemic has further exacerbated the already challenging areas of social protection and retirement adequacy for Malaysians, adds EPF.

"Issues such as unemployment, now at a 4.8% rate according to DOSM (the Department of Statistics Malaysia), and the drop in household income exemplifies how Malaysians are continuously struggling economically which will ultimately affect their future retirement," it says.

Although withdrawing from their retirement savings during the pandemic as a means to make ends meet may help Malaysians in the short-term, it has resulted in a drastic reduction of their retirement readiness, says EPF, which adds that dipping into members' retirement savings is expected to affect their future well-being and also put a financial burden on the government.

Malaysia becoming an ageing nation status by 2030 will also affect the country's economic situation. Apart from that, there is also the challenge of savings adequacy.

“Malaysians are not ready to face retirement due to low savings and lack of other assets. At the EPF, the percentage of total active members achieving basic savings (a predetermined minimum amount that members should have for retirement at RM1,000/month for 20 years or RM240,000), is expected to fall to 27% by year end from 36% in December 2020. This is a far cry from the adequate savings level recommended by the EPF, which is RM600,000.”

In addition to this, the EPF says it is also cognisant about the gaps in social security coverage for the working-age population.

Data shows that there are about 4.1 million formal workers and 3.8 million informal workers who are not covered by any social protection system, leaving them vulnerable in their old age and/or in emergency situations.

Amir Hamzah stated recently that a key element of EPF’s strategy going forward is to get gig workers, as well as those in the informal sectors, into the EPF scheme so they can start to save as early as possible and plan for their retirement.

<https://www.thestar.com.my/news/focus/2021/10/03/epf-will-focus-on-helping-members-rebuild-savings>