THE MALAYSIAN INSIGHT

Is Malaysia equipped to handle her ageing society?

I ENJOY buying nasi lemak or kuih muih from hawkers and I notice the sellers are usually of the same age as my grandparents. I often wonder, given the choice, would they rather stay at home and play with their grandchildren or work as early as 5am to ensure their livelihood?

By 2030, the Department of Statistics Malaysia (DOSM) has projected the population of Malaysians aged 60 years and above to double to 5.8 million from 2.3 million in 2020, making Malaysia an ageing society.

Retirement schemes and policies available today may not be able to fully provide for the ageing population.

If the thought of retirement has minimally crossed your mind, perhaps this will be a wake-up call.

Retirement options accessible are government pensions, provident funds such as the Employees Provident Fund (EPF) or other private retirement schemes, and state assistance or federal programmes under the Jabatan Kebajikan Masyarakat (JKM), namely the Bantuan Warga Emas.

Each of these options not only come with their own downsides but also leave several groups who do not fall under the aforementioned options uncovered.

For government pensioners, monthly pensions will help sustain their lives throughout retirement.

For private sector retirees, dependency on EPF contributions for retirement is common.

Oftentimes, the EPF savings in itself are insufficient to provide a comfortable retirement to the majority of the contributing members.

EPF's minimum savings target is currently set at RM240,000 but, as EPF operations division deputy chief executive officer Mohd Naim Daruwish reported in September 2020, 54% of contributors aged 54 have only saved less than RM50,000 for their retirement.

Needless to say, while high-income earners are able to afford a comfortable retirement. the average employee will find it challenging.

With life expectancy expected to rise in the coming years and a higher cost of living, EPF's 2019 estimated expenses for a typical elder couple in the Klang Valley is RM3,090 monthly or RM1,545 each.

Based on this, each elderly person will need RM18,540 annually or RM185,400 for the next 10 years. A total of RM370,800 is needed for the next 20 years to ensure a comfortable retirement in the Klang Valley.

For some elderly citizens, the cost of living will be unbearable. It forces them to take on jobs during their retirement, like an elderly lady who was reportedly cleaning houses for RM5 earlier this month.

With the Covid-19 pandemic swirling around us, many have been forced to depend on government assistance.

While there have been different government assistance targeting different household income groups and individuals, those who earn slightly above the income bracket of the assistance are excluded.

Many thus have had to rely on i-Lestari, i-Sinar and i-Citra, the series of EPF's programmes that allow contributors under 55 to withdraw money from their savings during these tough times.

While this initiative has helped them sustain their lives during the pandemic, it is of much concern to note that their savings will be depleted. Will the balance be enough for their nretirement?

Those without access to EPF schemes have the biggest concerns, especially if their savings are limited and are already struggling to make ends meet.

Seniors above 60 may qualify for the assistance programme under JKM which provides RM500 monthly to those whose household income is below the poverty line.

However, one of the setbacks of this initiative is that the elderly may be unaware or have inadequate information or resources to apply.

This is especially true for the elderly who are living by themselves.

Besides, the eligibility for these assistance is determined through household incomes which is of another concern, especially for the elderly who are living in intergenerational households where individual incomes are not properly assessed.

Moreover, sole dependency on the assistance itself is usually not enough to cover living costs.

In a perfect world, every retiree would be free of financial burdens as they have worked their entire life and retirement is considered the time to relax.

Although government pensions are often perceived as the best option, that system has also proven to be unsustainable as expenses to fund the government pensions have risen significantly.

According to data from Bank Negara, government pensions cost RM4.2 billion in 2000. For 2021, the Ministry of Finance predicted a pension cost of RM27.1 billion, a six-fold increase over 20 years!

With large pension expenses being allocated for public servants, a huge population of formal and informal workers in the private sector are on their own.

Perhaps it is time to reevaluate the current pension policies and reallocate the spending to circumvent this issue for the greater good.

The Covid-19 pandemic enlightened the public on the importance of accumulating enough savings for unexpected times.

Although retirement may seem far away for many, the reality is that everyone should start thinking of ways to maximise one's retirement funds to guarantee a continuous and comfortable livelihood in their sunset years.

Financial literacy plays a key role in ensuring that retirees effectively and wisely manage their retirement plans.

The pandemic has also shed a light on the flaws and inadequacy of social protection in Malaysia for the older population.

A systematic approach and reform have to be in place to ensure that the elderly in Malaysia are financially protected. Hopefully, many more can afford to spend quality time with their grandchildren instead of still working at 70.

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