

EPF looking into restructuring its members' account and more

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(From left) The Edge chief commercial officer Sharon Teh, managing editor Anna Taing, Kenanga Investors Bhd CEO Datuk Wira Ismitz Matthew De Alwis, former director general of health Tan Sri Dr Noor Hisham Abdullah, Maybank Trustees Bhd CEO Nor Fazlina Mohd Ghouse, EPF CEO Datuk Seri Amir Hamzah, Subang Jaya Medical Centre CEO Bryan Lin, The Edge editor-in-chief Kathy Fong, Wealth editor Kuek Ser Kwang Zhe and Digital Edge editor Pathmawathy Subramaniam at The Edge Malaysia Retirement Reimagined Forum 2023.

KUALA LUMPUR: The Employees Provident Fund (EPF) is looking into restructuring the account of its members to introduce a new mechanism for saving and withdrawal, and to align the withdrawal age of its members with their minimum retirement age.

Datuk Seri Amir Hamzah, EPF CEO said the two matters are being looked into during his presentation session at The Edge Malaysia's Retirement Reimagined Forum 2023, entitled *The Way Forward* last Saturday (Oct 7) at the Mandarin Oriental KL.

During his opening remarks and presentation session at the event, Amir Hamzah pointed out that around 40% of the labour force (or about 6.1 million) in Malaysia are still not covered by any formal legislation for pensions and retirement, particularly the informal workers.

As for those who are covered, many do not have enough to last them throughout their remaining life. For instance, only 16.4% of EPF members aged 50 to 54 years have savings above RM240,000. Even with that amount, their monthly income is only RM1,000 in the next 20 years.

Amir Hamzah added that there are 3.6 million Malaysians aged 60 years old and above, with 73% (or about 2.6 million) lacking income security at old age, which means they are not protected by any pension programme at all.

Only 3% of the total elderly population are EPF members with more than RM240,000 in their EPF accounts.

All this does not bode well for the country's future, especially when at least, according to the World Bank, 14% of its population is expected to be aged 65 years old and above. By 2056, the percentage could rise rapidly to above 20%.

In the subsequent fireside chat session with the CEO of Kenanga Investors Bhd Datuk Wira Ismitz Matthew De Alwis, Amir Hamzah also mentioned that the EPF is looking to invest more in aged care related infrastructures, such as professionally managed aged care centres, to prepare Malaysia for an aged nation by 2044.



Participants of The Edge Malaysia's Retirement Reimagined Forum 2023 at the Mandarin Oriental KL on Oct 7. (Photo by Shahrin Yahya/The Edge)

However, these investments are expected to yield the EPF and its members with fair returns and are not given out in the form of subsidies. Amir Hamzah said while EPF's main mandate is to ensure its members have the adequate amount of funds to retire comfortably, it has always been a major investor in the country's infrastructure. They include the PLUS highway that connected Malaysians

across the country and contributed to the nation's economic growth.

He said the EPF is investing and building an aged care centre at its previous headquarters situated at Jalan Gasing, Petaling Jaya. "We are trying to create our first aged care centre there. We are trying to work with operators to get the facilities. As we get fair returns along the way, we build better facilities."

However, Amir Hamzah pointed out that retirement is a complex issue that involves issues beyond the control of the EPF. A key issue that needs to be solved is the country's low wage structure, as 79% of its members earn less than RM5,000 a month. A low income translates into lower EPF contribution and a lack of funds for future retirement.

During the same session, De Alwis reminded the audience that retirement is a complex issue that doesn't only involve investing and returns. Other aspects, such as national wages, insurance policies and aged care services are also crucial in creating a conducive environment for the retirees.

"It's not just about money. You also have to look at the other parts of the ecosystem," he said.

However, there are still things within the control of each individual, which are their habits and behaviours in saving and investing. For retirees, De Alwis said they have to be more active in managing their funds as compared to the youngsters who have several decades of working years ahead of them.

"For those who are near retirement or post-retirement, they should know it's never too late to manage their wealth well. But most importantly, they need to be more active in managing their funds.

"They need to build up financial literacy and keep an eye on the economy and markets. They would have to rebalance their portfolio very actively, as compared to those in their 30s or 40s who can take a long-term view in investing," he said.

It's never too young to start retirement planning

In her welcoming speech, *The Edge* Malaysia's editor-in-chief Kathy Fong said retirement planning has gone beyond putting money aside and leaving it in the bank to accrue interest.

On top of the weakening ringgit and the impacts of Covid-19 on the economy, Malaysians are battling high inflation rates, which are eating away at their savings and reducing purchasing power. Saving and investing for retirement is getting more important and one should start doing it early.

"It is never too young to start retirement planning, the earlier the better," she said.

Meanwhile, the event also saw former health director general Tan Sri Noor Hisham Abdullah, who recently rejoined the workforce as a surgeon at the Endocrine Institute of Hospital Putrajaya, sharing his experience as a new retiree, and thoughts on how the public and private healthcare sectors can come together to provide better and more affordable care and services to the elderly.

During a fireside chat with Subang Jaya Medical Centre (SJMC) CEO Bryan Lin, the pair reiterated that a public-private partnership is the way forward to enhance Malaysia's healthcare system. This can reduce the elderly's care burden in the future and less of a financial burden to their caretakers too.

Aged care centres are becoming increasingly important, said Noor Hisham, and addressing this will take a government and society approach to provide proper healthcare while bringing down costs.

"We are not [only] talking about infrastructure, but the services and the care that are provided. We must ensure that the care is of good quality and must be monitored. This is where we need to build trust in the population," he said.

The mindset of the elderly will have to change as aged care centres play a larger role in taking care of the elderly. The sending of parents to a care centre should be seen as children taking responsibility for their parent's health, and the taboo surrounding the topic needs to be addressed, added Noor Hisham.

Prioritising self-care is also of utmost importance, asserted SJMC's Lin. As such, he made the comparison of how an investor performs active management of their investments, and how a person needs to similarly manage their own health.

"Self-care is taking ownership of our health, investing in our health. We also have to look at self-care as a way to invest in our future to mitigate the costs of healthcare, so that it will be affordable as we age," advised Lin.

Noor Hisham said retirement can be a blessing if approached holistically and not wholly focused on financial stability. He also relayed that the Covid-19 pandemic taught Malaysians that health is wealth.

“Without [good] health, there really is nothing. Look at how disruptive the Covid-19 pandemic was towards the country. The community quality, the economy and everyone was affected. Behavioural change is very important,” he said.

“This is where if you have preventive measures in place, it is better than curative. Prevention is better than cure. We need to shift the pendulum from curative to preventive. This is our agenda in our healthcare preparation.”

Emphasising the importance of wills and trusts, Maybank Trustees Bhd CEO Nor Fazlina Mohd Ghouse, dispelled the myth that trusts are for the rich and that it is, instead, a tool to protect and grow wealth that it can be utilised during retirement or for future generations.

It is estimated that by 2030, Malaysia will experience one of the largest intergenerational wealth transfers in Asia, with an estimated RM1.2 trillion expected to be passed down to the next generation, she said.

“Trust is a tool that is used to help, among others, the thought process (the probate) [for when you] pass or [if you are] incapacitated as Malaysia has yet to have lasting power of attorney, unlike Singapore or the United Kingdom.”

“Many advocates are out there trying to get our Mental Capacity Act 2005 updated. The introduction of a lasting power of attorney in Malaysia will represent a significant development in protecting individuals; vulnerabilities, strengthening family relationships, facilitating business affairs and most importantly, streamlining healthcare decisions.

“These instruments provide a structured framework for individuals to plan and prepare for unforeseen circumstances.”

Kenanga Investors Bhd, SJMC, EPF, Pacific Senior Living and Maybank Trustees Bhd were event partners for the Retirement Reimagine Forum 2023.