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‘Help EPF members with near-depleted savings’

Experts: Concerted effort by contributors, employers and govt needed to assist those ‘with RM100 balance’

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PETALING JAYA: Efforts must be made to replenish the savings of those who have exhausted nearly all of their retirement money, financial experts say.

Commenting on a disclosure by outgoing Employees Provident Fund (EPF) chief executive officer Tunku Alizakri Raja Muhammad Alias on withdrawals made by 30% or 1.6 million members of the fund, the experts called for concerted efforts by contributors, employers and the government to boost the retirement savings of those affected.

Tunku Alizakri said some EPF contributors might only have a minimum required balance of RM100 in their accounts following withdrawals.

Financial planner Felix Neoh advised contributors to increase their monthly contributions as members can put into their accounts RM60,000 a year, over and above their yearly deductions.

“There are not many options open to those close to retirement age other than increasing their monthly contributions,” Neoh said yesterday.

He urged contributors to plan ahead to meet their retirement savings target.

Neoh said that members could put their year-end bonuses into their EPF accounts instead of spending the extra money. This is particularly crucial for those who are in their mid-40s, he pointed out.

Malaysian Employers Federation president Datuk Shamsuddin Bardan also encouraged EPF members to contribute more than the required amount monthly.

As an incentive, he suggested that the government should increase the present tax relief of RM4,500.

However, he disagreed with the idea of employers having to contribute a higher amount on behalf of their staff.

“The revenue stream for employers remains limited due to the Covid-19 pandemic. Businesses have yet to see any major pickup in revenue although more and more companies are allowed to operate.”

At present, employers’ share of EPF contribution stands at 13% for those earning below RM5,000 and 12% for those earning above that amount.

Shamsuddin said the government made a difficult decision to allow people to access their retirement funds because of the hardship they faced. He said this should be a one-off move, and will likely not be repeated.

“I am of the opinion that people should not be easily allowed to access their retirement funds as this will create a problem in the future.”

Malaysian Financial Planning Council president Vincent Kwo Shih Kang called for prudence by those making EPF withdrawals.

“Those who have made withdrawals should weigh their needs before making more withdrawals. They should refrain from taking funds out should their circumstances improve.

“Channelling funds to the Private Retirement Scheme, the second pillar of retirement savings in Malaysia is also an option.”

He said extending the tax exemption period on RM3,000 for the scheme until the year 2025 will help an individual save for his retirement and be rewarded by a yearly tax-deductible amount.