

MALAYSIA

EPF: Employees can contribute over 11 per cent – MEF

By NURUL NABILA AHMAD HALIMY

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SHAH ALAM - Employers can encourage employees to increase their contribution percentage into Account 1 of the Employee Provident Fund (EPF) so they have more savings by retirement day.

Malaysian Employers Federation (MEF) president Datuk Dr Syed Hussain Syed Husman said that this would enable them to reach a basic savings target of at least RM35,000 at the age of 30.

"Currently, the employee's mandatory contribution rate is 11 per cent. It is very important for employers to work with EPF to encourage employees to contribute more and provide financial literacy so that they fully understand the need to have sufficient EPF savings to ensure life in old age," he told Sinar Premium.

Hussain pointed out that MEF always encourages employers to try to help all employees increase their savings beyond the minimum amount to enable them to enjoy a more comfortable retirement life.

"Although only 19 per cent of the 446,000 EPF members aged 30 managed to reach the RM35,000 savings target at this point, it cannot be used as an accurate measure as most contributors have withdrawn a large amount of their savings during the Covid-19 pandemic.

"With the recovery of the job market and most companies returning to paying full salary and allowances to employees, EPF savings are seen to increase faster. There is a provision where members can contribute extra and they should use this opportunity to the fullest to increase the savings in the EPF," he said.

Previously, the EPF advised Malaysians to have a basic savings of at least RM35,000 at the age of 30 to reach the minimum amount of savings required to support life after retirement.

Its chief executive officer Datuk Seri Amir Hamzah Azizan said that currently, only 19 per cent of the 446,000 EPF members aged 30 have managed to reach the savings target of RM35,000 with an average savings of RM78,000 per person as of June 2023.

In the meantime, he said that the basic savings target of at least RM35,000 at the age of 30 can be achieved by employees if a minimum salary of RM1,500 is given to employees and no withdrawals are made from savings in EPF Account 1.

He explained that if those two things were done, people who start working at the age of 23 and continue to contribute at a rate of 24 per cent per month, their EPF savings would exceed RM35,000 when they reach the age of 30.

"The target can be achieved through 13 per cent employer contribution and 11 percent employee contribution and added to the amount of dividends given by EPF.

"The estimate is on the basis that employees will receive annual increment at the rate of four to six per cent each year.

"If the employees show excellent performance, they will be rewarded with a bonus and it will then have to be contributed to EPF. Promotion and salary factors will also contribute to the increase in employee EPF contribution and savings," he said.

Hussain was of the view that the target amount of EPF savings was appropriate and could be achieved by approximately 8,000,000 Malaysians who work formally in the private sector.

"MEF is optimistic that workers will have sufficient EPF savings if all stakeholders including the government adhere to the principle that EPF savings are for retirement life and cannot be withdrawn before the age of 60.

"The public should understand that EPF is only one of the types of savings and people need to adopt a culture of saving in other savings such as Amanah Saham Nasional (ASN), Amanah Saham Berhad (ASB), Tabung Haji and various banking products such as fixed deposits and financial markets, " he said.