

## **Why EPF wants to raise the withdrawal age**

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KINIBIZ It's a subject that has stirred up much debate of late. What we're talking about of course, is the Employees' Provident Fund (EPF)'s proposed move to increase the full withdrawal age limit from 55 to 60.

When EPF first announced its intention following its 2014 annual report announcement two weeks ago, it said it would initiate a public consultation on the move prior to making any decisions. However, this announcement was met by uproar from the public, particularly via social media, most of whom were and still are, against increasing the full withdrawal age limit.

In response to the criticism, EPF decided to postpone the public consultation to April 21, where it gave people more options in relation to the full withdrawal age.

The new consultation involves four areas of enhancing its members' retirement savings, the details of which are available online at: [www.kwsp.gov.my](http://www.kwsp.gov.my). (Members need to have an online EPF account called i-Akaun to participate in the survey.)

We outline the four areas here:

- Options on aligning the full withdrawal age with the minimum retirement age.
- Aligning minimum contributions with the minimum wage legislation.
- Extending dividend payments on contributions kept in EPF from the age of 75 to 100 years
- Introducing Syariah-compliant retirement savings in addition to the existing retirement savings scheme, where members will have the option to switch to the former when it is introduced.

The first area involves two options, namely to extend the full withdrawal age from 55 to 60 years on a staggered basis over a 15-year period. This effectively calls for the withdrawal age to be increased by one year every three years, reaching 60 at the end of 15 years.

The second option maintains the age 55 withdrawal and introduces a new age 60 withdrawal for contributions of those working past the age of 55.

While the EPF may come across to the public as a know-it-all, its recommendations come from a place of genuine concern for the welfare of its members, it seems.

As of 2014, EPF had 14.2 million members, 6.66 million of which are active members. According to the EPF, 89 percent of its active members earn below RM5,000 a month.

It also said recently that 30 percent of its active members earn less than RM900 a month, which is below the minimum wage level.

But that's not all.

According to EPF, many members are not meeting their basic retirement savings threshold with 68 percent of EPF's members aged 54 having less than RM50,000 in savings, while 50 percent of EPF members above the age of 55 have exhausted their savings in five years.

The minimum recommended savings for those aged 55 is RM198,600, according to EPF.

The above are scary numbers indeed.

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