

## **Johari: Emergency withdrawal better than using EPF as loan collateral**

**Malaysiakini**

**09 April 2023**

Allowing Employees Provident Fund (EPF) members to withdraw funds from their Account 2 is a better option than making them use it as collateral for emergency bank loans, said former finance minister II Johari Abdul Ghani.

Johari said using EPF as collateral would burden contributors as they must pay interest to the bank.

Applying for emergency loans would also take time before contributors can get approval from the bank, he added.

"Let's say a 50-year-old EPF contributor applies for the loan, and he is expected to retire at 60. Within the 10 years period, he would have to pay the loan interest.

"If he borrows RM70,000, let's say the interest is at five percent annually, which is RM3,500. So, for the 10 years, he would have to pay RM35,000 in interest alone.

"So the net amount he actually gets from the loan is RM35,000.

"In this case, it would be better if he were to just withdraw the RM35,000 from his EPF funds. He does not have to pay any interest," he said in an interview with Utusan Malaysia.

The Titiwangsa MP served as the second finance minister between June 2016 and May 2018 under the Najib Abdul Razak administration.

### **EPF burdened**

Johari was commenting on Putrajaya's plan to introduce a method that would allow contributors who are in dire straits to take up loans from a bank with collateral from their EPF.

The plan was announced by Prime Minister Anwar Ibrahim during his winding-up speech on the 2023 Supply Bill in Dewan Rakyat last month, in response to calls for the government to allow another round of EPF withdrawal.

Meanwhile, Johari in the interview also criticised the previous administrations for allowing indiscriminate EPF withdrawals during the Covid-19 pandemic, including to those not financially affected by the outbreak.

He said this burdened EPF, which had to liquidate its long-term investment assets.

"EPF disbursed RM145 billion during the two years of the Covid-19 pandemic. The government was at fault too, because firstly, why EPF withdrawals were allowed for members who did not lose their jobs such as civil servants, members of statutory bodies and government-linked companies?

"When everyone was allowed to withdraw their EPF savings without a good reason, it caused EPF to have to liquidate their long-term investment assets," he said.

**Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd**

Source: <https://www.malaysiakini.com/news/661568>