

# GOVT FINE-TUNING RULE ON EPF WITHDRAWAL

**But analysts say taking out money gradually or in lump sum makes no difference unless savings are good**

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**T**HE government is in the final stages of fine-tuning the proposal to make it mandatory for new Employees Provident Fund (EPF) contributors to withdraw their savings periodically, instead of in a lump sum upon reaching the age of 55.

Prime Minister Datuk Seri Anwar Ibrahim, who is also finance minister, said the government had no objection towards the proposal by EPF and would leave it to the retirement savings fund to execute the proposal.

"I have no objection. The proposal is still in the final stages.

"However, if we listen to the statement made by EPF chief executive officer Datuk Seri Amir Hamzah Azizan earlier, there are some restrictions, especially for those who have insufficient savings," he said after the 2023 International Social Wellbeing Conference.

Amir Hamzah had said on Wednesday that EPF did not rule out the possibility of making conditional or periodic withdrawals for retirees aged 55 and above mandatory for new contributors in the future.

He had said the periodic withdrawals would provide a better opportunity for contributors to manage their retirement savings fund.

The move, however, had been met with some level of scepticism by experts, who said imposing a blanket policy could be bad in the long-run.

They said such a proposal would not bring benefits for as long as the issue of low wages and financial illiteracy among the



Prime Minister Datuk Seri Anwar Ibrahim launching the Employees Provident Fund I-Akaun App at the 2023 International Social Wellbeing Conference in Kuala Lumpur yesterday. With him are Health Minister Dr Zaliha Mustafa, Deputy Finance Minister Datuk Seri Ahmad Maslan and EPF chief executive officer Datuk Seri Amir Hamzah Azizan. BERNAMA PIC

people were not addressed.

Centre for Market Education (CME) chief executive officer Dr Carmelo Ferlito said he believed the rationale behind the proposal might be an attempt to transform the fund into a form of "regular pension".

"The issue will persist for those who do not have enough savings. The problem lies in the economy, in general. It is not about the workings of the retirement savings fund, but people's savings capacity.

"I believe that a more structural system with different options in place, would be better (for EPF withdrawals). It is difficult to imagine a solution that fits everybody," he told the *New Straits Times*.

He said when people had no capacity to save, no long-term saving scheme would work well.

"I believe that generalised solutions such as imposing mandatory withdrawal schemes (either conditional or periodical), would be bad."

Ferlito said capping the maximum amount of retirement funds that could be withdrawn in a lump sum could possibly help, but even such a

proposal must complement other general strategies to strengthen financial literacy.

Putra Business School master of business administration (MBA) programme director Asso-

ciate Professor Dr Ahmed Razman Abdui Latiff said more should be done to improve the average salary to allow people to increase their savings.

He said 50 per cent of workers in the country were still earning less than RM2,500 every month, despite the rising cost of living.

"There's an elephant in the room, and we're rather reactive than proactive in making efforts to increase the average salary.

"How can we expect them to increase their contribution in their EPF accounts when there's not much improvement in salaries?

"We're losing competitiveness and talent, and many employers are resorting to quick measures, including cheap foreign labour, which means outflow of currency, hence contributing to the weakening of the ringgit."

Razman said the idea for periodic EPF withdrawals, which was akin to pension, should be conducted on a voluntary-basis, rather than mandatory.

He also said capping the amount of money allowed to be withdrawn among eligible EPF contributors should be based on certain conditions because "one shoe doesn't fit all".

"As with the requirements imposed on certain withdrawal types such as the housing repayment, a different set of criteria could also be implemented in allowing the lump sum withdrawal for EPF members.



Associate Professor Dr Ahmed Razman Abdui Latiff



Carmelo Ferlito