Employees Provident Fund

EPF SAVINGS AND YOUR RETIREMENT

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Content

Are Your Retirement Savings Sufficient? 4
Why Is It Important To Diversify Your Source Of Retirement Income? 6
What Are The Benefits Of EPF Savings? 8
What Is Basic Savings? 10
Member’s Investment Scheme 12
1Malaysia Retirement Savings Scheme (SP1M) 15
Are Your Retirement Savings Sufficient?

A study conducted by the World Health Organisation (WHO) in 2007 has found that Malaysians have a healthy life expectancy of up to 66 years.

With an average life expectancy of 75 years, the Malaysian population is expected to experience health problems in the last 8 to 10 years of their lives.

Are your savings sufficient for your retirement?

Whether your retirement savings is sufficient or not depends on several factors:

- Lifespan, retirement age, lifestyle, health, family dependents and cost of living; and
- How you plan your finances before retirement and how they are spent after retirement.

How much do you need for your retirement?

- It all depends on your needs and requirements, health condition and lifestyle.
- If you wish to spend RM820 a month for a period of 20 years (55 years – 75 years), you need to have a total of RM196,800 in your savings at the age of 55.
- If you wish to spend RM820 a month for a period of 15 years (assuming that you retire at age 60), you need to have RM147,600 in your savings at the age of 60.

Did you know?

- Effective 1st of July 2013, the minimum retirement age has increased to 60.
- The average life expectancy of the Malaysian population is 75 years. This means that you need to have adequate savings for 15 years to at least finance your basic retirement needs.
- 69% of EPF members aged 54 in 2013 have savings below RM50,000.
- 50% of retirees exhaust their EPF savings within 5 years.
What are EPF’s initiatives to help increase members’ savings?

Since 2007, the EPF has introduced the following improvements to the EPF scheme in order to increase their members’ retirement savings and discourage members from depleting all of their savings in a short period of time:-

- Increasing the percentage of retirement savings in Account 1 from 60% to 70%;
- Introduced the Age 55 Years Withdrawal, a flexible withdrawal facility that gives members the option to withdraw their savings lump sum or monthly, partially or a combination of the options; and
- Extended the contribution (mandatory) age from 55 to 75 for members who are still in employment.

How can you increase your retirement savings?

The following tips can help you increase your retirement savings:-

- **Diversifying the source of your retirement income**
  It is important to have more than one source of income so that you will not depend on your EPF savings alone to support you through your retirement years;

- **Start saving early**
  The earlier you start saving, the more money you accumulate when you retire. Cultivate the habit of saving for your retirement as your way of life;

- **Plan for your long-term needs**
  Identify the main requirements for your retirement, the amount and source of income needed to support your long-term needs. Plan your financial requirements and expenses and save part of your income for any eventualities;

- **Healthcare**
  Perform regular medical examinations and lead a healthy lifestyle. Being healthy will save you from incurring high medical costs which tend to consume most of your retirement savings as well as allows you to work longer so you can increase your savings; and

- **Invest wisely**
  A wise investor is a knowledgeable investor. Learn to recognise investment risks and always evaluate your investment activities. Do not invest in ‘Get Rich Quick Schemes’ or with any other unregistered investment companies.

ATTENTION!

To ensure your retirement savings is sufficient, you should:-

- **Consider delaying your retirement and continue working for as long as you can;**
- **Withdraw your retirement savings only when it is absolutely necessary;** and
- **Plan to use your retirement savings in ways that could generate a lifelong income.**
You should not depend on your EPF savings as the only source of income for your retirement.

What is the Importance of Diversifying the Source of Your Retirement Income?

Your EPF savings alone may not be enough to support your golden years. Insufficient retirement savings can be due to several reasons, among them longer lifespan, low salary and early retirement. More often than not, the money will be exhausted in a short period of time.

Since the establishment of the EPF on the 1st of October 1951, the full withdrawal age has remained at age 55, while the life expectancy of Malaysians has increased to age 75. This means that your EPF savings needs to last for 20 years after you retire.

1. The 2013 EPF statistics for members aged 54 revealed that:
   - 69% of members have less than RM50,000 in their account;
   - 54% of members have less than RM20,000 in their account; and
   - Only 31% of members still work at age 54.

This amount of savings is not sufficient to support you for 20 years after your retirement.
2. You must diversify your source of retirement income so that:-

- You will not fully rely on your EPF savings alone;
- You can receive a continuous flow of income; and
- You can avoid depleting your retirement income within a short period of time.

**What are the sources of retirement income available?**

You can diversify your retirement income through these sources:-

- **EPF Savings**
  All private sector workers are mandated to contribute a certain percentage of their salary to their EPF account. This is in addition to the contribution made by their employer on their behalf.

- **Conventional Savings and Protection**
  Other than saving your money in banks or Tabung Haji, ASB or ASW, you are also encouraged to have other forms of financial protection such as insurance policies that covers health, education, accidents, permanent disability or death.

- **Voluntary Contribution**
  Apart from the EPF mandatory contribution, you can also contribute a certain amount of your income into voluntary schemes such as the Private Retirement Scheme (PRS) or the 1Malaysia Retirement Scheme (SP1M).

- **Senior Citizen Fund/Scheme**
  This scheme, or “Skim Bantuan Orang Tua”, is introduced by the Department of Social Welfare for senior citizens with a household income of less than RM1,500 per month and who meet the required terms. Other forms of assistance can also be obtained from Baitulmal, Lembaga Zakat, etc.

- **Informal Support**
  Other than seeking support and assistance from families and friends, there are other forms of informal support such as free medical services from public clinics and hospitals, income from rental of real estates, dividends from investments or unit trust, interests from fixed deposits, or financial assistance under the “Program Pembangunan Rakyat Termiskin (PPRT)”.

**What are other sources of income available for retirees?**

Work part-time or operate a small business from home or turn your hobby into a source of income. You can also buy annuities from insurance companies, which will provide a fixed monthly income for the rest of your life.
What Are The Benefits Of EPF Savings?

EPF savings are for retirement. It is divided into two (2) accounts - Account 1 and Account 2 of which:

Account 1 - comprises 70 per cent of members’ savings which can only be withdrawn when reaching retirement age; and

Account 2 - comprises 30 per cent of members’ savings, where members can make pre-retirement withdrawals aimed at enhancing members’ retirement well-being.

When can withdrawal / transfer of savings in Account 1 & Account 2 be made?

When can members withdraw the savings in Account 1?
The savings can only be withdrawn when a member reaches the age of 55.

Can members invest using their savings in Account 1?
Part of the savings in Account 1 can be used to invest in unit trusts through EPF-approved Fund Management Institutions.

When can members withdraw their savings in Account 2?
The savings in Account 2 can be withdrawn for the following purposes:-

- **Housing Withdrawal**
  This scheme allows members to own a comfortable home upon retirement;

- **Education Withdrawal**
  This scheme allows members to finance the cost of higher education at diploma level and above. A good education can help improve members’ / members’ children’s standards of living as well as increase their retirement savings;

- **Medical Withdrawal**
  This scheme allows members to pay for medical expenses incurred for the treatment of critical illnesses and/or to buy medical aid equipment as approved by the EPF Board for yourself or your allowed family members;

- **Age 50 Years Withdrawal**
  This scheme allows members to prepare and plan before reaching retirement;
• **Withdrawal Of Savings Of More Than RM1 Million**
Members with savings of more than RM 1 million can withdraw their savings in excess of the RM 1 million, subject to a minimum amount of RM50,000 (which means that members must have savings of at least RM1.05 million). This withdrawal can be made once every 3 months; and

• **Hajj Withdrawal**
Helps members to finance the expenses of performing Hajj. This withdrawal only covers the basic expenses and not the entire cost.

### When can full withdrawal of the EPF savings be made?

**Full withdrawal from Account 1 and Account 2 can be made if the following criteria are met:-**

- Upon reaching the age of 55;
- Upon emigration to another country;
- The members have been confirmed incapacitated, physically or mentally, having achieved the level of Maximum Medical Rehabilitation (MMI) to work;
- Upon death with payment made to the nominee / next of kin / beneficiaries / administrators; and
- A civil servant under the pension scheme or a civil servant who has opted for early retirement are entitled to receive all of the savings including dividends from the employee’s contribution, whereby the employer’s (Government) contribution is returned to the Retirement Fund Incorporated (KWAP).

### What other benefits do I get as an EPF member?

Apart from Death and Incapacitation Withdrawal, beneficiaries or members themselves are entitled to receive an additional payment (not from member’s saving) from EPF as a gesture of compassion. The benefit eligibilities are as follows:-

- **Death Benefit of RM2,500,** provided that withdrawal is made within six (6) months from the date of passing, and the deceased member has not reach the age of 55; and

- **Disability Benefit of RM5,000,** provided that the disability withdrawal is done within one (1) year from the date the member loses his or her employment due to his or her disability before reaching the age of 55.

**Note:**
These EPF benefits are derived from EPF’s investment revenues and not from members’ savings.

**ATTENTION!**

- Any pre-retirement withdrawals (Account 2) will reduce the total amount of members’ retirement savings.

- “EPF savings is for retirement, not for present day consumption”
What Is Basic Savings?

Introduced in February 2008, Basic Savings is the minimum amount of savings members need in order to support their basic retirement needs when they reach age 55.

The Basic Savings amount is set according to age, which ultimately allows members to have at least RM196,800 (RM820 a month for the period of 20 years) in their EPF account by age 55.

The Basic Savings is also used to determine the amount from Account 1 permitted for members to invest under the Member’s Investment Scheme (MIS).

The minimum amount for Basic Savings is based on the following assumptions:-

(i) A pay hike of 3% yearly for members;
(ii) The EPF yearly dividend rate is 4% a year; and
(iii) The EPF statutory contribution rate is 23% of the monthly wage.

Quantum for Basic Savings based on age :-

<table>
<thead>
<tr>
<th>Age</th>
<th>Basic Savings (RM)</th>
<th>Age</th>
<th>Basic Savings (RM)</th>
<th>Age</th>
<th>Basic Savings (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>1,000</td>
<td>31</td>
<td>30,000</td>
<td>44</td>
<td>95,000</td>
</tr>
<tr>
<td>19</td>
<td>2,000</td>
<td>32</td>
<td>34,000</td>
<td>45</td>
<td>102,000</td>
</tr>
<tr>
<td>20</td>
<td>4,000</td>
<td>33</td>
<td>37,000</td>
<td>46</td>
<td>109,000</td>
</tr>
<tr>
<td>21</td>
<td>5,000</td>
<td>34</td>
<td>41,000</td>
<td>47</td>
<td>117,000</td>
</tr>
<tr>
<td>22</td>
<td>7,000</td>
<td>35</td>
<td>46,000</td>
<td>48</td>
<td>125,000</td>
</tr>
<tr>
<td>23</td>
<td>9,000</td>
<td>36</td>
<td>50,000</td>
<td>49</td>
<td>134,000</td>
</tr>
<tr>
<td>24</td>
<td>11,000</td>
<td>37</td>
<td>54,000</td>
<td>50</td>
<td>143,000</td>
</tr>
<tr>
<td>25</td>
<td>13,000</td>
<td>38</td>
<td>59,000</td>
<td>51</td>
<td>153,000</td>
</tr>
<tr>
<td>26</td>
<td>15,000</td>
<td>39</td>
<td>64,000</td>
<td>52</td>
<td>163,000</td>
</tr>
<tr>
<td>27</td>
<td>18,000</td>
<td>40</td>
<td>69,000</td>
<td>53</td>
<td>174,000</td>
</tr>
<tr>
<td>28</td>
<td>21,000</td>
<td>41</td>
<td>76,000</td>
<td>54</td>
<td>185,000</td>
</tr>
<tr>
<td>29</td>
<td>24,000</td>
<td>42</td>
<td>81,000</td>
<td>55</td>
<td>196,800</td>
</tr>
<tr>
<td>30</td>
<td>27,000</td>
<td>43</td>
<td>88,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Will Basic Savings be subjected to revision?

Basic Savings is revised based on minimum pension rate of public sectors, or every three (3) years, whichever comes first.

Note:
The quantum Basic Savings is subject to change from time to time.
Member’s Investment Scheme

What is Member’s Investment Scheme (MIS)?

This scheme allows members to transfer a portion of their savings from Account 1 for the purpose of investment in order to increase their retirement savings.

Members may invest not more than 20% of their savings in excess of the Basic Savings amount from Account 1 through the appointed Fund Management Institutions (FMIs) approved by the Ministry of Finance. This is to limit the exposure of investment risk on their retirement savings.

Who is eligible to participate in the Member’s Investment Scheme (MIS)?

1. Malaysian Citizen.
2. Non-Malaysian who:-
   - Is an EPF member before 1st August 1998; OR
   - Obtained a Permanent Resident status (PR).

What is the amount that members must have to be eligible to invest in the Fund Management Institutions (FMIs)?

Members may invest from their savings under the following conditions:

- 20% from the members’ savings in excess of the Basic Savings amount in Account 1;
- Formula: (Account 1 – Basic Savings) x 20%;
- The minimum amount for Members Investment Scheme (MIS) is RM1,000;
- Investments can be made once every 3 months;
- Investments can be made to one Fund Management Institution (FMI) at a time;
- Subsequent investments can be made with the same or other approved Fund Management Institutions (FMIs).
**Calculation sample of permitted investment:**

<table>
<thead>
<tr>
<th>Member’s Age</th>
<th>30 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Savings in Account 1</td>
<td>RM35,000</td>
</tr>
<tr>
<td>Basic Savings at 30 years old (Refer to Basic Savings Schedule)</td>
<td>RM27,000</td>
</tr>
<tr>
<td>Savings in Account 1 that exceeds Basic Savings</td>
<td>RM8,000</td>
</tr>
<tr>
<td>Amount eligible for investment under the Member’s Investment Scheme (MIS) is: 20% x RM8,000 = RM1,600 (Minimum investment RM1,000)</td>
<td>RM1,600</td>
</tr>
</tbody>
</table>

**Mode of application?**

- Applications must be submitted through any of the appointed Fund Management Institutions (FMIs) alongside with KWSP 9N (AHL) form and a copy of MyKad.
- The FMIs will transmit the application to the EPF for processing.

**Approved Fund Management Institutions**

All investments must be made through the Fund Management Institutions (FMIs) approved by the Ministry of Finance. The updated list of Fund Management Institutions (FMIs) can be obtained at any EPF branches or via EPF website at [www.kwsp.gov.my](http://www.kwsp.gov.my)

**Returning The Investment To EPF**

- Members are required to return all amounts to the EPF (including the gains) once the investment units have been sold before reaching the age of 55. The money will then be credited into the members’ Account 1.
- Members are not allowed to withdraw any amount (‘no leakages’) from the money invested through the Fund Management Institutions (FMIs).
**Annual EPF Dividend On Amount Invested**

Members will not obtain any dividends declared by the EPF on the amount invested as it is not invested by the EPF.

**Release of Control On The Investment**

The EPF will release its control on the invested amount by the Fund Management Institutions (FMIs) when a member reaches age 55 or has made full withdrawal under Leaving the Country, Incapacitation, Pensionable Employees and Death Withdrawals.

Claims or resale of the invested units will be managed by the member/next-of-kin directly with the Fund Management Institutions (FMIs).

**Nomination**

The amount transferred to the Fund Management Institutions (FMIs) is not subject to nomination made by a member. The EPF will discharge control over the invested amount upon the demise of a member. Payment to the next-of-kin will be made by the Fund Management Institutions (FMIs) in accordance with relevant legislations.

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**ATTENTION!**

Members are fully responsible for their investments. The EPF will not be liable for any losses incurred.
1Malaysia Retirement Savings Scheme (SP1M)

Self-employed individuals, housewives and those without a fixed income do not have a formal retirement protection scheme like the ones enjoyed by the private sector workers (EPF) and public sector employees (pension scheme).

What does SP1M aims to do?

- Provides an avenue for self-employed individuals or those without a fixed income to save for their retirement.
- This scheme is designed to encourage these individuals to contribute voluntarily based on their affordability for their retirement.
- Demonstrate the Government’s concern for this group of individuals by giving them incentives to save for their retirement.

Who is eligible to join SP1M?

- Self-employed individuals or those without a fixed income such as taxi drivers, hawkers, farmers, fishermen, freelance consultants etc.
- Housewives.
- Retired public sector employees.

What is the contribution rate for SP1M?

The contribution rate for SP1M is based on one’s affordability and can be as little as RM50 with a maximum amount of RM60,000 a year.

What are the benefits of participating in SP1M?

- Annual dividend that is subject to a minimum dividend rate of 2.5%.
- Members are eligible to receive Death Benefit (RM2,500) and an Incapacitation Benefit (RM5,000), subject to terms and conditions.
Withdrawal of savings from Account 2 for housing, education, medical purposes and upon reaching age 50 years; and

Full or partial withdrawal can be made upon reaching age 55.

What are the Government incentives for SP1M members?

- Tax exemption of up to RM6,000 per year (with life insurance) for self-employed individuals.

- Government contribution of 10% per year subject to a maximum amount of RM120 per year. This contribution is only for the period of four (4) years beginning from 2014 – 2017. This contribution is limited to members below age 55 and will be credited into Account 1.

How can I participate in the SP1M scheme?

Individuals must first become an EPF member by submitting a completed EPF Form 3 with their MyKad. After approval, members can then request to participate in SP1M by completing the SP1M Selection Form i.e. the EPF 16G(1M) Form.

How to make SP1M payment?

- Using the 1Malaysia Retirement Savings Scheme Payment Form – KWSP 6A(2) that can be obtained at the EPF counter or EPF website.

- The KWSP 6A(2) Form is to be submitted together with the cash/cheque through the following channels:
  - EPF counter or mail;
  - Appointed bank agents - RHB Bank, Maybank Bhd, Public Bank Bhd and BSN; and
  - Appointed online internet banking – Maybank Bhd and Public Bank Bhd.

Are there any other voluntary contributions available?

- Individuals who are self-employed or those without a fixed income can still contribute voluntarily to the EPF through Self Contribution.

- Members can opt to increase or top-up the savings in Account 1 for their spouse or for their parents.
Individual Assessment of Financial Status

You can evaluate your financial status by using the Monthly Income, Savings and Expenses Table below:

<table>
<thead>
<tr>
<th>MONTHLY INCOME (RM)</th>
<th>MONTHLY EXPENSES (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (A)</td>
<td>Housing Loan</td>
</tr>
<tr>
<td>Spouse Income</td>
<td>Hire Purchase Loan</td>
</tr>
<tr>
<td>House Rent Income</td>
<td>Vehicle Loan</td>
</tr>
<tr>
<td>Business Income</td>
<td>Other Loans</td>
</tr>
<tr>
<td>Dividend / Bonus</td>
<td>Paid Broadcasting</td>
</tr>
<tr>
<td>Other Income</td>
<td>Examples: Astro, Internet, Mobile Phone etc.</td>
</tr>
</tbody>
</table>

**Note:** Total Expenses (D) should be less than Total Income (B) – Total Savings (C); (D < B – C)

The recommended savings is 30% of your salary (11% EPF member’s contribution, 12% employer’s contributions and 7% of savings from other forms of investment).

EPF now provides a Retirement Advisory Service (RAS), which aims to assist members to enhance members’ awareness and knowledge on the importance of retirement planning. Members may seek RAS services through:

- **Counter (walk-in)**
- **Make an appointment with our EPF Call Centre at 03-8922 6000**