i-Sinar allows eligible EPF members to make withdrawals from their Account 1 retirement savings.

SAVINGS FOR A RAINY DAY

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Be mindful when withdrawing EPF savings to help you navigate through tough times

BEFORE 2020, people were often optimistic about their financial future, and had hope that things would be better in years to come.

Sadly, this is not something you can bank on. If anything the Covid-19 pandemic this year has given us some harsh lessons about how unpredictable life, and the economy, can be.

It's important to realise early on in life that you may indeed experience financial hardships in the future.

And that is why saving for the future, especially your retirement when you are no longer drawing an income, is so important.

The Employees Provident Fund (EPF) is one of the world's oldest provident funds. Established in 1951, it helps the Malaysian workforce to save for their retirement in accordance to the Employees Provident Fund Act 1991.

EPF's vision is simple – it aims to help its members achieve a better future.

In tandem with this vision, EPF has extended its mandate to include aiding national infrastructural development while growing members' retirement savings.

This year, because of the pandemic, the EPF i-Sinar initiative was introduced under Budget 2021 to assist those who have faced or are facing deep financial hardship.

i-Sinar, announced in November, allows eligible EPF members to make withdrawals from their Account 1 retirement savings.

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said earlier this month that EPF has allocated RM70bil for the initiative, allowing an estimated eight million members to withdraw a maximum of RM10,000 or RM60,000 depending on how much they have in Account 1.

Members with RM100,000 or less in Account 1 are eligible to withdraw up to RM10,000 while maintaining a minimum RM100 balance. Those with more than RM100,000 in Account 1 can withdraw up to 10% of their savings, capped at RM60,000.

While previously the facility was only open to members who lost their jobs, were given no-pay leave, or had no other source of income, it has since been revised to include all whose income has been affected due to the Covid-19 pandemic.

Applying for i-Sinar

There are 10 simple steps to follow on the EPF website (isinar.kwsp.gov.my), and applications have been open since Dec 21 for Category 1 – for workers in the formal sector, self-employed workers and workers in the gig economy, those who have not contributed to the EPF for a period of time, who have lost their jobs, are housewives, or those given no pay leave.

Among the criteria for Category 1 applicants include members who are still working but have suffered a reduction of their base salary by 30% and above from March 2020 onwards.

Category 2, on the other hand, includes members whose total income has been reduced by 30% and above (total income including base salary and other benefits such as allowances and overtime) from March 1, 2020 onwards, whereby the said reduction can only be verified with supporting documents. Members in Category 2 can start applying online beginning Jan 11, 2021.

From cash withdrawals to reduced rate of contributions, the EPF has complemented the Government's measures to put more cash into the rakyat's pockets, and this has been a relief for many.

Susan Lim, 65, says that EPF is so important because it is forced savings for us while we are still earning.

"We have no choice as it is automatically deducted from our monthly salary," she said.

"Many grumble about it when they are young but when we are retired we will appreciate and say we should have saved more!"

Lim, a managing advisor for an investment management firm, knows a thing or two about the importance of financial planning.

"After retirement we have this bulk of money which will come in handy for buying a house, going on holidays or medical expenses.

"A lot of people will want to pay off their mortgages but I would encourage them to reinvest to get more returns and go for long term investments.

"We have to beat inflation. Once you pay into mortgages, we cannot borrow from the bank anymore. So stay invested and keeps money wisely."

Lim says that some retirees also take out their EPF money to help in their children's businesses or to start their own business.

"Unless you are sure it will make money, don't lend your money! You are taking a big chance with the money that you have taken years in employment to save!"

Lim's advice to those who have to take out money in these dire times is to go ahead if you have no other choice.

"Then make sure when you have the money again, that you start saving and investing again. Forced savings are painful at the start but give you financial freedom in the end."

Financial safety for seniors

One of the benefits of EPF is that it mitigates undesirable effects to an ageing population.

Mohd Shahrul, 48, says that he is grateful for his EPF savings. "When I grow old and am unable to work, I know that I will have those savings to fall back on. My father who is in his 80s needs a lot of medical attention, and that has made me aware of how important it is to have healthy savings.

"In the future also, there may be fewer job opportunities, so while I am able to work and save, I want to be able to do as much as I can.

"EPF is a solid, established body so I have no worries about my savings being safeguarded," said the father of four who works as a e-hailing driver.

Shahrul says that he hasn't withdrawn any of his EPF yet even though times have been bad.

"I understand that some people may have to dig into their EPF savings during this time. Many people lost their jobs or there's much less business due to Covid-19. It must be such a relief at times like this that they have their EPF savings and other government subsidies to save the day."

Joe Fernando, a 64-year-old grandfather of four who has continued working part-time after retirement, is grateful for this EPF savings.

"It is so important to save for the latter part of your life," he said. "My EPF savings has helped my family a lot. And it felt really good that when I retired I had a good amount of savings waiting for me."

Fernando feels that as far as possible people should not withdraw from their EPF before retirement age but instead try and cut all unwanted expenses when times are bad.

While the i-Sinar initiative may be a welcome relief to those who have had their livelihoods snatched away from them, EPF urges all members to carefully consider before withdrawing their savings, and seek financial advice from its Retirement Advisory Services or the Credit Counselling and Debt Management Agency to determine the right amount to be applied under i-Sinar to ensure sustainability during the crisis.

For those who need more information on EPF's i-Sinar facility, you can call the hotline at 03-8922 4848 (8am-8pm, Monday to Friday except public holidays).