The employees provident fund essay sample

Finance

About the Employees Provident Fund (EPF)

The Employees Provident Fund (EPF) is Malaysia's premier retirement savings fund, providing basic financial security for retirement. The Fund is committed to preserving and growing the savings of its members in accordance with best practices in investment and corporate governance. It will always be guided by prudence in its investment decisions. As a customer-focused organisation, the EPF delivers efficient and reliable services for the convenience of its members and registered employers. The EPF continues to play a catalytic role in the nation's economic growth, consistent with its position as a leading savings institution in Malaysia. The EPF, the sixth largest provident fund in the world, was responsible for the management of RM554. 1 billion worth of funds as of the second quarter of this year 2013. In the last five years since 2008, the fund has given an average dividend of 6. 11 per cent. Employees Provident Fund (EPF) will offer retirement and financial advice According to Chairman Tan Sri Samsudin Osman, the Employees Provident Fund (EPF) will offer retirement and financial advice as a value-added service to its members next year at EPF branches in the Klang Valley.

This new service is aimed at helping members in their retirement planning and provide education in finances, adding the initiative is hoped to help EPF contributors prepare for their retirement. The fund's studies have shown that people tend to squander money in a short period, which could be problematic if EPF was their only source of income. (TheStar, 2013) The Malaysian Trade Union Congress has reportedly come out in support of the EPF's new policy and urged employers to implement it across the board. EPF announced that employees aged between 55 and 60 years will contribute 11% to their accounts effective this month while employers will contribute 12%.

The new Basic Savings on 1 January 2014

Introduced in February 2008, ‘ Basic Savings’ refers to the amount of savings at the age of 55 years that are considered sufficient to support member’s basic retirement needs like food and clothing.

The EPF main concern is the adequacy of savings for members’ retirement. Malaysians today are blessed with a longevity that now extends to 75. As such, sustainability in savings is very important without having to be a financial burden to their loved ones.

For that reason, the EPF has also revised the Basic Savings to a higher rate, of which now, members should have at least RM196, 800 of EPF savings by the age of 55 (or equivalent to RM820 per month for a period of 20 years, from age 55 to 75). The new Basic Savings rates which will take effect from 1 January 2014, have been benchmarked against the minimum pension for public sector employees which is currently at RM820 per month, so that member’s monthly retirement income does not fall below the poverty level. The aim is to ensure its members have enough savings to finance their retirement needs. Following the revision of the rates, members would need to have higher savings in their EPF account to meet the amount determined according to their age in order to make them eligible to participate in the EPF-Members Investment Scheme.

This is to safeguard and ensure that members have sufficient savings in the EPF to finance their basic retirement needs in line with the average life expectancy before they could opt for other investment options. (Ibrahim, 2013)

Implementation of the minimum retirement age of 60

More than six million Employees Provident Fund (EPF) active members stand to benefit from the EPF contribution rates which stay unchanged until age 60, an initiative that will boost members' retirement savings. Effective from August 2013 wages, employees aged up to 60 will receive EPF contributions at 12 per cent from their employers (or 13 per cent for employees earning a monthly wage of RM5, 000 and below) while employees themselves will continue to contribute the same rate at 11 per cent. Previously, those above 55 were only required to contribute half of the regular statutory rate, same as their employers. While the changes in the retirement age and the contribution rates take place, the existing Age 55 Withdrawal and Age 50 Withdrawal remain unchanged. According to EPF Deputy Chief Executive Officer for Operations, Dato' Ibrahim Taib , the implementation of full contribution rates until age 60 would help members accumulate their savings in the long term for their retirement. Furthermore, with the minimum retirement age implemented recently, it increases the chances for employees securing a comfortable retirement when they have longer time to enhance their retirement savings and shorter time to spend for retirement.

CONCLUSION

Diversify the source of your retirement income and do not depend on your EPF savings alone to support your retirement.

1. Start saving early

The earlier you start to save, the more money you will accumulate when you retire. Cultivate the habit of saving for your retirement into your way of life.

2. Plan for your Future

Identify your retirement needs and the source of income to finance your retirement life. Plan your financial obligations and expenses and save part of your income for these eventualities.

3. Health Care or Insurance

Perform regular medical examination and lead a healthy life. Being healthy allows you to work longer and therefore increase your retirement savings. Furthermore, you can save on your medical bills and can use your retirement savings for other expenses.

4. Invest wisely

A wise investor is an educated investor. Learn to recognise investment risks and continuously evaluate your investments. Do not invest in ‘ Get Rich Quick Schemes’ and unregistered investment companies.

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