

Factors Associated with Savings and Withdrawals among Employees Provident Fund Members

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ABSTRACT

Financial security in life after retirement is a serious concern among older people, particularly as Malaysia is becoming an ageing nation. This paper examined saving and dissaving behaviours among members of Employees Provident Fund (EPF) aged 55 years and older. It examined the association between EPF balance outcome with socio-demographic characteristics, income, and withdrawal. Using data collected through interview surveys at selected EPF counters throughout the country, it revealed that 75% of respondents had less than RM200,000 in their EPF accounts at age 55 and 84% of the respondents made some withdrawals before age 55 and 67% upon reaching age 55. Both withdrawals were largely made to purchase property, pay for children's education, and settle housing or car loans. Findings also showed that education and monthly income were positively associated

with EPF savings of at least RM200,000 at age 55 while the opposite was true for small withdrawal amounts made before retirement. This suggests that EPF saving is very much dependent on income which in turn is determined by educational attainment and longer working years. While it can be said that in general members withdrew their EPF savings to either save elsewhere or invest towards the accumulation of their wealth, more opportunities should be made

ARTICLE INFO

Article history:

Received: 1 July 2019

Accepted: 24 January 2020

Published: 25 September 2020

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available for people to work longer beyond mandatory retirement age.

Keywords: Assets, Employees Provident Fund, Malaysia, savings, withdrawals

INTRODUCTION

There is a growing concern on the issues of savings adequacy and financial sustainability for old age due mainly to an increase in life expectancy. An increase in life expectancy means people are living longer beyond their retirement age. To ensure a decent life in retirement, one must have income security or made some form of preparation to fund this period of one's life. With economic uncertainty and the ever-rising cost of living, it becomes more challenging for some to live comfortably later in life. Financial security is one of the main components of a comfortable retirement, besides good health, happy and meaningful life. After all, retirement is about spending the remaining years, hence the need for retirement planning to ensure sufficient funds and/or savings for old age security and well-being.

The financial security and well-being of older people vary greatly across continents, countries, and regions. According to Bloom et al. (2011), the variations are largely due to the differences in how the income of older people is derived, and the reliability of the flow of their income. Generally, older people are less likely to have paid employment, more vulnerable because they are more likely to have health issues and the need for long-term care than are younger adults. The

income of older people is mostly generated from a combination of their own savings which are often small and with low-interest yield, formal pension schemes, and support from family members. Of course capacities and resources will be more limited and needs will be more complex as they get older and older.

While older people in many developed countries are protected by a comprehensive social protection system, the scenario in developing countries including Asia is worrying given its speed of population ageing and under-developed formal old-age protection programs (ARC Centre of Excellence in Population Ageing Research [CEPAR], 2013). The inadequacy of the retirement benefits of these countries including Malaysia to finance post-retirement expenses could aggravate poverty among the elderly (Asher, 2000, 2002, 2009; Asher & Nandy, 2006; Budina & Tuladhar, 2010; Economic and Social Commission for Asia and the Pacific [ESCAP], 2008; Ong & Hamid, 2010; Park & Estrada, 2012; Vaghefi et al., 2017).

Issues and Challenges among Retirees

The average life expectancy at birth in Malaysia was 74.5 years in 2019 with the average life expectancy at birth was 77.3 years and 72.2 years for females and males, respectively. Currently, mandatory retirement in Malaysia is set at age 60 with an option for early retirement. The Government implemented the change from age 58 to 60 years in 2012 while for private-sector employees, mandatory retirement

at age 60 was effective only from July 1, 2013. The move to increase the retirement age to 60 years put Malaysia on par with some neighbouring countries, however, it is still behind compared with many developed countries. Countries such as Australia, Belgium, Canada, Denmark, New Zealand, and the US have adopted age 65 or older or unfixed retirement age.

With longer life expectancy, retirement planning becomes a critical concern among the older population. In a study conducted by Randstad Workmonitor in 2015, 76% of employees in Malaysia believed they would have to work beyond their retirement age and that Malaysian employees plan far less for retirement. Only one in 10 employees were willing to save 40% of their income for old age while 90 % of the respondents were willing to set aside only 20% or less. A study by Awang et al. (2018) found that while the majority of respondents aged 40 years and older residing in Malaysia would like to live at least 80 years, many did not save for old age. This suggests that the majority of Malaysians are not sufficiently ready and are lacking in knowledge on retirement planning (Ridhwan et al., 2017; Shanmugan & Abidin, 2013). To ensure a decent life in retirement, Malaysians must plan and start saving early.

Employees Provident Fund (EPF) was established in Malaysia with the primary objective to provide financial security after retirement in the form of mandatory savings. The EPF plays an important role as the largest social security institution in the country for private and non-pensionable

public sector employees. Under the EPF Act 1991, EPF provides retirement benefits for members through the management of their savings. Currently, total monthly contribution that goes into an individual employee's savings account comprises 11% of the employee's monthly salary and 13% of the employer's contribution.

There are several concerns when it comes to the effectiveness of EPF in providing income security to its members after retirement. One of the most frequently raised issues is the adequacy of the amount of savings among its members. Extant review of the literature indicates that majority of EPF members have insufficient savings to meet their retirement objectives (Alaudin et al., 2016; Asher, 2012; Holzmann, 2014; Samad & Kari, 2007; Vaghefi et al., 2017). Holzmann (2014) found that only one-third of active EPF members accumulated enough savings upon retirement. In another study by Asher (2012), 73.2% of EPF members had less than RM50,000 when they reached age 54. Findings from Vaghefi et al. (2017) also suggested that 43% of EPF retirees were not able to maintain their standard of living with their retirement savings.

Even though EPF's mandatory contribution rate is the world's fifth-highest at 24%, it does not translate into a high savings amount among its members. It has been argued that this is largely due to the low salary structure in the country, where 89% of the working population earn less than RM5,000 monthly (Jaafar, 2018; World Bank Group, 2018). The median salary in 2018 is RM2,038, which is about 2.1

times higher than the minimum wage of RM1,100. In its report, EPF stated that 1.64 million of active members contributed less than the minimum wage (EPF, 2018). Since the sufficiency of EPF savings depends on the contribution of employees and employers during their active working period, their income during this period would significantly determine the amount of their EPF savings.

Another contributing factor to low retirement savings is savings leakages. The EPF Act 1991 sets the age for withdrawals at 55, however, members are allowed to withdraw their savings for various reasons before reaching 55. This means that withdrawals can be made way in advance of the retirement age of 60. For example, 44% of EPF withdrawals made in 2018 was to finance housing loan. While this flexibility allows members to divest in asset ownership or invest in a more profitable investment, however, it could also lead to low final balance for retirement and adversely affect dividend yield.

More worrying is the concern with respect to old age savings among those working in the informal sector. Recently the EPF introduced a voluntary contribution scheme for owners of a sole proprietorship, self-employed persons, business partners, and retired workers, however, participation among these groups has been quite low and slow.

Given that the mandatory retirement age of 60 years remains, the average life span of Malaysians at retirement is at least 15 years, and the fact that withdrawals are allowed way before retirement age,

would members have sufficient savings to live a reasonably comfortable life in their retirement? EPF has recently revised its basic savings requirement from RM228,000 to RM240,000, based on its calculation of RM1,000 required monthly for a person retiring at 55 to survive for the next 20 years. Given that in 2018, 64% of EPF members who reached 54 have savings below RM50,000, it is indeed a disturbing fact particularly if the EPF savings is their main retirement savings. Hence, this study aimed to examine the savings and withdrawal patterns among EPF members aged 55 and older in order to have a better understanding of the saving and dissaving behaviour of EPF members. Particularly, it seeks to analyse the relationship between income, withdrawals, and other characteristics in determining EPF balance at retirement.

METHODOLOGY

Data were obtained from a face-to-face interview survey using a structured questionnaire. Respondents consisted of EPF members who visited EPF counters on the day of data collection. The survey was carried out from December 2015 to March 2016 with specific dates determined for the 14 states involving 19 EPF branches throughout the country. Members were approached by trained interviewers who briefly explained about the study and the interview would only be conducted upon receiving consent from members to participate as respondents in the survey. The questionnaire was designed to collect information on the respondents' socio-demographic background, employment,

withdrawal, and utilization of EPF savings, current savings and assets as well as income and expenditure. Data available for analysis consisted of 771 respondents aged 55 years and older who completed the survey questionnaire (Appendix 1).

RESULTS

Profile of Respondents

The profile of respondents shown in Table 1 indicates that 68 % were male while in terms of ethnicity, Malay comprised 47 % followed by Chinese (36.7%) and Indian (13.9%). About 61 % of the respondents

were aged 55-59 years, 27 % aged 60-64 years, and 12 % aged 65 years and older. Expectedly the number of respondents aged 65 years and older visiting the EPF office would be small as the majority of them were no longer working and their EPF membership was more likely to be inactive. While majority had at least secondary education, only 14% have tertiary education.

Employment. More than half of the respondents were working at the time of the study (58.5%). Among those who were working about 59% in the private sector followed by 22% self-employment and 19 % in

Table 1
Distribution of respondents by gender, ethnicity, age, and education

| Variable | Categories | Frequency | Percentage |
|-----------|--------------------------|-----------|------------|
| Gender | Male | 527 | 68.4 |
| | Female | 244 | 31.6 |
| Ethnicity | Malay | 365 | 47.3 |
| | Chinese | 283 | 36.7 |
| | Indian | 107 | 13.9 |
| | Others | 16 | 2.1 |
| Age group | 55-59 | 473 | 61.4 |
| | 60-64 | 206 | 26.7 |
| | 65 and older | 92 | 11.9 |
| Education | Primary / No schooling | 128 | 16.7 |
| | Secondary | 414 | 54.0 |
| | Form 6 / Pre-U / Diploma | 115 | 15.0 |
| | Tertiary | 109 | 14.3 |

Government/Statutory Body. Among the 320 respondents who were not working, their previous employment was mostly in the private sector (67.2%) followed by Government/Statutory Body (25.0%) and self-employed (7.8%) (Table 2). The mean and median income of respondents who were working is RM3,790 and RM3,000, respectively while among those who were not working the mean and median of their last drawn salary is RM3,684 and RM2,000, respectively. It can be observed that there is little difference between the mean of current income and of previous income, however, a large variation is observed between the two median incomes.

Comparing working status by sex, the data shows that 62 % of the male respondents reported they were still working compared with only 50 % of the female respondents (Figure 1).

As expected the proportion of respondents who were working is highest

among those aged 55-59 years (67.4%) and decreases with increasing age. The data indicates that a large proportion of the respondents continued to work beyond their retirement age of 60 with 38 % of those aged 65 years and older were still working (Figure 2).

Among respondents who were currently working, more than half were earning RM3,000 or less per month (53.9%) while those earning more than RM5,000 per month comprised about 22 %.

Withdrawal of EPF Savings

Although the EPF Act sets age 55 for members to withdraw their EPF savings, earlier withdrawals are allowed for various reasons. A very high proportion of the respondents (80.2%) withdrew their EPF savings before age 55. Interestingly those who withdrew at age 55 decreased to about 73 % (Table 3).

Table 2
Distribution of respondents by employment

| Employment Status | Currently working | | Currently not working | |
|---------------------------|--------------------|------------|-----------------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| Total | 451 | 58.5 | 320 | 41.5 |
| Sector | Current employment | | Previous employment | |
| Government/Statutory Body | 86 | 19.1 | 80 | 25.0 |
| Private Sector | 267 | 59.2 | 215 | 67.2 |
| Self Employed | 98 | 21.7 | 25 | 7.8 |
| Total | 451 | 100.0 | 320 | 100.0 |

Factors Associated with Savings and Withdrawals

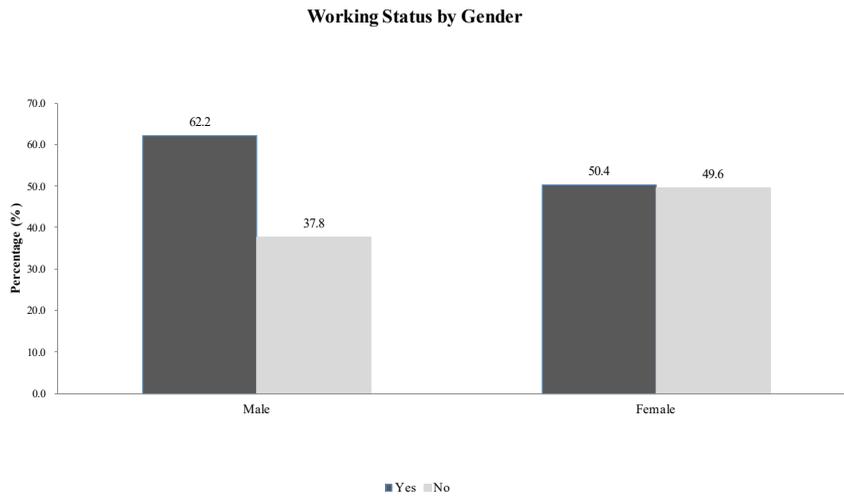


Figure 1. Working status of respondents across gender

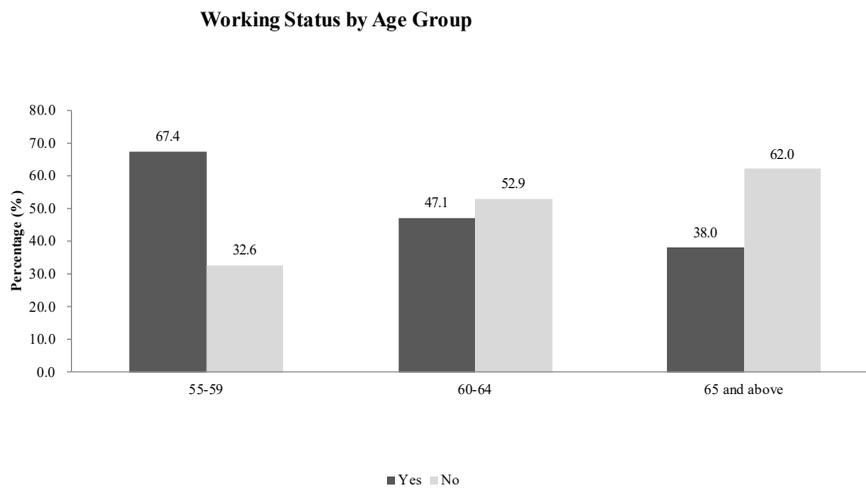


Figure 2. Working status of respondents by age

Table 3

Withdrawal status before age 55 and at age 55

| Withdrawal | Yes | | No | | Total |
|---------------|-----------|------------|-----------|------------|------------------------|
| | Frequency | Percentage | Frequency | Percentage | Frequency (Percentage) |
| Before age 55 | 618 | 80.2 | 153 | 19.8 | 771 (100.0) |
| At age 55 | 559 | 72.5 | 212 | 27.5 | 771 (100.0) |

Table 4 indicates that 83.7 % of withdrawals made before age 55 were less than RM100,000 compared with 66.6 % of withdrawals made at age 55 for the same amount. Expectedly the proportion of respondents who withdrew at least RM200,000 at age 55 was greater than those who withdrew the same amount before age 55 (13.4% and 6.4%, respectively).

With regard to the use of withdrawals, the results revealed that the top three uses of withdrawals made before age 55 are similar to those withdrawals made at age 55 namely to buy property, pay for children's education and settle housing or car loan. The proportion of respondents

who used their withdrawals at age 55 to buy property was much smaller than those who used their withdrawals before age 55 (36.9% and 54.0%, respectively). However, the proportion of respondents using their withdrawals at age 55 to pay for children's education was higher than those who withdrew before age 55 (24.7% and 20.1%, respectively). Respondents who used their withdrawals from EPF savings to perform hajj/*umrah* increased from 1.5% of withdrawals made before age 55 to 10.7 % of withdrawals made at age 55. It should be noted that visiting Mecca for hajj/*umrah* is only applicable to Muslims (Table 5).

Table 4
Amount of EPF savings withdrawal

| Withdrawal made Withdrawal amount (RM) | Before Age 55 | | At Age 55 | |
|--|---------------|------------|-----------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| >0 – 24,999 | 263 | 44.3 | 202 | 36.1 |
| 25,000 – 49,999 | 127 | 21.4 | 84 | 15.1 |
| 50,000 – 99,999 | 107 | 18.0 | 86 | 15.4 |
| 100,000 – 199,999 | 59 | 9.9 | 93 | 16.6 |
| 200,000 – 399,999 | 30 | 5.1 | 52 | 9.3 |
| 400,000 – 599,999. | 5 | 0.8 | 15 | 2.7 |
| 600,000 or more | 3 | 0.5 | 8 | 1.4 |
| Total | 594 | 100.0 | 539 | 100.0 |

Table 5
Use of withdrawals made before age 55 and at age 55

| Use of withdrawals* | Withdrawals before age 55 (n=618) | | Withdrawals at age 55 (n=559) | |
|------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| Buy Property | 335 | 54.0 | 206 | 36.9 |

Table 5 (Continued)

| Use of withdrawals* | Withdrawals before age 55 (n=618) | | Withdrawals at age 55 (n=559) | |
|---|--------------------------------------|------------|----------------------------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| Pay for children's education | 124 | 20.1 | 138 | 24.7 |
| Settle housing/car loan | 111 | 18.0 | 105 | 18.8 |
| Invest in unit trust/Saving | 66 | 10.7 | 89 | 15.9 |
| Daily expenses | 43 | 7.0 | 69 | 12.3 |
| Perform hajj or umrah | 9 | 1.5 | 60 | 10.7 |
| Pay for Medical Expenses | 21 | 3.4 | 25 | 4.5 |
| Business | 12 | 1.9 | 14 | 2.5 |
| Others (e.g. children's wedding and travel) | 15 | 2.4 | 46 | 8.2 |

*Multiple answers

EPF Savings

EPF savings at age 55. Of the total respondents who answered the question on their EPF savings upon reaching age 55, about 75 % of them reported having less than RM200,000 with about 56 % having

less than RM100,000 (Table 6). Among the 147 respondents who did not make any withdrawals before age 55, 78 % reported that their savings at age 55 were less than RM200,000 with about 65 % reported having less than RM100,000 (Table 6).

Table 6

EPF savings at age 55

| EPF savings at age 55 | Total respondents | | Respondents with no withdrawals made before age 55 | |
|-----------------------|-------------------|------------|--|------------|
| | Frequency | Percentage | Frequency | Percentage |
| >0 - <25,000 | 213 | 28.8 | 57 | 38.8 |
| 25,000 – <50,000 | 85 | 11.5 | 18 | 12.3 |
| 50,000 – <100,000 | 113 | 15.3 | 21 | 14.3 |
| 100,000 – <200,000 | 141 | 19.1 | 19 | 12.9 |
| 200,000 – <400,000 | 107 | 14.4 | 19 | 12.9 |
| 400,000 – <600,000. | 45 | 6.1 | 3 | 2.0 |
| ≥600,000 | 36 | 4.8 | 10 | 6.8 |
| Total | 740 | 100.0 | 147 | 100.0 |

EPF savings at age 55 were further examined across gender, age, ethnicity, education, and current work status using chi-square statistics. The results in Table 7 clearly show that the proportion of female respondents who had savings at least RM100,000 is significantly lower than male respondents. The proportion of males is doubled that of the female for savings of RM200,000 or more. Expectedly, respondents with no education or primary registered the highest proportion with EPF savings of less than RM25,000 while those with at least a post-secondary education having the highest proportion of EPF savings of at least RM200,000. While there was no significant difference across age and ethnicity, respondents who were still working at the time of the survey reported a significantly higher proportion than respondents who were not working as the savings amount increases from RM50,000 to more than RM200,000.

EPF members, upon reaching age 55, have the option to withdraw all of their savings, partly withdraw or not withdrawing any. The data indicate that overall 33% of the respondents withdrew all of their savings, 42% made partial withdrawals while 26% did not withdraw any. It is interesting to note that the proportion of respondents who withdrew all and who did not withdraw any decrease with an increasing amount of their EPF savings (Table 8).

Subsequently, EPF savings at age 55 were regrouped into two categories; savings of less than RM200,000 and savings of at

least RM200,000. This cut-off point was used to examine the factors associated with having a sufficient amount of savings for retirement which is slightly lower than the figure estimated by the EPF. Logistic regression was performed using these two categories of EPF savings as the dependent variable. The independent variables include sex, age, education, and withdrawal amount and the result is shown in Table 9. Three significant factors are observed, namely, income, education, and withdrawal amount made before age 55. Respondents with a current income of RM3,000 and more are about 4 times more likely to have EPF savings at least RM200,000 compared to respondents with income lower than RM3,000 monthly income. Higher educational attainment is also significantly associated with a higher likelihood of EPF savings while the withdrawal of less than RM25,000 made before age 55 is less likely to be associated with high savings.

Current EPF Savings and Assets. When asked whether they still have savings in the EPF account at the time of the survey, 75.4% of the total respondents admitted so. Among respondents who still have savings in their EPF account, about 18% of the respondents reported having at least RM200,000 (Table 10).

In terms of other savings and assets owned, more than 90% of the respondents owned a house and other properties while 41% reported having other savings and 30% shares or insurance (Table 11).

Table 7
 EPF Savings at age 55 by gender, age and ethnicity

| Variable | <RM 25,000 | RM 25,000 – RM 49,999 | RM 50,000 – RM 99,999 | ≥RM 200,000 | Chi-square test |
|------------------------|------------|-----------------------|-----------------------|-------------|-----------------|
| Gender | | | | | |
| Male | 117 (23.2) | 57 (11.3) | 71 (14.1) | 152 (30.2) | 35.119** |
| Female | 96 (40.7) | 26 (11.0) | 42 (17.8) | 37 (15.7) | |
| Age Group | | | | | |
| 55 – 59 years | 124 (27.7) | 50 (11.2) | 68 (15.2) | 120 (63.5) | 1.18 |
| 60 and above | 89 (30.5) | 33 (11.3) | 45 (15.4) | 69 (23.6) | |
| Ethnicity | | | | | |
| Malay | 110 (31.7) | 34 (9.8) | 55 (15.9) | 93 (26.3) | 9.999 |
| Chinese | 69 (25.1) | 32 (11.6) | 39 (14.2) | 72 (26.2) | |
| Indian & others | 34 (28.8) | 17 (14.4) | 19 (16.1) | 24 (20.3) | |
| Education level | | | | | |
| Primary/No schooling | 80 (64.0) | 14 (11.2) | 15 (12.0) | 6 (4.8) | 193.515** |
| Secondary | 106 (26.6) | 48 (12.1) | 74 (18.6) | 72 (18.1) | |
| Form 6/Pre-U/Diploma | 17 (15.7) | 11 (10.2) | 14 (13.0) | 48 (44.4) | |
| Tertiary | 8 (7.5) | 10 (9.4) | 9 (8.5) | 63 (59.4) | |
| Working Status | | | | | |
| Yes | 105 (24.5) | 43 (10.0) | 75 (17.6) | 112 (26.2) | 14.555** |
| No | 108 (34.6) | 40 (12.8) | 38 (12.2) | 77 (24.7) | |

Table 8

EPF savings at age 55 by withdrawal status at age 55

| Savings at age 55 | Withdraw all | Partly withdraw | No withdrawal | Total (%) |
|----------------------------|--------------|-----------------|---------------|-------------|
| <RM 25,000 | 86 (40.4) | 55 (25.8) | 72 (33.8) | 213 (100.0) |
| RM 25,000 – RM 49,999 | 30 (35.3) | 31 (36.5) | 24 (28.2) | 85 (100.0) |
| RM 50,000 – RM 99,999 | 34 (30.1) | 53 (46.9) | 26 (23.0) | 113 (100.0) |
| RM 100,000 – RM 199,999 | 41 (29.1) | 68 (48.2) | 32 (22.7) | 141 (100.0) |
| ≥RM 200,000 | 50 (26.6) | 102 (54.3) | 36 (19.1) | 188 (100.0) |

Table 9

Logistic regression of EPF Savings at age 55 (Less than RM200,000 vs. at least RM200,000)

| Variable | Adjusted Odd Ratio | 95% CI | p-value |
|--|--------------------|----------------|---------|
| Male | 1.460 | 0.784 – 2.720 | 0.233 |
| Income RM3,000 and more | 3.768 | 1.985 – 7.152 | 0.000 |
| 50 – 59 years | 0.858 | 0.475 – 1.547 | 0.610 |
| Education attainment | | | |
| Primary or No schooling (Reference) | - | | |
| Secondary | 4.480 | 1.277 – 15.718 | 0.019 |
| Form 6 / Diploma / Pre-University | 20.884 | 5.413 – 80.576 | 0.000 |
| Tertiary | 8.943 | 2.375 – 33.676 | 0.001 |
| Withdrawal before age 55 | | | |
| No withdrawal (Reference) | - | | |
| Withdrawn less than RM25,000 | 0.289 | 0.125 – 0.670 | 0.004 |
| Withdrawn RM25,000 – RM100,000 | 0.757 | 0.364 – 1.571 | 0.454 |
| Withdrawn RM100,000 and above | 1.916 | 0.831 – 4.417 | 0.127 |

Table 10
 Respondents' current savings in EPF

| Current savings | Frequency | Percentage |
|--------------------------|-----------|------------|
| Yes | 581 | 75.4 |
| No | 190 | 24.6 |
| Total | 771 | 100.0 |
| Amount of savings | | |
| <0 - RM 24,999 | 207 | 37.8 |
| RM 25,000 – RM 49,999 | 73 | 13.3 |
| RM 50,000 – RM 99,999 | 80 | 14.6 |
| RM 100,000 – RM 199,999 | 88 | 16.1 |
| RM 200,000 – RM 399,999 | 60 | 11.0 |
| RM 400,000 – RM 599,999 | 20 | 3.7 |
| RM 600,000 or more | 19 | 3.5 |
| Total | 547 | 100.0 |

Note: 34 respondents did not respond to savings amount

Table 11
 Other savings and assets owned by respondents

| Asset* | Frequency | Percentage |
|----------------------------|-----------|------------|
| House and other properties | 716 | 92.9 |
| Savings other than EPF | 327 | 41.2 |
| Land and inheritance | 177 | 22.9 |
| Shares | 144 | 18.7 |
| Insurance | 86 | 11.2 |

Note: *Multiple answers

Subsequently, total asset values were calculated for each respondent and its distribution by the amount of EPF savings is shown in Table 12. There is a huge variation in the number of assets owned within each category of EPF savings. While the minimum values did not differ by much, the maximum values vary from RM3.6 million to RM18.7 million with

the medians ranging from RM240,500 for respondents having less than RM25,000 savings in EPF to RM780,000 for those having at least RM200,000 EPF savings. 50% of the respondents who did not disclose their current EPF balance and those with zero balance had at least RM300,000 in total assets. However, among the respondents with zero EPF balance, about 7% of them

reported not having any other savings or assets. The skewness of the distribution of total assets by EPF current balance can be observed in the boxplot as shown in Figure 3.

Table 12
Distribution of total assets by current EPF savings

| Variable | >RM0 - <RM25K | RM25K – <RM50K | RM50K - <RM100K |
|-----------|---------------|----------------|-----------------|
| Frequency | 172 | 67 | 74 |
| Minimum | 5,000 | 5,000 | 3,000 |
| Q1 | 110,200 | 190,000 | 153,750 |
| Median | 240,500 | 300,000 | 305,000 |
| Q3 | 515,625 | 600,000 | 552,500 |
| Maximum | 18,700,000 | 9,102,000 | 3,600,000 |

| Variable | RM100K - <RM200K | >=RM200K | Zero Balance | No Answer |
|-----------|------------------|------------|--------------|-----------|
| Frequency | 85 | 93 | 175 | 30 |
| Minimum | 20,000 | 2,000 | 1,000 | 20,000 |
| Q1 | 232,500 | 490,000 | 152,000 | 118,650 |
| Median | 450,000 | 780,000 | 300,000 | 367,500 |
| Q3 | 700,000 | 1,475,000 | 618,000 | 585,000 |
| Maximum | 4,300,000 | 11,700,000 | 15,200,000 | 6,510,000 |

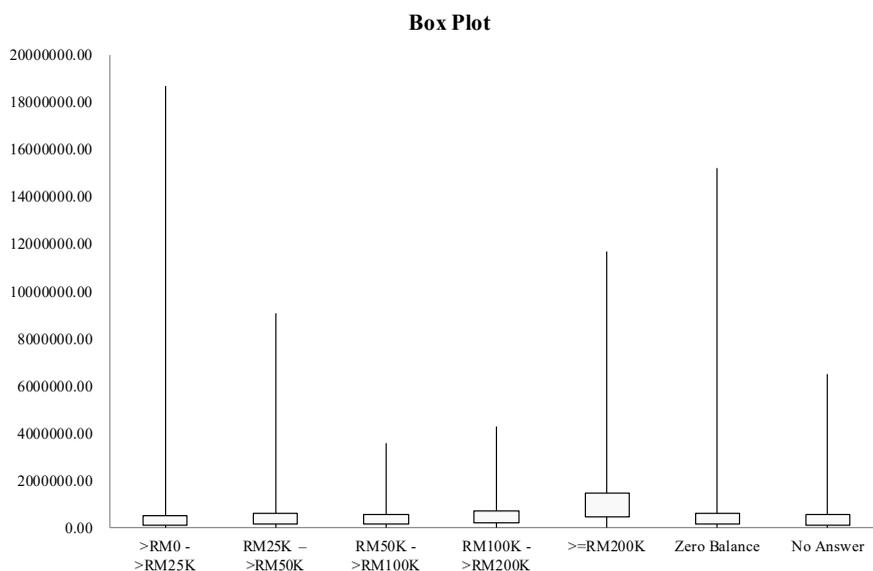


Figure 3. Distribution of total assets by current EPF savings

DISCUSSION AND CONCLUSIONS

This study examined savings and withdrawals among Employees Provident Fund (EPF) members aged 55 years and older. Data were collected using a structured questionnaire face-to-face interview survey at selected EPF counters throughout Malaysia. Close to 60% of the respondents were working at the time of the survey with about 85% of them continued to work beyond the retirement age of 60. While this does not necessarily indicate that majority of respondents feel that they have insufficient savings for retirement, it does however suggest that many of them were not against working productively even after retirement.

The data showed that 80% of the respondents made some withdrawal before age 55 with about 84% withdrew less than RM100,000. The proportion of withdrawals made at age 55 decreased to about 73% with 67% withdrew less than RM100,000. The lower proportion of respondents that made a withdrawal at age 55 compared to before age 55 suggests that the balance remaining in their EPF savings may be too small or negligible after the initial withdrawal, therefore discouraging them to make further withdrawal.

It is encouraging to note that 27% did not make any withdrawal and that only one-third of the respondents withdrew all of their EPF savings upon reaching age 55. It is also encouraging to know that withdrawals were put to good use namely to buy property, pay for children's education, and pay off housing and car loans.

About 75 % of the total respondents and 78 % among those who did not make any prior withdrawal had less than RM200,000 in their EPF accounts at age 55. Expectedly male respondents and those who were still working had a significantly larger amount of savings than female respondents and those who were not currently working, respectively. This suggests that only a quarter will have the minimum amount to survive another 15 to 20 years after retirement which explains the high proportion of respondents who continue to work beyond the retirement age of 60. While current EPF balance indicates that only 18% of the respondents reported having savings of at least RM200,000, majority of them owned houses and other properties as well as had savings elsewhere. It can be said in general that many respondents seemed to be cash poor and asset rich although there was a huge variation with respect to the value of their total assets.

High income, high educational attainment, and the amount of withdrawal made before 55 were found to be a high predictor for having higher EPF savings at 55. Respondents who earned RM3,000 and more were about 4 times more likely to have EPF savings of at least RM200,000 or more. Since better education can also be associated with higher income earned, it is not surprising to find that education plays an important role in determining the level of income and in turn, EPF savings. However, the data indicates that respondents who made a withdrawal of less than RM25,000

before age 55 were less likely to have higher EPF savings compared to no withdrawal suggesting that their accumulated savings have been low over the years.

Although the EPF Act allows full withdrawals at age 55, the data showed that majority of the respondents either withdrew partially or did not withdraw at all upon reaching age 55 which suggests that withdrawals would only be made when there is a need. Assuming that members retire at 60, those aged 55 will have another five years of contribution to their EPF savings and that any withdrawals made are spent towards accumulating assets for the future. Undoubtedly, some form of intervention from the state is needed to assist the small proportion of those who are left with nothing in their EPF accounts and do not have any disposable assets or other savings.

There have been several suggestions made to completely disallow withdrawals before 55 or to increase the age of withdrawal from 55 to 60 to ensure members have higher final balance savings at their retirement. While both suggestions would definitely help members to have a longer time to contribute and therefore accumulate more savings, the introduction of either policy with EPF might be too controversial or unpopular among the public for EPF to consider to be implemented. More opportunities should be made available to older persons to work long beyond the mandatory retirement age should they wish to continue working.

These discussions also bring forward another important predicament faced by

Malaysians, which relates to the income structure. Experts claimed that majority of Malaysian earn insufficient salaries in comparison to their cost of living (The Star Online, 3 Nov 2019). With a high proportion of the salaries earned being spent on living expenses, many cannot afford to save more. Malaysian government recently announced an increase in the minimum wage from RM1,100 to RM1,200. Even though the increment is small and unlikely to have a major impact on retirement savings, it made a long way to improve the overall financial security of Malaysians and help alleviate the rising cost of living.

More worrying is the concern with respect to old age savings among private-sector employees and those working in the informal sector. Recently the EPF introduced a voluntary contribution scheme for owners of a sole proprietorship, self-employed persons, business partners, and retired workers, however, participation among these groups has been quite low and slow. Greater participation in voluntary saving schemes such as the Private Retirement Scheme (PRS), a voluntary long-term savings and investment scheme can help individuals save more for retirement. The government also recently introduced an incentive of RM1,000 to eligible members to encourage people to save more for retirement purposes. More efforts are also needed to improve financial literacy among citizens, particularly on awareness to start savings early.

LIMITATION OF STUDY

Given that the data collection for this study was obtained from members conducting transactions at EPF counters, it only captured information from members who visited the EPF during the data collection period. There was also the difficulty in obtaining the actual amount of EPF balances and withdrawal made since the majority of respondents were reluctant to divulge the information and some respondents had difficulty in recalling the exact amount.

ACKNOWLEDGEMENT

This work was jointly funded by Social Wellbeing Research Centre Research Grant Project No. UM.E/SSRC/628/3/2015 and Population Studies Unit, Faculty of Economics, Universiti Malaya under the 'Enhancing Demographic Research and Training for Development Planning' program.

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BAHAGIAN B: Maklumat Pekerjaan

SECTION B: Employment

1. Adakah anda bekerja sekarang/*Are you working now?*

Ya /*Yes* [] Tidak / *No* []

JIKA MASIH BEKERJA

2a. Di sektor manakah **anda bekerja ketika ini?**

Are you working for?

- | | | |
|--------------------------|------------------------------|----------------------------------|
| Kerajaan /badan berkanun | [<input type="checkbox"/>] | <i>Government/statutory body</i> |
| Sektor Swasta | [<input type="checkbox"/>] | <i>Private sector</i> |
| Bekerja sendiri | [<input type="checkbox"/>] | <i>Self-employed</i> |

3a. Sekiranya anda bekerja dalam sektor swasta/bekerja sendiri, dalam industri apakah anda bekerja?

If you are working in private sector/self-employed, in what industry are you working?

- | | | |
|---------------------------|------------------------------|---------------------------------------|
| Pembuatan dan pembinaan | [<input type="checkbox"/>] | <i>Manufacturing and construction</i> |
| Runcit dan borong | [<input type="checkbox"/>] | <i>Retail and wholesale</i> |
| Perkhidmatan | [<input type="checkbox"/>] | <i>Services</i> |
| Restoren dan catering | [<input type="checkbox"/>] | <i>Restaurant and catering</i> |
| Pengangkutan dan Lojistik | [<input type="checkbox"/>] | <i>Transportation and logistics</i> |
| Perkhidmatan Kewangan | [<input type="checkbox"/>] | <i>Financial services</i> |
| Teknologi Maklumat | [<input type="checkbox"/>] | <i>Information technology</i> |
| Hiburan/seni | [<input type="checkbox"/>] | <i>Entertainment/arts</i> |
| Lain-lain | [<input type="checkbox"/>] | <i>Others</i> |

4a. Berapakah gaji bulanan/pendapatan anda termasuk elaun?

What is your monthly salary, including allowances? RM _____

5a. Pada umur berapakah anda berhasrat untuk bersara?

At what age do you intend to retire?

Umur/*Age*: _____ tahun/*years*

atau / *or*

Saya akan bekerja selagi saya mampu [] *I will work as long as I can*

6a. Adakah anda fikir anda masih perlu bekerja kerana...

Do you think you still need to work after retirement because...

Untuk menampung kehidupan selepas bersara [] *To sustain your living after retirement*

Ingin terus menyumbang tenaga kerja [] *To continue contributing to the workforce*

Memang suka bekerja [] *I enjoy working*

Lain-lain [] *Others*

Jika lain-lain, sila nyatakan /If others, please state: _____

JIKA TIDAK BEKERJA

2b. Di sektor manakah anda bekerja sebelum ini?

Were you working for?

Kerajaan /badan berkanun [] *Government/statutory body*

Sektor Swasta [] *Private sector*

Bekerja sendiri [] *Self-employed*

3b. Sekiranya anda bekerja dalam sektor swasta/bekerja sendiri, dalam industri apakah anda bekerja?

If you were working in private sector /self-employed, in what industry were you working?

Pembuatan dan pembinaan [] *Manufacturing and construction*

Runcit dan borong [] *Retail and wholesale*

Perkhidmatan [] *Services*

Restoren dan catering [] *Restaurant and catering*

Pengangkutan dan Lojistik [] *Transportation and logistics*

Perkhidmatan Kewangan [] *Financial services*

Teknologi Maklumat [] *Information technology*

Hiburan/seni [] *Entertainment/arts*

Lain-lain [] *Others*

4b. Berapakah gaji bulanan terakhir anda, termasuk elaun?

What was your last drawn monthly salary, including allowances?

RM _____

5b. Pada umur berapakah anda berhenti bekerja?

At what age did you stop working?

Umur/ Age: _____ tahun/years

6b. Adakah anda sedang mencari pekerjaan?

Are you looking for a job?

Ya / Yes [] Tidak / No []

BAHAGIAN C: Pengeluaran dan Penggunaan Simpanan KWSP

SECTION C: Withdrawal and Utilization of EPF Savings

JIKA ANDA BERUMUR 55 TAHUN KE ATAS, JAWAB SOALAN 1 – 10

JIKA TIDAK, TERUS KE SOALAN 11

IF YOU ARE AGED 55 AND OVER, ANSWER QUESTION 1 TO 10

IF NOT, PROCEED TO QUESTION 11

1a. Pernahkan anda mengeluarkan simpanan KWSP anda **sebelum** berumur **55 tahun**?

*Have you ever withdrawn your savings from EPF **before** age 55?*

Ya/ Yes [] Tidak/ No []

Jika tidak, terus ke Q3

If no proceed to Q3

b. Jika Ya, berapakah jumlah pengeluaran anda ketika itu?

If Yes, how much did you withdrew at the time?

Kurang dari / *Less than* RM 25,000 []

RM 25,000 – RM 49,999 []

RM 50,000 – RM 99,999 []

RM 100,000 – RM 199,999 []

RM 200,000 – RM 399,999 []

RM 400,000 – RM 599,999 []

RM 600,000 atau lebih /*or more* []

2. Apakah tujuan pengeluaran anda? (Pelbagai jawapan)

What were the reasons for the withdrawal? (Multiple Responses)

Untuk membeli hartanah/mengubah suai rumah [] *To buy property/renovate house*

Untuk melangsaikan pinjaman rumah/kereta [] *To settle housing/car loan*

Untuk membiayai pendidikan anak [] *To pay for children's education*

Untuk membiayai perbelanjaan perubatan [] *To pay for medical expenses*

Untuk melabur dalam unit amanah [] *To invest in unit trust*

Lain/lain [] *Others*

Jika lain-lain sila nyatakan/ *If others please specify:* _____

3. Apabila **anda mencapai umur 55 tahun**, berapakah jumlah simpanan KWSP anda ketika itu?

*When you **reached age 55**, how much did you have in EPF?*

- | | |
|---|-----|
| Kurang dari / <i>Less than</i> RM25,000 | [] |
| RM 25,000 – RM 49,999 | [] |
| RM 50,000 – RM 99,999 | [] |
| RM 100,000 – RM 199,999 | [] |
| RM 200,000 – RM 399,999 | [] |
| RM 400,000 – RM 599,999 | [] |
| RM 600,000 atau lebih / <i>or more</i> | [] |

4a. Ketika itu, adakah anda:

At that time, did you:

- | | | |
|-----------------------------------|-----|-------------------------------------|
| Mengeluarkan keseluruhan simpanan | [] | <i>Withdraw all your saving</i> |
| Mengeluarkan sebahagian simpanan | [] | <i>Withdraw part of your saving</i> |
| Tiada pengeluaran | [] | <i>No withdrawal</i> |

Jika tiada pengeluaran, terus ke Q10 di ms. 7 / *If no withdrawal, proceed to Q10 at pg. 7*

b. Berapakah jumlah pengeluaran anda ketika itu?

How much did you withdrew at that time?

- | | |
|--|-----|
| Kurang dari / <i>Less than</i> RM 25,000 | [] |
| RM 25,000 – RM 49,999 | [] |
| RM 50,000 – RM 99,999 | [] |
| RM 100,000 – RM 199,999 | [] |
| RM 200,000 – RM 399,999 | [] |
| RM 400,000 – RM 599,999 | [] |
| RM 600,000 atau lebih / <i>or more</i> | [] |

5. Apakah tujuan pengeluaran anda? (Pelbagai jawapan)

What did you use the money for? (Multiple responses)

- | | | |
|--|-----|--|
| Untuk membeli hartanah/mengubah suai rumah | [] | <i>To buy property/renovate house</i> |
| Untuk melangsaikan pinjaman rumah/kereta | [] | <i>To settle housing/car loan</i> |
| Untuk membiayai pendidikan anak | [] | <i>To pay for children's education</i> |

- Untuk membiayai perbelanjaan perubatan [] *To pay for medical expenses*
 Untuk melabur ke unit amanah [] *To invest in unit trust*
 Untuk menunaikan ibadah haji/umrah [] *To perform hajj or umrah*
 Lain/lain [] *Others*
 Jika lain-lain sila nyatakan/ *If others please specify:* _____

6. Berapakah **baki yang masih tinggal** daripada pengeluaran KWSP tersebut?
*How much **do you still have** from the money that you withdrew from EPF?*

- Tiada baki / *Nothing left* []
 Kurang dari / *less than* RM 25,000 []
 RM 25,000 – RM 49,999 []
 RM 50,000 – RM 99,999 []
 RM 100,000 – RM 199,999 []
 RM 200,000 – RM 399,999 []
 RM 400,000 – RM 599,999 []
 RM 600,000 atau lebih / *or more* []

7. Sekiranya tiada baki yang tinggal di Q6, berapa lamakah masa yang diambil untuk anda menggunakan keseluruhan simpanan EPF?

If nothing left in Q6, how long did it take you to use up all the EPF savings?

- Kurang dari 3 tahun [] *Less than 3 years*
 3 hingga ke 5 tahun [] *3 to less than 5 years*
 5 hingga 10 tahun [] *5 years to 10 years*
 Lebih dari 10 tahun [] *More than 10 years*

8. Adakah anda masih mempunyai simpanan dalam KWSP?

Do you still have saving in EPF?

Ya / *Yes* []

Tidak / *No* []

Jika tidak, terus ke **Bahagian D**

*If no, proceed to **Section D***

9. Berapakah jumlah simpanan yang anda masih ada dalam KWSP?

How much saving do you still have with EPF?

- Kurang dari / *Less than* RM 25,000 []
 RM 25,000 – RM 49,999 []
 RM 50,000 – RM 99,999 []
 RM 100,000 – RM 199,999 []
 RM 200,000 – RM 399,999 []
 RM 400,000 – RM 599,999 []
 RM 600,000 atau lebih / *or more* []

10. Untuk baki yang masih tinggal dalam KWSP, bagaimanakah anda merancang untuk mengeluarkannya?

For the balance that you have in EPF, how do you plan to withdraw it?

- Sekaligus *Lump sum*
Pengeluaran bulanan *Monthly*
Pengeluaran bila perlu *As and when needed*

