Expert: Introduction of EPF Account 3 can help contributors in times of emergency

BERNAMA

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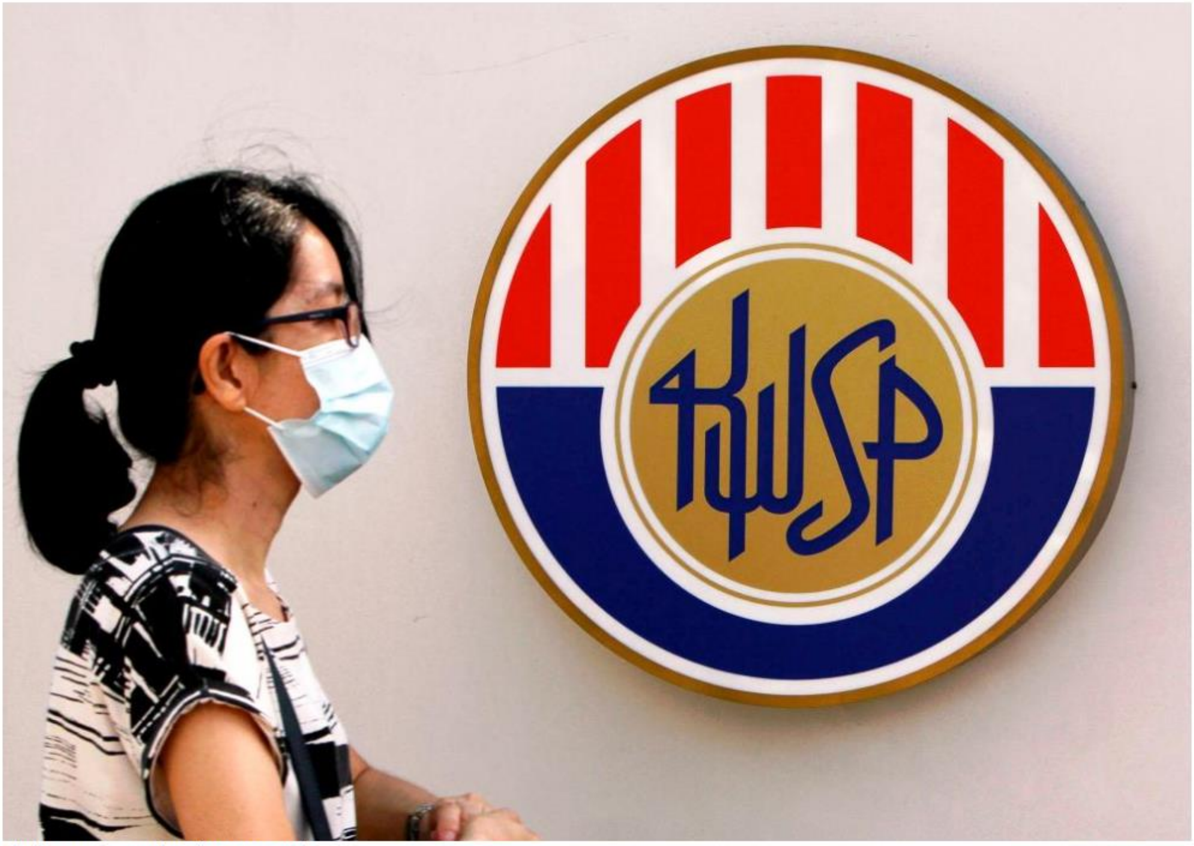

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KUALA LUMPUR: The introduction of the Employee Provident Fund's (EPF) Account 3 or Flexible Account is seen as one of the institution's alternatives to meeting the emergency needs and funds of its contributors in tackling life's challenges before retiring.

Bank Muamalat Malaysia Berhad Economics and Social Finance head Mohd Afzanizam Abdul Rashid said EPF has mapped out a perfect distribution since Account 1 or the Retirement Account (AP) still represents the largest proportion in the account hierarchy of its members.

“This means more than two-thirds of EPF savings in Account 3 will give a lot of space to contributors to use their savings for whatever purpose or emergency,” he told Bernama today.

Earlier today, EPF announced the EPF Account Restructuring Initiative, which will take effect on May 11, by introducing a Flexible Account for short-term financial needs.

EPF said in a statement that the initiative was aimed at improving the security of retirement savings, besides addressing the life cycle needs of members so that from May 11, all accounts of members under the age of 55 will be restructured from the previous two accounts, namely Account 1 and Account 2, to three accounts.

Mohd Afzanizam, however, advised EPF contributors to plan carefully before making withdrawals by considering the multiplier factor in their savings.

“This is because when they make a withdrawal, they will lose the compounding factor in their savings in the EPF. EPF has always announced competitive dividend rates and this compounding factor will expedite the growth of their savings if they continue to save in this institution,” he said.

A lecturer at the Faculty of Business, Economics and Social Development, Universiti Malaysia Terengganu, Associate Professor Dr Roshaiza Taha said the implementation of Account 3 would also benefit the M40 and T20 groups.

“We know that the income of certain groups in the M40 and T20 categories is very high. For example, a person’s income is RM10,000 and his EPF contribution is 11 per cent, which works out to RM1,100 and possibly have RM165 (in Account 3). For the B40 group, the value will be lower at around RM70 or RM30,” she said.

According to her, if those in the B40 group are not financially savvy, they may face problems in their retirement fund.

“The government must play a role in educating contributors in channelling a small part of their income into liquid investments because they must still be protected in the future.

“Looking at the current situation, I know it is tough for Malaysians to continue to survive and some even have to tighten their belt. However, contributors must know what are their needs and wants,” she said.

Meanwhile, 30-year-old Puteri Amila Amdan, an accountant at a shipping company, said there is no need for EPF to introduce Account 3 as she firmly believes that savings in the institution are for old age.

“I feel that if there is any emergency, it would be better if one can manage the situation without having to withdraw money from EPF. This is because money in the EPF is savings for old age. We don’t know whether we can still work or not when the time comes,” she said.

Twenty-six-year-old Muhd Aidil Imran Nasri said the initiative implemented by EPF was very helpful for contributors facing emergencies due to the COVID-19 pandemic that hit the country in 2020, which resulted in many losing their jobs and facing financial crunch.