

Hitting RM1.3mil a daunting goal

Disciplined saving key to adequate EPF funds

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PETALING JAYA: Having at least RM1.3mil in retirement savings might be a challenge for most Malaysians, but experts said the figure isn't impossible if one remains disciplined in ensuring consistent savings and employment.

They also urged the government to gradually raise the retirement age from the current 60, so Malaysians can accumulate enough retirement savings after factoring in the rise of costs of living and longer life expectancy.

Financial planner Jarvic Lau said having RM1.3mil in retirement savings is doable, if a fresh graduate starts working at 25 with a monthly salary of RM2,500, enjoys a 5% annual increment and draws a final salary of RM15,000 at the age of 60.

According to him, this will give the individual a total of 35 years of working life and the person would have made a total of 23% contribution (11% employee and 12% employer) to the Employees Provident Fund (EPF), with an annual interest rate of 6%.

"Under these assumptions, 35 years of continuous EPF contributions coupled with a consistent annual return would generate an accumulated balance exceeding RM1.5mil, assuming no withdrawals throughout the entire employment period.

"Even after factoring in a potential 30% leakage over the accumulation period, achieving a balance of about RM1mil remains plausi-

ble, provided contributions begin early and remain uninterrupted," said Lau when contacted.

Starting this year, the EPF's Retirement Income Adequacy (RIA) framework will introduce a three-tier savings framework – adequate savings (RM650,000), basic savings (RM390,000) and enhanced savings (RM1.3mil).

He said it is important for Millennials and Gen Z to start planning for retirement early, as a majority of Malaysians do not have RM1.3mil in savings when the time comes.

"Many rely on EPF and find that their money runs out much sooner than expected.

"This shows that while EPF remains a strong foundation, it is unlikely to be enough on its own for younger generations who will live longer and face higher costs in future," he said.

He said it is still not too late for those in the 40-year-old age group to make a change, as they still can achieve an adequate savings of RM650,000 by age 65 if they have worked for another 25 years under the same scenario.

According to Lau, adequate savings would support monthly withdrawals of RM2,708 in the first year of retirement, potentially rising to RM7,389 by the 20th year of retirement.

Financial literacy advocate Amy Seok said for those under the age of 40, the most effective approach is to ensure consistent savings in their EPF accounts.

"This includes maintaining continuous EPF contributions, making voluntary top-ups whenever possible, and avoiding premature withdrawals except in genuine

emergencies," she added.

Beyond EPF savings, Seok said Malaysians should also inculcate the basic habit of long-term investing such as unit trusts, private retirement schemes (PRS), or diversified portfolios aligned with their risk tolerance.

"Just as important, managing lifestyle inflation, reducing unnecessary debt and improving financial literacy are critical foundations for sustainable retirement planning," she added.

Seok said many EPF members retire with inadequate savings due to not just income levels, but poor financial behaviour, career interruptions, informal employment and early withdrawals.

"The RIA framework is therefore an important policy signal to prompt earlier intervention, better education, and shared responsibility between individuals, employers and policymakers," she said.

Areca Capital executive director and chief executive officer Danny Wong Teck Meng suggested Malaysians look for a secondary source of income such as part-time work or legitimate investment schemes to boost their retirement savings.

"For the younger generation, don't spend so much, invest the money for a better lifestyle in future.

"The younger generation may not see this because they don't have the investment habit and that is why we have to cultivate this," he said.

Prof Dr Balakrishnan Parasuraman from Universiti Malaysia Kelantan (UMK)

New savings levels for EPF (RM)

Age	Basic	Adequate	Enhanced
18	1,400	1,500	2,500
25	15,900	19,000	30,700
30	38,000	47,500	85,400
35	68,100	90,000	165,000
40	107,000	140,000	279,000
45	156,000	251,000	438,000
50	217,000	339,000	652,000
55	294,000	476,000	935,000
60	390,000	650,000	1,300,000

Source: Employees Provident Fund (EPF)

The Star graphics

suggested the government gradually raise the retirement age to 62, citing a study he did several years back found that retiring at the age of 60 is too early.

"From that study, we concluded that our lifestyle will be improved. So, 60 is too early to retire.

"This is due to longer life expectancy, better access to health and lifestyle changes," said the human resources and industrial relations expert.

"As such, a holistic approach must be considered when it comes to increasing the retirement age."

According to the fund, the RIA framework states that a person falling under the "adequate savings" tier, which will provide

for a reasonable standard of living, must have at least RM650,000 in savings.

This is based on the RM2,690 monthly income recommended in Belanjawanku 2024/2025 and it enables monthly withdrawals starting at RM2,708 in year one of retirement.

For the lower tier "basic savings", a person must have RM390,000, which is 60% of the adequate savings amount, in order to cover essential retirement needs.

The higher tier "enhanced savings", which provides a more comfortable retirement, must have more than RM1.3mil, which is two times the adequate savings sum.