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RETIREMENT SAVINGS: HOW IT FARES DURING COVID-19 PANDEMIC

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Retirement savings has become a top-notch topic of recent years. The issues of concern range from unpreparedness for retirement, poor knowledge of finance and investment products, economic instability, high medical cost and constant fear that there are not enough funds to sustain lives during retirement. In Malaysia, agencies such as the Credit Counselling and Debt Management Agency (AKPK), Employee pension Fund (EPF), banks and not to leave behind, insurance companies have stepped up effort to educate the public the importance of planning for their retirement. But albeit various campaigns and programs being offered in regard to preparation for retirement, majority of the public are still slow in acting on their retirement savings. As such, there are still quite a number of retirees who are not able to support their post retirement living where it has become a trend for retirees returning to work after they have retired from their job.

In laymen perspective, retirement refers to the basic needs of retirees which include a place to live, money to cater for day-to-day expenses, medical bills and emergencies. Retirement may seem to be far away in the future but it needs planning now to make sure that the workers have enough to support themselves after they end their paid employment. There are few studies that highlighted Malaysians still do not think retirement savings as the utmost importance. For example, a study conducted by Credit Counseling and Debt Management Agency (AKPK) (Aznam, 2017) reported that over 50% of Malaysia are not financially ready for retirement. According to the report by AKPK the young adults still do not think about retirement savings. In the study, it is also reported that although people made savings but it is still not enough to support their post retirement lifestyle. To further support this scenario, Shagar (2016) indicated that an HSBC survey revealed most Malaysians have to spend more on medical cost and children education fee and they have less fund to put aside for retirement savings. In addition to this, a survey done by Prudential Relationship Index (PRI) in 2013 also uncovered that almost half of Malaysians are not confident that they will have enough savings for their retirement.

To add more concern to the above, there is a trend of retirees returning to work after retiring their jobs (Hassan et al., 2016). According to Loh (2009), more than half of the workers who retired with EPF funds deplete their EPF savings in just a few years. In point of fact, EPF Chief Executive Officer revealed that 68% of members aged 54 years had savings less than RM50,000 which could last them for five years (Shagar, 2016). An article further indicated that Malaysia will be an aged nation by 2035 where 15% of the population will be over 65 years old. Moreover, the life expectancy of the population has also risen to 72.5 years and 77.4 years for males and females (respectively) raise question whether EPF savings are enough to sustain retirees living maintenance for 15 to 20 years. To make this situation worst, only 48% of the workforce has active EPF accounts, 10% of them have Government pensions and the rest of the workforce is not covered by any pension plans (Ks, 2017). Hence, the workers need to plan early for their retirement. To this effect, there are various campaigns by the public and private agencies to persuade the workers to nest up some of their income for their retirement but to no avail. Majority of the workers still procrastinate in planning for their retirement. They do not save enough to maintain their pre-retirement standard of living and simply being ignorant. Most of them think that the EPF fund and their government pensions will be enough to cover for all their post retirement

expenses. However, this pre-pandemic thinking no longer holds when the far-reaching COVID-19 pandemic have wounded the society with the Malaysian government's virus containment measures coerced financial pressures to the population (Dass, 2021). According to Yong and Sia (2021), the society is hit hardest with the lost income through reduction in pay and job loss. The loss of income contributes to less savings by the society which directly affect their capacity to save for their retirement. Even those with EPF as their retirement nest will have less fund for retirement when EPF announced its relaxed withdrawal policy to relieve its members from financial hardship (Rahim & Trisha, 2021).

In a nutshell, retirement saving has become extremely challenging to Malaysians. The possibility of the COVID-19 pandemic intensifying retirement insecurity is considerable, especially given increased life expectancy and mounting reliance on public resources to support health and an ageing population. Therefore, there is a need to further explore solutions that may assist the population to save for retirement during and after the COVID-19 pandemic.

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