'REMAIN GROUNDED'

Strong quarter no guarantee of high EPF dividend, say experts

KUALA LUMPUR: Economists have cautioned Employees Provident Fund contributors against expecting sharply higher dividends despite the fund's strong first-quarter performance.

The EPF's 51 per cent jump in investment income to RM27.73 billion in the first quarter of this year was encouraging but should not be viewed as a signal of bigger payouts at year-end, they said.

Universiti Putra Malaysia School of Business and Economics lecturer Associate Professor Dr Lee Chin said that EPF determines dividends based on realised and distributable income rather than unrealised paper gains from market rallies.

"This means that while a strong quarter is positive, the fund is likely to retain prudence and possibly set aside buffers to support dividends in weaker periods.

"So, contributors may benefit, but expectations should remain grounded rather than overly optimistic," she told the *New Straits Times*.

EPF LIKELY TO STAY CAUTIOUS

Lee said global market uncertainties and geopolitical risks could still affect investment performance in the coming quarters, making it important for EPF to maintain a balanced and sustainable dividend approach.

However, she said EPF's diversified allocation across regions and asset classes is designed to cushion such shocks over the long term.

"While members may see temporary volatility in returns, the long investment horizon helps absorb these disruptions."

Given the uncertainty outlook, Lee advised Malaysians to treat EPF as a core retirement pillar and utilise voluntary contributions where financially feasible.

"Where financially possible, voluntary top-ups can be very beneficial, especially given EPF's historically competitive dividend relative to other low-risk instruments.

"At the same time, Account 3 should be used strictly for genuine emergencies, not discretionary spending," she said.

Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid described EPF's first-quarter performance as "a good start" following the sharp increase in gross investment income.

However, Afzanizam stressed that it was still too early to conclude EPF's performance for this year due to persistent global uncertainties.

"Uncertainties over interest rate direction especially in the US, along with the ongoing war in Iran and protectionist trade policies adopted by the US, could lead to volatility in the financial market.

"What it means is that investment risks will continue to remain elevated and it could easily turn the fund's performance," he said.

"Hence, the dividend rate for the current year is never a sure thing."

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> **DR MOHD AFZANIZAM ABDUL RASHID**
> Bank Muamalat Malaysia Bhd chief economist

On contributors' savings behaviour, Afzanizam said EPF's consistent dividend performance, which historically surpassed the long-term inflation rate of 2.4 per cent, should encourage members to preserve their retirement savings.

"They need to be cognisant about the risk of losing out on the compounding factor in their EPF savings whenever they withdraw the money."

Afzanizam said voluntary EPF savings had risen to RM8.83 billion, reflecting improved financial literacy among contributors.

"Members should try to maintain their savings in EPF and refrain from withdrawing the money unnecessarily in order to enjoy a greater compounding factor on their return on investment."

Echoing the views, economist Geoffrey Williams said the stronger performance would not automatically translate into higher dividends because it stemmed from special circumstances and global uncertainties surrounding oil supply.

"There are also more members, so returns are diluted."

He urged contributors to remain focused on long-term retirement savings instead of treating the higher returns as an opportunity for withdrawals.

"These are good returns now but they are not likely to be repeated, so it is better to save."

Azanis Shahila Aman