

Cagamas launches scheme for retired property owners

The scheme allows retirees to borrow against the value of their fully paid homes and convert it into a steady monthly cash payout

by **NURUL SUHAIDI**

CAGAMAS Bhd, the national mortgage corporation, has introduced a market-first financing solution for retirees called Skim Saraan Bercagar (SSB) to help partly fund their retirement.

The solution allows retirees aged 55 and above, to borrow against the value of their fully paid homes and convert it into a steady monthly cash payout throughout their lifetime to supplement their retirement funds, Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said at the SSB launch yesterday.

"As more Malaysians retire in the future, we must recognise the importance of our retirees and their contribution to a productive economy

"In this context, the Finance Ministry is looking to develop the right policies and structural reforms in the future to ensure the independence of the ageing population and to create a more inclusive society.

"As such, the Social Protection Council has been reactivated and is actively looking at various options for a comprehensive and integrated social security policy," the finance minister added.

To further strengthen the government's

effort in supporting private sector initiatives such as SSB, which may attract ad valorem stamp duties to be paid to execute the product transaction as a new product to be introduced in Malaysia, Tengku Zafrul also announced the exemption of stamp duty on the transaction documents executed by the parties involved to reduce the financial burden to potential applicants.

This exemption, applicable for the first two years after the scheme is launched, will help reduce the cost for the Malaysian retirees.

There are few criteria that determine the amount of payout, which are the borrower's age upon the scheme entry, the rate of remaining life expectancy and the value of the borrowers' estate based on the current market price.

Depending on the factor above, the monthly payment can be varied, which ideally can range between RM1,000-RM2,000 and more which also may exceed if the property value is high while the expected life expectancy left for borrowers are short, Cagamas CEO Datuk Chung Chee Leong said.

The scheme represents Cagamas' continuous efforts to address financial gaps in the marketplace. This comprehensive and integrated solution focuses on retirees who might be affected due to a lack of savings and aims to help them maintain their standard of living.

SSB is Malaysia's first retirement planning solution with an initial fund of RM100

million. In designing the offering, we have considered the experiences and lessons learnt from Korea and Hong Kong to formulate product features localised to Malaysian needs.

SSB will help retirees unlock the value of their homes safely to receive guaranteed monthly payouts throughout their lifetime.

"We are aware that retirement financial management will become more significant as 15% of the country's population by 2030 will be senior citizens aged 60 and above as reported by the Department of Statistics Malaysia," said Cagamas chairman Datuk Bakarudin Ishak.

Cagamas has also taken a collaborative approach with its strategic partners, the Employees Provident Fund (EPF) and the Credit Counselling and Debt Management Agency (AKPK) in striving towards a common goal of increasing financing access to the elderly.

There would be easy access to SSB through EPF's offices while AKPK would provide financial education to the applicants.

According to the Securities Commission Malaysia's Capital Market Masterplan 3, 40% of Malaysia's population is not covered by any form of social protection and many are expected to be unable to save enough money for retirement.

Bakarudin said the motivation of SSB is less about making a profit but instead to help the elderly gain access to income security and sustain their livelihoods.