

# Way to retire in comfort

■ BY MUHAMMAD YUSRY  
newsdesk@thesundaily.com

**PETALING JAYA:** Rising costs and a shrinking nest egg have combined to make retirement impossible for many.

However, those who have their own property may just have a way out of this quagmire.

A new financial plan has been introduced to ensure that they continue to receive a fixed sum of money every month for the rest of their lives.

All they have to do is agree to sell their property but they will be allowed to continue to stay there for as long as they live.

The financial plan, called the reverse mortgage scheme or SSB for Skim Saraan Bercagar, was introduced in December last year by mortgage corporation Cagamas Sdn Bhd.

The objective is to ensure that those who have retired will continue to receive a monthly income to ensure they continue with the lifestyle they have been accustomed to, Cagamas president and chief executive officer Datuk Chung Chee Leong told *theSun*.

The risk of not having enough to retire on is very real, and it has only

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➤ Reverse mortgage scheme allows participants to receive a fixed sum every month until they die

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been aggravated by the excessive withdrawals from the Employees Provident Fund (EPF) savings to ease the financial burden caused by the Covid-19 pandemic.

In December last year, EPF announced that 6.1 million members had less than RM10,000 in their savings, and among them 3.6 million has less than RM1,000.

Chung said the SSB had been tailored to meet the needs of people who would otherwise not have enough money to enable them to retire. However, it is opened only to those aged 55 and above and have already fully paid up for their property.

Typically, it is a loan, and the house is the collateral. The equity value of the property is monetised to give the property owner a monthly income stream, Chung explained.

"The older the applicant, the higher the sum of money he will receive, based on the value of his

property," he said.

Cagamas charges 5% as interests throughout the tenure of the loan and there is a one-time administrative fee of 1.75% of the value of the property.

If the property is jointly owned, the monthly income stream will continue for as long as the surviving partner lives. Better yet, the borrower will continue to receive his monthly payment if he lives longer than expected.

Upon the death of the owner, the option will be given to his next-of-kin to buy back the property by settling the outstanding sum of the loan.

Otherwise Cagamas will sell the property.

The same scheme has been introduced in the United States, the United Kingdom, Japan, South Korea, the Philippines and Hong Kong.

"In many families, the children usually acquire their own property when they grow up. The SSB will ensure that the older folk get to sell

their property without having to move out," Chung pointed out.

There are several other advantages. For instance, it will prevent senior citizens from losing all they have to financial scams.

"People who have a large sum of money from the sale of property are more vulnerable to scammers. But if they receive the proceeds from the sale in small but consistent sums every month, they will be safer," he said.

Those interested can visit the EPF offices in Petaling Jaya or Kuala Lumpur or visit the Cagamas website for more information.

There is also a guide to help potential clients calculate the amount they will receive, based on the value of their property, if they participate in the scheme.

Professional financial advisers are on hand to guide clients at the Credit Counselling and Debt Management Agency.

Cagamas has obtained approval from the Finance Ministry to waive ad valorem tax, stamp duty and the loan documentation fee until December next year.

The SSB is available only for property in the Klang Valley for now but the target is to expand nationwide eventually.