

Planning for old age with new options

The CPF Advisory Panel has recommended two key changes to the national retirement savings system. The first is to offer a low-fuss, low-cost investment scheme for members who want to pursue potentially higher returns. The second is to offer escalating payments in the CPF Life annuity programme.

Investing with CPF savings

Existing option 1
 Leave **cash** in savings accounts

- Low-risk
- Above-market returns in low-yield environment

Interest
 Higher of 2.5% or 3-month average of local banks' deposit rates

Ordinary account

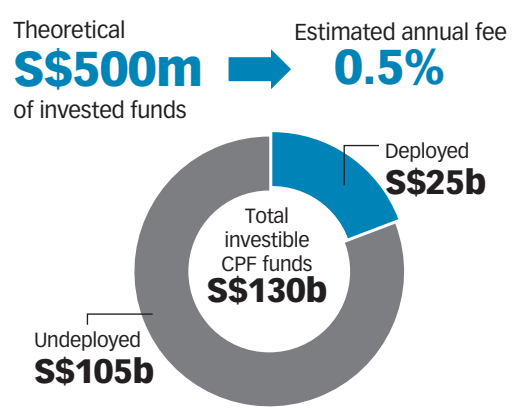
Special account
 Higher of 4.0% or 1% above 12-month average 10-year SGS yield

Existing option 2
CPF Investment Scheme

- Flexibility and control
- Some risk, but potential for better long-term returns
- Must have at least S\$20,000 in Ordinary Account and/or S\$40,000 in Special Account

NEW OPTION
Lifetime Retirement Investment Scheme

- Limited flexibility and control
- Some risk, but potential for better long-term returns
- Lower fees by economies of scale, restricting investors' flexibility
- Less work for investor with fewer choices and funds that do not require active balancing
- Implementation details to be worked out by panel of experts



Receiving retirement payouts

The CPF Life scheme provides monthly payments to CPF members from the age of 65 to the end of their lives.

	Current scheme	
	Standard Plan	Basic Plan
Monthly payout	Fixed. Higher than Basic payout	Fixed. Lower than Standard payout
Bequest amount	Lower than Basic	Higher than Standard at the start

NEW OPTION
Escalating Plan

Increases by 2 per cent per year. Lower than Standard at the start, but higher after about 13 years*

Higher than Standard and Basic at the start

* Assumes initial escalating monthly payout is 20% less than Standard payout

Potential payout of Escalating plan

