

CPF Withdrawals Under Various Schemes

Since the inception of the Central Provident Fund (CPF) in 1955, the CPF Board has implemented a number of schemes for members to fund their housing, healthcare and retirement needs using their CPF savings. Just how much CPF monies have been withdrawn under the various schemes yearly? Which scheme did withdrawals occur most? Read on to find out more.

In the following, we will cover the withdrawal of CPF savings under these schemes:

CPF monies can be withdrawn for the following purposes:

- **Housing**
- **Investment**
- **Healthcare**
- **Other CPF schemes**
- **Age 55, Non-Retirement Grounds and Upon Death**

- **For housing** - Public and Private Residential Housing Schemes
- **For investment** – CPF Investment Scheme using Ordinary Account and CPF Investment Scheme using Special Account
- **For healthcare** – Medisave Scheme, MediShield Scheme, Private Medical Insurance Scheme and ElderShield Scheme
- **For CPF schemes** - Home Protection Scheme, Dependants' Protection Scheme, Education Scheme, Non-Residential Properties Scheme^[1], Special Discounted Shares Scheme, DelGro Shares Scheme^[2] and Minimum Sum Scheme

We will also take a look at the amount withdrawn at age 55, under non-retirement grounds and upon death. ^[3]

[1] The Non-Residential Properties Scheme was phased out on 1 July 2006. The CPF Board will not accept any applications under the Scheme from 1 July 2006. Members who are using CPF to service their non-residential properties before 1 July 2006 are not affected by the policy change.

[2] DelGro Shares Scheme ceased to operate on 15 February 2004 upon the shares being integrated into CPFIS-OA.

[3] This refers to amount withdrawn under Section 15 and 25 of the CPF Act. Section 15 covers the following grounds for withdrawals: 55 years and above, leaving Singapore and West Malaysia, physical incapacity, unsound mind and Malaysian Citizen leaving Singapore. Section 25 applies to withdrawal upon death.

Yearly Withdrawals of CPF Monies

Chart 1 shows net CPF withdrawals^[4] yearly, between 1968 and 2007. Over the last 40 years, an average net amount of \$5,700 million was withdrawn from the CPF accounts annually. Net CPF withdrawals fluctuate annually and are influenced by changes to the rules governing withdrawals under the CPF schemes.

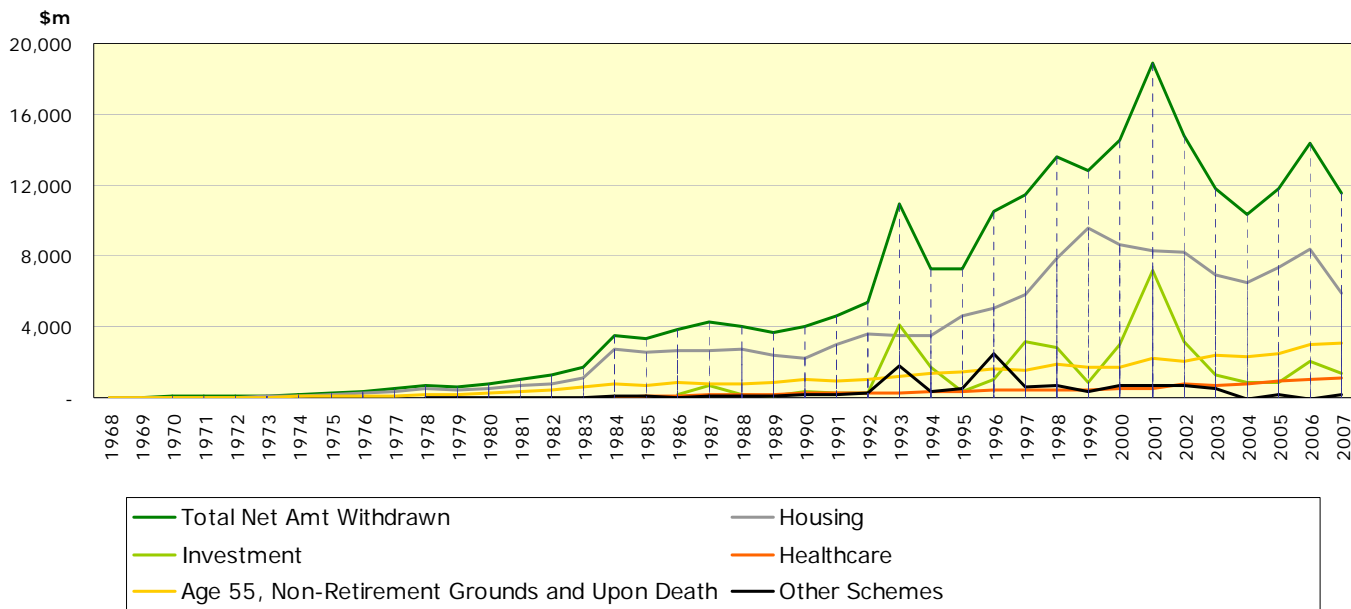
For instance, in 2001, members could invest their Special Account (SA) savings in lower-risk approved financial instruments for the first time. At the same time, full Ordinary Account (OA) savings could be invested in a variety of investment products. These led to a peak in the net amount of CPF savings withdrawn in 2001.

Market changes also play a part in affecting the withdrawn amount. In 2006, amidst positive market sentiments, withdrawals under housing and investment schemes again saw high volumes, causing a peak in net amount of CPF monies withdrawn that year.

Average net amount withdrawn over past 40 years was \$5,700 million.

Withdrawals are influenced by CPF policies as well as market factors.

Chart 1: Yearly Net Amount Withdrawn Under CPF Schemes, 1968 - 2007



[4] Refers to net amount withdrawn (gross amount withdrawn less amount refunded) by members in the year.

Withdrawals for housing formed the bulk of annual withdrawals.

Withdrawals for investments exceeded housing withdrawals in 1993 due to relaxation of investment policies and an expansion of investment instruments.

Withdrawals for healthcare rose from 0.5% of total amount withdrawn in 1984 to 9% in 2007.

Housing Withdrawals

Housing is probably the largest ticket item anyone would purchase in their entire lifetime. Naturally, the bulk of the annual CPF withdrawals are done under the housing schemes – for HDB flats and private properties. In fact, between 1968 and 2007, about 60% of total net CPF withdrawals were done under the housing schemes on average each year (see *Chart 2*).

Investment Withdrawals

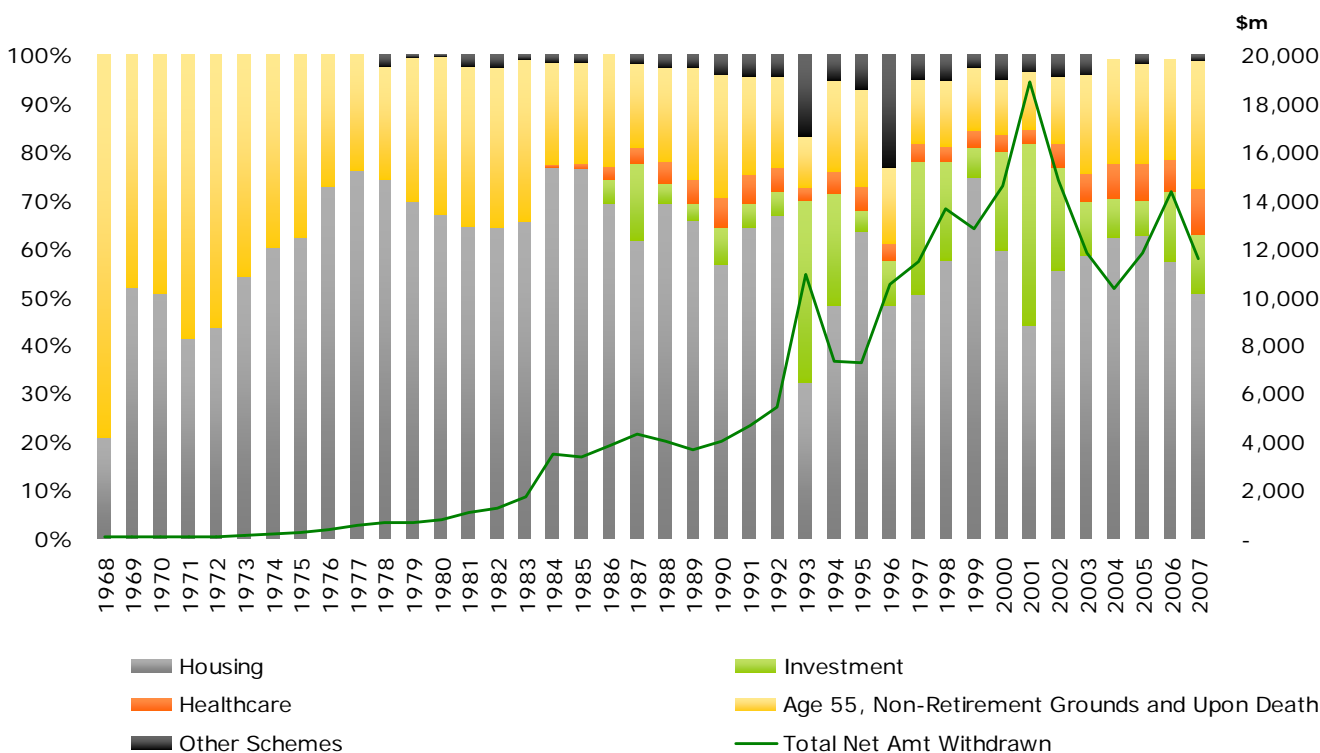
The exception to the withdrawal pattern was 1993. In that year, the size of net withdrawals under the investment scheme was the largest compared to any other schemes. Some 38% of the total net CPF withdrawn that year were invested as compared to 32% that went into housing. This could be due to a liberalisation of investment scheme and the introduction of the Enhanced Investment Scheme, where withdrawal limits for investment were increased and the range of investment tools widened^[5].

Healthcare Withdrawals

Withdrawals for healthcare purposes have been increasing slowly but steadily. In 1984, when the Medisave account was created, withdrawals for healthcare needs accounted for only 0.5% of total net CPF monies withdrawn. In 2007, this proportion went up to 9%. On average, over the past 40 years, healthcare withdrawals under the Medisave and health insurance schemes were accountable for about 5% of the total net CPF savings withdrawn yearly.

[5] For more details, please refer to the CPF Trends article on CPF investment schemes at <http://mycpf.cpf.gov.sg/CPF/About-Us/CPF+Trends.htm>

Chart 2: Proportion of Yearly Net Amount Withdrawn Under Various Schemes, 1968 - 2007



Withdrawals at age 55, under non-retirement grounds and upon death account for one-fifth of net amount withdrawn since 1986.

Withdrawals for other purposes had no significant trends except in 1993 and 1996 when Singtel shares were offered to members at a discounted rate.

Withdrawals at Age 55, on Non-Retirement Grounds and Upon Death

As mentioned earlier, withdrawals are also made based on the occurrence of specific events like reaching age 55, death, permanent incapacity or the renunciation of Singapore citizenship. These withdrawals formed a large part of the yearly net CPF withdrawn in the 1960s and 1970s. However, such withdrawals formed a decreasing portion of the yearly net withdrawals as more CPF schemes were set up. On average, withdrawals under these categories took up about one-fifth of net amount withdrawn each year since 1986.

Other Schemes

Over the years, no drastic trends were reported for the withdrawals of CPF savings under other schemes (e.g. Home Protection Scheme, Dependants' Protection Scheme, Education Scheme, Non-Residential Properties, Special Discounted Shares Scheme, Minimum Sum Scheme and DelGro Shares Scheme) except 1993 and 1996. The two spikes were results of allowing members to buy SingTel shares at a discount using their CPF monies.

In Conclusion

Since the inception of the Central Provident Fund (CPF) in 1955, withdrawals under the various schemes has been on a steady increase, rising from \$30 million in 1968 to \$11,562 million in 2007.

Withdrawals for both housing and healthcare has been increasing gradually over the past 40 years with housing withdrawals forming the bulk of total net CPF withdrawals between 1968 and 2007.

Withdrawals at age 55, under non-retirement grounds and upon death decreased in proportion over the years due to more schemes being set up.

An exceptional trend can be seen in 1993 when investment withdrawals exceeded housing withdrawals. Singtel shares were also offered to members at a discounted rate in 1993 and 1996 resulting in the spike under other schemes.

In summary, CPF withdrawals are largely affected by changes in CPF policies and market forces.