

Transfer of CPF Savings from Ordinary Account to Special Account

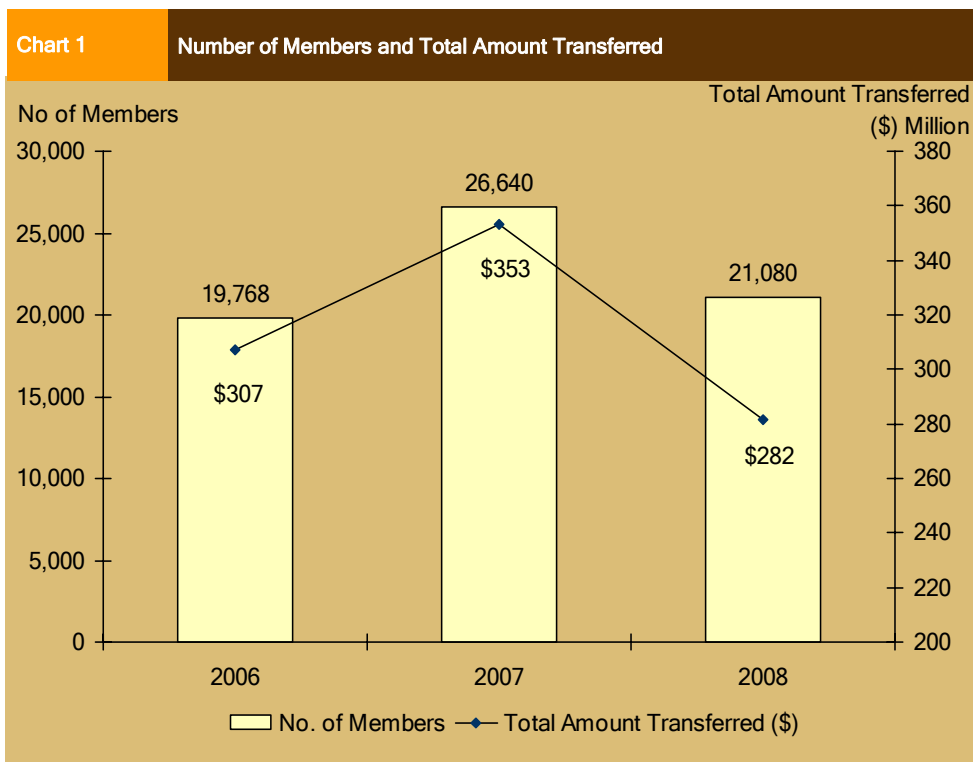
To help members build up their CPF savings for retirement, the transfer of savings from the CPF Ordinary Account (OA) to the Special Account (SA) was introduced in July 1998. The total savings in the SA, inclusive of the amount withdrawn under the CPF Investment Scheme - Special Account (CPFIS-SA), should not exceed the prevailing CPF Minimum Sum after the transfer. As the SA currently earns a higher interest rate of 4% compared to the OA interest rate of 2.5%, members will be able to accumulate their SA savings faster.

This paper provides an insight on the transfers from OA to SA. The cohort analysed in this paper refers to CPF members as at end of December 2008 who have made at least one transfer from OA to SA in 2006, 2007 or 2008.

Participation rate above 20,000 members

An average of 22,496 members per year made transfers from OA to SA over the last three years. There was a 35% increase in the number of members who made transfers from 2006 to 2007 in tandem with a series of promotional programs by the Board to raise awareness of the scheme. The total amount transferred averaged \$314 million per year from 2006 to 2008 (**Chart 1**).

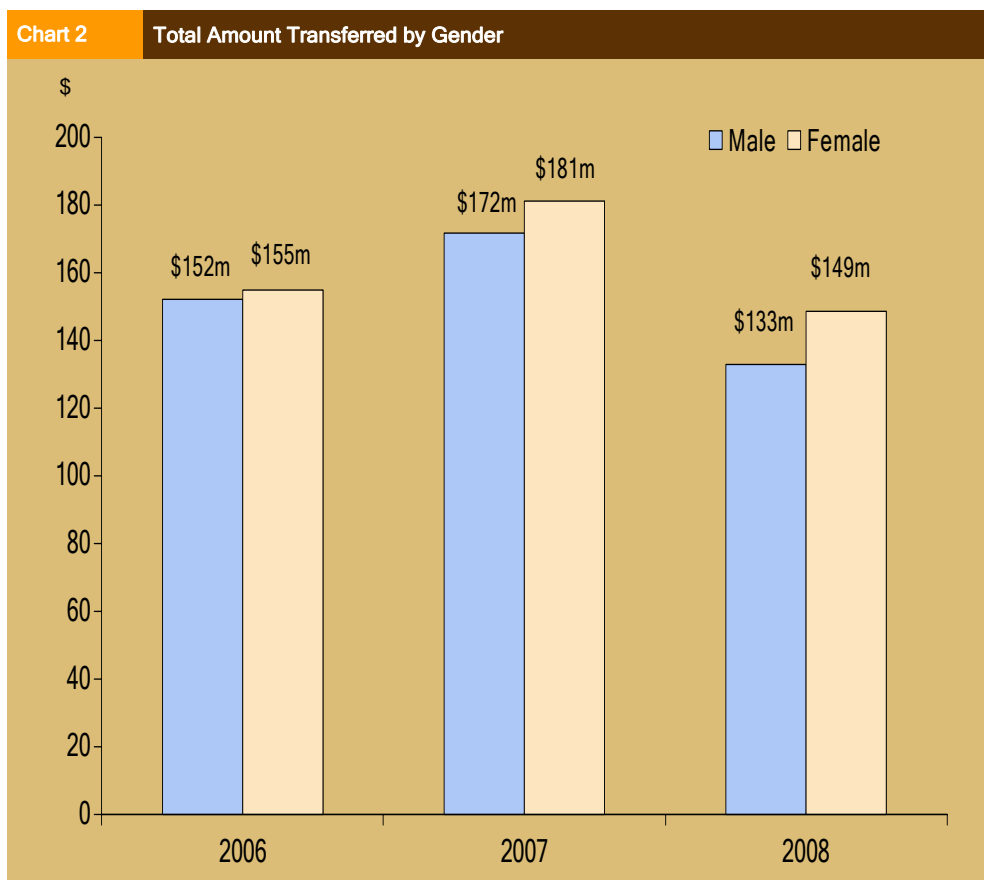
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Females transferred a higher amount than males

Females transferred a higher amount than males, with the largest difference at least \$16 million in 2008

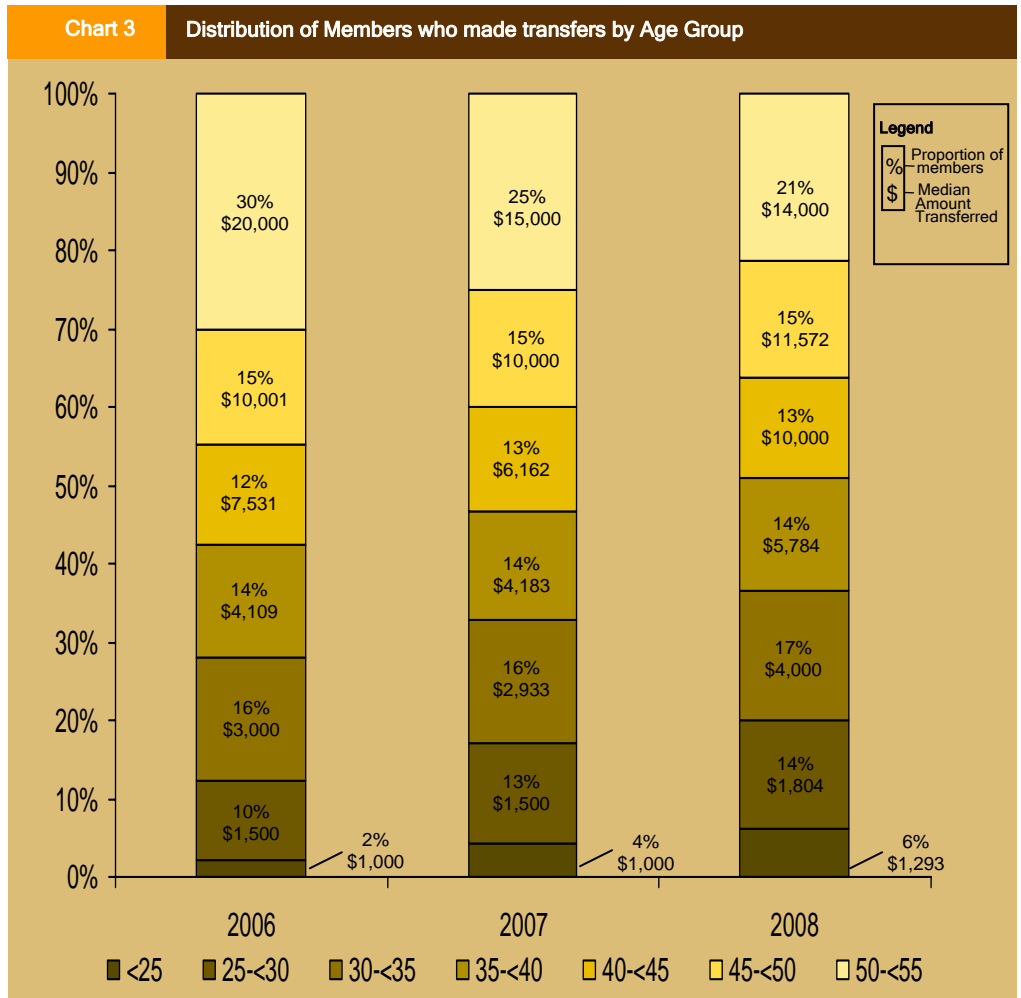
Chart 2 shows the total amount transferred by gender. From 2006 to 2008, the total amount transferred by females exceeded that of males. The total amount transferred by females was in the range of \$149 to \$181 million while it was \$133 million to \$172 million for males. The difference in the total amount transferred by males and females has increased over the years. The difference was the largest at \$16 million in 2008. This was almost double the difference in the total amount transferred between males and females in 2007 and five times more than the difference in 2006. One possible explanation that females transferred a higher amount than males was because they had fewer housing commitments. This resulted in females having more CPF savings to make transfers.



Members Aged 50-<55 made the most transfers

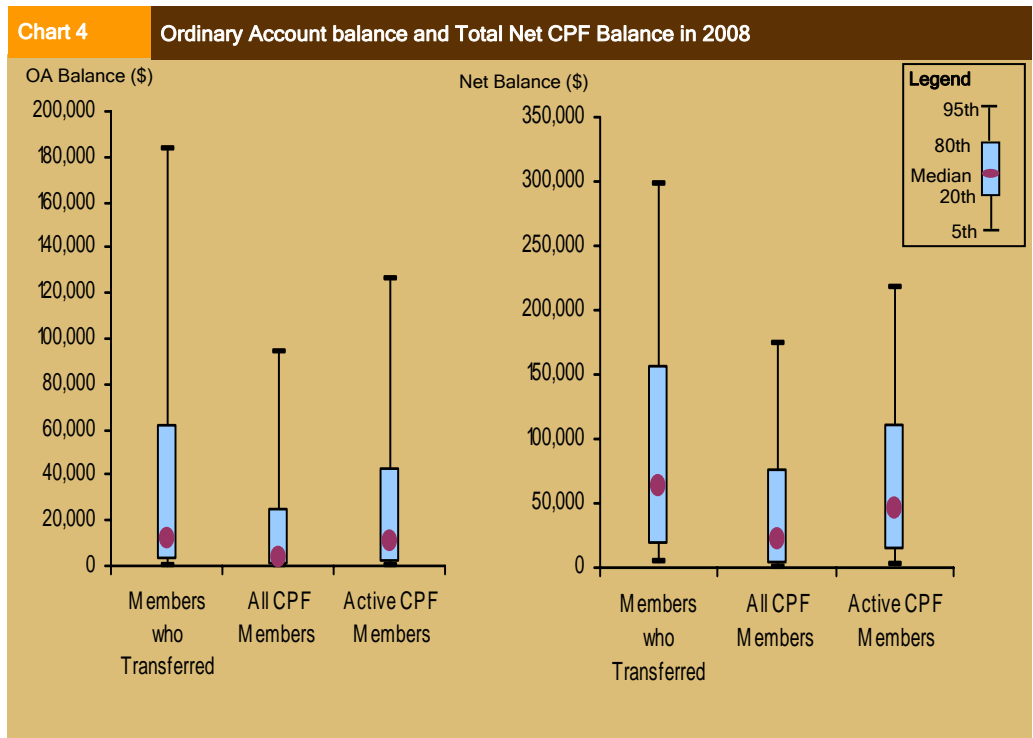
Members aged 50-<55 made up the largest segment and transferred the highest median amount

About one-fifth of the members who made a transfer were aged 50-<55 in 2008. This group of members also transferred the highest median amount of \$14,000 and accounted for one third of the total amount transferred in 2008 (**Chart 3**). This group of members was likely to have larger OA balances prior to age 50, enabling them to make transfers when they were 50 to 55 years old. Members aged less than 25 also made transfers but they formed only 6% of the cohort in 2008. These members transferred a median amount of less than \$1,300.



Higher CPF balances observed for those who made transfers

The next section looks at the OA balances and total net CPF balances¹ of members who made transfers. In **Chart 5**, the vertical line represents the net balance from the 5th to the 95th percentile while the box shows where the net balances of the majority of the members fall into, between the 20th and 80th percentile. The dot in the box represents the median balance.



Members who made transfers had higher OA and total net balances

Chart 5 shows that members who made transfers tend to have higher OA and total net CPF balances, relative to active CPF members² and all CPF members. Of those who made transfers, the median OA and total net CPF balances were about \$12,000 and \$62,000 respectively. In comparison, the 50th percentile balances of all CPF members were lower. (\$3,600 for OA balances and \$21,100 for total net balances).

Summary

The analysis on transfers from OA to SA indicated that females transferred a higher amount than males. Out of those who made transfers, members between the age group of 50-<55 formed the largest segment. These members also transferred the largest median amount of \$14,000 in 2008.

The primary role of the SA is to help members save for retirement. Savings in the SA therefore earn a higher return compared to the OA. By doing a transfer from OA to SA, the process of building up retirement savings can be accelerated. It will be more effective if transfers are done earlier in a member's work life as the compound interest effect will be greater.

¹ Total net CPF balances refer to balances in the Ordinary, Special, Medisave and Retirement accounts.

² Active member refers to a person who has at least one CPF employment contribution paid for him for the current or for any of the preceding three months.