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Minimum Sum Scheme

The Minimum Sum Scheme was introduced in January 1987 to help CPF members set aside sufficient savings to support a basic standard of living during retirement. When the scheme was first started, members were required to set aside a sum of \$30,000 in their Retirement Account when they turned 55 years old. The Minimum Sum amount was progressively raised, reaching \$94,600 by 1 July 2006, and will be further increased to \$99,600 from 1 July 2007.

In addition, since 1995, members who turn 55 have to set aside a certain portion of the Minimum Sum in cash (see Table 1).

The percentage of active members¹ who met the required Minimum Sum when they turned 55 declined from 57.1% in 1996 to 36.4% in 2006² (see Chart 1), as a result of the required Minimum Sum (MS) being raised progressively from \$40,000 in July 1995 to \$94,600 in July 2006. The increased MS is to ensure that members have enough for basic needs in old age. A member may opt to pledge his property against up to half the MS, so that the cash he needs to set aside will be just \$47,300.

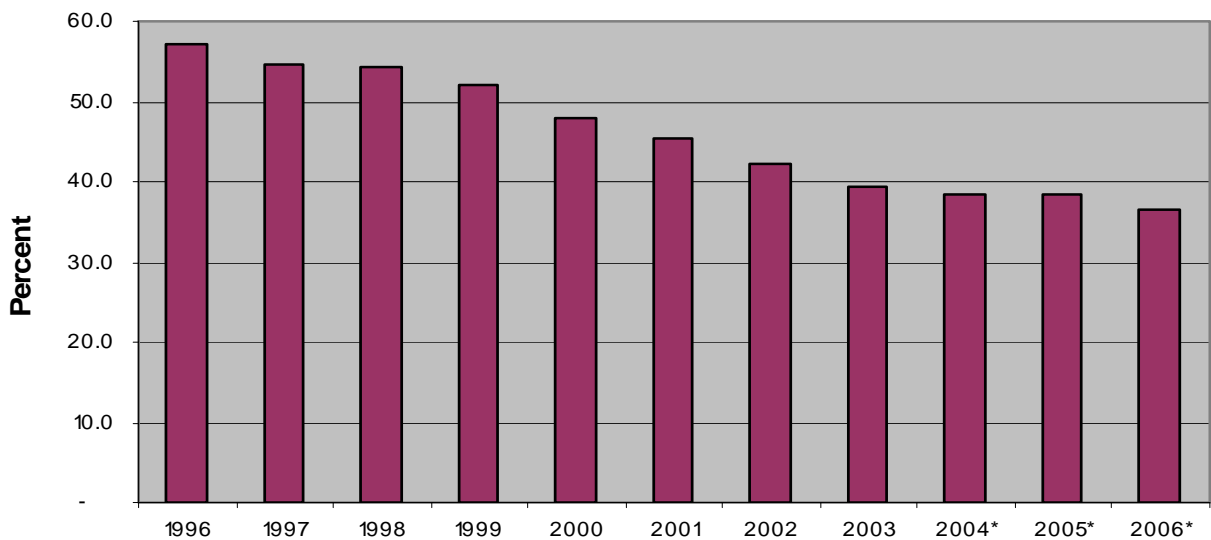
Table 1: Minimum Sum Schedule, 1987-2007

Period	Full Minimum Sum To Set Aside In The Retirement Account	Minimum Amount to Set Aside In Cash	Maximum Amount to Set Aside for Property
From 1 Jan 1987	\$30,000	-	-
From 1 Dec 1988	\$30,000	-	-
From 1 Apr 1989	\$30,900	-	-
From 1 Apr 1990	\$31,600	-	-
From 1 Apr 1991	\$32,700	-	-
From 1 Apr 1992	\$33,800	-	-
From 1 Apr 1993	\$34,600	-	-
From 1 Apr 1994	\$35,400	-	-
From 1 Jul 1995	\$40,000	\$4,000	\$36,000
From 1 Jul 1996	\$45,000	\$8,000	\$37,000
From 1 Jul 1997	\$50,000	\$12,000	\$38,000
From 1 Jul 1998	\$55,000	\$16,000	\$39,000
From 1 Jul 1999	\$60,000	\$20,000	\$40,000
From 1 Jul 2000	\$65,000	\$25,000	\$40,000
From 1 Jul 2001	\$70,000	\$30,000	\$40,000
From 1 Jul 2002	\$75,000	\$35,000	\$40,000
From 1 Jul 2003	\$80,000	\$40,000	\$40,000
From 1 Jul 2004	\$84,500	\$42,250	\$42,250
From 1 Jul 2005	\$90,000	\$45,000	\$45,000
From 1 Jul 2006	\$94,600	\$47,300	\$47,300
From 1 Jul 2007	\$99,600	\$49,800	\$49,800

¹ Active CPF Members refer to persons with at least one CPF employment contribution paid for them for any of the last four months of the year.
² Prior to year 2004, figures refer to all active members. From year 2004, figures refer to active members who are Singaporeans or Permanent Residents.

In addition, with increased life expectancy, members need to set aside enough savings for a longer period of retirement. Hence, the CPF Minimum Sum will be raised gradually until it reaches \$120,000 (in 2003 dollars) in 2013, with the amount thereafter adjusted yearly for inflation.

Chart 1 : Percentage of Active Members who Met the Minimum Sum at Age 55, 1996 - 2006



Note: * From Year 2004, figures refer to Singaporeans and Permanent Residents only.

In summary, the CPF Minimum Sum Scheme aims to help members meet their basic financial needs in old age. There are many ways that can help members achieve this goal, which may range from spending within one's means, investing wisely, as well as continuing employment beyond age 55. Furthermore, if the economy remains robust and CPF contribution increases with rising wage, more members will likely be able to meet the required Minimum Sum when they turn 55 years old.