

CPF Trends

May 2008

Profile of CPF Members Under the Minimum Sum Topping-Up Scheme

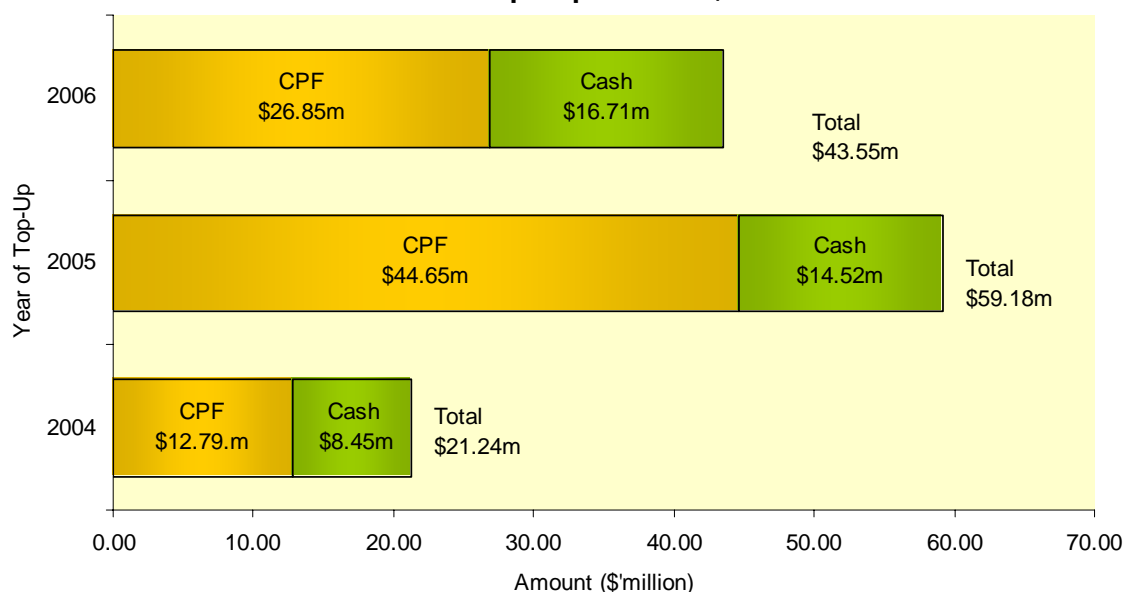
Background

The Minimum Sum Topping-Up Scheme was started in 1987 to help members, who do not have enough CPF savings of their own, set aside the Minimum Sum for retirement. Under the scheme, Singapore citizens and permanent residents can top-up their own, spouse's, parents', or grandparents' CPF Minimum Sum. When they top-up by using cash, members can enjoy a tax relief up to \$7,000.

Is the Scheme Well-Received?

Since the inception of the scheme, almost one billion dollars worth of top-ups have been made up to December 2006. Over the years, changes have been made to encourage more top-ups. The most recent changes were effected on 1 October 2007 and 1 January 2008.^[1] The previous changes introduced in July 2005^[2] have yielded encouraging results.

Chart 1: Total Top -Up amount, 2004-2006

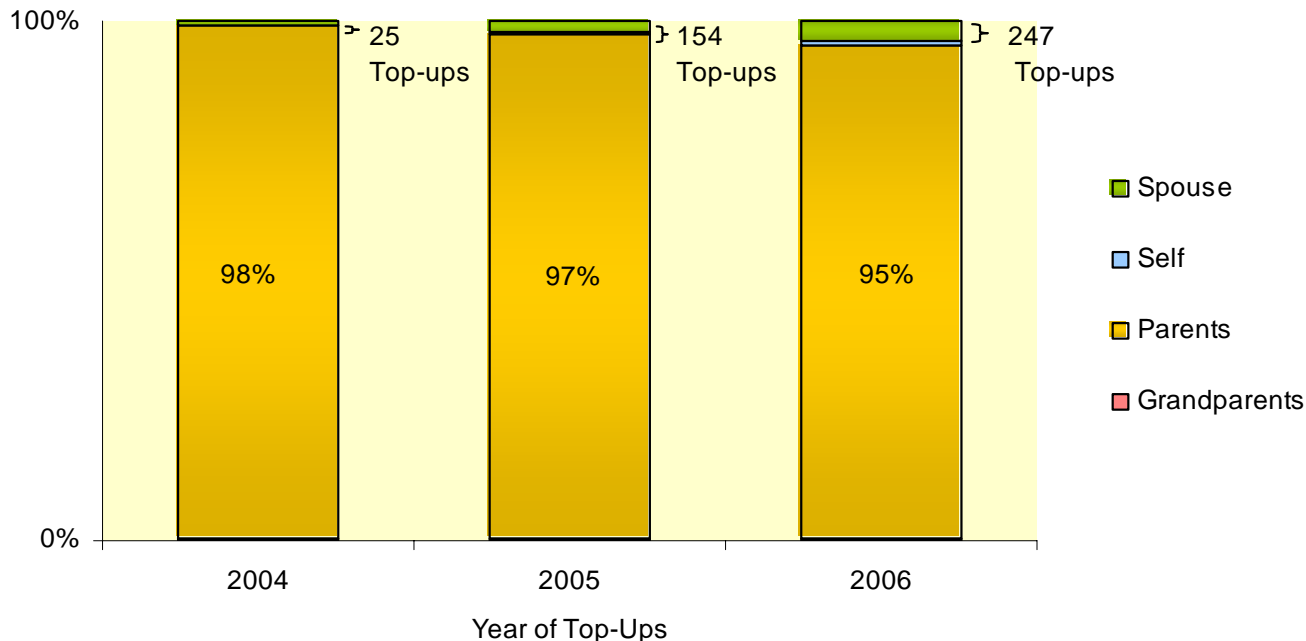


[1] From 1 October 2007, CPF savings can be used to make top-ups for grandparents (previously, only spouse and parents above age 55 could receive CPF top-ups). Top-ups for siblings aged 55 and below can also be done using CPF savings and cash. From 1 January 2008, members can top up their siblings'/spouse's Special Accounts using their CPF savings or cash.

[2] CPF members are now able to use their CPF savings for top-ups if their net CPF balances exceed 1.5 times the prevailing Minimum Sum. For recipients of top-ups, the amount they could receive from 2005 is their cohort's Minimum Sum (i.e. the Minimum Sum when they turn age 55) less their net CPF balances in Ordinary, Special and Retirement Accounts including amount used under CPF investment scheme.

Comparing the group of toppers (i.e, CPF members who topped-up) and recipients in 2004 versus 2005, the number of toppers and recipients increased more than two-fold, with total top-up amount reaching \$59 million in 2005, or 180% more than the amount in the previous year (Chart 1). A one-time letter sent to potential toppers in July 2005 also helped to create awareness on the scheme.

Chart 2: Distribution by Type of Top-Ups Each Year



Who are the Toppers?

The scheme is popular among CPF members in their 40s and 50s. They made up more than half the toppers in the past 3 years. However, we do see an increasing number of young toppers in the past 2 years, with the youngest topper at age 23.

Over the last 3 years, approximately 97% of the top-ups were for parents. With the liberalisation of the scheme in 2005, we saw an increase in the number of members who top up for their spouse, from 25 top-ups in 2004 to 247 top-ups in 2006. However, cases of top-up for grandparents remained low at less than 30 each year (Chart 2).

The number of men who topped-up has always been higher than women but there was a significant increase in the number of women toppers after the liberalisation of the scheme in July 2005. In 2005, the number of women toppers was 2.4 times over corresponding figures in 2004, compared to 1.9 times for men. Interestingly, 1 out of 4 who top up for their spouse is a

woman in 2005, while there was none in 2004 (Chart 3d). In addition, we also see more women topping up for themselves as compared to men although the gap is narrowing. The proportion of men who have topped-up their own account has almost doubled in 2006 as compared to 2005 (Chart 3c).

Chart 3a: Distribution of Toppers by Gender under Grandparents' Top-up

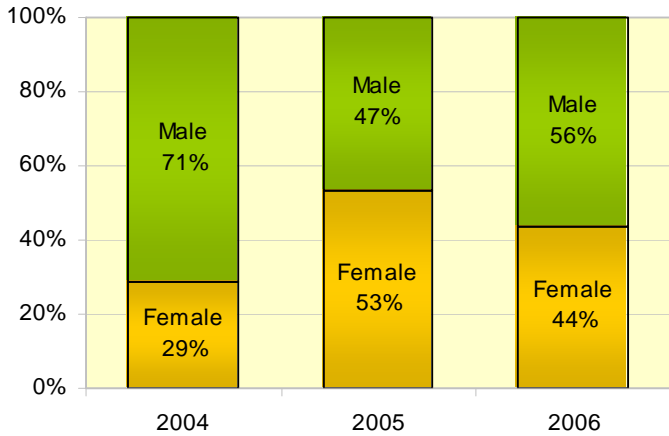


Chart 3b: Distribution of Toppers by Gender under Parents' Top-up

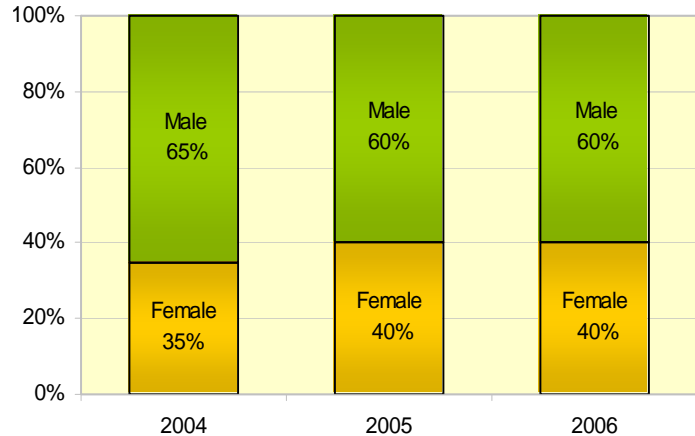


Chart 3c: Distribution of Toppers by Gender under Self Top-up

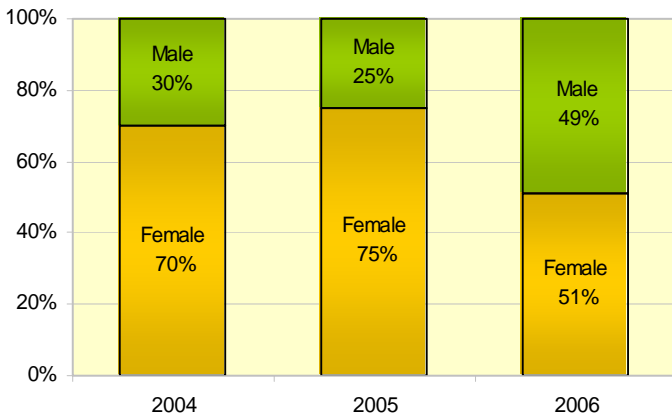
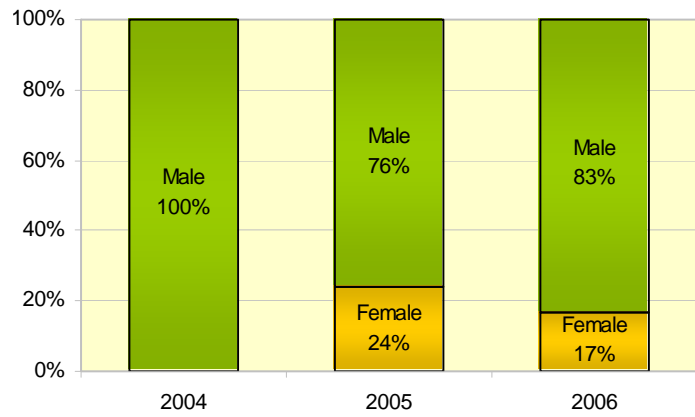


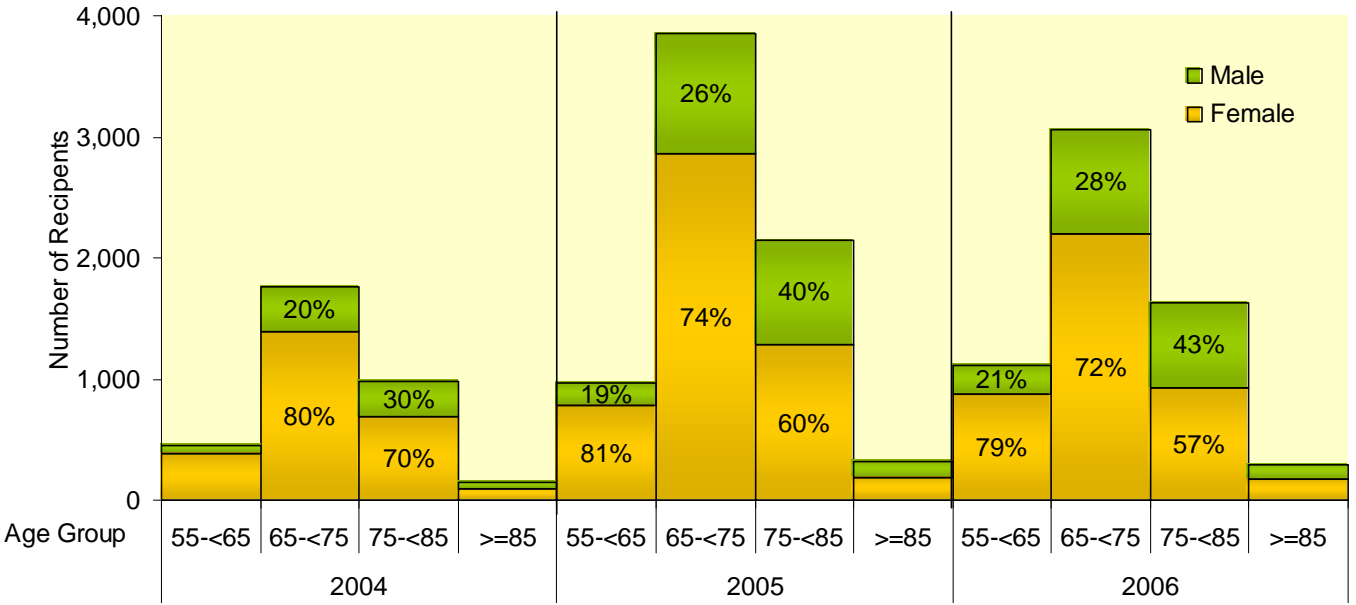
Chart 3d: Distribution of Toppers by Gender under Spouse Top-up



Who are the Recipients?

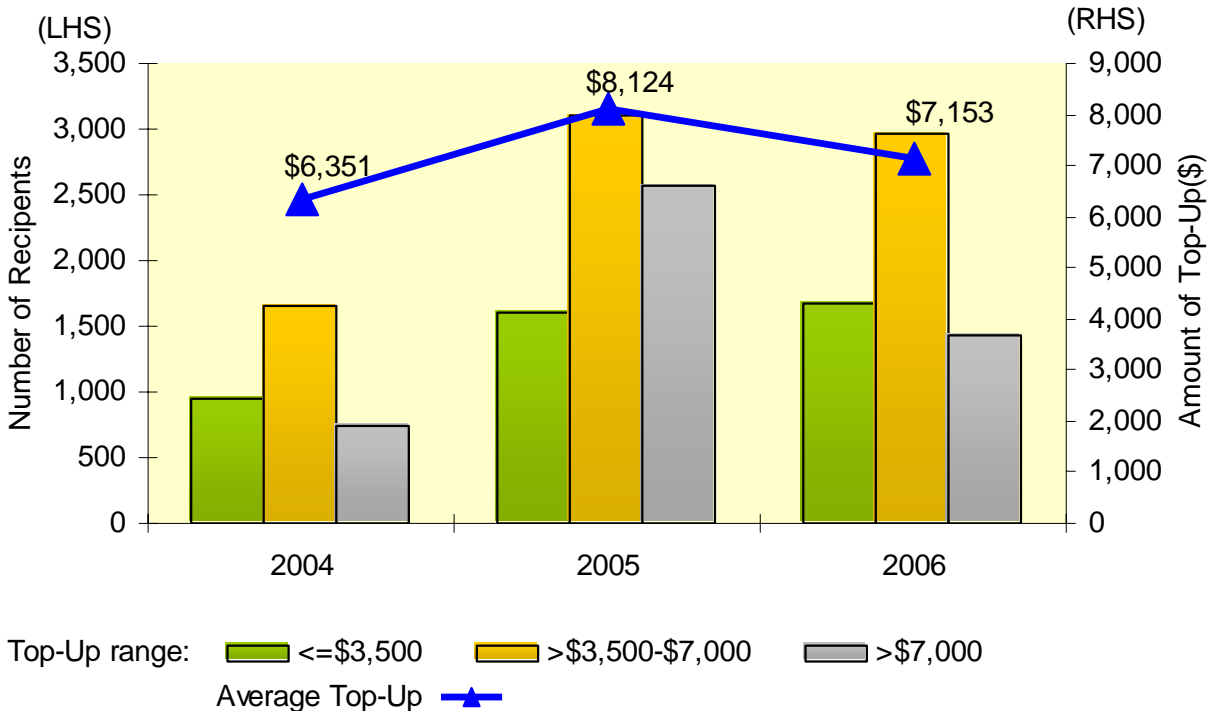
While there were more men who topped-up as compared to women, it is the reverse for the recipients. Over the past 3 years, an average of 72% of the recipients were women. From 2004 to 2006, about 50% of the recipients were aged 65 to less than 75. While there was an increase in the number of recipients aged 85 and above in 2005 compared to 2004, the number remained approximately the same in 2006 (Chart 4).

Chart 4: Distribution of Recipients by Age Group and Gender



The majority of the recipients received top-ups between \$3,500 and \$7,000 in each of the three years, with average top-up ranging between \$6,000 and \$8,000. If the top-up amount is \$7,000, the recipient can expect to have his or her monthly payout of \$250 to last at least another 2.5 years^[3] (Chart 5).

Chart 5: Distribution of Recipients by the Amount of Top-Up They Received



[3] Projected payout period based on \$250 minimum payout with Retirement Account's interest rate remaining at 4% during the payout period.

The different types of top-ups have benefited CPF member of various age groups. For grandparents' top-up, the majority of recipients are aged 85 and above, and we do observe an increase to 68% in 2006 from 44% in 2004 (Chart 6a). For parents' top-up, the distribution of the recipients is consistent across the 3 years from 2004 to 2006, with the majority aged 65 to less than 75 (Chart 6b). For self and spouse top-up, most of the recipients are aged 55 to less than 65 (Chart 6c).

Chart 6a: Distribution of Recipients by Age Group under Grandparents' Top-up

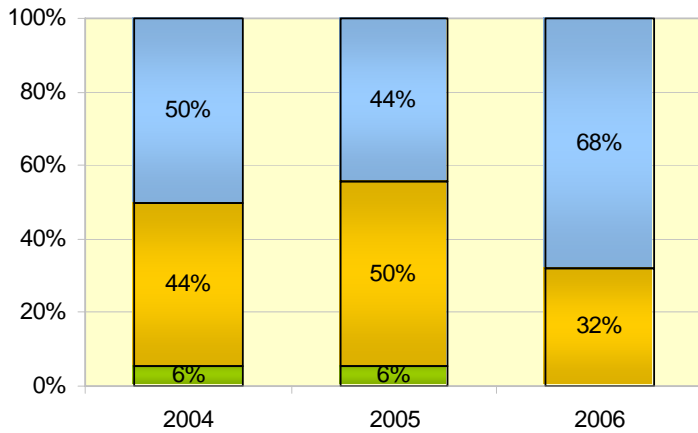
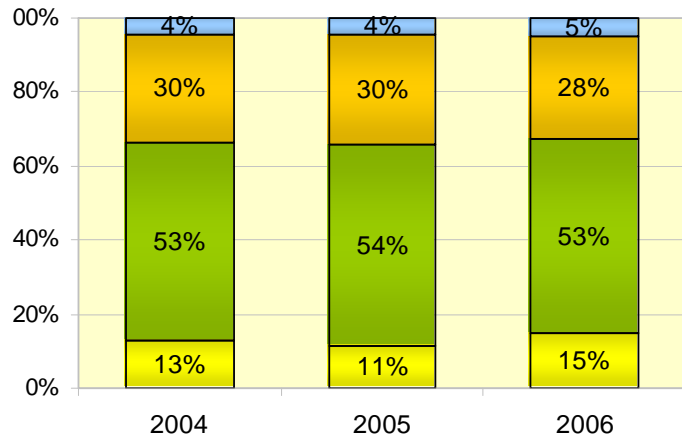


Chart 6b: Distribution of Recipients by Age Group under Parents' Top-up



Age Group: 55-65 65-75 75-85 >=85

Chart 6c: Distribution of Recipients by Age Group under Self Top-up

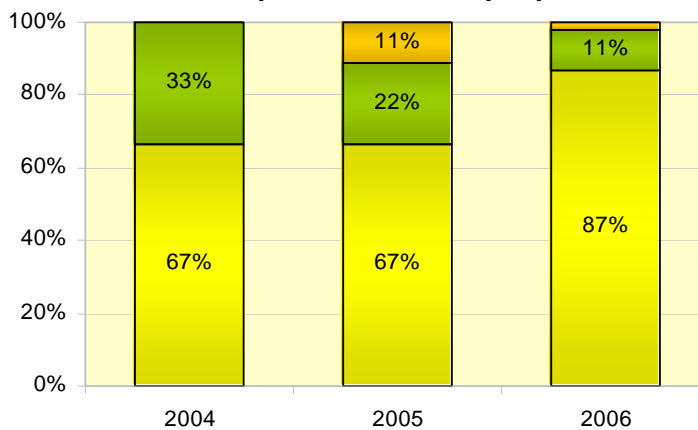
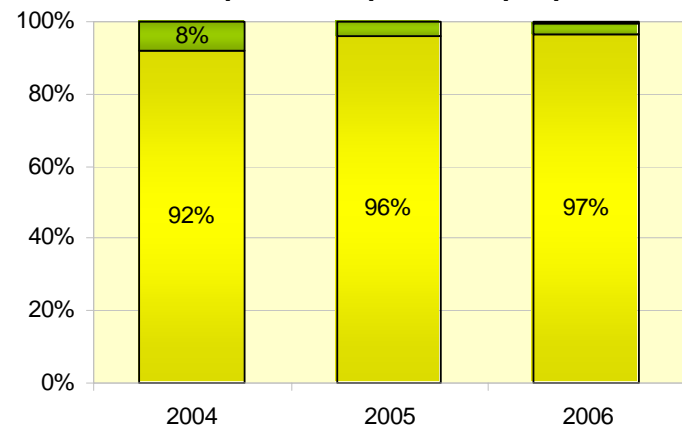


Chart 6a: Distribution of Recipients by Age Group under Spouse Top-up



Have You Topped-Up Your Loved Ones' CPF account?

Since the last liberalisation in July 2005, the results have been encouraging as we are seeing more CPF members benefiting from the Minimum Sum Topping-Up scheme. With this, we are confident that the changes which were implemented on 1 October 2007 and 1 January 2008[1] would further encourage CPF members to top up the CPF accounts of their loved ones.