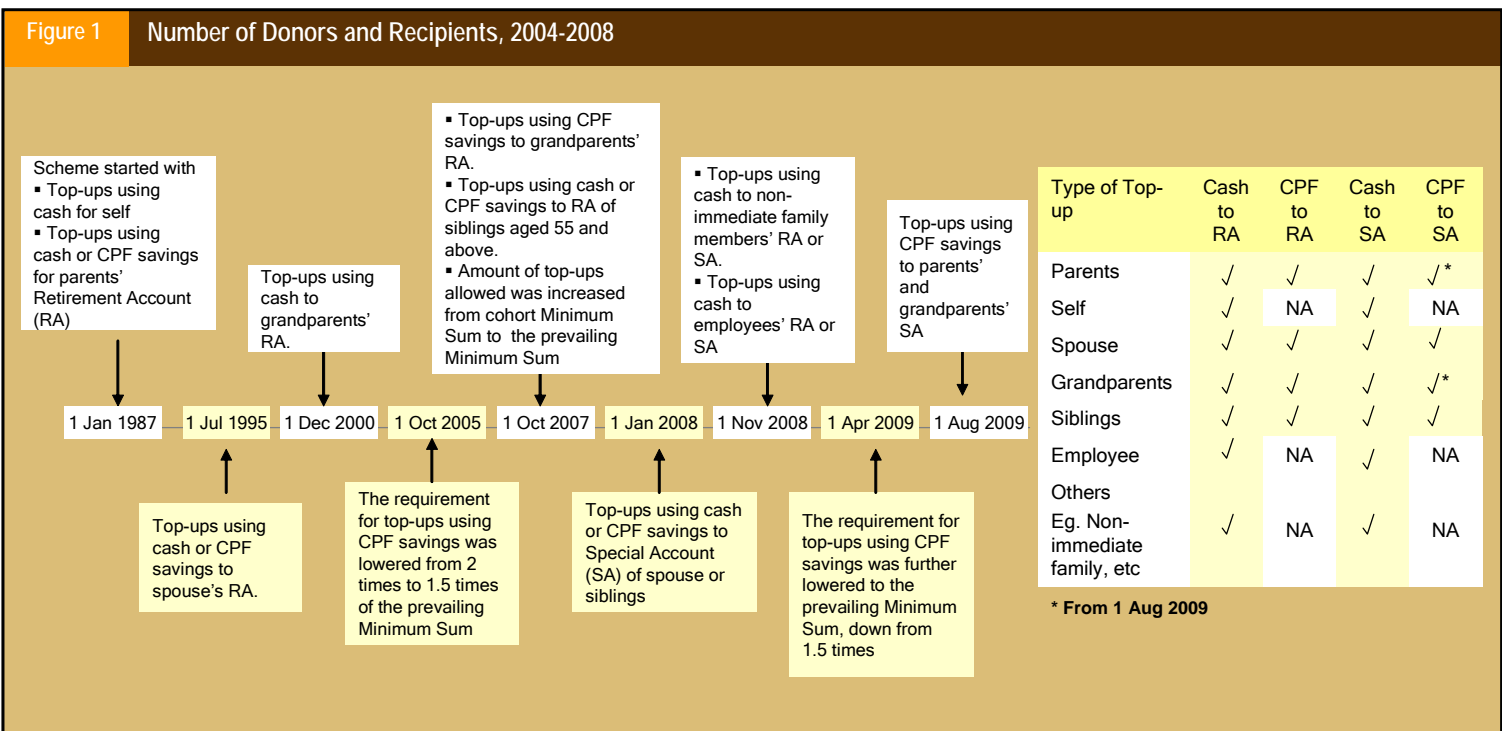


Background

Introduced in 1987, the CPF Minimum Sum Topping-up (MSTU) Scheme aims to help members build up savings for their own and their family members' retirement. Under the Scheme, members can make top-ups to their own, spouse's, parents', grandparents' or siblings' CPF accounts, using either cash or CPF savings.

Changes to the MSTU scheme over the years

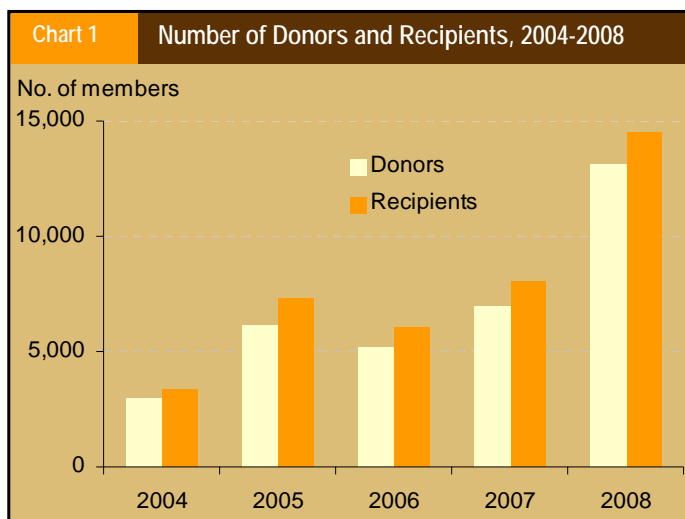
Over the years, several enhancements to the MSTU scheme have been made. The rules for MS top-ups have been progressively liberalised to facilitate family support through the CPF system. Previously, top-ups can only be made for members aged 55 and above. From 1 January 2008, members below the age of 55 can also build up their retirement savings by making top-ups to the Special Accounts (SA). With effect from 1 April 2009, the rules have been eased further. Members can make a top-up to the accounts of family members if their net CPF balances¹ exceed the prevailing Minimum Sum (MS). Under previous rules, they must first have 1.5 times the MS before they can do so. From 1 August 2009, parents and grandparents need not be above 55 to receive CPF top-ups. These latest changes, as well as those made over the past few years, have made MS top-ups simpler and more attractive. The changes, since inception, are summarised in **Figure 1**.



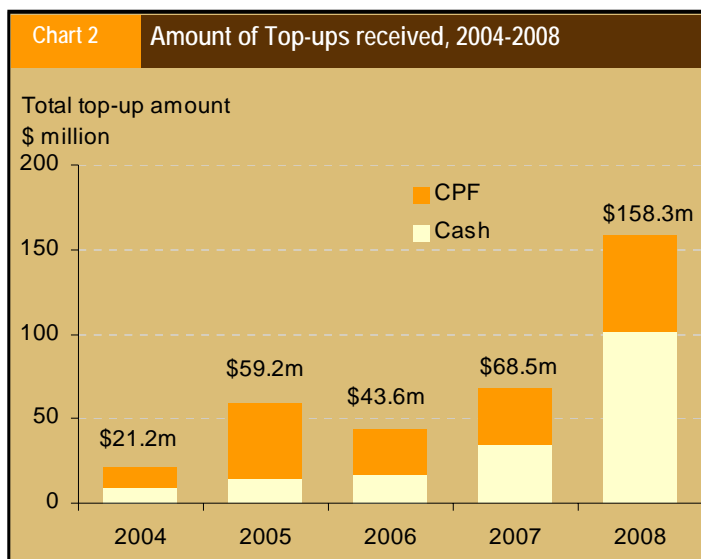
¹ Net balances refer to balances in the Ordinary and Special accounts, including amount withdrawn for investments.

Number of donors and amount of top-ups have increased substantially

The trend analysis from 2004 to 2008 shows that the changes to the MSTU scheme have yielded encouraging results. The number of donors and recipients² who benefited from the MSTU scheme has quadrupled since 2004 (**Chart 1**).



Similarly, over the 5-year period from 2004 to 2008, the amount of top-ups has increased substantially. There is a seven-fold increase from \$21.2 million in 2004 to \$158.3 million in 2008 (**Chart 2**).

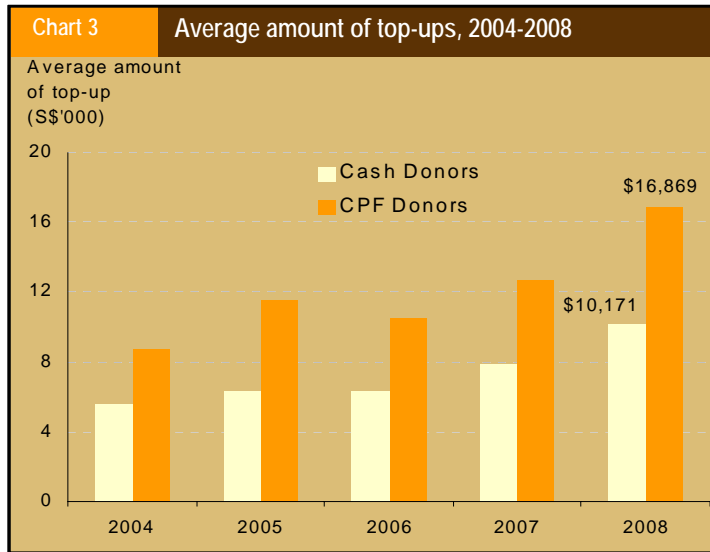


The liberalisation of the MSTU scheme to allow top-ups using cash, to the SA of members below 55, and the Board's active promotion, have contributed to a significant three-fold jump in the amount of top-ups in cash in 2008 as compared to 2007.

² Recipients refer to Singaporeans and Singapore Permanent Residents

Average top-ups using CPF savings are usually higher than top-ups in cash

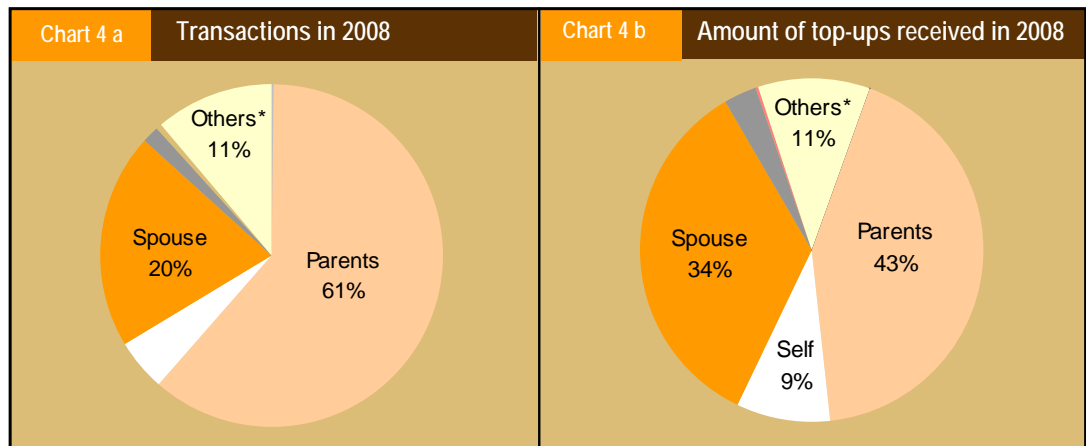
The average amount of top-ups using CPF savings has always been higher than top-ups in cash as can be seen by the trend over the last 5 years (Chart 3).



The average amount of top-ups in 2008 using CPF savings was close to \$17,000 as compared to about \$10,000 for top-ups using cash.

The majority make top-ups for their parents and spouse

Generally, top-ups made to parents' accounts are the most popular. In 2008, most of the top-ups were made to the parents' and spouse's accounts. Top-ups for parents comprised 61% of the total transactions and 43% of the total amount of top-ups received (Charts 4a & 4b).



* Top-ups to non-immediate family members

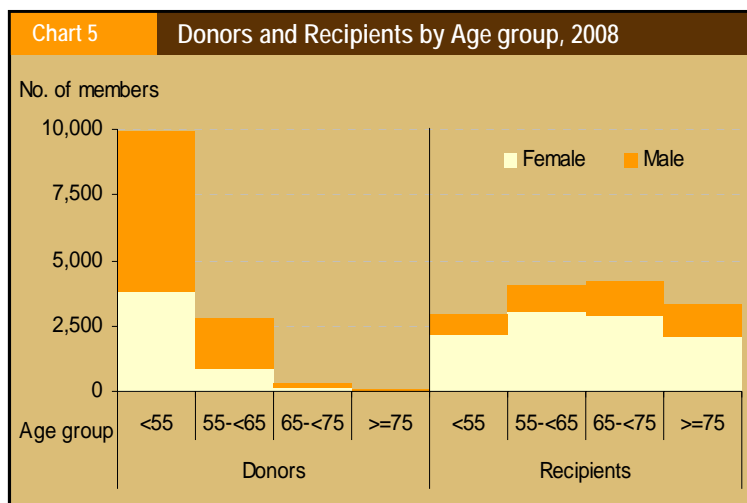
Top-ups for spouse ranked second after top-ups for parents, and comprised 20% of the transactions or 34% of the total amount of top-ups received.

New top-ups under the "Others" category are coming up strong

Top-ups under the "Others" category was only introduced from 1 November 2008 and the response has been encouraging. It ranked third and comprised 11% of the transactions and accounted for 11% of the total amount of top-ups received in 2008.

Most donors are male and most recipients are aged 55 and older

In 2008, most of the donors were members below 55 years old with two-thirds of them being male. As regards the recipients, most were typically in the older age group i.e aged 55 and above. Unlike the case of donors, close to 70% of the recipients were females (**Chart 5**).



The bulk of donors enjoys tax relief

Tax relief of up to \$14,000³ is granted to CPF members under the MSTU scheme. In 2008, about 80% of the donors have benefited from the tax relief rules.

Summary

Apart from using cash, members can also make top-ups under the scheme using their CPF savings. With the lowering of the requirement for top-ups using CPF savings from 1.5 times to the prevailing MS and the expansion of the list of recipients, more top-ups can be made for family members to help build up their retirement nest-egg. With more top-ups received, the loved ones of CPF members can also benefit from higher interest earned on their CPF savings for retirement.

About CPF Trends
 CPF Trends is a regular series of papers produced by the Management Information Department to disseminate analyses of statistical data and trends on CPF related issues. These papers are generally brief and aimed at a broad audience interested in CPF related issues.

³ From YA 2009, a member can benefit from two separate tax relief up to \$7,000 for top-ups using cash by the member or his employer to his own account and up to \$7,000 for top-up using cash to the CPF accounts of immediate family members (i.e. siblings, spouse, parents or grandparents). To qualify for tax relief for siblings/spouse using cash the siblings/spouse must have earned \$2,000 or less in the preceding year.