

# Peace of mind

Shanta Krishnan is more confident about facing her retirement years after signing up for CPF LIFE, the national annuity scheme. She shares more with Philip Lee

MADAM Shanta Krishnan is a great believer in annuity plans.

The 56-year-old secretary says that if the Government had not introduced a national annuity scheme, known as CPF LIFE, she would have purchased one from a private insurance company.

She says: "I have seen how my parents have gained from such a plan. About 35 years ago, my parents each put \$34,000 in an NTUC Income annuity scheme.

"Today, my father, aged 90, is still getting \$395 a month from this plan. My mother died in 2002 at age 77.

"When you grow old, it is comforting to know that you will get a sum of money every month for the rest of your life. At that stage of life, any extra money is useful."

Madam Shanta is a divorcee who lives in a four-room Housing Board flat in Bedok. Her elderly father, whom she visits daily, lives one floor below.

After she read newspaper reports about CPF LIFE, which is the short form for CPF Lifelong Income Scheme For The Elderly, she lost no time in signing up for it.

The scheme was introduced after Prime Minister Lee Hsien Loong, in a National Day Rally speech in 2007, mooted the idea of creating a financial plan to make people's savings last for a lifetime.

## Worry-free golden years

Under the current Minimum Sum Scheme (MSS), CPF members will get a monthly income during retirement for only 20 years.

But with life expectancy rising in Singapore, there is a strong likelihood that money from the Retirement Account (RA) will run out before the recipients die.

Madam Shanta says: "I think my family has the longevity genes. I have an uncle and an aunt who are in their 80s. Of course, I don't know when I will kick the bucket but if I live as long as some of my relatives, then I will certainly need some-

thing more than my personal savings."

She learnt more about CPF LIFE after visiting the CPF website at www.cpf.gov.sg and signed up in September.

From the four plans available, she chose the Life Balanced Plan. Upon her death, a refund of the unused annuity premium goes to her son — her only child and beneficiary who is working in Australia.

## Monthly payouts for life

After Madam Shanta signed up for CPF LIFE, she transferred \$600 from her Ordinary Account to top up her RA balance, bringing it to \$28,173.

"I intend to top up this sum to \$50,000 eventually," she adds.

Though no minimum sum is needed to join CPF LIFE, Madam Shanta can look forward to bigger payouts with a higher balance in her RA.

"Under the current MSS, I would get a payout of \$250 a month, after the top-up. Even with the RA attracting an interest rate of 4 per cent per year, the money will last only 18 years," she explains.

"Under CPF LIFE, I will get between \$245 and \$265 from age 64 for as long as I live. It sounds very good."

Madam Shanta will enjoy a \$3,200 L-Bonus, which is the LIFE Bonus. This is an incentive payment to encourage CPF members born before 1963 to join CPF LIFE.

L-Bonus payments of between \$2,200 and \$4,000 are made when a person joins CPF LIFE with at least \$20,000 in his or her RA. If a person has less, he or she will receive a pro-rated L-Bonus.

In addition, she will also receive a V-Bonus (Voluntary Deferment Bonus) of up to \$600.

This bonus is given to encourage CPF members to voluntarily defer the draw-

down of their Minimum Sum so that their retirement savings can last longer.

As Madam Krishna secured her retirement savings for life by joining CPF LIFE, she will also get the V-Bonus.

"I have no debts, a roof over my head, and no expensive habits. With my personal savings and CPF LIFE, I can now look forward to my retirement years with greater confidence and peace of mind," she says.



Thanks to CPF LIFE, secretary Shanta Krishnan can look forward to monthly payouts during her golden years, just like her 90-year-old father, Mr T.V. Krishnan, who's benefiting from his own private annuity scheme.

## Case study

Name: **Shanta Krishnan**

Age: **56**

Occupation: **Secretary**

Current Retirement Account (RA) balance: **\$28,173**

ANNUITY PLAN	CPF LIFE BALANCED PLAN	MINIMUM SUM SCHEME
Monthly payout <i>(based on current RA account balance of \$28,173)</i>	<b>\$245 to \$265*</b>	<b>\$250</b>
Age of first payout	<b>64</b>	<b>64</b>
Duration of payout	<b>For life</b>	<b>18 years</b> <i>(based on 4 per cent p.a. interest rate for RA)</i>
Benefits	<b>\$3,200 L-Bonus</b>	<b>Nil</b>

\* The monthly payout may be adjusted every year to take into account factors such as CPF interest rates and mortality experience. The adjustments will usually be small so that payouts are stable. Members will be informed 2 to 3 months in advance if there is any adjustment.