

More \$ For Your Retirement

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Introduction To Central Provident Fund (CPF)

CPF Board was set up in 1955 with the objective of helping workers set aside some savings for their retirement. Through the years, the CPF Board remains dedicated to “enable Singaporeans to save for a secure retirement.”

All Singaporeans and Permanent Residents contribute a percentage of their income to CPF savings, with employers matching a certain percentage of the contributions. The current contribution rates range between 34.5% and 10% depending on the age of the CPF member (Employers: 14.5% to 5%. Employees: 20% to 5%). The contributions are allocated to three different accounts with varying uses for those below age 55. The CPF contribution ceiling is capped at S\$4,500 (approx US\$3,200) for each member.

CPF members are allowed to withdraw their CPF savings at age 55 for account balances that exceed the required Minimum Sum (adjusted yearly with current amount set at about US\$76,000). The Minimum Sum is then paid out to the member from age 62 (to be adjusted to age 65) in monthly payouts over a 20-year period.

As at end-2007, there are 3.16 million CPF members out of a population of 4.6 million.

Over time, this defined contribution system has evolved to allow Singaporeans to use their CPF savings for housing, insurance, healthcare, investments and education, beyond the primary objective of meeting retirement needs.

Creating Informed CPF Members Who Undertake Retirement Planning

There is a need for CPF Board to undertake financial education for the CPF members for the following reasons:

1) Fast ageing population

Singapore has one of the fastest ageing population in the world. In 2007, there were only 305,600 Singapore residents aged 65 and older. This number will more than double to 795,900 in 2030. In 1985, only 5.5% of CPF members were aged 55 and older and this number has jumped to 24.6% in 2007.

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2) Erosion of CPF savings

CPF members were using their CPF savings for housing, insurance, healthcare, investments and education. It was necessary to educate members to use their savings prudently so that there is enough left over for their retirement needs.

3) Heavy reliance on CPF savings for retirement

4) The need to encourage a population that was not quite ready to undertake retirement planning.

CPF Board's Financial Literacy Programme

1. Education Programme

There are two defined phases that the Board's education programme focuses on:

- a) The accumulation phase – helping members grow their CPF savings and monies prior to retirement.
- b) The de-cumulation phase – helping members stretch their retirement savings longer.

2. What Works

- a) Target messaging – Segmenting CPF members according to their major life events and creating educational messages around these events.
- b) Engaging a variety of channels to reach out to the people, especially the interactive online media.
- c) Providing a host of self-help tools eg. online calculators and one-stop retirement planning portals.
- d) Creating strategic partnerships with other like-minded organizations who can help share costs and promote financial education to a common target audience.

3. Key Learning Points

- a) Keep the messages simple. No matter how complex the policies or schemes, try not to clutter the educational materials with too many messages. Simplify the message for the audience.
- b) Constantly gather feedback wherever possible on the programmes to gauge their effectiveness so that improvements can be made.
- c) Provide “actionable” tips. Don't just give general messages to the audience. Give an action that they can personally undertake to help in their retirement planning. For example, CPF Board actively encourages its members to use cash to top-up their CPF accounts or transfer monies between the two CPF accounts to take advantage of higher interest rates.