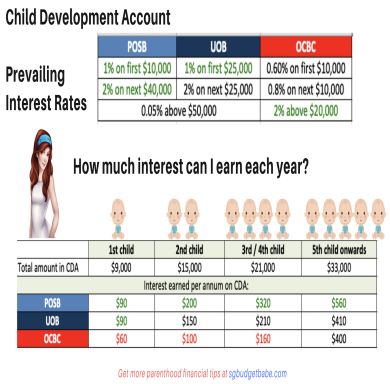

Which is the BEST Child Development Account (CDA) to Open? (2021 Update)

Description

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It has been 3 years since my last article on Baby Bonus benefits and a comparison of which Child Development Account (CDA) was best to go with. Now that Iâ??m pregnant with our second child, I realised that there has been several changes â?? some good, some bad.

While this post is an update on CDA, you may also want to read this post for the latest changes on how much baby bonus (and other monetary incentives) you can get from the government if youâ??re now pregnant or giving birth this year.

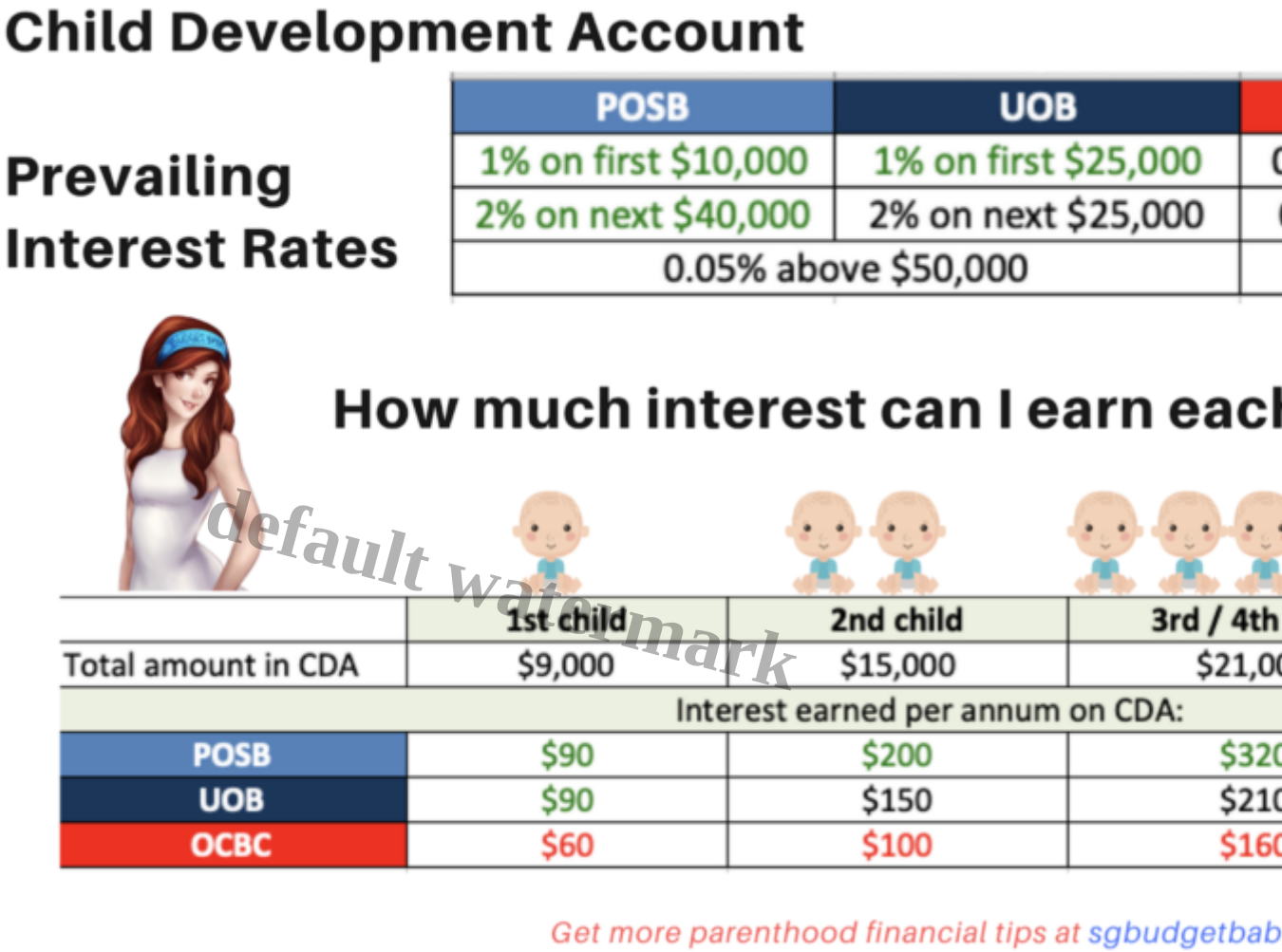


Back in 2018, we opened Nateâ??s account with POSB Smiley CDA because we felt it was the best among the 3 local banks as it:

- offered 2% p.a. interest upfront with no limit,
- had attractive merchant tie-ups for discounts *(weâ??ve been using it to get 5% off at My Greatest Child)*
- had a promotion for a free SIA Infant ticket on economy class *(which we used for a family trip to Australia for my best friendâ??s wedding)*, and
- gave 3% rebate on the Passion POSB Debit Card for services at hospital, medical and dental clinics.

However, it is now the year 2021 and things have changed. Interest rates have been cut, and the free airplane ticket by POSB or cash incentive by OCBC promos are no longer valid. Even OCBCâ??s Mighty Savers account has slashed their rates from the maximum of 0.80% to 0.20%. *Youâ??ll need to first deposit at least $50 each month and NOT make any withdrawals, as well as be a OCBC CDA holder in order to enjoy the maximum interest of up to 0.20% p.a.*

Here are the latest CDA rates in 2021:



With Nate, we had $9,000 in his CDA. While we got $180 each year in interest, this will now drop to a lower amount due to interest rates being cut across the board.

Once baby #2 is out later this year, we will have $15,000 instead *($3k CDA First-Step Grant + $6k from parents for the + $6k government co-matching),* which works out to be:

- $200 p.a. from POSB
- $150 from UOB
- $100 from OCBC

Thus, it becomes a no-brainer to stick with POSB Smiley CDA, and thatâ??s what weâ??ll be doing for baby #2 this July.

If youâ??re expecting your 3rd, 4th or 5th child, you can also decide on which account is best given the interest rate calculations â?? POSB looks to be the clear winner here as well.

Other Factors to Consider

Convenience

When you have more than 1 child account to manage, it becomes so much easier to simply have all of them within a single bank login â?? all in one place. While I do have savings accounts across all 3 banks, Nateâ??s CDA was opened with POSB previously, so it made more sense to continue sticking with POSB for our second child.

Merchant Partnerships

Although OCBC appears to be superior in terms of their merchant tie-ups (they have 15 merchants vs. POSBâ??s 8 merchants), youâ??d want to focus on the offers that youâ??ll realistically be using instead of simply the number of merchants.

For instance, Nateâ??s childcare is with My First Skool, so OCBCâ??s 10% off Kinderland childcare fees is pretty much useless to me. Neither do we send him to any courses at Saturday Kids. But on the other hand, using our POSB Baby Bonus card, we regularly buy books and toys from My Greatest Child (5%), and got my confinement herbs from Madam Partum this time round. I also intend to claim my discounted treatment session from Schone Mama shortly now that Iâ??ve given birth.

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Up till today, UOB doesnâ??t have any merchant tie-ups for promotions for their Baby Bonus card.

How much should I put into my childâ??s CDA?

If you were wondering how I derived the total amount we would put in CDA for each child (based on their birth order), hereâ??s the revamped CDA benefits table:

Birth Order	Components of CDA	
	First Step Grant (no initial deposit from parents required)[1] (a)	**Maximum Governme co-matching**[2] (b)
1st Child	$3,000	$3,000
2nd Child		ENHANCED from 20 $6,000[3] (was $3,000)
3rd Child		$9,000
4th Child		
5th and subsequent child		$15,000

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[1]The First Step Grant is automatically deposited after the CDA is opened.

[2]The Government will match dollar-for-dollar when parents save in the CDA, up to the re

[3]For Singaporean children whose date of birth or estimated date of delivery was on or a

For Nate, we deposited $3,000 and â??claimedâ?• it from his ang paos afterwards (haha).

For our second baby, we intend to put in $6,000 first to maximize the government co-matching benefit. To ensure that both kids receive the same amount from us, weâ??ll be topping up an extra $3,000 into

either Nateâ??s investment account or CPF MediSave Account the following year.

Of course, maximizing your childâ??s CDA should only be the first step.

For more details on other hacks to get more free money and build a stronger financial security net for your child, look out for my upcoming post where I consolidate my tips for fellow parents.

With love,
Budget Babe

Category

1. Bank Accounts
2. Family
3. Pregnancy
4. Savings

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