

Giving Your Parents Monthly Allowance? Get “Filial Piety” Tax Rebates By Using This Method Instead!

Description



Like most Asian children, I've been giving my parents \$200 **each** every month. This is usually done through monthly bank transfers, but recently I made a change by giving my parents their allowance through CPF cash top-ups instead.

But money in the CPF is untouchable!

It took me a while to convince my parents about the merits of this move. But there are multiple benefits that eventually got me off my lazy butt to make this change.

Why contribute to their CPF?

While some reasons are already listed in the graphic above, the main reasons that drove me to make this change were:

1. Tax reliefs

For each \$10k rise in annual income, you also have to pay twice of your usual taxes.

When I was on my pathetic \$2,500 salary in my first job, I only had to pay \$200 in yearly income tax.

However, once your annual earnings hit \$40k, that rises to \$550 in taxes. Earning \$50k means you'll have to pay more than double of that i.e. \$1,250. An additional \$10k income raise also increases your tax by another 56% (\$1,950). And for those who are lucky enough to earn \$100k a year, prepare to pay \$5,650 back to the government.

A legal way of hacking the tax system is to do voluntary cash contributions to your CPF account, or that of your parents / siblings / spouse / in-laws / grandparents. If you're giving your parents anything less than \$600, this hack makes a lot of sense because you'll get exact tax relief i.e. dollar-to-dollar matching up to a maximum of \$7,000 of taxable income. That's like an added reward for being filial!

2. You're helping your parents to grow and protect their money

If your parents haven't yet met the full retirement sum, every dollar you put in their Retirement Account earns up to 5% per annum in interest. This is far better than if you put the money in their bank accounts, which typically pay less than 1% per annum.

With scams (especially those targeted at the elderly) on the rise, I've been worried that my parents will become the next victim, and lose their hard-earned money to these scammers.

By putting the money in their CPF, it ensures that their funds are locked up and they cannot withdraw it to fall prey to a bogus investment scheme or some other scam. Their principal sum are protected while concurrently drawing a higher interest rates.

Furthermore, with CPF LIFE, your parents will receive fixed monthly payouts for the rest of their lives. This will ensure that they continue to receive "pocket money" to pay for their regular living expenses in retirement. I don't have to worry that they will run out of cash one day.

3. CPF top-ups are infinitely more convenient than bank transfers or cash

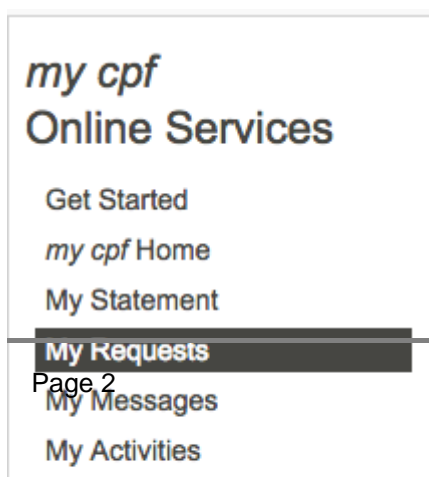
Instead of having to remember to deposit money into my parents' respective bank accounts each month, I can now simply transfer an entire year's worth of "pocket money" for them in one go and let CPF dispense that to them via monthly payouts.

Doing it once instead of 12 times a year saves so much time and effort!

How to give your parents money through CPF:

The steps to do this are fairly simple:

Step 1: Log into your CPF using your SingPass and click on "My Requests".



Step 2: Choose the below option and expand the field. Choose either e-cashier payment or OCBC Internet banking.

(Cheque is far more troublesome because you have to fill up a form)

The screenshot shows a dropdown menu with the text "Building Up My / My Recipient's CPF savings". Below the dropdown, there are two main sections: "Using Cash" and "Using CPF". Under "Using Cash", there are four expandable options, each with a right-pointing chevron and a link: "Contribute to my / my recipient's Retirement Account via internet banking using e-cashier | OCBC's Internet Banking | cheque", "Contribute to my / my recipient's Special Account via internet banking using e-cashier | OCBC's Internet Banking | cheque", "Contribute to my Medisave Account via internet banking using e-cashier | cheque", and "Contribute to my CPF Accounts via internet banking using e-cashier | cheque". Under "Using CPF", there are three expandable options: "Transfer from my CPF Accounts to my recipient's Retirement Account", "Transfer from my CPF Accounts to my recipient's Special Account", and "Transfer from my Ordinary Account to my Special Account". A footnote at the bottom states: "Please submit the cheque together with the printed form to the Board."

Step 3: Choose whether you're topping up RA, SA, etc.

The screenshot shows a form for e-Cashier payment. It starts with a link "here" to find out more about e-Cashier. Below that, it says "All fields marked with * are mandatory." The first field is "Payer's CPF Account Number / NRIC *" with a dropdown menu showing "S" and a masked input field. An example "e.g. 5352749P" is shown below. The next section is "Paying as a *" with two radio buttons: "Member" (selected) and "Self-Employed". The final section is "Payment for *" with a dropdown menu showing "Top up my own/recipient's SA under the Retirement Sum Top". A green "Next" button is at the bottom.

Step 4: Key in your parents' NRIC number and relationship to you. Key in the amount you wish to transfer.

The screenshot shows a form for recipient details. It starts with the text "I would like to top up my own/recipient's SA under the RSTU Scheme." The first field is "Recipient's CPF Account Number *" with a text input field containing "S1234567B" and an example "e.g. S5352749P" below. The second field is "My Contact Number *" with a text input field containing "98765432" and an example "e.g. 90525505" below.

Recipient's relationship to me *

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Parent

Amount to Pay*

\$ e.g. 123.23

Step 5: Pay via e-cashier OR OCBC internet banking.

In case you're confused by which transaction number to quote in your bill payment, please select the FIRST ONE i.e. the Bill Reference Number (not the one in the table!) I got confused by this when I first did the transfer initially, and had to test this to make sure I got it right.

Payment via OCBC's Internet Banking
Please make your payment immediately upon the submission of your online application. Each form should be accompanied by a payment.

Please quote this Bill Reference Number [REDACTED]7 when making payment at OCBC's Personal Internet Banking (PIB), Mobile Banking or ATM.

Click [here](#) to proceed to OCBC's website.

Service Name	Transaction Number	Transaction Date
Making a Top-Up to My Own/Recipient's Retirement Account under the Retirement Sum Topping-Up Scheme	[REDACTED]3	[REDACTED]

Your application will be processed within five (5) working days after we have received your payment. You can log on to *my cpf* Online Services > My Activities to view the status of your application.

If the \$7000 tax rebate from this hack isn't enough to bring your income tax down to the corresponding lower bracket, you can also consider donating to charity for further tax deductions. Donating \$1,200 will result in an additional \$3000 tax-deductible income for the year (2.5 times).

Remember that although your taxes won't be due until April, you'll have to finish these actions by 31 December to qualify for the following year rebate.

You can [download the IRAS tax calculator here](#) and estimate how much you'll need to pay next year, and then see how much you'll need to bring the final tax figure down to a sum that you're comfortable with paying. Good luck!

With love,
Budget Babe

Category

1. Family