Understanding Baby Bonus & CDA Benefits â?? Which is the BEST Child Development Account (CDA) to Open?

Description

Getting pregnant, delivering a child and raising them sure isnâ??t cheap in Singapore. To help encourage more couples to have babies, our government has given various incentives including a Baby Bonus cash gift ($8k each for your first two kids, and $10k for the third onwards), a $3000 Child Development Account (CDA) First Step Grant, and dollar-to-dollar matching if you contribute and save up in your childâ??s CDA.

Birth Order	Cash Gift (inclusive of $2,000 Baby Bonus Plus)	CDA Benefits		Total Baby Bonus Benefits
		CDA First Step Grant	Dollar-for-Dollar Matching Cap	
1st & 2nd Child	$8,000	$3,000	Up to $3,000	Up to $14,000
3rd & 4th Child	$10,000		Up to $9,000	Up to $22,000
5th Child & higher	$10,000		Up to $15,000	Up to $28,000

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Please pay attention to the last column of â??Total Baby Bonus Benefitsâ?•, which tells you the maximum amount youâ??ll be able to get from the government. But beyond that, Iâ??m also here to share with you how I intend to boost this even further than whatâ??s stated on the MSF Baby Bonus Booklet Brochure here!

What do I need to do to get my money?

1. Register at MSFâ??s website here with your SingPass. You can do this either up to 2 months before your expected delivery date, or after your child has been born.

2. Wait for the government to deposit the Baby Bonus cash gift into your bank account (either yours or your spouse) according to this schedule:

	Baby Bonus Cash Gift			Baby Bonus Plus	
Birth Order	1st payment within 10 working days[1]	2nd payment around 6 months old	3rd payment around 12 months old	4th payment around 15 months old	5th payment around 18 months old
1st & 2nd Child	$3,000	$1,500	$1,500	$1,000	$1,000
3rd Child & higher	$4,000	$2,000	$2,000	$1,000	$1,000

[1] From joining the Baby Bonus Scheme or after child's birth registration (whichever is later).

3. Open a Child Development Account for your newborn (after he/she is born) in order to get the cash grant of $3,000.

4. Deposit money into your childâ??s CDA to enjoy the dollar-to-dollar matching benefits.

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What can CDA funds be used for?

You can use it to pay for your childâ??s healthcare expenses, insurance, pharmaceutical purchases (Watsonâ??s and Guardian) and even education or childcare centre fees. For a list of approved institutions, you may refer to MSFâ??s website here.

Can I withdraw CDA funds?

Unfortunately, CDA funds are restricted to certain approved usage only. When your child turns 12, the CDA is closed and any unused balance funds will be transferred to their Post-Secondary Education Account (PSEA), which can be used to pay for their school fees and other educational activities.

How much will I get?

If you donâ??t do anything other than registering for the Baby Bonus Scheme and opening a CDA for your newborn, youâ??ll get:

- $11,000 for your first and second child each
- $13,000 for your third child onwards

How can I get MORE?

However, to really *maximise* what you get, hereâ??s what I intend to do:

- **Top up to the maximum cap of $3,000 in CDA to get the full dollar-to-dollar matching right from the start** ($9k for your third and fourth child, and $15k for your fifth).
- This will allow the magic of compound interest to set in early!

Since Iâ??m delivering my firstborn next month, I intend to do this during my confinement period (in December) so that weâ??ll start off with the full $9,000 in our sonâ??s CDA right away. At 2% interest p.a., this will give us about $11,400 by the time he turns 12 (assuming no withdrawals are made).

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	Starting Amount	End of year
Year 1	$9,000	$9,180.00
Year 2	$9,180.00	$9,363.60
Year 3	$9,363.60	$9,550.87
Year 4	$9,550.87	$9,741.89
Year 5	$9,741.89	$9,936.73
Year 6	$9,936.73	$10,135.46
Year 7	$10,135.46	$10,338.17
Year 8	$10,338.17	$10,544.93
Year 9	$10,544.93	$10,755.83
Year 10	$10,755.83	$10,970.95
Year 11	$10,970.95	$11,190.37
Year 12	$11,190.37	$11,414.18

Contrast this to if we take our own sweet time and only put in $500 every year from the second year onwards, until we hit the maximum cap in the 8th year.

	Starting Amount	End of year
Year 1	$3,000	$3,060.00
Year 2	$4,060.00	$4,141.20
Year 3	$5,141.20	$5,244.02
Year 4	$6,224.02	$6,348.50
Year 5	$7,348.50	$7,495.47
Year 6	$8,495.38	$8,665.29
Year 7	$9,665.29	$9,858.60
Year 8	$9,858.60	$10,055.77
Year 9	$10,055.77	$10,256.88
Year 10	$10,256.88	$10,462.02
Year 11	$10,462.02	$10,671.26
Year 12	$10,671.26	**$10,884.69**

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As you can see, to get the maximum possible interest on the CDA, itâ??ll be worth making that cash top-up right from the start rather than later on, over the years (provided you have the cashflow and liquidity). Parents having their third, fourth or fifth child onwards can benefit from even more interest by topping up CDA earlier rather than later, since the dollar-to-dollar matching cap is even higher at $9k and $15k each!

Of course, if you have other higher-yielding bank accounts to park your funds in (eg. DBS Multiplier, UOB One, OCBC 360, etc) that give you more than 2% p.a. interest, then those might be a better option to consider as well. However, my husband and I will be separating our sonâ??s funds from that of our own, so weâ??ll be putting the full $3,000 in his CDA in December.

Should I put in even more?

No, I wouldnâ??t personally put in beyond the maximum cap to enjoy the governmentâ??s dollar-for-dollar matching grant, because at the end of the day, the CDA funds are more restrictive and less liquid i.e. you canâ??t simply withdraw them easily for cash, nor are you entitled to spend them as you wish (except at approved institutions mentioned above).

Which is the best CDA account to open?

We can only choose from DBS, OCBC and UOB â?? these are the only approved banks to offer CDA at this moment. Hereâ??s how they stack up:

	UOB CDA	OCBC CDA	POSB Smiley CDA
Interest Rate	2% (no limit)	2% on first $36,000 and 0.05% after	2% (no limit)
Merchant Tie-Ups	No	Yes	Yes

Medical Spend Rebate	No	No	3% rebate with Passion POSB Debit Card for services at hospital, medical and dental clinics
Junior Savings Account	No	Up to 0.8% p.a. on Mighty Savers Account	0.05% on POSBKids Account
Current Promo (as of 2018)	None	Receive $108 with purchase of Maternity Insurance and/or $100 for Endowment Plan (min. premiums >$3k)	Free SIA Infant ticket on economy class (till Jan 2019)

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After reviewing the respective offerings by the three local banks, weâ??ve decided to open with POSB Smiley CDA because:

1. The rebate for medical, dental and hospital expenses is a key draw.

OCBC used to offer this, but has unfortunately since removed this privilege as of October 2018.

2. OCBC Mighty Savers is a common reason why some parents open a OCBC CDA, but both accounts can be mutually exclusive.

Up to 0.8% p.a. on your childâ??s own saving account is indeed a compelling draw, but I found out that thereâ??s no need for it to be tied to a OCBC CDA in order for your child to enjoy the same benefit. However, you *must* have a OCBC CDA account in order to meet the requirements to get 0.4% p.a. interest, otherwise, youâ??ll only be able to qualify for up to 0.4% p.a.

In the meantime, Iâ??ll also be waiting for the other banks to see if theyâ??ll up their game and offer more enticing child saving accounts. It wonâ??t be too late for me to open one later on when my baby is older.

3. POSBâ??s CDA merchant tie-ups and promotions are more useful.

I reviewed the different merchant tie-ups between OCBC and POSB, and felt that POSBâ??s partners are more relevant because I get to utilize RedMartâ??s offers, and get child essentials through GAIA, BabyNatureCo, VitaKids and even Pororo Park entry, etc. You might want to review the different merchant tie-ups for yourself and decide which ones would be more useful to you as well.

4. The current promotion by OCBC is quite redundant vs. POSBâ??s.

The $108 is useless to me since I didnâ??t purchase their maternity insurance (nor did I think it was superior, you can see my maternity comparison article here where I reviewed all the current market offerings a few months ago). Neither will the $100 for endowment come in handy, since I feel a $3000+ in annual premiums endowment plan is unnecessary, not to mention excessive, in our case.

On the other hand, the free SIA infant flight ticket will come in handy as weâ??re already planning a family trip abroad next year to attend my best friendâ??s wedding (yes, weâ??ll be bringing baby!). Instead of having to pay a percentage of adult flight tickets + taxes + surcharges, we can get one free on economy class for our son under the current POSB CDA promo instead.

Which CDA account will you be opening for your newborn, and why? Let me know in the comments below if you chose anything other than POSB!

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Note: This is NOT a sponsored post.

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Budget Babe

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