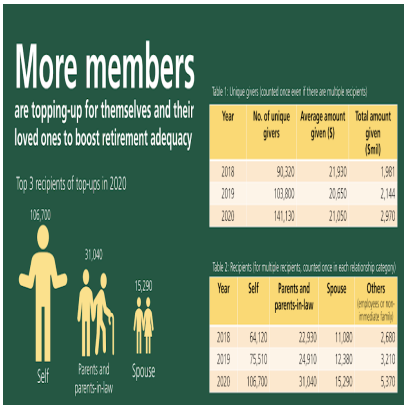


What Singaporeans Did with Their CPF in 2020

Description

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The CPF Board just released the newest statistics involving what Singaporeans have been doing with their CPF, and some of the findings are pretty interesting. Here are some observations we can make as to why Singaporeans are employing these moves on their CPF:

1. Topping up your CPF can help you reach your retirement goals sooner.

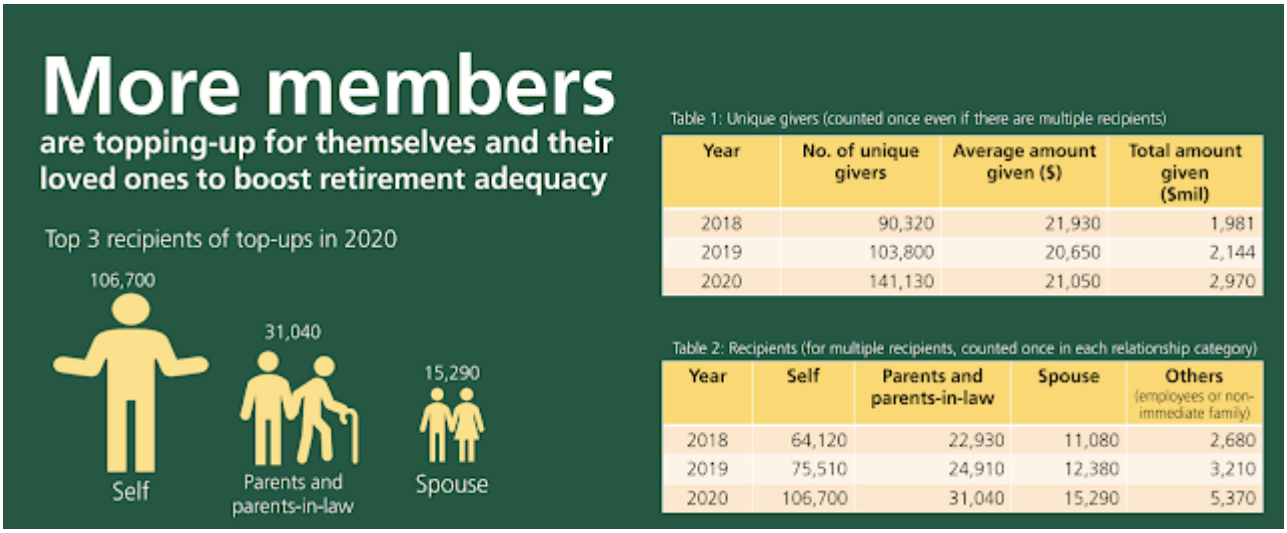


Table 1: Unique givers (counted once even if there are multiple recipients)

Year	No. of unique givers	Average amount given ($)	Total amount given ($mil)
2018	90,320	21,930	1,981
2019	103,800	20,650	2,144
2020	141,130	21,050	2,970

Table 2: Recipients (for multiple recipients, counted once in each relationship category)

Year	Self	Parents and parents-in-law	Spouse	Others (employees or non-immediate family)
2018	64,120	22,930	11,080	2,680
2019	75,510	24,910	12,380	3,210
2020	106,700	31,040	15,290	5,370

This is a smart move, and also one that Iâ??ve been executing every year ever since 2014.

It makes sense because not only do I enjoy a lower tax bill, but also allow my CPF to compound at an attractive rate of 4% p.a. in my Special Account over the years, which should help me hit my retirement sum.

There has also been a trend of more people topping up for their parents, in-laws and for their spouses, which allows you to get a further $7,000 of tax relief since youâ??re contributing to your familyâ??s CPF accounts.

I also wrote recently about the CPF Matched Retirement Savings Scheme, where you can get up to $3,000 from the government towards your parentsâ?? retirement funds. My parents-in-law both qualify for this, so weâ??re making use of this scheme for them as well. Read about how it works here.

2. Reduce accrued interest by making a voluntary housing refund.

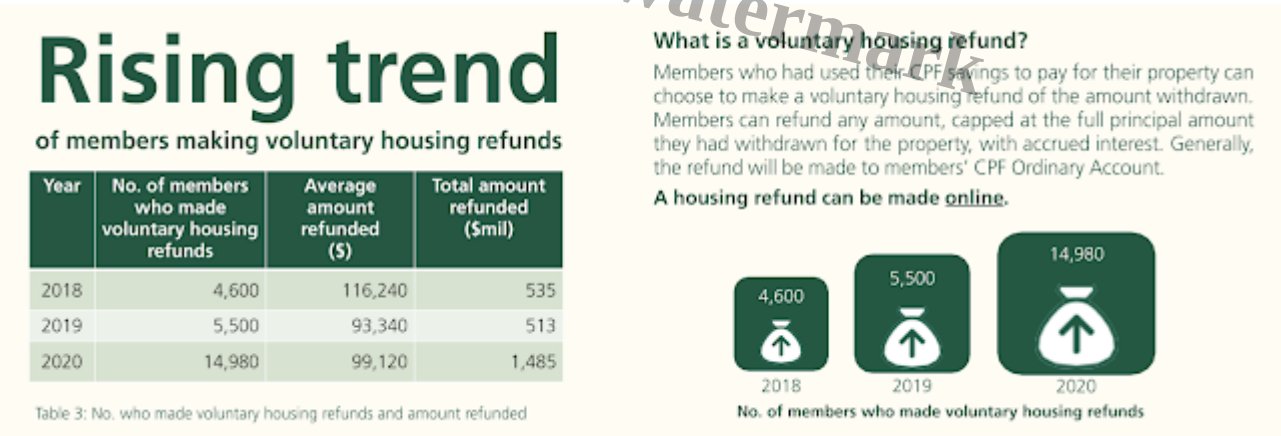
If youâ??re worried about accrued interest eating into your property sales proceeds later on, then one way to avoid (or reduce) this is to make a voluntary housing refund. For those who used their CPF towards financing their property purchase, you can actually refund your amount earlier to stop the accrued interest from accumulating further.

Given the current low interest rates environment, this approach totally makes sense. After all, why let the interest accrue at 2.5% p.a. when you can get a cash loan for 1+% today?

Of course, if youâ??re 100% sure that you will *never* sell your current property and will hold until the end, then maybe this tactic will not appeal to you.

But if you think you might be selling or changing properties someday in the future, you may want to consider this refund tactic as long as liquidity is not an issue for you.

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In our case, the only reason why we chose not to make a voluntary housing refund for now is because weâ??re getting higher returns from the stock market with our cash.

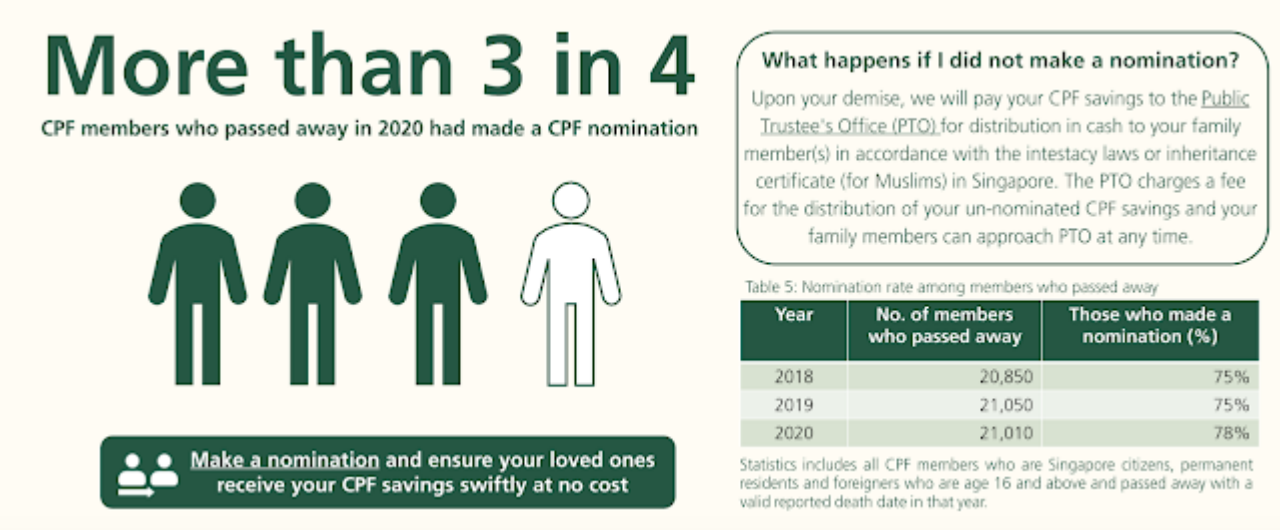
3. Make a CPF nomination to save money (and headache) later.

Not many people plan for what happens to their assets â?? and how it is to be distributed â?? in the unfortunate event that they were to leave the world prematurely.

But once you get married, or become a parent, you start to think differently and plan for the worst-case scenarios.

Which is why making a CPF nomination is a smart and no-brainer move, especially when you can do it online in under 5 minutes. If anything happens later on, you can always amend it online as well.

If you donâ??t, thatâ??s also fine because your assets will still be distributed according to prevailing intestacy laws or Faraid. But having the Public Trustee Office administer that will come at a cost, so why not just make a CPF nomination for your familyâ??s sake?



For more CPF hacks, you may also want to check out the following articles:

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- How we can get more from the government in our CPF
- Get â??filial piety tax rebatesâ?• when you give your parents an allowance in this manner
- 3 moves to make your CPF work harder for you
- Get $600 from the CPF Matched Retirement Savings Scheme each year

With love,
Budget Babe

Category

1. CPF
2. Savings