

Annex A: Housing Monetisation Options for the Elderly

1. Singapore's home ownership policy has ensured that most elderly have an asset which they can monetise to help meet their retirement needs if necessary. Today, 290,000 HDB flats are owned by Singaporeans aged 55 or older, of which 80% are fully paid up.
2. Singaporeans have various options to unlock the value of their flat for additional retirement income should they need or choose to, depending on their family circumstances and preferences. These include: a) renting out a room, b) renting out the whole flat and moving in with their children, c) selling their flat and moving to a smaller flat or Studio Apartment with the option of the Silver Housing Bonus (SHB), and d) the Lease Buyback Scheme (LBS).

Subletting

3. Elderly households who wish to move in with their children can sublet the whole flat if they have met the Minimum Occupation Period for subletting¹. Depending on location, the median monthly rent (as at 3Q2014) ranges from \$1,650 to \$2,400 for a 3-room flat, \$2,050 to \$3,000 for a 4-room flat and \$2,250 to \$3,300 for a 5-room flat.
4. Alternatively, if they prefer, they can sublet spare room(s) if they own a 3-room or bigger flat.

Right-sizing and Silver Housing Bonus Scheme

5. Elderly households may choose to sell their flat and move to a smaller flat or Studio Apartment, typically after their married children have moved out, and they find that the flat is larger than what they would need.
6. Those who right-size to a 3-room or smaller HDB flat or Studio Apartment can take up the SHB². The SHB is a cash bonus of up to \$20,000 per household if the owners use part of their net sale proceeds³ to top up their CPF Retirement Accounts (RA) and use their RA savings to join CPF LIFE⁴. The amount to top up depends on the amount of net sale proceeds: they will top up the first \$60,000 and

¹ Only Singapore Citizen flat owners are allowed to sublet their whole flats, if they have met the Minimum Occupation Period of: a) three years for non-subsidised flats purchased before 30 Aug 2010; or b) five years for subsidised flats, and non-subsidised flats purchased from 30 Aug 2010.

² SHB eligibility criteria: Household owns only a HDB flat or private property of AV of \$13,000 or less, at least one owner is a Singapore Citizen aged 55 or older, household income of \$3,000 or less (\$10,000 from 1 Apr 2015), and buying a cheaper 3-room or smaller HDB flat or Studio Apartment.

³ Net sale proceeds refer to monies left from the sale of the existing flat, after repaying outstanding housing loan, making mandatory CPF refunds, paying for the smaller flat and deducting expenses incurred for the housing transactions.

⁴ Those whose RA saving is less than \$40,000 (if below age 65) or \$60,000 (if aged 65 to 79) can choose to join CPF LIFE or remain on the CPF Minimum Sum Scheme. Those aged 80 and above are not eligible to join CPF LIFE and will remain on the CPF Minimum Sum Scheme.

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keep up to \$100,000 in cash proceeds. Any cash proceeds in excess of \$100,000 will be topped up to CPF account of the owner with the lowest RA balance⁵.

SHB Worked Example (Table 1)

Mr and Mrs Tan are both 55 years old. They own a fully paid-up 4-room flat valued at \$450,000. They sell the flat for \$450,000 and buy a HDB Studio Apartment at \$105,000. After right-sizing and taking up the SHB, they get \$210,000 cash (including a \$20,000 SHB) and an additional \$1,150 in CPF LIFE monthly payout.

Table 1: SHB Worked Example

	Cash	Mr Tan's CPF RA	Mrs Tan's CPF RA	Notes
Sell 4R flat, buy Studio Apartment				
Starting RA balance	-	\$77,500	\$0	
Sell 4R flat	\$450,000	-	-	
CPF refund	-\$60,000	+\$60,000		
Purchase Studio Apartment	-\$45,000	-\$60,000		They buy the studio apartment with \$45k from cash proceeds and \$60k from CPF
	\$345,000	\$77,500	\$0	
Sign up for SHB				
First \$60,000 top-up	-\$60,000	-	+\$60,000	CPF top-ups made from cash proceeds as part of SHB
Further top-up to owner with lowest CPF RA balance	-\$95,000	-	+\$95,000	

⁵ Up to the prevailing CPF Minimum Sum (MS)

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SHB	\$20,000	-	-	They receive cash bonus of 20k
Final Balances	\$210,000	\$77,500	\$155,000	

Lease Buyback Scheme

7. Elderly households in 3-room or smaller flats (or up to 4-room from 1 Apr 2015) can sell the tail-end lease of their flat to HDB for proceeds, and continue to live in their own home for the lease retained (see [Table 2](#) for lease options from 1 Apr 2015)⁶. Each household in a 3-room or smaller flat will get an LBS cash bonus of up to \$20,000 (\$10,000 for 4-room flats from 1 Apr 2015).

Table 2: Options for Lease Retained (from 1 Apr 2015)

Age of youngest owner	Lease retained	
	Minimum	Other options
CPF Draw-Down Age (now 64) to 69	30	35
70 to 74	25	30, 35
75 to 79	20	25, 30, 35
80 or older	15	20, 25, 30, 35

8. The owners will use the proceeds from selling the tail-end lease to top up their CPF RAs to the specified levels in [Table 3](#) and use their RA savings to join CPF LIFE. A sole owner will top up his RA to the age-adjusted prevailing Minimum Sum (MS). From 1 Apr 2015, for a household with two or more owners, each owner will use his share of proceeds to top up to half the age-adjusted prevailing MS. If the household has more than \$100,000 of proceeds in cash after the top-ups, owners have to use their share of proceeds to further top up their respective RAs to the prevailing MS after the household has retained \$100,000 in cash.

⁶ LBS eligibility criteria: Household owns only a 3-room or smaller flat (up to 4-room from 1 Apr 2015) and lived in it for at least five years, all owners at CPF Draw-Down Age or older with at least one Singapore Citizen, household income of not more than \$3,000 (\$10,000 from 1 Apr 2015). From 1 Apr 2015, they must also have at least 20 years of tail-end lease for HDB to buy back.

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Table 3: CPF Top-Up Requirements (from 1 Apr 2015)

Owner's age	Sole Owner: Tops up to age- adjusted prevailing MS ⁷	Two or More Owners: Each owner tops up to 0.5 x age-adjusted prevailing MS
CPF Draw-Down Age (now 64) to 69	\$155,000	\$77,500
70 to 79	\$145,000	\$72,500
80 or older	\$135,000	\$67,500

LBS Worked Example (Table 4)

Mr and Mrs Lim are both 65 years old. They own a fully paid-up 4-room flat with 65 years of remaining lease, valued at \$450,000.

They sign up for the LBS and opt to retain a 30-year lease. They sell the remaining lease of 35 years to HDB for \$190,000, which accounts for depreciation over time. The LBS proceeds of \$190,000 are split equally between Mr and Mrs Lim, as they are joint owners. They receive \$95,000 each.

Under the new top-up rules from April 2015, Mr and Mrs Lim will each use their LBS proceeds to top up their CPF RAs to their age-adjusted prevailing MS of \$77,500. As Mr Lim already has \$20,000 in his RA, he needs to only top up \$57,500. Mrs Lim has \$5,000 in her RA, and tops up \$72,500.

After topping up, they still have \$60,000 which they can keep in cash.

In total, Mr and Mrs Lim can receive \$70,000 cash (including an LBS bonus of \$10,000) and additional \$700 in CPF LIFE monthly payout from participating in the LBS.

Table 4: LBS Worked Example

	Cash	Mr Lim's CPF RA	Mrs Lim's CPF RA
Starting RA Balance	\$0	\$20,000	\$5,000
LBS Proceeds	+ \$60,000	+ \$57,500	+ \$72,500
LBS Bonus	+ \$10,000	-	-
Final Balances	\$70,000	\$77,500	\$77,500

⁷ Based on prevailing CPF MS of \$155,000 from 1 Jul 2014.