

ANNEX A

HANDOUT ACCOMPANYING MINISTER FOR MANPOWER'S
SPEECH ON FINANCIAL SECURITY IN RETIREMENT AT COS
DEBATES 2008

GAINS FROM TOPPING UP

Example of Mr Tan (aged 55) and Mrs Tan (aged 50)¹:

2008: Mr Tan gives Mrs Tan a cash top-up of \$20,000

Mr Tan who is 55 in 2008, decides to make a cash top-up of \$20,000 to his wife, Mrs Tan, who is not working and only has \$8,000 in her CPF Special Account (SA).

As a result, Mrs Tan's SA increases to \$28,000 and she is able to earn an additional \$200 of interest per year from the extra 1% CPF interest on the top-up amount. In addition, Mr Tan can receive a tax relief of \$7,000 from the top-up, saving up to \$1,400 in taxes.

2013: Mrs Tan turns age 55:

When Mrs Tan turns 55, her \$28,000 will grow to about \$36,000, and she can benefit fully from an L-Bonus of up to \$4,000 when she turns 55 and opts into CPF LIFE. With an L-Bonus of \$4,000, Mrs Tan's balance will be increased to \$40,000. The extra 1% interest on the top-up amount would have totaled about \$1,200 when she turns 55.

2023: Mrs Tan turns age 65:

As a result of Mr Tan's top-up to her account, Mrs Tan can now start receiving an income for life of about \$360 per month under CPF LIFE. She would also have earned about \$5,600 of extra interest from Mr Tan's initial top-up into her account at age 50. Total gain from the top-up of \$20,000 is an additional \$9,600.

¹ This example assumes an SMRA interest rate of 4%.

Chart 1: Benefits of Topping-Up to CPF

Top Up your spouse's CPF & Get More



Mr Tan
• Age 55

2008

- Makes \$20,000 Top Up in cash
- Up to \$1,400 Tax Savings



Mrs Tan
• Age 50
• Not working, \$8,000 in CPF in 2008

Age 50

\$200/yr additional interest

RA: \$28,000 (After Top-up)

Age 55

\$4,000 L-Bonus

RA: \$40,000 (After L-Bonus)

Age 65

\$360 a month for life

Total gain: **\$9,600!**