

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

**IMPACT OF WORKFARE INCOME SUPPLEMENT ON LOW WAGE
WORKER'S RETIREMENT SAVINGS**

Mr Harun is age 40 this year and works as an employee earning \$900 a month. He has \$6,600 in his OA and \$8,700 in his SA. If he continues working until age 55, each year he would be able to receive WIS in cash and CPF of up to \$1,200, on top of the \$3,000 CPF contribution from his employer and himself.² At age 55, he would have accumulated \$82,000 in his Retirement Account.³ Without WIS, he would have only \$71,000.

If Mr Harun continues to work till 65, the balance will grow to \$122,000, of which \$15,000 was due to WIS payouts and the extra interest rate.

Table 1: Retirement Account Balance

	With WIS	Without WIS	Difference
Age 55	\$82,000	\$71,000	+ \$11,000
Age 65	\$122,000	\$107,000	+ \$15,000

Assumptions:

Fixed wage at \$900 (no wage growth)

No withdrawals

Does not include MA overflows

² To OA + SA + MA. Contributions to OA + SA amount to \$2,300 a year.

³ Assuming he does not use his Ordinary Account savings for housing.

Chart 3: Impact of WIS

Impact of WIS



Mr Harun

- Age 40
- Employee earning \$900 a month

Age 40	Age 55	Age 65
<ul style="list-style-type: none">• Has \$6,600 in OA• Has \$8,700 in SA• Continues to work till 65	<ul style="list-style-type: none">• \$71,000 in RA	<ul style="list-style-type: none">• \$107,000 in RA
	<p>With WIS</p> <ul style="list-style-type: none">• \$82,000 in RA	<p>With WIS</p> <ul style="list-style-type: none">• \$122,000 in RA

Assuming Ordinary Account savings not used for housing after 40