

ENHANCEMENTS TO CPF INVESTMENT SCHEME

Currently, CPF members have two ways to grow their CPF savings:

- a. CPF Interest Rates. CPF members who do not want to take investment risk can leave their savings in their CPF accounts to earn the risk-free interest rates.
- b. CPF Investment Scheme (CPFIS). For CPF members who are prepared to accept higher risk for higher expected returns, the CPFIS is an option for them to grow their CPF savings. Under the CPFIS, CPF members can invest their CPF savings in the Ordinary Account (OA) and Special Account (SA) above the first \$20,000 and \$40,000 respectively.

2. To strengthen CPF members' retirement adequacy, the CPFIS will be enhanced to cater to CPF members who have the knowledge and time to invest and are prepared to take investment risk for higher expected returns.

Self-Awareness Questionnaire (SAQ)

3. Today, not all CPF members who participate in CPFIS know how to invest. In a poll conducted on behalf of the CPF Advisory Panel, more than half of the respondents who were investing their CPF savings indicated that they had limited investment knowledge.

4. **To help CPF members decide whether the CPFIS is suitable for them, we will introduce the SAQ that will be available to all CPF members.** The SAQ will provide CPF members with feedback on their level of basic financial knowledge and remind them of the other options to grow their CPF savings, such as the CPF interest rates or the future Lifetime Retirement Investment Scheme.

5. The SAQ will be part of the process of opening a CPFIS account from 1 October 2018. CPF members who already have a CPFIS account are strongly encouraged to take the SAQ.

Disallow Sales Charge under CPFIS

6. Currently, financial advisors are allowed to charge a sales charge of up to 3% for Investment-Linked Insurance Policies (ILPs) and unit trusts offered under CPFIS. This sales charge is undesirable for CPF members because it incentivises financial advisors to sell products to earn more commissions. CPFIS investors can already buy unit trusts on online platforms without incurring any sales charge.

7. **To better align the investment behaviour to the target investors and to reduce the cost of investing for CPF members, we will remove the sales charge under CPFIS.**

Lower Cap on Wrap Fees under CPFIS

8. Currently, financial advisors are allowed to charge a wrap fee of up to 1% of assets under management (AUM) per annum for CPFIS members with wrap accounts. This wrap fee covers both advisory services and the costs to maintain the wrap account.

9. The targeted CPFIS investors generally would not need to rely heavily on financial advisors. Therefore, **we will lower the cap on annual wrap fees to 0.4% of AUM per annum.** This is similar to the fees that are charged by online investment platforms in the cash market.

Implementation Plan

10. To give the financial industry adequate time to adjust, we will implement these fee changes in two phases.

Schedule for CPFIS Fee Changes

	Current	1 Oct 2018	1 Oct 2019
Sales charge (for new CPFIS purchases)	3%	1.5%	0%
Wrap fee (for existing and new accounts)	1%	0.7%	0.4%