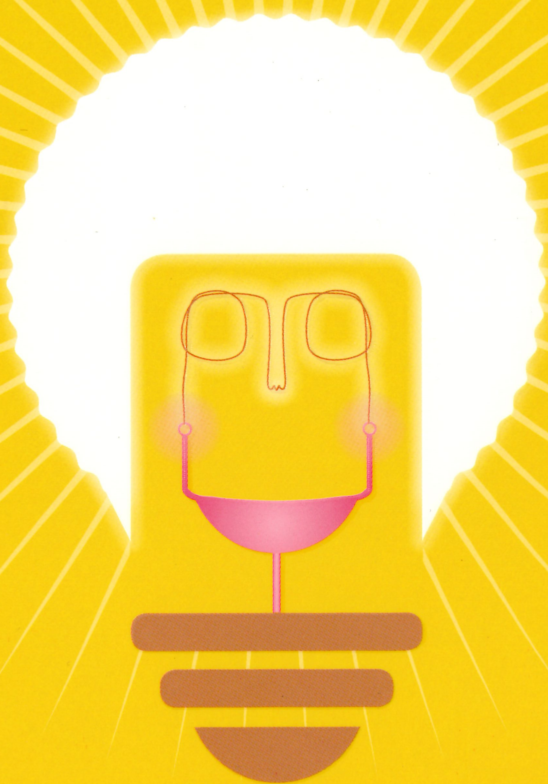
LORNA TAN



RETIRE SMART

Financial Planning Made Easy

Contents

HACK #3
TOPPING UP TO YOUR ERS TO MAXIMISE INTEREST AND GET HIGHER PAYOUTS

When you turn 55, CPF savings from your Special Account and Ordinary Account up to the prevailing FRS will be swept to your Retirement Account (RA) to form the Retirement Sum.

If you want to get higher payouts, why not quickly top up to ERS – with either CPF savings or cash – to maximise the interest once you turn 55. This will result in higher payouts later as the compounding would have started earlier.

If you have sufficient money in your Special Account, you could leave it there to earn the CPF interest rate, instead of using your Special Account savings to top up your RA to the prevailing ERS.

Take the opportunity to inject cash by topping up to the prevailing ERS in your RA to maximise the interest and get higher payouts when you reach your payout eligibility age. The prevailing ERS is $249,000. Assuming you are now 55, with this amount in your RA, you will get a monthly payout of $1,860 to $2,000 under the national annuity scheme CPF Life. And you can continue to top up to the prevailing ERS of subsequent years to get higher monthly payouts later.

HACK #4
TOPPING UP PARENTS' CPF ACCOUNTS AND GETTING TAX RELIEFS

If you are giving your parents cash, why not channel the cash to their CPF accounts via top-ups? Not only do you get tax relief of up to $7,000, they stand to earn attractive risk-free CPF interest too. Do note that there is no tax relief for top-ups beyond the prevailing FRS, and tax relief is capped at the $80,000 personal income tax relief cap. CPF savings in the Ordinary Account earn guaranteed interest rates of 2.5 per cent a year, while savings in the Special Account, Medisave Account and Retirement Account earn 4 per cent.

The first $60,000 of your combined CPF balances, of which up to $20,000 comes from your Ordinary Account, earns an extra 1 per cent interest a year. And from last year, an additional 1 per cent interest is paid on the first $30,000 of combined CPF balances for all members aged 55 and above.

HACK #8
ENSURING THERE IS AT LEAST $60,000 SAVINGS IN YOUR ORDINARY AND SPECIAL ACCOUNTS

Even if you are using your Ordinary Account for housing, make sure your Ordinary Account and Special Account savings add up to at least $60,000 to maximise earning the extra 1 per cent interest. CPF members 55 and above enjoy an additional 1 per cent interest (up to 6 per cent) for the first $30,000 of their combined CPF balances, so the gains are even higher.

HACK #9
MAXIMISING YOUR CHILD'S CHILD DEVELOPMENT ACCOUNT (CDA)

Financial experts say it is prudent to maximise your child's CDA – which earns an interest of 2 per cent a year – as unused CDA savings will eventually be channelled to their CPF Ordinary Account. This is how it works: Unused CDA savings will be transferred to a Post-Secondary Education Account (PSEA), and unused PSEA savings will be transferred to your child's Ordinary Account (OA).

"These OA savings give your child the head start in growing their CPF savings and can be used to finance your child's first home," said the CPF Board. The CDA is part of the Government's Baby Bonus scheme. Children born from March 24 last year will receive an upfront grant of $3,000. The Government will match any savings made to your child's CDA on a dollar-for-dollar basis. Money in the CDA can be rolled over to your child's PSEA when he or she turns 13. Funds that are not used by December of the year that the child turns 12 will get transferred to the PSEA. The PSEA money also earns an interest of 2.5 per cent. At age 30, those funds will go into the CPF Ordinary Account, which earns an interest rate of up to 3.5 per cent.

HACK #10
TOPPING UP YOUR CHILD'S SPECIAL ACCOUNT

If your retirement needs are well catered for, and you have plenty of surplus cash or just won the lottery, you can consider topping up your child's Special Account to leverage attractive interest rates and compounding. Assuming the child has zero Special Account balance, the top-up is subject to a cap of $166,000 for this year. Assuming an annual interest rate of 4 per cent, the amount will grow to $1.5 million over 55 years. Of course, this is assuming

$1m in CPF by age 65

14 August 2016

This is the first of a three-part series on customised retirement planning solutions for people from different age groups. As retirement savings are a fundamental component in financial planning, recommendations will include Central Provident Fund options.

Entrepreneur Wong Hong Ting began regularly transferring his Central Provident Fund (CPF) savings from his Ordinary Account to his Special Account last year in order to grow his retirement funds faster.

Mr Wong, 32, told The Sunday Times: "It is a no-brainer using CPF schemes – particularly the attractive 4 per cent interest rate for the Special Account compounded annually – to grow my safety net."

With interest rates so low in general, these rates are not to be sniffed at. Since 1998, CPF members have been able to transfer savings from their Ordinary Accounts to their Special Accounts so long as the total amount in their Special Accounts does not exceed the prevailing Full Retirement Sum (FRS), which now stands at $161,000.

The Ordinary Account offers a guaranteed annual interest rate of 2.5 per cent while the Special Account pays 4 per cent. The first $20,000 of Ordinary Account balances and $40,000 of Special Account balances earn 1 percentage point more. From January 1 this year, members aged 55 and older have been earning up to 6 per cent for the first $30,000 in their Retirement Accounts.

Mr Wong owns software-development firm 2359 Media, which he set up with $12,000 in June 2009, a few months before he graduated from the National University of Singapore (NUS) with a degree in Quantitative Finance. His firm now has 100 staff in its three offices, in Indonesia, Vietnam

Spot The Scam

28 February 2016

Red flags include high return, low risk claims, and pressure selling tactics

News that about 70 retail investors were crying foul over an exotic agarwood tree investment scheme has made headlines, yet this sort of story is far from rare.

Time and time again, the lure of reaping easy and high returns continues to lead retail investors into a minefield of financial risks.

In this latest case, investors outlaid sums ranging from $5,000 to $60,000 with Tropical Forestry Venture (TFV) to grow aquilaria trees that would be harvested for its valuable agarwood and oud oil used in fragrances and spas.

These investors were expecting high returns of between three and seven times the sums invested.

However, TFV has folded with no compensation in sight for those who made investments. It is just another new twist on a sad old tale.

Besides TFV, there have been several firms, including The Gold Guarantee, Profitable Plots and Sunshine Empire, that have surfaced in recent years at the shady end of Singapore's financial services sector.

Beware of "too good to be true" investment schemes which typically offer promises of attractive returns and low or no risk. The use of pressure selling tactics is another giveaway. The growth of the Internet means these tricksters may be a click away.

Mr Puah Soon Lim, investment specialist at Finexis Advisory, says that most scams are the doing of smart conmen.

"The ones that are skilful are deliberate and understand human psychology. They make use of social triggers like reciprocity, scarcity, social proof and authority. This is very much the work of a smart con artist," he