

Forum on CPF and Retirement Adequacy

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Analysing the CPF Investment Scheme and its Alternatives

Mr Alfred Chia
Chief Executive Officer
SingCapital Pte Ltd

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History Overview

- The CPF Investment Scheme (CPFIS) gives members the opportunity to invest their CPF savings to enhance their retirement funds
- The investment scheme was first introduced on 1 May 1986 as the Approved Investment Scheme (AIS)
- In Oct 1993, the AIS was renamed Basic Investment Scheme (BIS) and the Enhanced Investment Scheme (EIS) was implemented
- In 1997, the BIS and EIS accounts were combined into CPFIS. In 2001, CPFIS was renamed to CPFIS-OA and CPFIS-SA
- On 1st April 2008, CPF announced that the first \$20,000 in the CPF-OA and CPF-SA account would not be investable
- On 1st May 2009, the initial amount that is not investable in the CPF-SA was raised to \$30,000 and eventually \$40,000 on 1st July 2010

Source: www.cpf.gov.sg

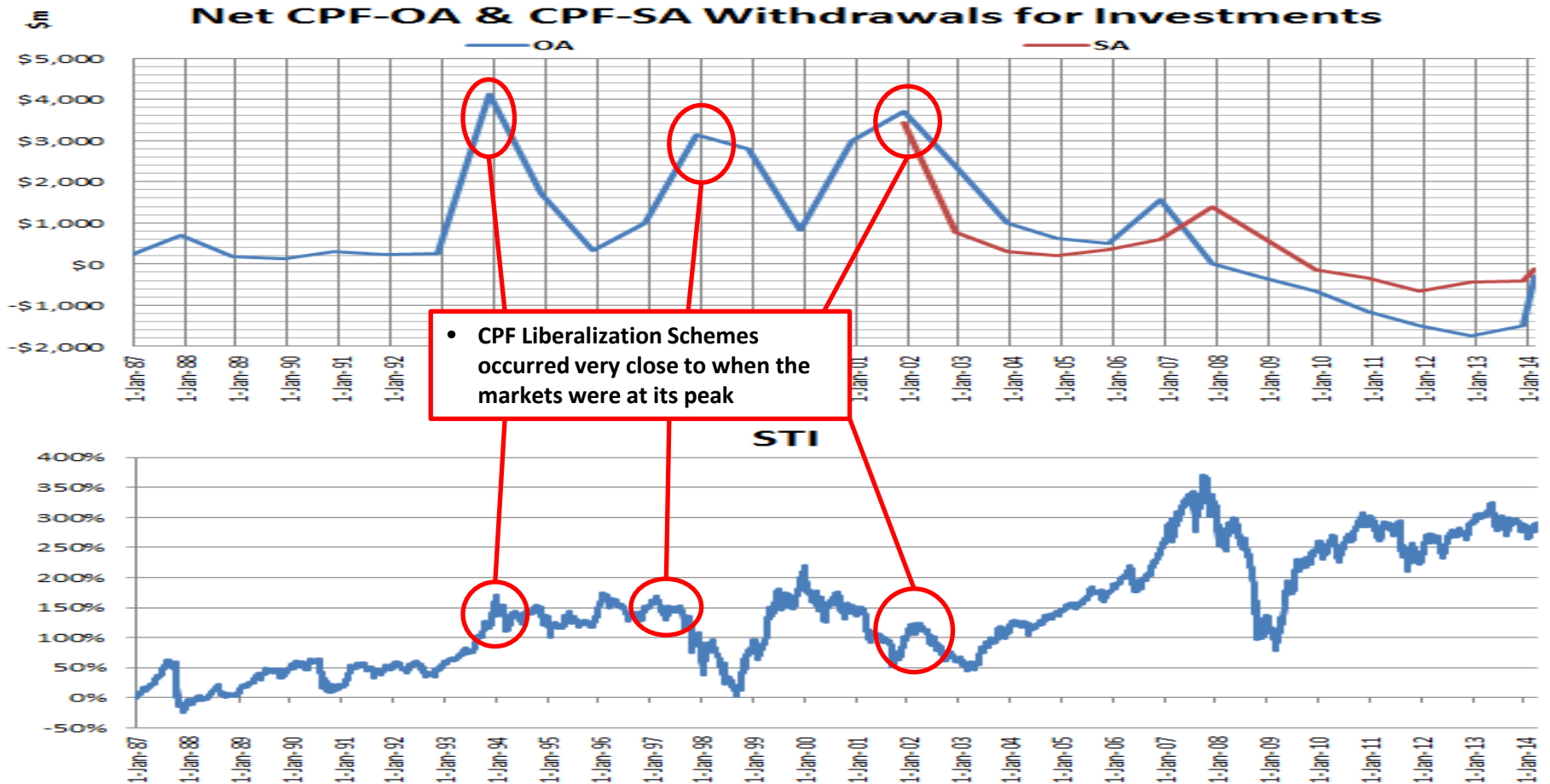
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From	Description		
1 Feb 2006	Tightening of admission criteria. New funds must: (i) meet the revised benchmark set at the top 25 percentile of funds in the global peer group; (ii) have expense ratio that is lower than the median of existing CPFIS funds in its risk category; and (iii) preferably have track record of good performance for at least 3 years.		
1 Jul 2007	Sales charge for CPFIS-included funds must not exceed 3%.		
1 Jan 2008	Expense ratios for CPFIS-included funds must not exceed the median of existing CPF funds in its risk category:	Risk Categories	Expense Ratios Criterion (%)
Higher Risk		1.95	
Medium to High Risk		1.75	
Low to Medium Risk		1.15	
Lower Risk		0.65	
1 Jan 2011	All existing funds must meet the stricter admission criteria before accepting new CPF monies.		
1 July 2012	Cap of 1% per annum in wrap fee for CPF-funded investments.		

Source: www.cpf.gov.sg

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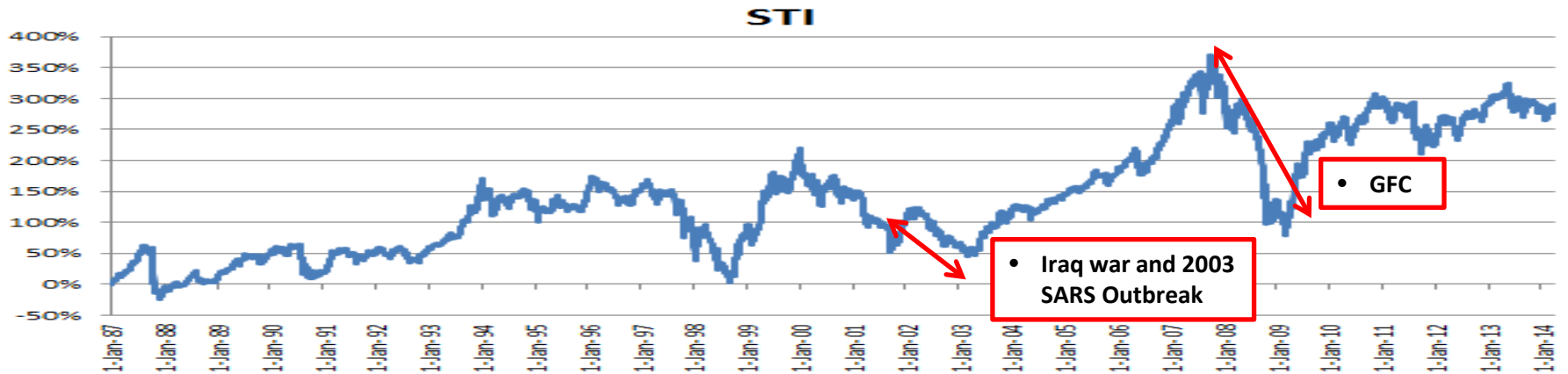
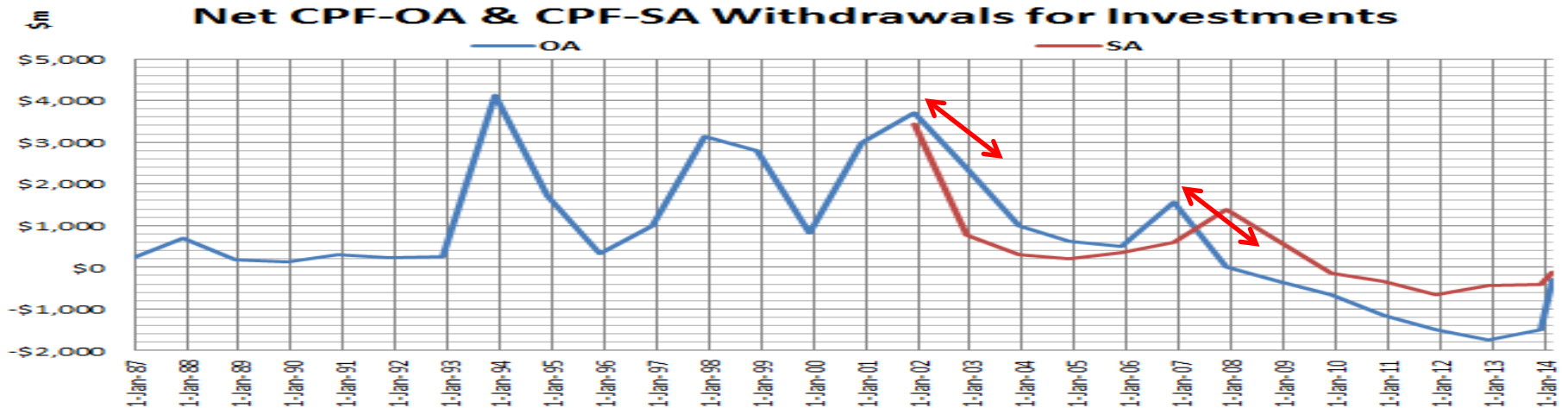
Market Movement & CPFIS



Source: www.cpf.gov.sg, Lipper

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Market Movement & CPFIS



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85% of CPF Members' investment returns were less than 2.5%

Chart 1

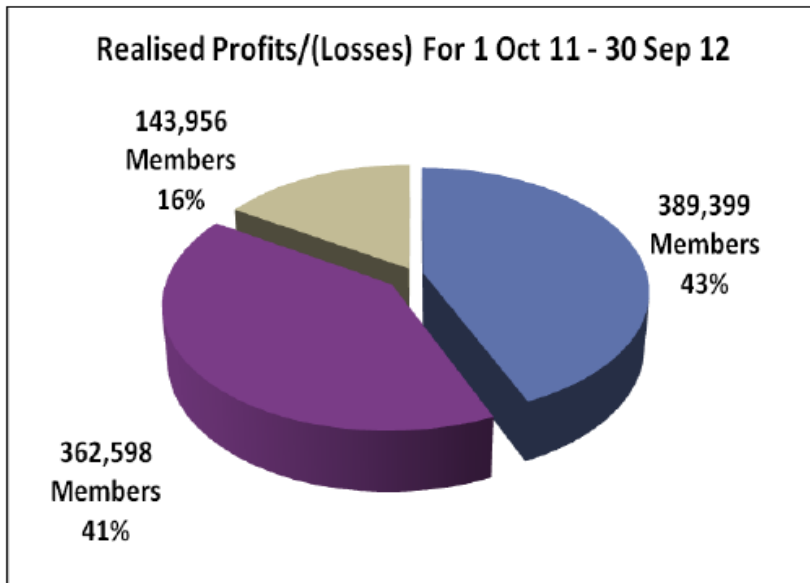
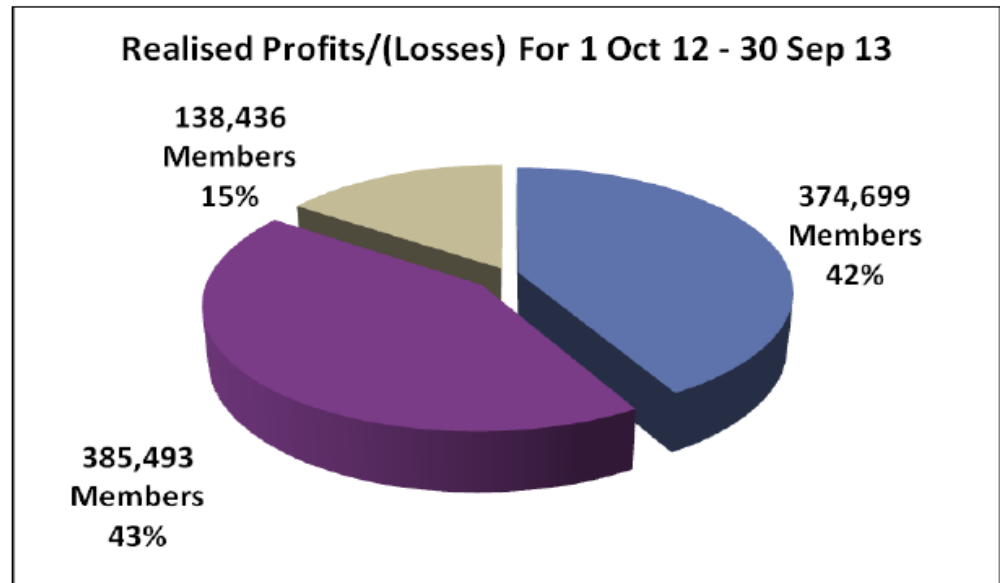


Chart 2



- Members with losses [ie. <0%]
- Members with profits of less than or equal to 2.5% [ie. 0% to 2.5%]
- Members with profits of more than 2.5% [ie. >2.5%]

Sources: www.cpf.gov.sg

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Retirement Planning

- If you plan to retire in 25 years time
- You want to have \$3,000 retirement monthly income
- With inflation assumption of 2.4%, \$3,000 will become \$5,596 in 25 years time
- If your mortality is age 84
- You will need **\$1,244,486.32** in retirement fund to generate \$5,596 a month

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- If you start saving every month, how much must you save?
- If you invest at 2.5% annual return, you will need to save \$2,829 per month over 25 years
- If you invest at 10% annual return, you will need to save \$835 per month over 25 years

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Top 10 Performing Funds under CPFIS

Funds	1 Oct 2011 - 30 Sept 2012
Aberdeen Thailand Equity SGD	47.40%
LionGlobal Thailand SGD	38.06%
Aberdeen Malaysian Equity SGD	34.46%
Schroder Asian Equity Yield A	31.05%
Schroder Asian Growth SGD	26.84%
Aberdeen Singapore Equity SGD	25.77%
United Global Financials Fund	25.66%
Nikko AM Shenton Global Property Securities	25.12%
Amundi Singapore Dividend Growth AS	24.37%
Nikko AM Shenton Thrift	23.16%

Funds	1 Oct 2012 - 30 Sept 2013
Nikko AM Shenton Japan	40.88%
LionGlobal Japan SGD	36.35%
LionGlobal Japan Growth SGD	35.46%
Henderson European	31.43%
United Global Healthcare Fund	30.94%
Schroder Global Smaller Companies	26.64%
Fidelity Funds - America A-USD	25.41%
Eastspring IUT-Global Leaders SGD	24.46%
Eastspring IUT-Pan European	24.01%
Fidelity Funds - European Growth A-EUR	23.77%

Source: Lipper

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CPFIS Funds (Annualized)

Performance as of 9th Jul 2014

Type	Annualized Performance				
	1 Year	3 Years	5 Years	10 Years	15 Years
MSCI World	18.01%	11.17%	12.12%	4.84%	2.56%
Straits Times Index (STI)	3.05%	1.29%	7.25%	6.15%	2.53%
HDB Resale Price Index	-0.59%	5.45%	7.67%	6.86%	4.79%
Property Price Index (PPI)	1.08%	3.23%	5.65%	6.63%	5.21%
Schroder Global Smaller Companies	18.29%	9.59%	11.90%	5.42%	6.61%
LionGlobal Short Duration Bond A SGD	4.06%	2.90%	4.34%	2.96%	3.88%
DWS Premier Select Trust SGD	6.89%	4.81%	6.30%	4.45%	3.34%

Source: Lipper, HDB, URA

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CPFIS Included Funds

Type	Annualized Performance				
	1 Year	3 Years	5 Years	10 Years	15 Years
Aberdeen Thailand Equity SGD	6.25%	18.01%	24.24%	13.50%	14.48%
Aberdeen Malaysian Equity SGD	1.25%	13.30%	19.29%	12.57%	10.53%
First State Regional China SGD	16.62%	7.51%	9.83%	12.26%	10.01%
First State Asian Growth SGD	11.62%	5.33%	9.49%	9.83%	7.23%
Fidelity Funds - Asian Special Sits A-USD	16.47%	4.04%	8.50%	9.92%	7.08%
Nikko AM Shenton Thrift	5.43%	5.32%	10.86%	6.60%	6.79%
Schroder Global Smaller Companies	18.29%	9.59%	11.90%	5.42%	6.61%
Legg Mason WA Asian Enterprise Trust	17.35%	1.76%	4.78%	5.92%	3.82%
Schroder Multi-Asset Revolution A	7.39%	4.75%	6.41%	3.59%	2.11%
Fidelity Funds - America A-USD	19.72%	16.54%	15.23%	5.23%	1.95%

Source: Lipper

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DOLLAR COST AVERAGING THROUGH REGULAR SAVINGS PLAN (RSP)

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Long Term Investing

Aberdeen Global Opportunities (1st Feb 2005 – 31st Dec 2013)



Sources: iFAST

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Long Term Investing

- Investor A invests Lump Sum amount of \$92,000 on 2nd May 2006
- Investor B follows a Regular Savings Plan (RSP) and makes monthly investment of \$1,000 from 2nd May 2006 to 31st Dec 2013, a total of \$92,000
- Both investors sell on 31st Dec 2013
- Investor B makes 7.43% more than Investor A

Criteria	Investor A (Lump Sum)	Investor B (DCA)
Total Cumulative Investment	\$92,000.00	\$92,000.00
Average Cost per Unit	\$0.8838	\$0.8459
Total Units Purchased	104,096	110,855
Investment Value at End	\$104,158.41	\$110,921.58
Return	13.22%	20.57%

Sources: iFAST

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Summary

- CPF Investment Scheme is important
- Education to CPF members on Investment Planning is the Key to raise Financial Literacy
- Closure of CPFIS-SA scheme
- Promote Regular Saving Plan that apply Dollar Cost Averaging principle
- Upgrading the competency of financial consultants
- Promote Singapore Financial Advisory industry

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