

## **Don't withdraw if you don't need cash: Analysts Proposed Changes to Central Provident Fund**

***Toh Yong Chuan and Joanna Seow***  
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CENTRAL Provident Fund (CPF) members who do not need to withdraw their savings should leave them in the scheme to earn higher interest and bigger retirement payouts, analysts advised yesterday.

A partial lump sum withdrawal would reduce the permanent monthly payouts, and those who make their own investments could end up with losses, they warned.

"CPF members who do not have an immediate need for the money would be better off leaving it in their CPF to earn good interest rates," said Mr Zainudin Nordin, who chairs the Government Parliamentary Committee for Manpower. "They can always withdraw the money if there is a need in the future."

The CPF interest rate of at least 4 per cent for retirement savings is higher than what banks offer for savings deposits.

"Investments have a certain level of risk," said assistant economics professor Walter Theseira of Nanyang Technological University, who fears that people who withdraw their cash could make poor investments. "Most of them leave their money in ordinary bank accounts which get them almost zero interest rates."

On Wednesday, the Government accepted the report of an advisory panel which recommended that CPF members be allowed to make a lump sum withdrawal of up to 20 per cent of their retirement savings at the age of 65.

The change, together with moves to replace the CPF Minimum Sum with three levels of retirement savings, shifts the CPF system from a fixed retirement formula to one that gives CPF members more flexibility to control their retirement savings.

Some MPs pointed out that the changes by the Government were necessary because of higher public expectations.

"Individuals do want to take ownership and responsibility of (their own) financial security," said MP Liang Eng Hwa.

MP Lee Bee Wah said some retirees' desire to dip into their CPF savings is fuelled by real needs. "They will use the money to pay bills, take their family members on holidays, or (because) their children are getting married," said Ms Lee. "The amount may not be big, but it is still money that can be put to good use."

Some Muslim CPF members want to withdraw their money to make a pilgrimage to Mecca, according to Mr Muhammad Faizal Othman, a grassroots leader who sits on the CPF advisory panel.

Associate professor Hui Weng Tat of the Lee Kuan Yew School of Public Policy pointed out that the Government had to make a policy trade-off by allowing even those who have not saved the basic retirement amount of \$80,500 to withdraw their CPF money.

He added: "The recommendations have not addressed the issue of retirement adequacy."

But other observers said the move to allow lump sum withdrawals at age 65 will still not satisfy those who clamour to take out their CPF savings at age 55, which is when their savings are locked away for retirement needs.

Professor Theseira said this is a "sore point" and "there might be some disappointment".

Institute of Policy Studies research fellow Christopher Gee said: "It'll be hard to please everyone. It may pacify some but probably not all the cynics."

Employees said financial counselling will help them decide whether to make withdrawals, a suggestion also made by the CPF review panel.

"I may withdraw money to go on a big holiday to relax after years of work," said 56-year-old personal assistant Elaine Chia.