

Bicentennial Bonus CPF top-up a nice gesture but won't guarantee retirement adequacy: Experts

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Among the slew of announcements in the Budget earlier this week, one thing that stood out for financial experts was this: That there are some 300,000 Singaporeans aged between 50 and 64 who have less than S\$60,000 in retirement savings in their Central Provident Fund (CPF) accounts.

Finance Minister Heng Swee Keat revealed this statistic in his Budget speech as he unveiled the Bicentennial Bonus which, among other things, will include a CPF top-up of up to S\$1,000 to this group.

Based on data from the Department of Statistics, they make up a third of all Singaporeans aged 50 to 64.

Of the 300,000, 60 per cent are women, the Ministry of Finance told TODAY.

In his speech, Mr Heng said that the majority of the top-up recipients will be women, adding: "Many of them left the workforce early, and took up important roles as mothers, caregivers or housewives. As a result, they had fewer years to build up their savings. This top-up is a way to recognise their contributions and to help them save more."

Older Generation Had Lower Wage Growth

For those aged above 64, the numbers are even more stark.

Manpower Minister Josephine Teo, in a written reply to a parliamentary question from Nominated Member of Parliament Walter Theseira, revealed on Monday (Feb 18) that nearly three-quarters of Singaporeans getting their monthly payouts from the CPF Life Scheme or Retirement Sum Scheme receive less than S\$500 a month.

She added that the average monthly payout for CPF members aged 65 to 69 (S\$450) was more than double that of members aged 80 to 87 (S\$220).

Mr Syed Afiq, a senior consultant at financial advisory firm Financial Alliance, said that the numbers provided by these ministers show that older Singaporeans "come from a generation where wages were relatively lower compared to now and thus, the amount of contribution into their CPF accounts were limited".

Senior research fellow Christopher Gee from the Institute of Policy Studies said that Singaporeans in their 60s today may have entered the workforce in 1970s and may "not have had the wage growth trajectory to allow them to accumulate the requisite retirement savings".

CPF Top-Ups a Token of Goodwill

While the CPF top-up of up to S\$1,000 for the Bicentennial Bonus will not guarantee retirement adequacy, it should be seen as a gesture of goodwill from the Government, experts said.

Mr Gee said that the benefit “cannot be seen to be a measure to ensure retirement adequacy for those eligible for it”.

Mr Victor Wong, the director of wealth management at Financial Alliance agreed, saying that the top-up seemed “more like a token”.

“S\$1,000 may not translate to a lot, but it is a nice gesture,” he said.

So how much is enough?

When asked what would constitute adequate retirement savings, financial advisers said that this would differ from person to person, depending on their needs and lifestyles.

Mr Vincent Tey, director of advisory at Provident Limited, said that if someone wants a monthly payout of about S\$800 a month — which he feels is the “bare minimum” for daily living in Singapore — they would need to have at least S\$150,000 in retirement savings in their CPF account at 65.

To get a monthly CPF payout of about S\$1,200, one should have at least S\$250,000 saved up by 60.

Many advisers and experts also point out that the CPF Basic Retirement Sum and Full Retirement Sum provide a good gauge of retirement adequacy.

For someone turning 55 this year, the Basic Retirement Sum is set at S\$88,000 and the Full Retirement Sum at S\$176,000.