

# CPF Minimum Sum at \$148,000 from July

## Figure expected to reach \$160,000 by 2015

By **CAI HAOXIANG**

SINGAPOREANS turning 55 from July 1 this year to June 30 next year will need to set aside \$148,000 in their Central Provident Fund (CPF) savings, up from \$139,000 previously.

Known as the Minimum Sum, this lump sum of money is compulsorily set aside so that Singaporeans can get monthly payouts in later years.

A CPF spokesman said yesterday that the Minimum Sum this year is equivalent to \$115,000 in 2003 dollars. It is targeted to reach \$120,000 in 2003 dollars in 2015.

The sum "has been adjusted over the years to account for inflation, longer life expectancies and Singaporeans' rising expectations of their quality of life post-retirement," said a press release from the CPF Board and the Ministry of Manpower yesterday.

Yearly adjustments to raise this sum had started from 2003 following a major CPF policy reform. Increases were meant to stop this year. But due to high inflation last year, the govern-

ment decided to spread out the remaining increases until 2015.

OCBC economist Selena Ling said that assuming 2 to 3 per cent inflation a year, the Minimum Sum should be between \$155,000 and \$160,000 in 2015. Similarly, economist and Singapore Management University adjunct faculty member Larry Haverkamp said that the 2015 figure should be around \$160,000 a year on a 4 per cent inflation rate.

Dr Haverkamp said that he expected inflation increases to be extended beyond 2015. Higher minimum sums mean that CPF members will have more for retirement and medical needs, he said. "To prepare for it, Singaporeans can begin saving more, as the new minimum sums may require them to make slightly more payments for mortgages and investments from cash rather than their Ordinary Accounts.

"The biggest tip would be to consider pledging property, which can bring the minimum sum down to as low as \$0 for a couple with at least \$148,000 of equity in their home."

Concerns have been raised in the past year on whether Singaporeans have enough money in their CPF ac-

counts for retirement needs. Just half of active CPF members meet the Minimum Sum requirement inclusive of a property pledge.

Today, the Minimum Sum is used to buy a government-run annuity scheme called CPF Life.

CPF members will get around \$1,100 a month for life from age 65.

Deputy Prime Minister Tharman Shanmugaratnam said last year that this sum is enough to meet the typical spending needs of a two-member, lower-middle income retiree household between the 20th and 40th percentile by income.

CPF is not designed to meet the needs of higher-income earners, who often have private savings outside, he said. He also said that 70 to 80 per cent of today's youth just starting out to work will attain the Minimum Sum by the time they retire even after withdrawals for a home.

Yesterday, the government also said that the Medisave Minimum Sum will also be raised to \$40,500 from \$38,500 from July. The maximum balance one can have in his Medisave Account, known as the Medisave Contribution Ceiling, will also be increased to \$45,500.