CPF Investment Scheme and what you need to know about CPFIS

Learn more about the different ways to invest your CPF savings.

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SOURCE: CPF Board

IN A NUTSHELL:

- The CPFIS lets you invest in different products with varying risks and returns.
- It is important to consider factors such as your investment goals, investment horizon, risk tolerance level, risk-return trade off, diversification, and investment charges when deciding to invest with CPFIS.
- You can also leave your CPF savings in your respective CPF accounts to grow steadily with risk-free interest.

Your CPF savings earn risk-free interest at a steady rate of up to 5% per annum if you are below age 55 and interest of up to 6% per annum if you are age 55 and older.

If you are interested to explore other ways to grow your investments on your own, the CPF Investment Scheme (CPFIS) allows you to invest part of your CPF savings in a variety of investment products that comes with varying levels of risk and return.

What is CPFIS

CPFIS consists of two different schemes: CPF Investment Scheme-Ordinary Account (CPFIS-OA) and CPF Investment Scheme-Special Account (CPFIS-SA).

Through CPFIS, you have the flexibility to invest in a wide range of financial products, including shares, unit trusts, government bonds, and treasury bills. This diversity allows you to tailor your investment strategy depending on the level of risk.

TIP

All investments come with risk. It is possible to lose some or even all the money you put into. Before investing, learn more about the risks involved for each product and how they work.

Not all investments make money, including those within the CPF Investment Scheme (CPFIS). The CPF Board does not endorse any specific investment products or providers in the CPFIS.

How to invest with CPFIS

Before investing with CPFIS, ensure that you meet the CPFIS eligibility criteria and take the Self-Awareness Questionnaire (SAQ).

CPFIS-OA

To invest your OA savings, you will need to open a CPF Investment Account with one of the following CPFIS agent banks:

- DBS's digibot (scroll to “Get started with CPFIA” and click “digibot”)
- OCBC's website or OCBC's mobile app
- UOB's website

CPFIS-SA

There is no need to open a CPF Investment Account to invest your SA savings. Simply approach the product providers directly to buy or sell your investments.

TIP

The CPF interest is computed monthly. It is credited to your accounts the following year and compounded annually. This means that transactions in your accounts can affect the CPF balances used for interest computation.

When you sell your CPFIS-OA investment (or when it matures) and you do not intend to reinvest, it is advisable to transfer the funds from your CPF investment account to CPF saving accounts to prevent the loss of CPF interests.

Amount of CPF savings that can be used for investment

You can invest your OA savings after setting aside $20,000 in your OA. Additionally, you can only invest up to 35% and 10% of your investible savings in stocks and gold respectively.

For CPFIS-SA, you can invest your SA savings after setting aside $40,000 in your SA.

Find out how much of your OA and SA savings you can invest via the following ways:

1. Log in to my cpf digital services with your Singpass > Select my cpf > My dashboards > Investment
2. Log in to CPF Mobile app with your Singpass > Select My Investment; or
3. Visit any CPF Service Centre with your identity card.

What to note when investing with CPFIS

1. Investment goals

Determining your investment goal clearly and specifically helps tailor your investment strategy to your needs. Some common investment goals are:

- Saving for retirement
- Purchasing a home
- Achieving financial independence

One way to decide on your investment goal is based on its importance and urgency. If you are a young investor, goals like retirement may mean having a longer investment horizon. On the other hand, other goals such as saving for your home may be a near-term need and require a more conservative approach to grow your capital steadily.

2. Investment horizon

All investments need time to grow. There is no get-rich-quick scheme. That's why it's important to determine your investment horizon, which is the timeframe you plan to use the invested money, before you invest.

In general, if you adopt a longer investment time horizon to ride out the ups and downs of the market, the higher risk you may be able to take.

3. Risk tolerance

Each individual has a different level of tolerance for risk. Depending on your age and income ability, you might have differing levels of risk appetite when determining investment options.

A young person without family commitments or a housing loan to repay might be happy investing in higher-risk instruments like shares-related products. On the other hand, a middle-aged person with a family and a housing loan to pay might be more comfortable investing in "less risky" instruments, e.g. a balanced fund in which investors' funds are invested in a mixture of shares and bonds.

At the end of the day, only you can decide what risk-return trade-off you are comfortable with.

4. Risk-return trade-off

Historically, safer investments offer lower investment returns. On the other hand, higher-risk investments such as shares-related products can provide potentially higher returns. An important point to note is that investing in higher-risk investments do not guarantee higher returns.

Understanding the risk involved allows you to align your investment choices with your risk tolerance and financial situation.

Using your CPF savings to invest means you have more to think about. This is because you will need to look for investments that could return more than CPF OA or SA interest rates. However, you also need to be careful because these investments might be riskier.

TIP

Your CPF savings offer risk-free interest that works behind the scenes to help secure your retirement. If you are unsure about investing, leave your funds in your CPF accounts to grow with the power of compound interest instead.

5. Diversification

Just like how you shouldn't put all your eggs in a basket, diversification helps to smoothen any potential ups and downs of your investment returns. Should one of your investments do poorly, another might do better and improve the overall return of your investment portfolio.

You can choose to diversify by spreading your investments in different assets (such as bonds and stocks) and in different markets (geographic regions).

6. Cost of investment

There might also be additional costs such as brokerage and transaction fees that can apply when you invest with your CPFIS. This can affect your total returns, so it's important to consider these costs as well.

What you can invest with CPFIS

The CPFIS lets you invest in financial products with varying risks. Here are some examples of lower-risk investments that you can start with. Learn more about the full list of investment products under the CPFIS.

Treasury Bills (T-bills)

T-bills are short-term Government bills that mature in one year or less from their issue date. The Government currently offers 6-month and 1-year T-bills. They are issued at a discount to their face value. When the T-bills mature, the Government pays the holder an amount of money equivalent to its face value.

Singapore Government Securities (SGS) Bonds

SGS bonds are debt securities issued by the Singapore Government. The bonds are longer-term bonds which mature in 2, 5, 10, 15, 20, 30, or 50 years.

SGS bondholders receive a fixed coupon every six months before the bond matures and the face value of the bond upon maturity.

An important thing to note is that while these bonds are of a longer duration, you might stand to lose your capital if you do not hold the bonds till maturity. This is because the bonds are subjected to price fluctuations due to interest rate changes and market movements.

You can purchase these T-bills and SGS bonds through your CPFIS-OA agent banks' online platforms or CPFIS-SA bond dealers, but keep an eye out for the application closing dates.

Fixed deposits

Fixed deposits lock in your money with a bank or financial institution for a set tenure. During this tenure, the institution offers a guaranteed interest rate, and at the end of the tenure, you will receive the initial amount plus earned interest. Early withdrawal may incur fees or penalties, so it's advisable to ensure you have enough funds for daily needs.

Fixed deposits are guaranteed by banks or financial institutions. However, in an event that they fail, it's worth noting that the Singapore Deposit Insurance Corporation Limited (SDIC) insures bank deposits up to $100,000.

Options to grow your CPF savings with CPFIS

The CPFIS lets you invest your CPF savings in a variety of investment products.

Generally, you should only invest your CPF savings when you:

- Can take the risk of investments
- Can afford to invest
- Have the time to monitor your investments
- Are confident of earning more than the CPF interest rate

You don't have to feel left out if you choose not to invest your CPF savings. Your CPF savings will continue to grow steadily over time with the risk-free interest rates.

If you want to learn more about investing, check out this guide on the basics of investing and the three principles of investing!

Information in this article is accurate as at the date of publication.

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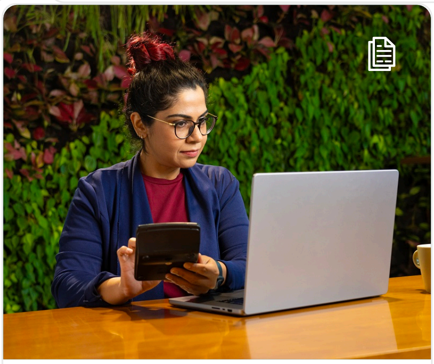

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