

For dissemination to CPF members at point of purchasing/switching

Frequently Asked Questions on CPF Reforms that affects CPFIS

1. What are the new restrictions on the CPF Investment Schemes (CPFIS) arising from the CPF Reforms?

From 1 April 2008, you will not be able to invest the first \$20,000 in your Ordinary Account and first \$20,000 in your Special Account. To invest under CPFIS-OA, you will have to set aside \$20,000 in your Ordinary Account before the remaining savings in your Ordinary Account can be used for investments. Similarly, to invest under CPFIS-SA, you will have to set aside \$20,000 in your Special Account before the remaining savings in your Special Account can be used for investments. This restriction is in place because of the extra 1% interest that you will earn on the first \$60,000 of your combined CPF accounts from 1 January 2008.

2. I have made some investments using my CPF before 1 April 2008 and my balances in my Ordinary and Special Accounts are below the \$20,000 respectively. Do I need to liquidate my CPFIS investments?

No, you are not required to liquidate your CPFIS investments if you had purchased them before 1 April 2008.

3. Can I continue to service my insurance premiums if my balances fall short of \$20,000?

You can continue to service their regular premium insurance policies but NOT recurring single premium insurance policies or regular savings plans for unit trusts. This is because for regular premium insurance policies, the significant maturity benefits would be forgone if payment of the premiums is stopped, hence the CPF Board has made an exception for members to continue to service their insurance premiums if their balances fall short of \$20,000.

However, this loss of benefits upon a stop in premium payment does not apply to recurring single premium plans. While the CPF Board encourages regular savings and dollar cost averaging over the long term to help build up retirement savings, on the balance, it is good to have some OA cash balance for emergency needs so that members can continue to fund housing instalments, children's tertiary education and maintain insurance covers. You can resume paying premiums or regular savings plan after you have built up savings in excess of \$20,000 each in your OA/SA.

4. Do I need to pay cash for agent bank fees if my balances fall short of \$20,000?

No, you can continue to service the agent bank fees with your CPF savings even if your OA balance falls below \$20,000. The agent bank fees are ongoing fees which need to be paid as long as you continue to hold on to your investment, hence CPF Board has made an exception for you to continue paying the agent bank charges using your CPF. Also, the \$20,000 restriction in the OA and SA is to allow members to earn additional 1% interest and they should continue to enjoy the convenience of paying the banks charges using their CPF.

5. If I sell my investments or switch between investments after 1 April 2008, will I be able to re-invest the sale proceeds if my Ordinary Account or Special Account balance is below \$20,000?

Switching between investments is made up of a "sell" transaction of existing investment, followed by a "buy" transaction of new investment. Any "buy" transaction will be subjected to the \$20,000 restriction which is applied to the balances held with the Board.

Under CPFIS-OA, when you sell or switch your investments, the sale proceeds will be credited into your CPF Investment Account. You may re-invest the sale proceeds in your Investment Account, even if your OA balance is below \$20,000. However, if the sale proceeds are refunded to your OA, you may not re-invest the balance if your OA balance is below \$20,000.

Under CPFIS-SA, when you sell or switch your investments, the sale proceeds may be credited to your SA and you may not re-invest the balance if your SA balance is below \$20,000.

6. If I have \$X in my OA and \$Y in my CPF Investment Account, how much can I invest?

Please see below:

- a) If \$X is less than or equal to \$20,000, you can only invest \$Y.
- b) If \$X is more than \$20,000, you can invest \$X minus \$20,000 and \$Y.
- c) If you initiate a refund of \$Y to your OA or \$Y is automatically refunded to your OA as you have no active transactions in your Investment Account for 2 consecutive months,
 - i) if \$X plus \$Y is less than or equal to \$20,000, you will not be able to invest any amount, and

ii) if $\$X$ plus $\$Y$ is more than $\$20,000$, you will be able to invest $\$X$ plus $\$Y$ minus $\$20,000$.

7. Will my stock and gold limits be affected?

There is no change in the computation of your stock and gold limits. However, if you do not have $\$20,000$ in their Ordinary Account, you will not be able to invest in stock or gold even if you have sufficient stock and gold limits.