

FREQUENTLY ASKED QUESTIONS ON CPFIS CHANGES FOR CPF MEMBERS

REVISION OF CAP ON WRAP FEES FOR FUNDS UNDER CPFIS

1) What is wrap fee?

Wrap fee is a recurring fee paid to the financial advisor, for all bundled investment services such as advisory, brokerage and administrative services. Wrap fee is charged as a percentage of the market value of the assets under administration of the financial advisor.

2) What is the new wrap fee cap?

The cap on wrap fees for CPFIS investments will be reduced to 0.7% per annum with effect from 1 October 2018. It will be further reduced to 0.4% per annum with effect from 1 October 2019.

Update: The cap on wrap fee will be further reduced to 0.4% per annum with effect from 1 October 2020 instead.

3) Why is MOM/CPFIB reducing wrap fees for the sale of CPFIS products?

Reducing wrap fees for the sale of CPFIS products is part of MOM/CPFIB's review on the CPFIS, as per the CPF Advisory Panel's recommendation in 2016 to better target CPFIS at knowledgeable investors who are confident of investing on their own and have the time to do so.

Reducing wrap fees lowers the cost of investing which may improve members' investment returns. Wrap fee covers both advisory services and costs to maintain the wrap account. MOM/CPFIB is lowering the cap on wrap fees to align closer to fees charged by online investment platforms in the cash market.

4) How will CPFIS investors benefit from lower wrap fee (from 1.0% to 0.4%)?

Ongoing costs can substantially erode investment returns over time. Reducing wrap fee lowers the cost of investing which may improve members' investment returns.

5) Will wrap fee be reduced further?

MOM/CPFIB will review the cap on wrap fees from time to time.

6) Do I have to pay wrap fee if I do not have a wrap account?

No wrap fee is payable if you do not have a wrap account with your financial advisor. Please check with your financial advisor on their fees and charges before you invest.

7) Will I continue to receive advisory services after the reduction in wrap fees?

If you wish to continue to receive advisory services after the reduction in wrap fees, you may do so.

8) Can I use cash to pay for advisory service to invest my CPF monies after the reduction in wrap fees?

There is no restriction for CPF members who wish to pay cash to receive holistic financial advice on how to invest their cash as well as CPF savings.

For any clarification, please contact CPF Board at INVBIZ@cpf.gov.sg