

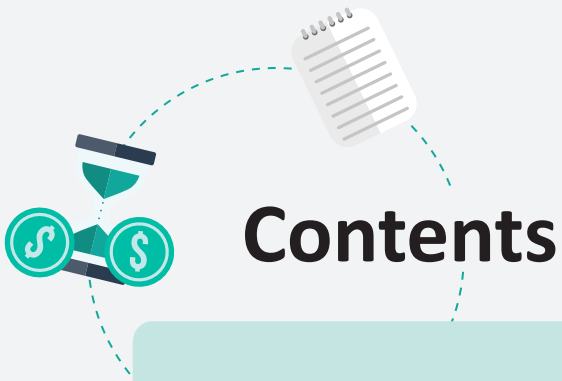


Investing under the

CPF INVESTMENT SCHEME

SELF-AWARENESS QUESTIONNAIRE

(MODULE 2)



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UNDERSTANDING THE INVESTMENT PRODUCTS UNDER CPFIS

In the module 'Understanding Investments', you learnt about the relationship between risk and return and the factors to consider before investing.

In this module, you will learn about:

- the investment products included under CPFIS, and
- the investment charges associated with the products.

PART 1: OVERVIEW OF THE CPF INVESTMENT SCHEME (CPFIS)

CPFIS gives you an option to invest your Ordinary Account (OA) and Special Account (SA) savings in a wide range of investments to enhance your retirement nest egg. However, do note the risk-free interest rates you earn on your CPF savings:



Interest rate of up to 3.5% per year



Interest rate of up to 5% per year¹

- Your CPF savings in the OA earn risk-free interest of 2.5% per year, while savings in the SA earn interest of 4% per year¹. The first \$60,000 of your combined CPF balances, with up to \$20,000 from your OA, earn an extra 1% interest per year.
- On top of the above interest rates, CPF members aged 55 and above also earn an additional 1% extra interest on the first \$30,000 of their combined balances (with up to \$20,000 from the OA).



Consider investing your CPF savings only if you are confident of earning more than the current CPF interest rates. If you are unsure, you can always choose to leave the savings in your CPF accounts to earn the risk-free interest.

Do note that CPFIS investments are not covered under CPF nomination. When a member passes away, his CPFIS investments² and any cash balance in his Investment Account will form part of his estate. This allows the beneficiaries of the deceased's estate to decide how best to manage CPFIS assets, including preferred timing for the sale of assets, which could affect the value of CPFIS investments.

¹ Based on the current 4% interest rate floor on Special, MediSave and Retirement Account monies.

² Except for insurance policies where the member had an insurance nomination with the respective insurance company.

PART 2: ELIGIBILITY FOR INVESTING UNDER CPFIS

You can invest your CPF savings under CPFIS if you are:



at least 18 years old

You can invest your SA savings after setting aside \$40,000 in your SA

You can invest your OA savings after setting aside \$20,000 in your OA

not an undischarged bankrupt



From 1 October 2018, as a new CPFIS investor, you will need to take the Self-Awareness Questionnaire (SAQ) before you can start investing under CPFIS.

PART 3: INVESTMENT PRODUCTS UNDER CPFIS

Under the CPFIS, you can invest your CPF savings in a wide range of investment products. However, take note that the CPF Board does not specifically endorse any product providers or investment products included under the CPFIS.

What are my investment choices?		You can invest using your CPF savings from	
		OA	SA
	Shares	✓	✗
	Real Estate Investment Trusts (REITs) or Property Funds	✓	✗
	Gold	✓	✗
	Unit Trusts (UTs)	✓	✓ Higher risk UTs are not included
	Exchange Traded Funds (ETFs)	✓	✓ Higher risk ETFs are not included
	Bonds	✓	✓ Corporate bonds are not included
	Insurance Products	✓	✓
	Treasury Bills/ Singapore Government Bonds	✓	✓
	Fixed Deposits (FDs)	✓	✓

PART 3: INVESTMENT PRODUCTS UNDER CPFIS



Shares represent ownership in a company. If you own shares of a company, you are a shareholder of that company. Shares are generally issued by companies to raise funds from investors. Shareholders may earn income in the form of dividends when the company distributes its profits.

Share prices are largely dependent on the company's performance, as well as market and industry conditions. Prices could also turn from high to low and vice versa in a short time frame.

You can buy shares which are listed on the SGX Mainboard as primary listing or shares listed on Catalist which were formerly listed on SESDAQ. However, you cannot use your CPF savings to buy shares that are on the SGX watch-list as these shares could potentially be delisted. You would also not be able to trade shares on the SGX if they are delisted.



Real Estate Investment Trusts (REITs) or Property Funds

REITs or property funds are portfolios comprising real estate assets such as shopping malls, offices, hotels or serviced apartments. Revenue generated from these assets are generally distributed, at regular intervals, to unit holders as dividends.

Investment goals for REITs are similar to investments in shares (i.e. income distribution and long term appreciation potential). It is also important to note that investment risks in REITs are concentrated as the investments are limited to real estate assets.

PART 3: INVESTMENT PRODUCTS UNDER CPFIS

Gold

Investors can also invest in gold directly through buying physical or certificated gold or through gold savings accounts. Investors in gold do not receive dividends but make money from selling their gold at a higher price than what they bought it for.

There are also gold ETFs which track the price of gold. Unlike investors in unit trusts and other ETFs, investors in gold ETFs do not receive distributions from the fund. Instead, they make money from rises in gold prices, which would increase the value of their units in the gold ETF.

Investments in gold come with sector concentration risk as gold is the main profit factor.

Unit Trusts (UTs)

Broadly, a unit trust is a fund that is formed by pooling money from multiple investors, which are then invested by a fund manager into various assets to meet the fund's investment objectives.

For example, the fund's investment objective may be to invest in specific countries or regions (such as Singapore, Asia, etc.), specific sectors (such as technology, healthcare, etc.) or in a combination of assets in different countries and sectors.

Depending on the composition of the assets invested, the fund can be classified as higher risk if it comprises mostly shares or lower risk if it comprises mostly short-term bonds.

PART 3: INVESTMENT PRODUCTS UNDER CPFIS



Exchange Traded Funds (ETFs)

ETFs are similar to UTs except that it is listed and traded on a stock exchange. Monies are pooled from investors and invested according to the ETF's investment objective which is generally to track an index. An example of a stock index is the Straits Times Index (STI).



Bonds

Bonds are a form of borrowing. They are debt securities issued by borrowers such as the Government or companies seeking to raise funds from the financial markets. Bonds are also known as fixed income securities as most bonds pay interest or coupons throughout the term of the bond.

Bond investors will receive the principal amount at maturity. They may also choose to sell their bonds before the bond matures.

Bond prices may be affected by many factors, including two important factors, which are the prevailing interest rates and the bond's credit rating.

- Bond prices are generally inversely related to interest rates. If interest rates rise, bond prices will fall and vice versa.
- Credit rating refers to how likely an investor could get back his investments. The higher the credit rating, the more likely the investor would get back his investments.

PART 3: INVESTMENT PRODUCTS UNDER CPFIS



Insurance Products

There are generally 3 types of insurance products under CPFIS.

- a. Investment-Linked insurance Policies
- b. Annuities
- c. Endowment Policies

a. Investment-Linked insurance Policies (ILPs)

Investment-linked insurance policies (ILPs) have both life insurance and investment components. Your premiums are used to pay for units in the ILP sub-funds of your choice. Some of the units you buy are then sold to pay for insurance and other charges. The ILP sub-funds invest in portfolios of assets according to the funds' investment objectives. ILPs also allow you to switch from one sub-fund to another.

ILPs can be classified into two categories:

- i. Single premium ILPs where you pay a lump sum premium to buy units in a sub-fund. Most single premium ILPs provide lower insurance protection than regular premium ILPs;
- ii. Regular premium ILPs where you pay premiums on an on-going basis. Regular premium ILPs may allow you to vary the level of insurance coverage you need.

With effect from 1 January 2001, CPF savings cannot be used for new regular premium insurance policies. Only Single Premium or Recurring Single Premium insurance policies are allowed under CPFIS. Therefore, ILPs included under CPFIS are single premium ILPs which offer minimal insurance coverage.

b. Annuities

An annuity is an insurance policy which provides payout at regular intervals (usually monthly), for a period of time or for as long as the policyholder lives. Annuities are usually purchased to provide income during retirement. The premium is usually payable as a lump sum but there can also be regular premium payments for an agreed time period.

PART 3: INVESTMENT PRODUCTS UNDER CPFIS

c. Endowment Policies

An endowment policy is a life insurance plan which generally pays a lump sum when the policy matures or when the insured passed away. Premiums are generally invested by the insurers in pools of funds comprising bonds and/or shares. There are non-participating and participating endowment policies. Non-participating endowment policies pay only the sum assured when the insured passed away or becomes totally and permanently disabled during the policy term or at maturity.

Participating endowment policies usually pay the sum assured plus any bonuses when the insured passed away or becomes totally and permanently disabled during the policy term or at maturity.

Policyholders need to stay invested till maturity for endowment policies as early termination would reduce the pay-out amount significantly and the maturity benefits would also be forfeited.



Treasury Bills/ Singapore Government Bonds

Treasury bills (T-bills) are short-term debt securities of up to a year issued by the Government. T-bills are bought and sold at a discount to the face value. When they mature, the Government will pay the investor the face value of the T-bill.

Singapore Government Bonds are longer-term debt securities with typical maturities of 2, 5, 10, 15, 20 and 30 years. They pay a fixed rate of interest every 6 months. When they mature, the Government will pay the investor the face value of the bonds. However, unlike T-bills, Singapore Government Bonds are not issued at a discount.



Fixed Deposits (FDs)

Fixed Deposits (FDs) are deposits held at a bank for a fixed term and generally provide investors with higher interest rate than regular savings accounts, provided investors hold the FDs till maturity.

PART 4: USE OF CPF SAVINGS FOR INVESTMENT

Only monies in excess of \$20,000 in your OA and \$40,000 in your SA can be used for investment under CPFIS.

Take note that there are further limits imposed on investment in stocks and gold, also known as the stock and gold limits, which are computed based on the investible savings from your OA.

➡ Investible savings = OA balance + Net amount withdrawn for investment and education.

- Stock limit = 35% of investible savings
- Gold limit = 10% of investible savings

➡ Note that stock limit applies to purchases of shares, REITs and corporate bonds.

You can find out the amount of OA and SA savings you can use for investment by:



Logging in to CPF website

Log in to my cpf digital services with your Singpass > Select *my cpf* > My dashboards > Investment;



Accessing CPF Mobile App

on your mobile device using your Singpass (enter your Singpass and select “Investment”); or



Visiting any of the CPF Service Centres with your identity card.

When you sell your investments, your sale proceeds will be credited into your CPF accounts or your CPF Investment Account held with Agent Banks.

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

You would have learnt from the previous module that investment charges reduce your investment returns. Note that you will need to pay fees to agent banks and/or product providers when you invest.

Take a look at the payable charges for the following examples.

Example 1:



Mr Tan buys 1,000 shares from company X which costs \$10,000



Charge / Entity	Banker/ Broker	Singapore Exchange (SGX)	Agent Bank	Total
One-time cost	\$25 commission	\$4.50	\$2.50	\$32
Recurring Cost	N.A.	N.A.	\$2 every 3 months	\$8 per year



Mr Tan will need to pay a **one-time cost of \$32** and a **recurring cost of \$8 per year** for his investment in shares.

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

Example 2:



Ms Lee buys 1,000 units of a unit trust which costs \$10,000 via a bank



Charge Entity	Agent Bank	Fund's Total Expense Ratio* (TER)	Total
One-time cost	\$2.50	N.A.	\$2.50
Recurring Cost	\$2 every 3 months	1.75%	\$183 per year

- TER ranges from 0.35% to 1.75% of the unit trust's Net Asset Value (NAV). TER refers to the ongoing costs of operating a fund by fund managers/insurers expressed as a percentage of the fund's NAV. Operating costs include investment management fees, trustee fees, audit fees etc.
- With effect from 1 October 2022, fund management companies, insurers, investment administrators, financial advisors and insurance agents are required to disclose trailer fees information (i.e. range and median) in their CPFIS products' sales documents.
- As trailer fees are paid out of the investment management fees (by the fund manager/insurer to distributors), they are not an additional cost to investors.

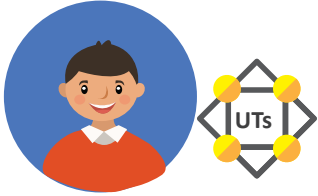


Ms Lee will need to pay a **one-time cost of \$2.50** and a **recurring cost of \$183 per year** for her investment in unit trusts.

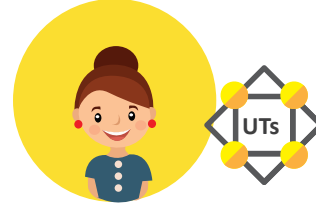
You can find out the unit trusts' NAV from [FundSingapore.com](https://www.fundsingapore.com) website or from fund companies website.

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

Example 3:



Mr Tan buys 1,000 units of unit trust A at a cost of \$10,000 via a bank



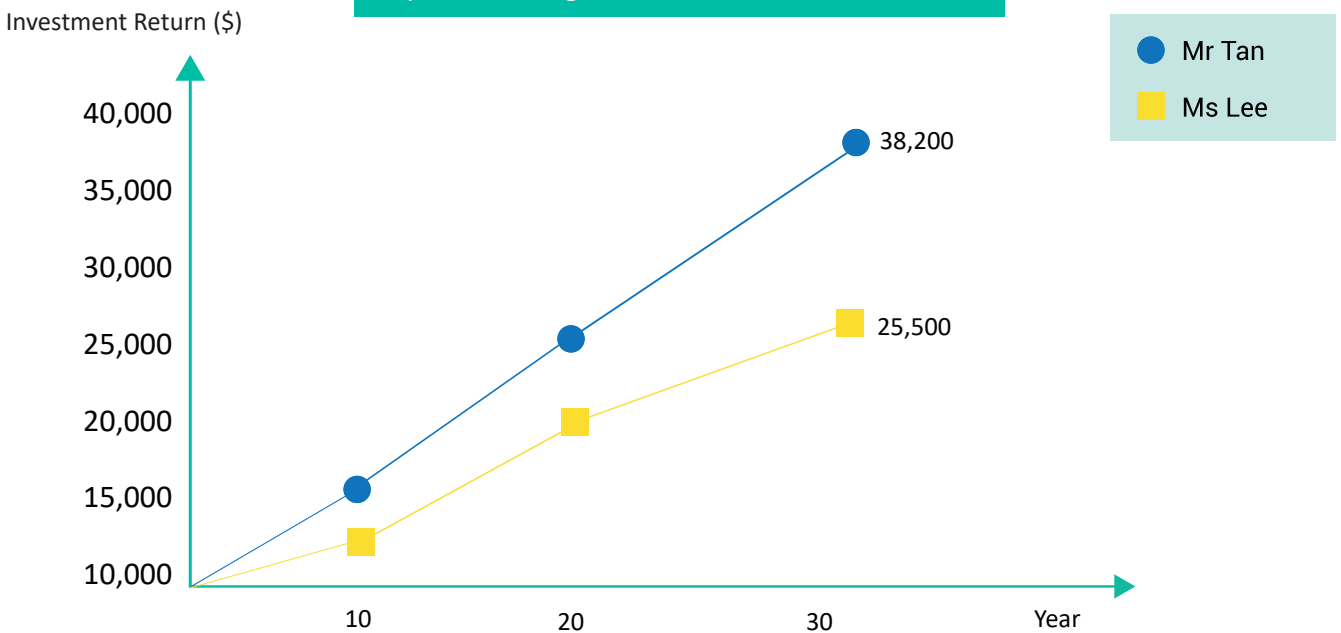
Ms Lee buys 1,000 units of unit trust B at a cost of \$10,000 via a bank

	Mr Tan	Ms Lee
Total Annual Expense Charges	0.43%	1.83%
• TER of Unit Trust	0.35% (zero trailer fees)	1.75% (of which 0.75% are paid to distributor as trailer fees)
• Recurring cost (to Agent Bank)	0.08%	0.08%

- There are some funds with low or no trailer fees, which could translate to lower TER of the funds. This would help investors save on investment costs.

Assuming 5% annual return for both unit trusts.

Impact of Charges on Investment Returns



Investment charges reduce your investment returns. As you can see in the above diagram, the higher the annual expense charges, the bigger the reduction in your investment returns.

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

You can refer to the table below on the charges for the different types of investment. The charges in the following table are estimates only and may not be exhaustive. You should check with the Agent Banks and product providers on the full range of charges payable.



All charges are subject to Goods and Services Tax (GST).

Types of investment	One-time cost	Recurring cost
Exchange traded products		
<ul style="list-style-type: none"> • Shares • Real Estate Investment Trusts (REITs) or Property Funds • Exchange Traded Funds • Corporate Bonds • Statutory Board Bonds • Gold Exchange Traded Funds • Singapore Government Bonds • Treasury Bills 	<p><u>Broker's commission</u></p> <p>0.25% - 0.28% of trade amount, with minimum charge of \$25 per transaction</p> <p><u>Singapore Exchange Fees</u></p> <ul style="list-style-type: none"> • CDP clearing fee: 0.0325% of trade amount • SGX Trading Access Fee: 0.0075% of trade amount • CDP Settlement Fee: \$0.35 per transaction, collected by Agent Bank on behalf of CDP <p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> • Up to \$2.50 per 1,000 shares/units, with maximum charge of \$25 per transaction (for shares, REITs, corporate bonds, ETFs and statutory board bonds) • Up to \$2.50 per 10 shares, with maximum charge of \$25 per transaction (for gold ETFs) • Up to \$2.50 per transaction (for Singapore Government Bonds and Treasury Bills) 	<p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> • \$2 per counter per quarter, with minimum charge of up to \$5 (for shares, REITs, corporate bonds, ETFs including gold ETFs and statutory board bonds) • \$2 per counter per quarter (for Singapore Government Bonds and Treasury Bills)

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

Types of investment	One-time cost	Recurring cost										
<ul style="list-style-type: none"> Singapore Government Bonds, Treasury Bills and Statutory Board Bonds traded through bond dealers 	<p><u>Bond Dealer’s Charges</u></p> <ul style="list-style-type: none"> 0.1% of trade amount per transaction <p><u>Agent bank’s charges</u></p> <ul style="list-style-type: none"> Up to \$2.50 per transaction 	<p><u>Agent bank’s charges</u></p> <ul style="list-style-type: none"> \$2 per counter per quarter 										
<ul style="list-style-type: none"> Unit Trust 	<p><u>Sales charge</u></p> <ul style="list-style-type: none"> Sales charge under CPFIS has been removed with effect from 1 October 2020 <p><u>Switching fee</u></p> <ul style="list-style-type: none"> As per “Sales charge”. <p>Note: Switching fee is not charged for unit trust purchased through wrap account of CPFIS Investment Administrator.</p> <p><u>Agent bank’s charges</u></p> <ul style="list-style-type: none"> Up to \$2.50 per 1,000 units, with maximum charge of \$25 per transaction 	<p><u>Total Expense Ratio (TER)</u></p> <ul style="list-style-type: none"> TER charged should not exceed the following caps <table border="1" data-bbox="1038 974 1493 1451"> <thead> <tr> <th data-bbox="1038 974 1252 1099">Risk Categories</th> <th data-bbox="1257 974 1493 1099">TER Caps (% of Net Asset Value)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1038 1106 1252 1171">Higher Risk</td> <td data-bbox="1257 1106 1493 1171">1.75</td> </tr> <tr> <td data-bbox="1038 1178 1252 1272">Medium to High Risk</td> <td data-bbox="1257 1178 1493 1272">1.55</td> </tr> <tr> <td data-bbox="1038 1279 1252 1373">Low to Medium Risk</td> <td data-bbox="1257 1279 1493 1373">0.95</td> </tr> <tr> <td data-bbox="1038 1379 1252 1451">Lower Risk</td> <td data-bbox="1257 1379 1493 1451">0.35</td> </tr> </tbody> </table> <p><u>Wrap fee</u></p> <ul style="list-style-type: none"> Annual wrap fee of up to 0.4% charged per year, on total market value of unit trusts held in wrap account with CPFIS Investment Administrator <p><u>Agent bank’s charges</u></p> <ul style="list-style-type: none"> \$2 per counter per quarter 	Risk Categories	TER Caps (% of Net Asset Value)	Higher Risk	1.75	Medium to High Risk	1.55	Low to Medium Risk	0.95	Lower Risk	0.35
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Higher Risk	1.75											
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Lower Risk	0.35											

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

Types of investment	One-time cost	Recurring cost										
<ul style="list-style-type: none"> Investment-linked Insurance Products 	<p><u>Sales charge</u></p> <ul style="list-style-type: none"> Sales charge under CPFIS has been removed with effect from 1 October 2020 <p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> Up to \$2.50 per transaction 	<p><u>Total Expense Ratio (TER)</u></p> <ul style="list-style-type: none"> TER charged should not exceed the following caps <table border="1" data-bbox="1015 645 1465 1115"> <thead> <tr> <th data-bbox="1015 645 1225 775">Risk Categories</th> <th data-bbox="1225 645 1465 775">TER Caps (% of Net Asset Value)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1015 775 1225 837">Higher Risk</td> <td data-bbox="1225 775 1465 837">1.75</td> </tr> <tr> <td data-bbox="1015 837 1225 945">Medium to High Risk</td> <td data-bbox="1225 837 1465 945">1.55</td> </tr> <tr> <td data-bbox="1015 945 1225 1048">Low to Medium Risk</td> <td data-bbox="1225 945 1465 1048">0.95</td> </tr> <tr> <td data-bbox="1015 1048 1225 1115">Lower Risk</td> <td data-bbox="1225 1048 1465 1115">0.35</td> </tr> </tbody> </table> <p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> \$2 per counter per quarter 	Risk Categories	TER Caps (% of Net Asset Value)	Higher Risk	1.75	Medium to High Risk	1.55	Low to Medium Risk	0.95	Lower Risk	0.35
Risk Categories	TER Caps (% of Net Asset Value)											
Higher Risk	1.75											
Medium to High Risk	1.55											
Low to Medium Risk	0.95											
Lower Risk	0.35											
<ul style="list-style-type: none"> Endowment Policies and Annuities 	<p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> Up to \$2.50 per transaction 	<p><u>Total Distribution Cost</u></p> <ul style="list-style-type: none"> Between 1.8% and 2.54% of Single Premium, and surrender processing fee of \$30. <p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> \$2 per counter per quarter 										
<ul style="list-style-type: none"> Fixed Deposit 	<p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> Up to \$2.50 per transaction 	<p><u>Agent bank's charges</u></p> <ul style="list-style-type: none"> \$2 per counter per quarter 										

PART 5: GENERAL CHARGES FOR THE VARIOUS INVESTMENT PRODUCTS

Types of investment	One-time cost	Recurring cost
Gold products		
<ul style="list-style-type: none"> Physical Gold/Wafer 	N.A.	<u>Agent bank's charges</u> <ul style="list-style-type: none"> Up to 0.25% charged per year, on value of gold held with the agent bank, with minimum charge of \$2 per month \$2 per counter per quarter
<ul style="list-style-type: none"> Gold Savings Account 	N.A.	<u>Agent bank's charges</u> <ul style="list-style-type: none"> Up to 0.25% charged per year, based on the highest balance for the month \$2 per counter per quarter
<ul style="list-style-type: none"> Gold Certificate 	<u>Gold Provider's charges</u> <ul style="list-style-type: none"> \$5 per certificate 	<u>Gold Provider's charges</u> <ul style="list-style-type: none"> \$72 per kilobar per year <u>Agent bank's charges</u> <ul style="list-style-type: none"> \$2 per counter per quarter



Summary

In this module, you learnt about the:

- Features of the CPF Investment Scheme (CPFIS)
- Investment products under CPFIS

When you invest, do note:

- All investments come with risks.
- Your investment decisions would impact your retirement nest egg.
- Only invest when you:
 1. can take the risk of investments;
 2. can afford to invest;
 3. have the time to monitor your investments; and
 4. are confident of earning more than the CPF interest rates.

Please go through the next module to assess if CPFIS is suitable for you.