

CPF changes in 2025: Here's what you need to know

CPF Board 00:07

Hey and welcome to Let's Talk CPF, a podcast where we bring conversations on CPF to your ears. Brought to you by the CPF Board, this podcast will answer common questions, offer tips, and feature interviews with industry experts on CPF and financial planning. Thanks for listening, and let's get straight into today's episode.

Yuzhen 00:35

Welcome back to Let's Talk CPF! I'm Yuzhen, your host for today, and in this episode, we are diving into several measures that the government announced in 2024, which include enhancements to CPF schemes. So what exactly are these CPF-related changes, and how will they affect our long-term financial planning? What do these changes even mean for different groups of Singaporeans? To help us understand these changes, I'm joined by Shaun Loh from CPF Board's Policy department. Hi Shaun!

Shaun 01:05

Hi Yuzhen, thanks for having me here today.

Yuzhen 01:07

So let's start with the changes that will affect working Singaporeans like you and me. What can you tell us about those?

Shaun 01:14

Well, one key change is the increase in the CPF monthly salary ceiling. It has increased from \$6,800 to \$7,400 from January this year, and this is part of a scheduled gradual increase that will reach \$8,000 by 2026.

Yuzhen 01:32

Wow, that is quite substantial. So how does this affect our CPF contributions?

Shaun 01:37

Essentially, it allows Singaporeans to save more for retirement, keeping pace with rising salaries. Now, it's worth noting that while the monthly ceiling has increased, the annual salary ceiling remains at \$102,000.

Yuzhen 01:51

Oh, interesting. Speaking of changes in contributions, I have heard there are some new developments for platform workers as well.

Shaun 01:59

Yeah, you're right. The changes for platform workers who are in the food delivery and ride-hailing sectors are one of the most significant shifts we'll be seeing this year. Since first January this year, platform operators deduct CPF contributions from all platform workers as and when they earn and submit them to CPF Board every month. Platform operators, as well as platform workers born on or after first January 1995, will see their CPF contribution rates gradually increase over five years. So that means that by 2029, these rates will match those of the employees and employers, with platform workers contributing 20% and platform operators contributing 17%. These increased CPF contributions are mandatory and will help support our platform workers' housing, retirement, and healthcare needs.

Yuzhen 02:51

So what about the platform workers born earlier, before 1995?

Shaun 02:55

Good question. Those born earlier can opt in for these increased CPF contributions. But if they choose not to, then they will still continue to contribute to their MediSave Account only, and will not receive the platform operators' share of CPF contributions. Now, Singapore is actually one of the first in the world to pass legislation to protect platform workers. And to ease this transition, the government has introduced the Platform Workers' CPF Transition Support or PCTS, and this scheme will help to offset the impact on take-home pay for eligible lower-income platform workers.

Yuzhen 03:30

It's good to hear that there's support available, especially to help our platform workers to prepare for retirement and boost up their nest egg. These changes for platform workers got me thinking about how different age groups are affected by the CPF changes.

Shaun 03:43

Yeah, there has been an increase in CPF contribution rates for our senior workers as well. For those aged above 55 to 65, the rates have increased by 0.5 percentage point for employers and one percentage point for employees, since the start of this year.

Yuzhen 03:59

Oh, I see. So, are there any other changes that our senior listeners should be aware of?

Shaun 04:04

Yes, absolutely. One key change is the closure of the Special Account for members aged 55 and above since January this year. This move ensures that only CPF savings committed towards long-term retirement needs will earn the higher long-term interest rate.

Yuzhen 04:22

Mm, the Special Account closure! All over the news... Can you elaborate more on this? I feel like some CPF members are still unclear about where their SA savings will go.

Shaun 04:31

Yeah, I'm sure everyone has heard about it by now. In fact, my dad has been asking me about it. When the Special Account closes, the savings will go to their Retirement Account up to their cohort Full Retirement Sum or FRS, where they will continue to earn the long-term interest rates. Now, any remaining Special Account savings will go to your Ordinary Account, where members can withdraw from when needed. You can also consider transferring your Ordinary Account savings to your Retirement Account, for higher interest and bigger monthly retirement payouts. Now with this move, any incoming CPF contributions that would have gone to your Special Account will now go to your Retirement Account, up to your cohort Full Retirement Sum. If you had already reached your Full Retirement Sum in the Retirement Account, then the contributions would go to your Ordinary Account instead.

Yuzhen 05:22

I understand there have also been enhancements to the Matched Retirement Savings Scheme (MRSS). So for those who are not familiar, MRSS helps seniors with lower retirement savings by providing a dollar-to-dollar matching grant.

Shaun 05:36

Yes, that's right. In fact, since first January this year, there have been two enhancements to the MRSS. Firstly, the matching grant cap has been increased from \$600 to \$2,000 per year, with a \$20,000 cap over an eligible member's lifetime. Secondly, members above age 70 are now eligible for MRSS. Before this year, only members from 55 to 70 years old were eligible.

Yuzhen 06:02

Wow, \$600 to \$2,000 a year is a significant increase.

Shaun 06:06

Hey, yeah, it is.

Yuzhen 06:07

Let's say, if you make a cash top-up of \$1,000 to your RA, the government will top up an additional \$1,000, so now it's up to \$2,000.

Shaun 06:15

That's right, a free \$2,000 if you top up \$2,000 as well.

Yuzhen 06:18

If you want to receive a higher matching grant amount, then you just need to make more top-ups. And the removal of age cap also means more seniors can benefit and further boost their retirement savings.

Shaun 06:29

Yeah, that's correct, but do note that the tax relief for cash top-ups that attract this matching grant will be removed. Besides this MRSS enhancement, the Enhanced Retirement Sum, or ERS, has also been raised from three times to four times the Basic Retirement Sum since January this year. So that means that our current ERS is at \$426,000, up from the previous \$308,700. Now this increment will allow

members to set aside a higher amount in their Retirement Account and receive higher monthly payouts from their CPF if they choose to do so. For example, members turning 55 this year can receive CPF LIFE monthly payouts of more than \$3,000 for life from age 65, if they choose to top up to the increased ERS.

Yuzhen 07:19

Wow, \$3,000 is a good amount of passive retirement income.

Shaun 07:22

Yeah, it sure is.

Yuzhen 07:23

That is paid monthly, right?

Shaun 07:24

That's right, monthly.

Yuzhen 07:26

So are there other initiatives in place for those who might need extra help beyond what we have discussed so far?

Shaun 07:31

Yes, of course, there have been enhancements to key support schemes. For example, the Silver Support Scheme has seen a 20% increase in quarterly payments and the qualifying household monthly income threshold has also been raised from \$1,800 to \$2,300 per person. And similarly, another scheme called the Workfare Income Supplement Scheme has been enhanced with the qualifying income cap increased from \$2,500 to \$3,000, which will allow our lower income workers to continue to benefit even as their wages grow. Workfare payments have also been increased, with eligible workers receiving up to \$4,900 annually, with effect from 2025 compared to the previous \$4,200 per year.

Yuzhen 08:06

So that means that more people are eligible for the support, and there is higher payment support too. Sounds like there is a concerted effort to provide support to Singaporeans in different age groups and across different income levels. So are there other changes that we have not mentioned yet?

Shaun 08:37

Yes, there is one more important initiative that I would like to mention, the Majulah Package. This package is designed to strengthen support for retirement adequacy for our young seniors, or Singaporeans in their 50s and early 60s, and it is also extended to Pioneer and Merdeka Generation seniors. The package includes three components: the Earn and Save Bonus, Retirement Savings Bonus, and MediSave Bonus.

For the Earn and Save Bonus, it benefits working seniors by providing an annual bonus to their Special or Retirement Accounts, depending on their age. And the first payment will be made very soon in March, ranging from \$400 to \$1,000 depending on the income level. For instance, if you are earning \$500 to \$2,500 a month, you will receive \$1,000 annually.

Yuzhen 09:26

So what about the other two components?

Shaun 09:29

Well, for the Retirement Savings Bonus, this is designed for seniors with retirement savings below the 2023 Basic Retirement Sum of \$99,400, and it will be a one-time bonus that is credited to their Special or Retirement Accounts. Now this amount will either be \$1,000 or \$1,500, with more support going to those with lower CPF retirement savings.

And lastly, for the MediSave Bonus, which is the third component, this will be for seniors who will receive a one-time bonus in their MediSave Account. The amount will vary based on age, property ownership, and the annual value of their residence. Those born in 1959 or earlier receive \$1,250, while those born between 1960 and 1973 receive either \$1,250 or \$2,000. The amount depends on your property ownership and residential property's annual value. Both the Retirement Savings Bonus and MediSave Bonus were actually already paid in December last year.

Yuzhen 10:32

It seems like this Majulah Package adds another layer of support to the changes we have discussed earlier. Well, thank you so much Shaun for sharing such a comprehensive overview of the CPF changes that are taking effect this year. As we navigate these changes together, let's stay informed and make the most of the support available to us. You can check out the CPF website if you would like to find out more about the changes.

As we wrap up this final episode of Let's Talk CPF, I want to express my gratitude to all our listeners who have joined us throughout this podcast series. We hope these conversations have helped you better understand CPF and how it supports your financial journey. I'm Yuzhen, and thank you for tuning in to Let's Talk CPF.

CPF Board 11:20

Before you go, we would love to hear from you. Email us with your questions or comments at podcast@cpf.gov.sg, so we can create better content for you. You can also leave us a review on the platform you're listening from to help others learn about our podcast. For the latest news, visit cpf.gov.sg/podcast or follow our social media pages. Thank you once again. Until the next time, Let's Talk CPF.