

CONTEGO NEWS



A FINANCIALLY SAVVY NEWSLETTER FOR
PRUDENT PROFESSIONALS IN SINGAPORE

CONTEGO SOLUTIONS
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WHAT IS THE SRS

And why is it important?

The Supplementary Retirement Scheme (SRS) is a voluntary savings scheme designed to prepare you for retirement.

But don't we already have CPF?

Well, our CPF is an involuntary savings scheme meant to only give you a very basic retirement income. This might not be enough for a more elaborate lifestyle. Moreover, many Singaporeans drain their CPF accounts to buy homes, so there might be some of us who can't rely on our CPF alone. This is where the SRS comes in.

Unlike your CPF contributions that generate risk-free interest of between 2.5% to 5%, your SRS contributions only generate a nominal interest of 0.05% per annum. This is similar to the base interest rates of most banks for savings accounts in Singapore.

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DIRECTOR'S NOTE

Hello friends and associates! I hope all is well with you and that your preparations for the year-end festivities are going smoothly. In this month's newsletter, I thought I would continue the conversation on retirement, since it has been a

hot topic in Singapore. Bearing in mind the fast-paced lifestyle most of us lead, and the high cost of living, I feel it is crucial for us to set time aside for retirement planning.

It has become clear that the national CPF LIFE scheme alone is not sufficient to provide a retirement income for our later years. You should hence supplement the basic income that you will receive from CPF LIFE such that you enjoy a fulfilling lifestyle during your golden years, without worrying about money.

The Supplementary Retirement Scheme, or SRS, is part of the government's efforts to meet the retirement needs of Singaporeans. While our CPF contributions are compulsory, contributions to our SRS accounts are voluntary. Basically, our SRS accounts are where we can stash away money as and when we wish to.

Your SRS contributions are eligible for tax relief, but more importantly, it is possible for you to maximize your SRS contributions in order to achieve your desired retirement income.

I hope to shed more light on the SRS and on how you can begin today to prepare for a fruitful and enjoyable life in your golden years.

*Lee Mallard
a.k.a Lelauthe*

HOW MUCH TAX SAVINGS WOULD I ENJOY THROUGH THE SRS?

Here's a rough estimate on the income tax you can expect to pay based on your annual income, before and after your SRS contribution.

TAX SAVINGS WITH SRS (\$)			
ANNUAL INCOME	TYPICAL INCOME TAX	INCOME TAX AFTER \$15,300 SRS CONTRIBUTION	AMOUNT SAVED
20,000	0	0	0
40,000	550	94	456
60,000	1,950	879	1,071
80,000	3,350	2,279	1,071
100,000	5,650	3,891	1,759
200,000	21,150	18,396	2,754

Singapore adopts a progressive income tax system, where those with higher income are taxed at a higher rate. As evidenced in the table above, the higher your taxable income, the greater your incentive to contribute to your SRS account and reduce your income tax.

The next thing you would want to do is to invest your SRS funds to make sure that you are able to sustain your lifestyle throughout your retirement years.



CASE STUDY: MR DAVE LEE, 50 YO

Having accumulated \$150K in his SRS account at the age of 50, Mr Lee plans to use this money for retirement after the age of 65. At an interest rate of 0.05% per annum, he would have a total retirement income of \$151,125 by the time he is 65 years old. Assuming He needs \$1000 a month for expenses. \$151,125 will see him through the next 12 and a half years. By his 78th Birthday, he would have to depend on his children for living expenses.

In contrast, Mr Tan can actually use \$145,270 from his SRS funds to invest in a a single premium payment term plan that will give him a payout of \$1,000 for 20 years, starting at age 65. The total payout over these 20 years works out to be \$240,000.

Whats more? Upon his policy maturity date, he could receive an additional \$80,510* at age 85.

Sounds great, doesn't it? Because it is!

*Maturity Bonus is non-guaranteed.



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The key advantage of the SRS is its tax benefits. Your voluntary SRS contributions are eligible for a dollar-for-dollar tax relief, with an annual SRS contribution cap at \$15,300 for Singapore citizens and PRs, and \$35,700 for foreigners.

Unlike CPF, you can withdraw your SRS funds whenever you want. However, early withdrawal (i.e. before the retirement age of 62) subjects you to a 5% penalty, plus tax on any amounts withdrawn before retirement age.

Even so, the whole idea is for you to have these funds at your disposal in your later years. So the question you should be asking now is, "How can I maximize my retirement income with my SRS funds?"

CONTACT US TO LEARN MORE!

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