



IPP Financial Advisers Pte Ltd

A guide to (SRS)
**Supplementary
Retirement
Scheme**



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What is the Supplementary Retirement Scheme (SRS)?

The Supplementary Retirement Scheme (SRS) is a voluntary scheme that is meant to encourage people to save for the retirement over and above their Central Provident Fund (CPF) savings. It began in 2001 and is operated by the private sector in Singapore. Although SRS is more applicable to Singaporeans and Permanent Residents (PRs) a foreigner can open an account too for income tax relief and investments purposes.

Unlike the CPF scheme, taking part in SRS is voluntary and members can contribute varying amounts subject to the cap at their own discretion. Foreigners who are not PRs or Singaporeans open a SRS account for tax relief and investment benefits.

The contributions to SRS may be used to purchase various investment instruments. To do this you first need to open an SRS account through your respective bank. If you are banking with any agent bank UOB/DBS/POSB/OCBC a SRS account can be opened easily on the ibanking website or in branch. After you have opened your SRS account and have transferred the amount you wish to invest you are able to purchase various investment instruments with your SRS funds.

Why should you invest money into SRS?

- The contributions made to SRS are eligible for income tax relief, subject to the personal income tax relief cap of \$80,000. However, Singapore Citizens and Permanent Residents can only contribute a maximum of \$15,300 to their SRS account per year and for foreigners the maximum contribution is \$35,700.
- The contributions may be used to purchase various investment instruments.
- The day you first make your SRS contribution, it will lock in your retirement age which is currently 62 years old. (i.e. if the government decides to increase the statutory retirement age from 62 to 65 you will have to wait an extra 3 years to begin your first penalty-free SRS withdrawal unless you already made a contribution.)
- You can withdraw your SRS savings before retirement age, but it will be subject to a early withdrawal fee of 5%. (Refer to page 3 for further information on this)
- Investment returns in your SRS are accumulated tax-free





What happens to your income tax when investing in SRS?



Example #1

2021 employment income \$20k per month - Foreigner

Assessable income = \$240,000
Minus Earned income relief = \$1,000
Chargeable income = \$239,000
Net Tax Payable = \$28,560

If you did the maximum SRS contribution for foreigners of \$35,700...

2021 employment income = \$20k per month
Assessable income = \$240,000
Minus Earned income relief = \$1k
Minus SRS relief = \$35,700
Chargeable income = \$203,300
Net Tax Payable = \$21,777

So by maxing your SRS contribution your pension has increased by \$35.7k and your tax bill has decreased by \$6,783 or by c.24%

Example #2

2021 employment income \$20k per month - Singaporean/PR

Assessable income = \$240,000
Minus Earned income relief = \$1,000
Chargeable income = \$239,000
Net Tax Payable = \$28,560

If you did the maximum SRS contribution for Singaporeans/PRs of \$15,300...

2021 employment income = \$20k per month
Assessable income = \$240,000
Minus Earned income relief = \$1k
Minus SRS relief = \$15,300
Chargeable income = \$223,700
Net Tax Payable = \$25,653

So by maxing your SRS contribution your pension has increased by \$15.3k and your tax bill has decreased by \$2,907 or by c.10%

Now let's assume you make no more SRS contributions, and leave Singapore, and then....

Your SRS is held for 15 years and grows at a projected 5%* per annum net of fees, then the \$35.7k invested is worth \$74,217.74. It is then withdrawn in such a way that there are no penalties. Even if you are not a Singapore Resident at the time, based on today's income tax rate of 15%, half of that would be subject to tax, so the total tax due would be \$5,566.33. This is still less than the \$6,783 saved originally, and there is 65k of pension that started as 35.7k!

**Illustration only, returns are not guaranteed*

How do I withdraw my SRS?

You can withdraw funds from your SRS at any time in cash or in the form of an investment (effective 1 Jul 2015). When you withdraw money or investments from your SRS Account, the withdrawal is subject to income tax and is based on the prevailing tax rate. The time of withdrawal and circumstances determine the taxable amount of the withdrawal. Withdrawals are penalty-free only if they take place after the statutory retirement age that was prevailing at the time of your first SRS contribution. The statutory retirement age is currently at 62. You can lock in the retirement age by contributing \$1 to your SRS now in case the government decides to increase it in the future.

	Type of withdrawal	Amount subject to tax	5% penalty imposed?
Penalty-Free withdrawal	Withdrawal on or after prescribed retirement age (withdrawal can be spread over 10 years from the date of first penalty-free withdrawal)	50% of withdrawal sum	No
	Withdrawal in the form of annuities	50% of annual stream	No
	Withdrawal on medical ground (e.g. physical/mental incapacity and partial withdrawal on grounds of terminal illness)	50% of withdrawal sum	No
	Withdrawal in full on terminal illness	50% of full withdrawal sum less exemption*	No
	In the event of bankruptcy	100% of withdrawal sum	No
	Withdrawal in one lump sum by a foreigner (excluding Singapore Permanent Resident) He/She must have maintained the SRS account for at least 10 years from the date of first contribution and have been a non-Singaporean for a continuous period of 10 years before date of withdrawal.	50% of lump sum	No
Other Withdrawals	Early withdrawals before retirement age	100% of withdrawal sum	Yes

Table obtained from IRAS website, information is accurate as of 02/2020

***From Year of Assessment 2016, a specified amount of SRS funds withdrawn in full on the grounds of terminal illness would be exempt from tax.**

If a foreigner or Singapore Permanent Resident has applied to withdraw from his SRS account, 50% or 100% of the withdrawn amount, depending on the type of the withdrawal will be subject to a withholding tax. An amount of tax will be withheld at the point of withdrawal at the prevailing non-resident tax rate of 22% (20% for withdrawal from SRS accounts prior to 1 Jan 2016). This amount will be remitted to IRAS. Effective 1 Jul 2014, the concessionary withholding tax rate of 15% will apply if the following conditions are met: Cumulative amount withdrawn by the SRS account holder in the calendar year does not exceed \$200,000 and the SRS account holder does not have any other income besides the SRS withdrawal(s) during the calendar year when the withdrawal(s) are made. There is no withholding tax on withdrawals made by Singaporean account holders.

How can we help you invest your SRS?

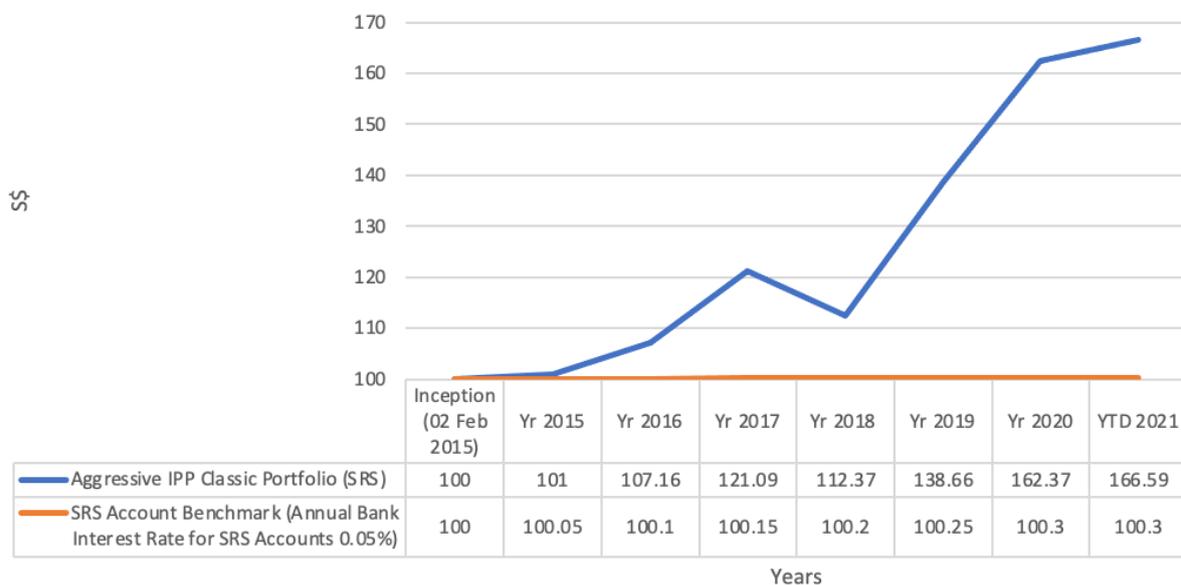
As mentioned at the start of this guide the contributions to SRS may be used to purchase various investment instruments. To do this you first need to open an SRS account through your respective bank. If you are banking with DBS/POSB a SRS account can be opened easily on the ibanking website. After you have opened your SRS account and have transferred the amount you wish to invest you are able to purchase various investment instruments with your SRS funds. Contact us for a non-obligatory financial advisory session and we can show you how to achieve an efficient investment portfolio!

At IPP Financial Advisers we have our own in house Automated Portfolio Management Service called Eagle Eye that helps to optimise a client's investment portfolio through periodic rebalancing and strategic asset allocation, making investing more time efficient for you.

For more information please visit <https://www.eag.ippfa.com/why-eagle-eye>

The model portfolios are constructed using IPP Financial Advisers' in-house Investment Analysis Process. Each Model is comprised of a different blend of investments, weighted to match the appropriate risk profile. Currently, our Aggressive IPP Classic Portfolio (SRS) is out performing the SRS Account Benchmark. If you had invested \$100 into the Aggressive IPP Classic Portfolio (SRS) since inception you would now have \$166.59 vs. \$100.30 if you left your SRS money sitting in the bank.

Aggressive IPP Classic Portfolio (SRS) Since Inception



The Annual Bank interest rate for SRS accounts can be found on <https://www.dbs.com.sg/personal/investments/srs-and-cpf/supplementary-retirement-scheme>. This information is accurate as of 08/2020. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Please consult your Financial Adviser Representative before making any investment decisions

Don't wait any longer and contact us today at eag@ippfa.com for a non-obligatory financial advisory session and we can show you how to start your SRS investment plan today!

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