Singapore Central Provident Fund (CPF) Scheme

The Central Provident Fund (CPF) is Singapore's mandatory social security savings scheme for working Singapore Citizens and Permanent Residents. It is designed to help individuals build savings for major long-term needs, especially retirement, healthcare and housing. Unlike a conventional tax-funded pension system, CPF contributions are credited into individual member accounts and remain the member's savings, subject to rules on when and how the money can be used.

How the CPF scheme works

CPF is funded through regular contributions from both employers and employees. Contributions are calculated as a percentage of wages, with the rates varying according to the employee's age, wage level and residency status. For younger workers, the combined employer and employee contribution rate is typically higher, while rates reduce progressively for older workers to balance retirement saving with employability.

Main CPF accounts

- **Ordinary Account (OA):** Used mainly for housing, approved education expenses, certain insurance premiums and approved investments. It is commonly used to finance the purchase of Housing and Development Board flats or private residential property.
- **Special Account (SA):** Intended primarily for retirement savings and investment in retirement-related financial products. It generally earns a higher interest rate than the Ordinary Account.
- **MediSave Account (MA):** Used for healthcare needs, including hospitalisation, approved outpatient treatments and approved medical insurance premiums such as MediShield Life.
- **Retirement Account (RA):** Created when a member reaches age 55. Savings from the Ordinary Account and Special Account are transferred into this account to support retirement payouts.

What CPF savings can be used for

CPF savings support several core areas of financial security. For housing, members may use Ordinary Account savings to buy eligible property and service mortgage instalments. For healthcare, MediSave savings help pay for hospital bills, approved outpatient care and insurance premiums. For retirement, CPF savings are accumulated over a working life and later converted into monthly payouts, helping members maintain income after leaving the workforce.

Retirement features

At age 55, a Retirement Account is created. Savings from the member's Ordinary Account and Special Account are transferred into the Retirement Account up to the applicable retirement sum. Members who meet the relevant requirements may withdraw some savings, while the amount set aside in the Retirement Account is used to provide retirement income. From the payout eligibility age, CPF LIFE provides monthly payouts for life, helping protect members against the risk of outliving their savings.

Interest and long-term savings

CPF balances earn interest, with different accounts receiving different base rates. The system also provides extra interest on lower balances to help members grow their savings more effectively over time. Because CPF is intended to meet essential long-term needs, withdrawals and uses are governed by rules. These restrictions are designed to preserve savings for retirement, medical costs and other approved purposes rather than short-term spending.

Benefits and considerations

The CPF scheme is a central pillar of Singapore’s approach to social security. Its main strengths are disciplined savings, employer co-contributions, support for home ownership, healthcare protection and lifelong retirement payouts. However, CPF savings are not fully liquid, and the rules can be complex. Members need to understand how using CPF for housing or investment may affect the amount available for retirement later in life.

Summary

In summary, the CPF scheme combines pension saving, healthcare funding and housing support within a single mandatory savings framework. It encourages workers and employers to contribute regularly throughout a person’s working life, while providing structured access to savings for approved life needs and retirement income.