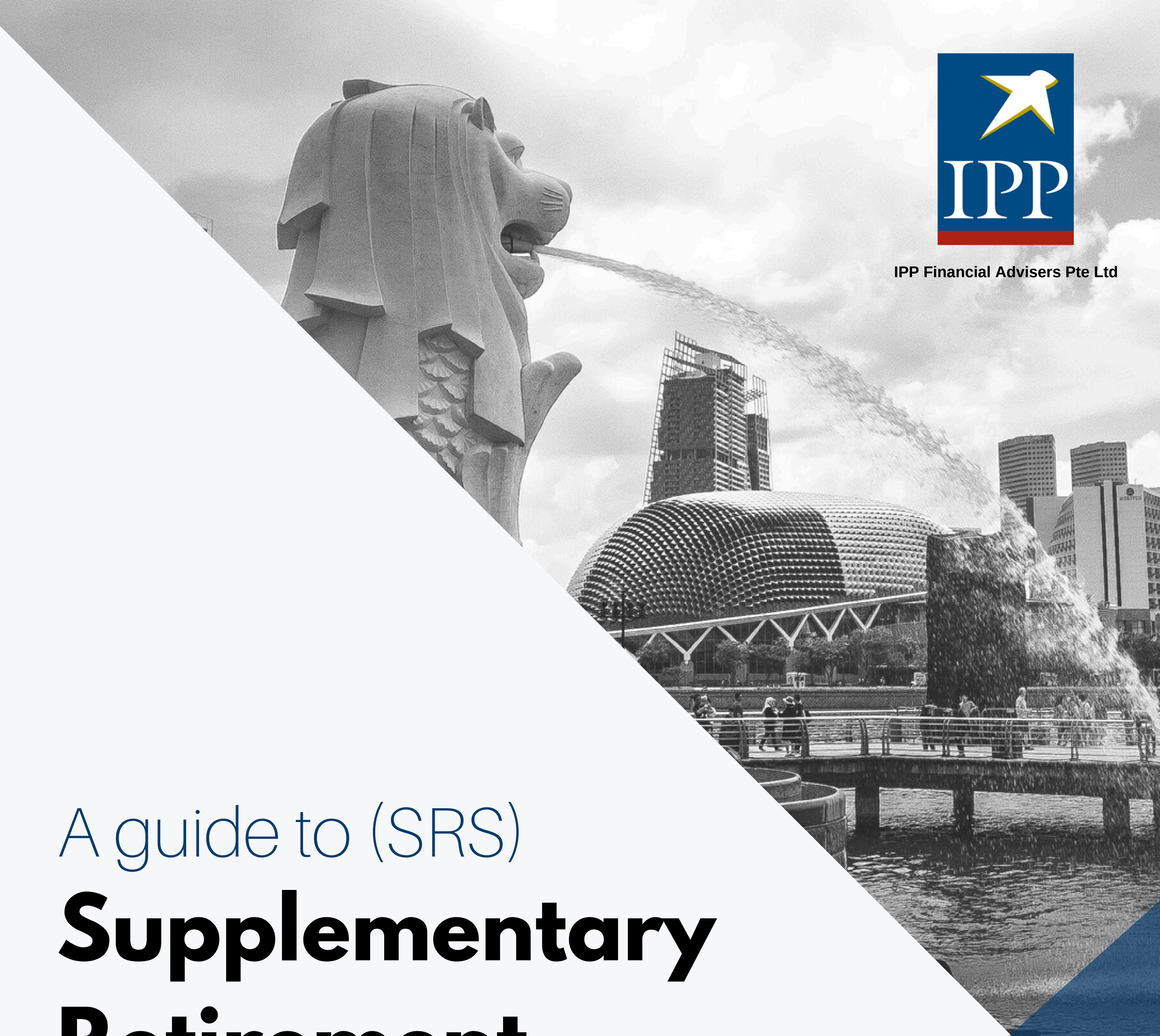

IPP Financial Advisers Pte Ltd

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 designed to encourage people in Singapore to save for retirement over and above their Central Provident Fund (CPF) savings. It began in 2001 and is administered by the major banks in Singapore. As well as being open to Singaporeans and Permanent Residents (PRs), foreigners are also eligible to use the SRS allowing everyone here to benefit from income tax relief on contributions whilst saving for retirement.

Unlike the CPF scheme, taking part in SRS is voluntary and members can contribute any amount up to the annual cap. Contributions to SRS can 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 via online banking. 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?

- Singapore Citizens and Permanent Residents can contribute a maximum of $15,300 per annum to their SRS account while foreigners enjoy an annual contribution limit of $35,700. These limits count towards the overall IRAS personal income tax relief limit of $80k per annum.

- The contributions may be used to purchase various investment instruments.

- Once you make your first SRS contribution, you lock in the statutory retirement age (currently of 63) as the age when you can first make penalty free withdrawals from SRS. If you were to wait to make your first contribution and the retirement age is raised in the interim, your age for penalty free access will be later.

- 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

Source: Inland Revenue Authority Singapore (Data retrieved 11/05/21) https://www.iras.gov.sg/irashome/Schemes/Individuals/Supplementary-Retirement-Scheme--SRS-/

What happens to your income tax when investing in SRS?

Example #1

2023 employment income
$10k per month

Assessable income = $120k
Minus Earned income relief = $1k
Chargeable income = $119k
Tax due = $7,835
Minus Personal Income Tax Rebate = $200
Net tax due = $7,635

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

2023 employment income = $10k per month
Assessable income = $120k
Minus Earned income relief = $1k
Minus SRS relief = $35,700
Chargeable income = $83,300
Tax due = $3,729.50
Minus Personal Income Tax Rebate = $200
Net tax due = $3,529.50

So by maxing your SRS contribution your pension has increased by $35.7k and your tax bill has decreased by $4,105.50 (or by 53.77%)!

Example #2

2023 employment income
$25k per month

Assessable income = $300k
Minus Earned income relief = $1k
Chargeable income = $299k
Tax due = $40,350
Minus Personal Income Tax Rebate = $200
Net tax due = $40,150

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

2023 employment income = $25k per month
Assessable income = $300k
Minus Earned income relief = $1k
Minus SRS relief = $35,700
Chargeable income = $263,300
Tax due = $33,293.50
Minus Personal Income Tax Rebate = $200
Net tax due = $33,093.50

So by maxing your SRS contribution your pension has increased by $35.7k and your tax bill has decreased by $7,256.50 (or by 17.98%)!

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, if certain conditions are met (refer to pg. 3) based on today's non-resident 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 $7,256.50 saved originally, and there is $68,650 of pension that started as 35.7k!

**Illustration only, returns are not guaranteed*

Source: Inland Revenue Authority Singapore (Data retrieved 17/04/24) https://www.iras.gov.sg/irashome/Schemes/Individuals/Supplementary-Retirement-Scheme--SRS-/

How do I withdraw my SRS?

You may make penalty-free withdrawals from your SRS account over a period of 10 years starting from the date of your first penalty-free withdrawal. The amount (except for life annuities) in the SRS account will be deemed to be withdrawn immediately after the end of the 10-year withdrawal period. When you withdraw from your SRS Account, the withdrawal is subject to income tax and is based on the prevailing tax rate as per the table below. 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 63. 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 on medical ground (physical or mental incapacity; partial withdrawal on grounds of terminal illness)	50% of withdrawal sum	No
	Withdrawal in full due to terminal illness	50% of full withdrawal sum less an exempt amount of up to $400,000	No
	In the event of bankruptcy	100% of withdrawal sum	No
	Withdrawal in one lump sum by a foreigner (with at least 10 years holding period)	50% of lump sum	No
Other withdrawals	Early withdrawals before prescribed retirement age	100% of withdrawal sum	Yes

Table obtained from IRAS website, information is accurate as of 08/2022

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 24% (20% for withdrawal from SRS accounts prior to 1 Jan 2016). This amount will be remitted to IRAS. This is not the final tax payable, and for a non-resident, the actual tax payable on the SRS withdrawal will be 15% or the progressive resident rates, whichever is higher. So in many scenarios a tax refund will be due. A 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 (concessionary or otherwise) on withdrawals made by Singaporean account holders.

Source: Inland Revenue Authority Singapore (Data retrieved 17/04/24) https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/special-tax-schemes/tax-on-srs-withdrawal

How can we help you invest your SRS?

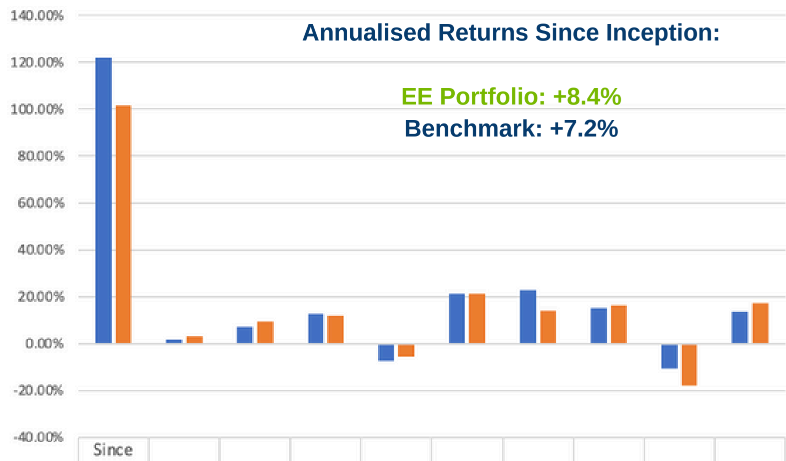
As mentioned at the start of this guide the contributions to SRS may be used to purchase various investment instruments. To do this you first need to open an SRS account through your respective bank. An SRS account can be opened easily on the website or in the Branch of any of the agent banks (DBS/POSB/UOB/OCBC). After you have opened your SRS account and have transferred your initial contribution you are able to purchase various investment instruments with your SRS funds. Contact us for a complimentary, no obligation meeting 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's in-house Investment Analysis Process. Each Model is comprised of a different blend of investments, weighted to match the appropriate risk profile. Since inception, our Very Aggressive IPP Classic Portfolio (SRS) is outperforming the Very Aggressive Benchmark (20% Barclays Global Aggregate + 80% MSCI World) by +19.8%

Very Aggressive IPP Classic Portfolio (SRS) Vs. Benchmark



	Since Inception (02 Feb 2015)	Yr 2015	Yr 2016	Yr 2017	Yr 2018	Yr 2019	Yr 2020	Yr 2021	Yr 2022	Yr 2023
IPP Classic Portfolio (SRS) Very Aggressive	122.00%	1.60%	7.00%	12.70%	-7.50%	21.50%	22.70%	15.20%	-10.70%	13.60%
Very Aggressive Benchmark (20% Barclays Global Aggregate + 80% MSCI World)	101.70%	3.30%	9.40%	12.00%	-5.50%	21.40%	14.00%	16.20%	-17.80%	17%

Data Extracted 01/01/2024

Don't wait any longer and contact us today at eag@ippfa.com for a complimentary, no obligation meeting where we can show you how to start your SRS investment plan today!

DISCLAIMER

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