

(5) BUILDING A RESILIENT COMMUNITY

5.1 As we develop as a global city, we must build up our resilience as a community and help every Singaporean make the best of the opportunities that will come. Our big advantage is that our economy is growing, we are attracting investments, and many jobs are being created. Our education system provides opportunities for all to develop their potential. All Singaporeans therefore have the chance to further their learning, to upgrade themselves, to earn a good living, and to provide for their families.

5.2 This desire to learn, work and do well and look after our families has been, and must remain, the foundation for our success. We will only have a resilient community if each of us strives to be self-reliant.

5.3 However, even as our economy grows and does well, we have to address two key challenges that we face together as a community. First, we must help our lower-income workers cope with the continued pressures on their wages in a globalised world. Second, we have to help Singaporeans save more for their retirement and prepare for healthcare needs that come with aging, so that they can look forward to the happy prospect of longer lives.

5.4 Last year we made significant moves to address these challenges. The new Workfare Income Supplement scheme is a major social intervention, using public resources to boost the incomes of those at the lower end of the ladder. We also reduced both the employer and employee CPF contribution rates for our lower-income workers, to help them stay employed and increase their take-home pay.

5.5 We made further changes to the CPF system last year to enable Singaporeans to save more for retirement. Singaporeans can now expect to receive higher interest rates on their CPF savings, especially those with smaller balances. We also committed to provide the older cohorts of CPF members with bonuses (V- and D-bonuses) for deferring the draw down of their savings.

5.6 I will outline, in the next part of the speech, further measures that the Government will take to help Singaporeans prepare for old age as well as measures to help the most needy and vulnerable in our society. I will also set out measures by which we will share part of the surpluses from last year with Singaporeans.

Enhancing Financial Security in Retirement

5.7 This year, we are moving on four further initiatives to help ensure adequate savings for retirement.

Voluntary Savings

5.8 Firstly, we will encourage Singaporeans to voluntarily put aside more savings whenever they can. We will make it easier for Singaporeans to top up CPF accounts for themselves and their family members in order to meet the Minimum Sum, and we will provide more tax incentives for them to do so.

5.9 The Ministry of Manpower will now allow members *below 55* to top up their CPF savings up to the Minimum Sum. Further, employers will now be allowed to make top-ups to their employees' Minimum Sum.

5.10 To encourage topping-up of CPF accounts, I will broaden the tax reliefs currently available. Today, there is a single \$7,000 tax relief available for qualifying Minimum Sum top-ups either for oneself or family members, provided the beneficiary is 55 and above. I will allow two separate tax reliefs - up to \$7,000 for top-ups by the member or his employer to his own Minimum Sum, and up to another \$7,000 for top-ups to their family members' Minimum Sum. Both reliefs will apply regardless of the age of the recipient when the top-ups are made. Employers will also enjoy a full tax deduction for top-ups to their employees' accounts.

5.11 To encourage savings to meet medical needs, I will also provide tax relief for voluntary contributions that CPF members specifically direct to the Medisave Account. This will help more CPF members meet the Medisave Minimum Sum.

5.12 The Supplementary Retirement Scheme (SRS) provides a tax incentive for Singaporeans as well as foreigners to save for retirement outside of the CPF scheme. Today, only employees are allowed to contribute to the SRS. To enable employers to play a part towards the retirement savings of their employees, we will allow them to directly contribute to the SRS on behalf of their employees. This will provide an inexpensive method for employers to provide retirement benefits without the need to set up company pension funds, which may have high overheads. With more Singaporeans now working beyond the retirement age, we will also remove the age limit on contributions to the SRS.

LIFE Bonus

5.13 As Minister Ng Eng Hen has recently stated, the Government has accepted the recommendations of the National Longevity Insurance Committee on the CPF LIFE scheme. It puts in place a major new plank to ensure Singaporeans a stream of income for as long as they live.

5.14 From 2013, CPF members will join CPF LIFE automatically when they turn 55 as long as they have at least \$40,000 in their Minimum Sum. The first cohort to do this will be those aged 50 this year. We also want to encourage those with less than \$40,000 as well as members who are older than 50 this year to join the scheme when they turn 55.

5.15 We have decided to provide a special bonus to the first few cohorts of CPF members who will participate in CPF LIFE. These older cohorts generally earned less over their working years compared to what younger Singaporeans currently have and can look forward to. By the time they join CPF LIFE, they would also have had less time to benefit from the extra 1% interest that CPF members now receive on the first \$60,000 of their CPF balances. Younger cohorts will also be able to benefit from more years under the WIS scheme, which provides significant top-ups into their CPF accounts (plus cash payments).

5.16 The Government will provide a sign-on bonus for the *first five cohorts* of CPF members who join CPF LIFE, in other words, those aged 46 to 50 this year. We call this the LIFE Bonus, or the L-Bonus. It will be given to members when they enrol in the scheme at age 55.

5.17 The L-Bonus is targeted at the lower and middle-income CPF members. The L-Bonus will be given to members whose annual income when they sign on to the LIFE scheme is \$54,000 or less, and whose annual assessed property value is \$11,000 or less, which will include all HDB flats. These make up *about 80 percent of the cohort aged 50 today*, including those whose Minimum Sums are too low for them to be automatically enrolled in the LIFE scheme.

5.18 The amount of the L-Bonus will vary such that older and less well-off members will receive more. For members aged 50 this year, they can expect to receive between \$2,200 and \$4,000. A 50-year-old who lives in a five-room flat and earns between \$24,000 and \$54,000 will receive \$2,200. However, a 50-year-old who lives in a three-room flat and earns less than \$24,000 annually will receive \$4,000 when he joins the LIFE scheme. If he has \$40,000 in his Minimum Sum, this amounts to 10% of his retirement savings.

5.19 The youngest eligible cohort, those aged 46 today, will get around 30% of what the 50-year old receives.

Table 2 - Structure of L-Bonus for those 55 and older in 2013

Assessable Income (AI)	Annual Value (AV)	
	Up to \$6,000	More than \$6,000 and up to \$11,000
\$24,000 or less	\$4,000	\$3,200
More than \$24,000 and up to \$54,000	\$3,200	\$2,200

5.20 Professor Lim Pin's committee had recommended that the Government provide a one-off incentive to facilitate greater participation and opt-in by members who are not automatically included in the scheme. The Government agrees with the committee's recommendation and will extend the L-Bonus to this group of members.

5.21 Therefore, if members have *less than \$40,000 in their Minimum Sum, but want to participate in the LIFE scheme*, we will help them to do so and give them the L-Bonus as long as they are willing to make a reasonable contribution to their balances and accept lower monthly payouts. This is particularly important for many of the women, who may have been housewives or stopped working early and do not have enough in their accounts. The L-Bonus will encourage their husbands or other family members to top up their accounts so that they can join the scheme.

5.22 We will also extend the L-Bonus to older members *above the age of 50 this year who choose to opt into the scheme*. They can opt in when they reach 55. (But if they have already passed 55 when the scheme is introduced, they will have to opt in within a year from then.) All these older members who choose to opt in will receive the same amount of L-Bonuses as those aged 50 this year.

5.23 The Government will set aside \$770 million over three years for the L-Bonuses, including \$260 million out of this year's budget.

5.24 Details on L-Bonus are at [Annex C](#).

Helping Singaporeans Meet Healthcare Needs

5.25 We are investing heavily in healthcare. The Government is spending \$900 million over the next five years to upgrade and expand facilities at NUH, SGH, and the National Heart Centre, and to build the new Khoo Teck Puat Hospital in Yishun. We will also spend another \$1 billion over the next five years to recruit and train more healthcare professionals, including not only doctors, but also pharmacists, physiotherapists and other allied health professionals in the public sector. This is on top of the additional 40% more nurses that we had previously committed to bring into the public sector. It will mean more well-qualified staff to take care of each patient.

5.26 But as we spend more on healthcare, we must ensure that our commitment can be sustained not just for a few years, but over the long term. Means-testing has had a thorough debate over the past several weeks. It is the only realistic way to ensure that high quality healthcare can be delivered to all, including lower-income patients, without placing an unsustainable burden on taxpayers as a whole. Minister Khaw Boon Wan has assured Singaporeans that he is sensitive to the concerns of the middle-income group, who will continue to be subsidised at Class C and B2 wards, though at a reduced rate as compared to the low-income patients.

5.27 To protect retirement savings from being depleted by heavy expenses due to catastrophic illnesses, we must also ensure that our people are adequately covered by medical insurance.

- a. MOH will be enhancing MediShield to provide better coverage for patients with large hospital bills, with some adjustment to MediShield premiums in tandem. To help older Singaporeans pay for their medical bills and their increased MediShield premiums, we will top up the Medisave accounts of all those aged 51 and above by up to \$450 this year. This will cost the Government \$220 million

Table 3 -Structure of Medisave Top-ups

Age in 2008	Medisave Top-up Amount
51 to 60	\$150
61 to 70	\$250
71 to 75	\$350
76 and above	\$450

- b. To encourage employers to provide portable medical benefits through Medisave and MediShield, we will also relax the criteria for them to enjoy tax deductions up to the higher cap of 2% of their wage bill. Beyond regular Medisave contributions, employers will now be allowed tax deductions up to the higher cap if they make ad-hoc contributions to their employees' Medisave accounts, or if they purchase MediShield or Medisave-approved private integrated plans for their employees. Details of this are in [Annex B-6](#).

5.28 We are also setting aside more funds to help the elderly and needy. The ElderCare Fund is already being fully utilised to support older Singaporeans who need long-term care in nursing homes and other step-down care facilities. We will top up the ElderCare Fund by \$400 million this year, bringing its size to \$1.5 billion. Medifund, which supports the needy, is also being well utilised. We will top it up by \$200 million this year, bringing the fund size to \$1.6 billion.

Taking Care of the Vulnerable

5.29 We will continue to refine the safety nets to help the most vulnerable in the community. We have to do this in a calibrated fashion because the last thing we should do is to weaken the incentive for individuals to find a job and stay in one, or undermine the responsibility that family members have towards each other. These twin values have underpinned our programmes for social assistance and will continue to do so.

5.30 The Public Assistance (PA) Scheme applies to needy Singaporeans who are unable to work and have no other means of support. In addition to their PA allowance, they are given a PA card which makes them eligible for free healthcare and many other subsidies, as well as extensive community support. Last year, we raised the monthly PA rates to \$290.

5.31 Many, including our MPs, have asked that the PA rates be reviewed again. MCYS has done so. Following this review, the Government has decided to increase the monthly PA rate for a single-person household further to \$330. This will give households on Public Assistance more assurance that they can meet their basic needs. Minister Vivian Balakrishnan will provide more details in the MCYS COS, including other changes to the Public Assistance Scheme.

5.32 I will also top up the ComCare Fund by \$200 million this year, bringing it to \$800 million. This will support our efforts to help the needy to obtain jobs, look after their children's needs and integrate into the community.

Surplus Sharing

5.33 2007 was a good year for Singapore. Our fiscal position is strong. We can therefore afford to share some of the budget surplus with Singaporeans. I will distribute the surplus to all Singaporeans, but with particular focus on the lower and middle-income groups and older Singaporeans. Their needs are greater, and they are more affected than better-off Singaporeans in the current climate of rising prices.

5.34 I had earlier in the speech announced top-ups to the Post-Secondary Education Accounts and Medisave accounts, as well as Personal Income Tax rebates, as part of this surplus sharing exercise.

5.35 I have also decided to give Growth Dividends to all adult Singaporeans, to be paid out in two instalments in April and October this year. Those who have already signed up for their GST credits will automatically receive their Growth Dividends.

5.36 We will give the needy more, using the same framework that has been used for GST Credits. A lower-income Singaporean living in a three-room HDB flat or smaller, will receive a Growth Dividend of \$400. This is on top of the \$250 in GST Credits that he will be getting this year. The majority of Singaporeans, who live in other HDB flats and do not have high incomes, will receive a Growth Dividend of \$300 (on top of \$200 in GST Credits that he will get this year).

5.37 I will give older Singaporeans, those aged 60 and above, more. Most older Singaporeans will receive one and a half times what other Singaporeans will receive.

5.38 As with the GST Credits, we will include everyone. Those with Annual Incomes more than \$100,000 will receive a Growth Dividend of \$100.

Table 4 - Growth Dividends

		Annual Value of Home in 2007		
		\$5,000 or less (1-3R HDB flats)	More than \$5,000 and up to \$10,000 (4R, 5R HDB flats, exec flats and some less expensive private properties)	More than \$10,000 (more expensive private properties)
Annual Assessable Income in 2007	\$24,000 or less	\$400 For those 60 years old and above: +\$200	\$300 For those 60 years old and above: +\$150	\$150 For those 60 years old and above: +\$75
	More than \$24,000 and up to \$100,000			
	More than \$100,000	\$100		
NSmen, ex-NS men and NSF's		+\$100		

5.39 We will give an additional dividend to those who have served and are currently serving national service. NSmen, ex-NSmen and NSF's including those below 21, will get an additional \$100 of Growth Dividends, to recognise their contributions to our nation.

5.40 As before, we will provide the option for Singaporeans to donate their Growth Dividends to charity, so that those who wish to can conveniently contribute to a cause of their choice.

5.41 The Growth Dividends will cost the Government \$865 million this year.

5.42 For government pensioners, the Government has decided to increase the Singapore Allowance further by \$20 per month, and raise the gross pension ceiling from \$1,150 to \$1,170. This will give an additional \$3 million a year to pensioners residing in Singapore.

5.43 There are some families who may need additional support, in meeting rising costs, beyond the significant sums they would receive in the GST Offset Package and the Growth Dividends that we are providing this year, as well as existing Government assistance schemes. Last year, as part of the GST Offset Package, we provided CCCs, self-help groups and VWOs with extra funds (\$10 million over five years) to help needy families. This year, we will give these groups an additional \$10 million. This would give them an extra \$20 million over the five-year period. They are best placed to decide on which families need additional assistance. Over the last year alone, about 8,000 low-income families have been helped by the CCC ComCare Fund.

5.44 Taking together all the measures in this year's surplus sharing package *a retiree household in a two-room flat* will receive \$2,100 (Growth Dividends and Medisave Top-ups). This is *on top of* the \$1,300 that they will also be receiving this year as part of the GST Offset Package introduced last year.

5.45 Take a middle-income family living in a *five-room flat*, which is also typically larger. Two working parents with two children, one in primary school and one in secondary school, and one grandparent. They will receive a total of \$2,500 (\$1,150 in Growth Dividends, \$900 in PSEA top-ups, \$450 Medisave top-up). This is *on top of* the \$1,900 that they will also be receiving *this year* as part of last year's GST Offset Package.

5.46 Overall, the rebates and dividends are weighted towards middle and lower-income households. Higher-income households will receive more in absolute dollars, because of the rebate on the higher personal income taxes that they are paying. However, lower and middle-income households will get more as a percentage of their incomes from the 2008 surplus sharing exercise. This is even more so if we include what they will receive *this year* as part of the GST Offset Package that has already been introduced and the WIS.

5.47 In total, we will be giving out \$1.8 billion worth of benefits to Singaporeans as part of this surplus sharing package. This is our approach. When we have higher than expected economic growth and strong surpluses, we will share the benefits with Singaporeans while setting aside sufficient resources to meet future needs and challenges.