

New flight plan for CPF savings: Long overdue, but may not suit everyone

The proposed life-cycle scheme offers a steady glidepath, but members must be prepared for some mid-air volatility.

Christopher Gee

In his Budget 2026 speech, Prime Minister and Finance Minister Lawrence Wong announced that Central Provident Fund (CPF) members can expect a new investment scheme by 2028. Targeted at those who are able and willing to tolerate higher risk for higher returns, the scheme aims to grow retirement savings more effectively over members' working lives.

The incoming scheme is likely to differ significantly from the existing CPF Investment Scheme (CPFIS), which is designed for members with the expertise, time and inclination to manage investments actively. But CPFIS today offers more than 700 products across a wide range of strategies. For many members, that breadth of choice can be intimidating. As American psychologist Barry Schwartz has argued through the "paradox of choice", more choice can sometimes lead to poorer decisions and suboptimal outcomes.

With so many options, investing outcomes among CPFIS participants vary considerably. Between 2016 and 2024, around 491,000 CPFIS-OA investors recorded cumulative investment returns above 2.5 per cent per annum – beating the prevailing CPF Ordinary Account (OA) interest rate.

Over the same period, however, 192,000 investors recorded total annual returns below 2.5 per cent. Many of them are no longer active CPFIS investors, with zero CPFIS-OA holdings today.

While there is no publicly available information on comparable outcomes for CPFIS-SA investors over that period, it is likely that returns would also vary widely above or below the prevailing CPF Special Account (SA) interest rate of 4 per cent per annum.

Members who decide to invest through the incoming scheme will be shifting savings from a risk-free asset into one that bears investment risk and fluctuates in value. CPF balances also benefit from floor interest rates that continue to be credited even through market downturns. Members with little tolerance for volatility – or any downside risk to their CPF savings – would be ill-advised to opt into the new scheme.



The incoming scheme sits in between standard CPF savings accumulation and an already established, if often overcomplicated, CPF Investment Scheme. It is being introduced in response to the CPF Advisory Panel's recommendation in August 2016 for a simple, low-fee investment scheme. ST PHOTO: KUA CHEE SIONG

Such dispersion matters. Over decades, differences in compounded returns can widen wealth inequality – especially when early setbacks in the accumulation phase leave some members further behind than those who were luckier, more astute, or both.

A LIFE-CYCLE APPROACH

CPF members will soon have a new option. The incoming scheme will likely be designed as a fuss-free, simplified investment mechanism that enables more personalised portfolio management over an investor's lifetime, without requiring active decisions at every step.

Consider a CPF member in their mid-30s who meets the current CPFIS eligibility criteria and has 25 to 30 years of working life before reaching the CPF payout eligibility age, currently 65. With a longer horizon, the member could opt into a life-cycle fund under the incoming scheme that is more heavily weighted towards higher-return, higher-risk asset classes that may help hedge inflation, such as equities and commodities.

As the member draws nearer to retirement, the portfolio would be automatically rebalanced towards lower-volatility, lower-risk asset classes – or potentially shifted back into the CPF Special or Retirement accounts. The member would not need to take active steps to de-risk the portfolio and could benefit from time in the market during the long accumulation phase, continuing to dollar-cost average even through downturns.

Some older CPF members may find the new scheme suitable. Those with other stable sources of income and who have already set aside their Full Retirement Sum could benefit from additional time in the market, while tailoring the scheme's rebalancing and de-risking glidepath to their needs.

Some currently active CPFIS investors may also find it appropriate to shift into the incoming scheme, to benefit from lower costs and reduced need for active management.

GOOD OPTION, BUT NOT FOR EVERYONE

As at Sept 30, 2025, 1.63 million and 980,000 CPF members were

eligible for CPFIS-OA and CPFIS-SA respectively, having the requisite investible savings in their OA and SA.

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But for members who choose to opt in, the incoming scheme could be paired with life-course financial planning. PM Wong said the Government will help CPF members understand whether the new scheme is suitable for them. When it is launched in the first half of 2028, members could be offered access to independent financial planning as part of the outreach.

Suitability should be assessed holistically, taking into account members' needs and resources beyond their CPF balances and age alone.

The incoming scheme is being

introduced in response to the CPF Advisory Panel's recommendation in August 2016 for a simple, low-fee investment scheme. The Ministry of Manpower and the CPF Board have taken time to review all the implications of developing a scheme that sits in between standard CPF savings accumulation and an already established, if often overcomplicated, CPFIS. But technological developments and emergence of digital investment platforms – often called "robo-advisers" – that can offer lower fee structures as well as enable personalised portfolio management at scale, meant that such a proposition may now be commercially and operationally viable.

With its long investment runways and de-risking glidepaths, the incoming scheme lends itself to aviation metaphors. We look forward to this new retirement savings option taking flight by 2028.

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