



The CPF Investment Scheme offers CPF members a chance to beat the paltry official returns of 2.5%, but why do most people fail to beat this seemingly low benchmark?

According to the latest [Q2 2012 statistics from the CPF Board](#) , Singaporeans have more than S\$4.4billion invested in stocks and equivalents under the CPF Investment Scheme - Ordinary Account (in short CPFIS-OA).

Yet, the [2011 annual statistics from the CPF Board](#) show that only 17% of CPF Ordinary Account (CPF-OA) investors made realized net profits that exceeded the 2.5% CPF OA interest rate (a target which does not at first glance appear to be particularly difficult to meet).{loadposition advert1}

While individuals' judgments of the market are a significant factor in explaining this sub-par performance, investors are actually handicapped when using CPF funds to invest in shares. Here's why.

(Note that for simplicity, we are assuming throughout this article that stock investments refer to those stocks listed on the Singapore Exchange or SGX)

### 1. Agent bank and CDP transaction charges

One of the major differences between investing your own cash versus CPF-OA funds is that in the latter, you would need the services of an agent bank to act as your go-between with the Central Depository (CDP), your stock broker and the CPF Board.

What your agent bank does on your behalf is not within the scope here, but below are the relevant charges for each CPFIS-OA transaction for shares:

- S\$10.70 bank charges per transaction
- S\$0.54 CDP charges per transaction

These are in addition to the usual commissions paid to your broker.

As an example, assuming you buy \$1,000 worth of shares using cash, the total ancillary charges (including minimum commission of \$25, SGX fee of 0.0475% of contract and GST), total charges would be \$27.26 (i.e. 2.726% of contract value). Using CPFIS, another \$11.24 in bank and CDP charges would be incurred (i.e. total effective charges of 3.85%). Of course, for larger contract values, the percentage charges of a trade under CPFIS converges towards the charges under a cash trade.

**Implication:** It is not cost-effective to trade in small sums and even more so if you are buying/selling shares under the CPFIS. Likewise, trading for short-term gains is punitive under the CPF-OA (in this case you are very much better-off using cash to trade).

## CPFIA/SRS Transaction History

CPF Investment Account [REDACTED] ▼					
From		26 Mar 2012	to	25 Aug 2012	Submit
Date	Details	Withdrawals (SGD)	Deposits (SGD)		
23 Aug 2012	REFUND AS PER CUSTOMER REQUEST	8,197.83			
21 Aug 2012	4000 [REDACTED]		8,209.07		
21 Aug 2012	4000 [REDACTED] - BANK CHARGES	10.70			
21 Aug 2012	4000 [REDACTED] - CDP CHARGES	0.54			
10 Jul 2012	CPF WDL SCH [REDACTED]		4.28		
02 Jul 2012	SERVICE CHGS - BANK CHARGES	4.28			

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