



The [Supplementary Retirement Scheme](#) (SRS) is a little known voluntary scheme introduced to encourage Singapore residents to save to supplement their CPF retirement savings.

The Sunday Times on 15 Nov 2009 carried an excellent article on fully utilizing the SRS as a retirement and tax planning tool. We summarize the key points of the scheme here.

### **Positives**

- 100% Tax deductible (and thus can be used to make yourself fall under a lower income tax bracket)
- Can be used for investments such as shares and unit trusts, akin to the CPF Investment Scheme
- Flexible contribution schedule (before 31 Dec each year) and amount (below annual cap)

### **Negatives**

## Using the SRS to Your Full Advantage

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- Attracts 5% penalty fee upon early withdrawal before statutory retirement age (62 currently)
- 100% of withdrawn amount considered taxable income if withdrawn before statutory retirement age (50% if after)
- Contributions capped at S\$11,475 annually for Singaporeans and PR, S\$26,775 for foreigners

### **To maximize the benefit**

- Participate if you don't intend to withdraw the funds until after retirement age
- Spread withdrawals over full ten years to avoid falling into a higher tax bracket. Since retirees usually have low or negligible taxable income, they can end up paying no tax on withdrawals

### **How to participate**

Open an SRS account with DBS, OCBC or UOB. There is no charge to open an account. 31 Dec is approaching fast!