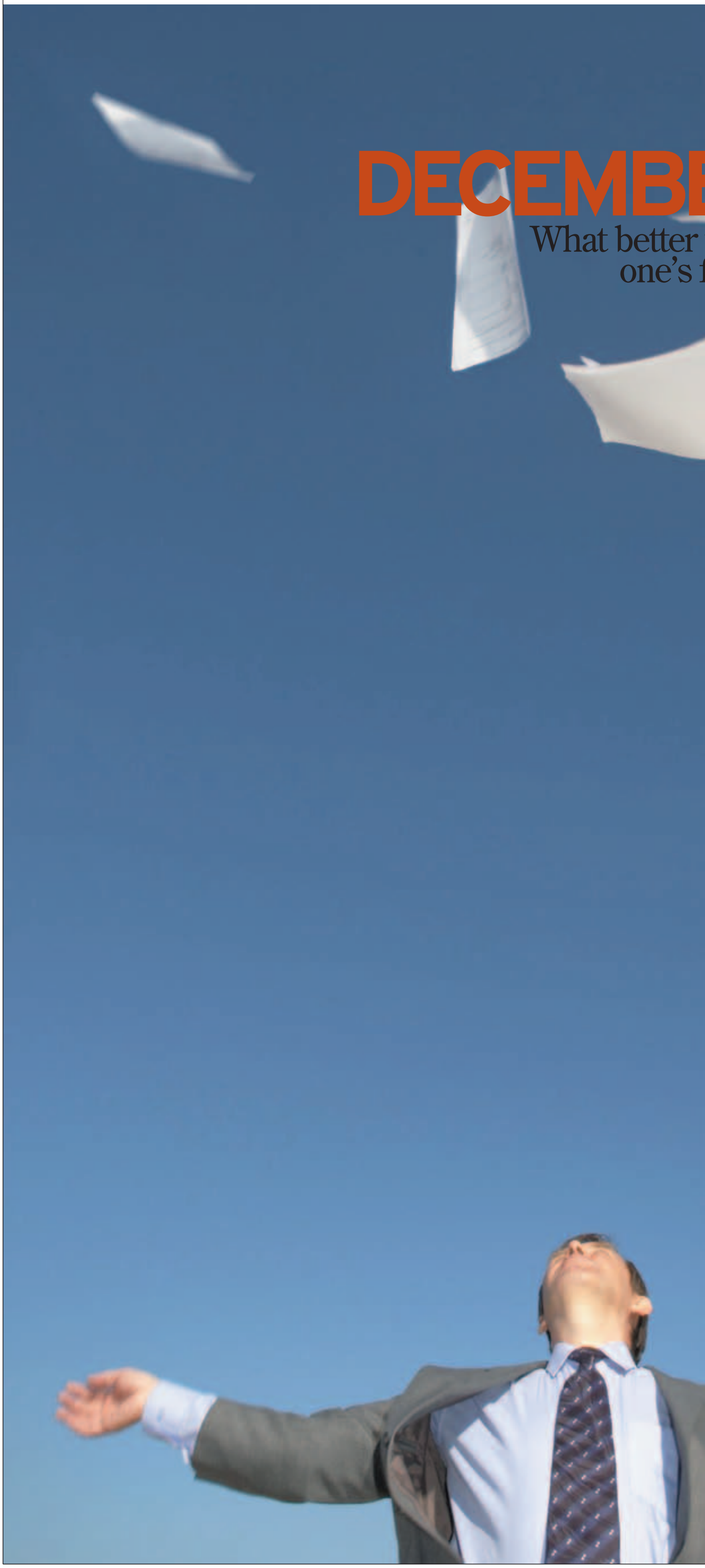

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DECEMBER BARGAINS

What better way to end the year than to tidy up one's financial matters, says David Choo.

Procrastination is said to be the thief of time, but it is also better late than never. And what better way to end the year than to tidy up one's financial affairs.

It is always good to find time in December, despite the mandatory Christmas shopping, to look into the following:

#1 Opening up a Supplementary Retirement Scheme (SRS) and putting the 2005 contribution into the account, if you have not done so.

#2 If you have delayed signing up on a whole life insurance policy and wish to do so, make sure it is submitted, paid for and accepted as a 2005 case.

#3 If you do not have CPF deduction, or it is small, and there is still premium tax relief available for life insurance, purchase one before the year is ended.

#4 If you need to contribute to CPF, either under compulsory or voluntary scheme, and have not done so, do it before the year is ended.

SRS

The Supplementary Retirement Scheme is aimed at encouraging Singaporeans to save more for their retirement by offering tax deduction for contributions made for the year.

The maximum contribution for 2005 is 15 per cent of $85,000, that is $12,750, regardless of actual employment, trade, business or income.

There are two "demerits" of the SRS which you should note:

#1 If you withdraw any sum before age 62, your withdrawal sum is taxable and there is an additional tax penalty of five per cent.

#2 When you withdraw any amounts from age 62 to age 72 latest, 50 per cent of the amounts are considered as taxable in the year of withdrawal.

The good thing is that you can invest your SRS in many types of investments such as single premium life insurance products and most unit trusts. All investment proceeds go to the SRS.

LIFE INSURANCE

Whole life insurance products which are bonussable (enjoys bonus when declared by the life insurance companies) can be incepted from January to December, but all policies incepted in the year enjoy the bonus declared in 2006. This means that if you wish to purchase a whole life policy, do so before the year ends.

If your birthday is from June onwards, you can also backdate the policy to start before your birthday and enjoy a cheaper premium. The difference in premium for whole life policies from one year to the next can be two to four per cent. And, remember, this premium is flat throughout the life of the policy.

So, taking a bonussable whole life policy before the year end can mean savings in premiums and also bigger eventual bonuses due to the compounding effect. For example, the premiums for $1 million sum assured (from one life insurance company) for a male aged 35 and aged 36 next birthday are $18,310 and $19,070, a difference of 4.2 per cent.

The death benefit and projected cash value at age 60 for the two policies are as follows:

	DEATH BENEFIT	CASH VALUE
Incepted Age 35	$1,564,864	$574,849
Incepted Age 36	$1,539,469	$557,507
Percentage Difference	1.6%	3%

Besides the above advantages, there is the added tax deduction for qualifying life insurance products up to $5,000 per annum. These are for life policies on a person's own life and also for a husband owning a policy on his wife. The premiums allowed for tax deduction are up to seven per cent of the sum assured which will affect endowment policies.

CPF

Ordinary Wages (OW)	33% of OW, max $19,800 (salary ceiling of $5,000)
Additional Wages	33% x 5 months x OW, max $8,250

Employee contributions to CPF enjoy tax deduction as follows:

	UP TO AGE 55
Ordinary Account	22% to 15%
Special Account	5% to 7%

Self-employed are required to contribute to MediSave but have the option to contribute to their Ordinary and Special Accounts as follows:

For tax advantage, anyone who is able to make use of CPF contribution should do so if they can spare using the cash. For example, for those with substantial savings in bank which earn a pittance in interest, opting to "save" in their CPF accounts will mean savings in tax and also a higher interest of 2.5 per cent in the Ordinary Account and 4.0 per cent in the Special and Retirement Account.

"THE DIFFERENCE IN PREMIUM FOR WHOLE LIFE POLICIES FROM ONE YEAR TO THE NEXT CAN BE TWO TO FOUR PER CENT."

Present Taxable Income (before contributing to CPF), say	$100,000
Tax	$7,600
Contribution to CPF up to allowed amount,	$28,050
including Medisave	
Nett Taxable Income	$71,950
Tax	$3,876
Savings of $3,724 or 49 %	

The tax savings can be most significant for those in the higher tax brackets as can be shown by the following example for a self-employed who takes full advantage of the voluntary scheme.

By a judicious use of SRS, life insurance and CPF contribution, a high-income earner can reduce his income taxes and also get additional returns. December is not only closure of the year but several financially advantageous schemes as well. Make sure you get these December bargains. **SI**

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