

LEASE BUYBACK SCHEME (LBS) WITH EFFECT FROM 1 APR 2015

Under the LBS, elderly households can sell the tail-end lease of their flat to HDB for proceeds, and continue to age in place in their own home for the lease retained.

Eligibility Criteria

Age & Citizenship	<ul style="list-style-type: none"> All owners at CPF Payout Eligibility Age (currently age 64) or older At least one owner is a Singapore Citizen
Income	<ul style="list-style-type: none"> Gross monthly household income of \$10,000 or less
Flat Type	<ul style="list-style-type: none"> 4-room or smaller HDB flat (exclude HDB terrace houses) No concurrent ownership of second property All owners have lived in the flat for at least 5 years Have at least 20 years of lease to sell for proceeds

CPF Top-up Requirement

For a sole owner household, the owner will have to use the proceeds to top up his Retirement Account (RA) to the current Full Retirement Sum (FRS) (age-adjusted). For a household with two or more owners, each owner will use his share of proceeds to top up his RA to the current Basic Retirement Sum (BRS) (age-adjusted).

Owner's age	Sole Owner: Top-up Requirement *	Two or More Owners: Top-up Requirement *
CPF Payout Eligibility Age (now 64) to 69	\$155,000	\$77,500
70 to 79	\$145,000	\$72,500
80 or older	\$135,000	\$67,500

* Based on current CPF FRS of \$155,000. The CPF FRS will be revised to \$161,000 with effect from 1 Jul 2015.

If a household has cash proceeds of more than \$100,000, each owner will use his share to further top up his RA to the current FRS, and they will receive proceeds of \$100,000 (or more if they have met the current FRS) in cash.

Lease Options

Households can choose the duration of lease to be retained, subject to a minimum lease based on the age of the youngest owner. The duration of lease retained determines the amount of net proceeds unlocked.

Age of youngest owner	Lease retained	
	Minimum	Other options
CPF Payout Eligibility Age (now 64) to 69	30	35
70 to 74	25	30, 35
75 to 79	20	25, 30, 35
80 or older	15	20, 25, 30, 35

CPF LIFE

All owners will use their full CPF RA savings to purchase a CPF LIFE plan if they have at least \$40,000 (if below age 65) or \$60,000 (if aged 65 to 79) in their RA after the top-up.¹

LBS Bonus

Households in 3-room or smaller flats get a \$20,000 cash bonus if the household's total CPF top-up is \$60,000 or more. If the total CPF top-up is less than \$60,000, the household gets a pro-rated bonus of \$1 for every \$3 CPF top-up.

Households in 4-room flats get a \$10,000 cash bonus if the household's total CPF top-up is \$60,000 or more. If the total CPF top-up is less than \$60,000, the household gets a pro-rated bonus of \$1 for every \$6 CPF top-up.

Other Monetisation Options

Together, CPF and home ownership form the twin pillars of retirement adequacy for Singaporeans. Today, about 302,000 HDB flats are owned by Singaporeans aged 55 or older; 80% are fully paid up, with no outstanding mortgage loan. They have various options to monetise their housing asset for additional retirement income should they need or choose to.

These include a) renting out spare bedroom(s); b) renting out the whole flat and moving in with their children; c) selling their flat and moving to a smaller flat or Studio Apartment and apply for SHB if eligible; or d) the LBS. The LBS provides one option for the elderly to monetise their HDB flat to supplement their retirement income, while continuing to age in place in their own home. Elderly households may consider carefully from among the options available in choosing one that best suits their needs and priorities.

¹ Those aged 80 and above are not eligible to join CPF LIFE. They will get a monthly payout through the CPF Retirement Sum Scheme.

Worked Example

Mr and Mrs Lim are both 65 years old. They own a fully paid-up 4-room flat with 65 years of remaining lease, valued at \$450,000.

They sign up for the LBS and opt to retain a 30-year lease. They sell the remaining lease of 35 years to HDB for \$190,000, which accounts for depreciation over time. The LBS proceeds of \$190,000 are split equally between Mr and Mrs Lim, as they are joint owners. They receive \$95,000 each.

Under the new top-up rules from April 2015, Mr and Mrs Lim will each use their LBS proceeds to top up their CPF RAs to their current BRS (age-adjusted) of \$77,500. As Mr Lim already has \$20,000 in his RA, he needs to only top up \$57,500. Mrs Lim has \$5,000 in her RA, and tops up \$72,500.

After topping up, they still have \$60,000 which they can keep in cash.

In total, Mr and Mrs Lim can receive \$70,000 cash (including an LBS bonus of \$10,000) and additional \$700 in CPF LIFE monthly payout from participating in the LBS.

	Cash	Mr Lim's CPF RA	Mrs Lim's CPF RA
Starting RA Balance	\$0	\$20,000	\$5,000
LBS Proceeds	+ \$60,000	+ \$57,500	+ \$72,500
LBS Bonus	+ \$10,000	-	-
Final Balances	\$70,000	\$77,500	\$77,500