

Complete Guide to

Singapore Savings Bonds



SSB Singapore
Savings Bonds

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What are Singapore Savings Bonds?



Specially structured government securities that were designed to be accessible and suitable for the individual investors.

That sounds complicating.

We offer one little hack to help you understand the Singapore Savings Bond better – Treat the Singapore Savings Bond like a Singapore Savings Fixed Deposit.

Every time you come across the word ‘Bond’, **substitute it for ‘Fixed Deposit’**.

The Singapore Savings Bonds (SSB) was launched on 1 October 2015 by the Monetary Authority of Singapore (MAS). A new Singapore Savings Bond will be issued every month for at least the 5 years after its launch.

The aim is to give investors access to long-term interest rate returns with maximum flexibility.

Here are three quick-facts to learn about SSB:

1. A new type of **government bonds** designed to help Singaporean investors to save and invest to meet their long-term financial needs.
2. They are safe, **principal-guaranteed investments** backed by the triple A credit rating of the Singapore Government.
3. The SSB have two unique features:
 - investors can get their money back **at any time** without penalty
 - they can **earn interest** linked to long-term SGS rates.

Singapore savings bonds Vs fixed deposit accounts

We kid you not when we mentioned that you could treat the Singapore Saving Bonds as a Singapore Savings Fixed Deposit.

In this section, we'll look at the similarities between the Singapore Savings Bonds and the familiar Fixed Deposit Accounts.

You'd be surprised to see that they are actually a lot more similar than you would have imagined.

1. Earn Interest

Fixed Deposits

For the uninitiated, here's a quick summary of fixed deposits work;

You visit the bank to deposit some money with them. In return for taking your money the bank agrees to pay you a fixed interest rate at regular intervals.

The interest payable is always displayed prominently on all promotional material. The banks use it to capture our attention and attract us to open fixed deposit accounts with them.

Like this:

Singapore Dollar Fixed Deposit Personal



Enjoy **1.45** % p.a.* on a 13-month Singapore Dollar Fixed Deposit.

*Terms and conditions apply. Insured up to S\$50K by SDIC.

Singapore Savings Bonds

You pay upfront for the 'bond' and deposit your money with the government instead. Every six months, the Government gives you a payout. (*They call it the coupon rate but it basically means the same thing – the amount of money you will receive at periodic intervals*).

Different terms, same concept. You put your money with a 3rd party for some extra pocket money.

2. Interest Rates Varies

Fixed Deposits

As economic conditions changes, banks vary their fixed deposit rates. When the general interest rate environment is high, banks will have to pay more interest to attract depositors to open accounts. And vis versa.

Depending on the economy, the interest payable on new fixed deposits accounts varies.

Singapore Savings Bonds

The interest payable for SSB also varies. MAS will announce the interest rates payable for each tranche of SSB at the beginning of each month.

This fixed rate will be based on the corresponding coupon rate derived from the 10 year Singapore Government Securities (SGS). At the point of writing, the SBS coupon rate has been around 2%.

You can check the upcoming SSB tranche and its average coupon rate here: [This Month's Singapore Savings Bonds](#)

Technically, the SSB should always be paying put a higher interest rate than what you get from banks.

3. Interest Rate is Locked in Upon Commitment

Commitment can be rewarding. Especially in Fixed Deposits and the Singapore Savings Bonds.

Fixed Deposits

Once you have committed to a Fixed Deposit, the interest payable remains locked in. Regardless of how the general interest rate environment fluctuates.

Let's say you have committed \$10,000 to a Fixed Deposit account at a bank at a rate of 2% for five years. In three year's time, the interest rate goes down to 1%. Your deposit will still earn you 2% because that has been agreed upon at the start. There is no change to your returns.

Singapore Savings Bonds

The SSB works in the same way. Suppose you purchase \$10,000 worth of SSB at 3%. Some time after, interest rates fall and hover around the one percent mark. Your holdings on SSB will continue to pay you 3%, *if you were to hold the SSB to maturity*.

In that sense, you are not affected by interest rate fluctuations.

4. Capital Guarantee

Fixed Deposits

Fixed Deposits are backed by the bank that holds your account. The value of Fixed Deposits is not dependent on market conditions. If the stock market crashes, you will still be able to go to the bank and get your entire sum back in full. *(if the bank go busts, that's a different story)*

Singapore Savings Bonds

SSBs are also capital guaranteed. They are backed by the Singapore government. Think of the government as a bank taking in your fixed deposits.

In terms of risk hierarchy, governments are considered generally more secured than banks. If you have enough faith in Singapore banks to leave your money with them, you should have no issues with the stability of the Singapore Government.

5. No Fluctuation In Value

Fixed Deposits

Unlike stocks, commodities or traditional bonds, the actual value of Fixed Deposits do not fluctuate. The value of your deposit is not dependent on market conditions.

Singapore Savings Bonds

Unlike traditional bonds, the Singapore Savings Bond **does not** fluctuate in value. Not only will you receive the full value at time of maturity, the par value is also fully guaranteed at any time. There is no chance of losing money on the investment.

6. Early Withdrawal Penalty

Fixed Deposits

All Fixed Deposits come with a tenure. You go to a bank, hand over the money and agree to have them safe-keep it for you for a fixed period of time.

There is a penalty for early withdrawal. If for any reasons you decide to close the account before the tenure is up, the bank will impose a penalty on you and will not pay out the entire interest in full.

Depending on the time period, the bank may pro-rate your interest payouts according to a pre-determined formula.

Singapore Savings Bonds

The SSB also comes with a tenure. In this case, it is 10 years.

In the case of SSBs, there isn't a direct penalty for early withdrawal. However, the interest rates steps up over the 10 years.

Hence, if you choose to sell the SSB before the 10 year tenure is up, the coupon payments you receive up till that point will be lesser than if you have held the SSB to maturity.

Think of it as a penalty for early withdrawal. You will only reap the entire benefits of the SSB if you hold it till the end.

MAS chooses to explain this via a step up interest illustration (*as shown in the interest rate section above*). The idea is the same – you reap the full benefits of the SSB if you stay invested for the entire tenure.

Fixed Deposit on Steroids

We hope you are convinced of their similarities.

The Singapore Savings Bond is a fantastic instrument like no others. It offers higher returns (*compared to fixed deposit*) with lower risks.

The bonds are capital guaranteed, fully liquid and the transaction cost is negligible. Think of them like a fixed deposit account on steroids.

Singapore Savings Bonds Vs Singapore Government Securities

The informed investor would be inclined to compare the Singapore Savings Bonds to its closest relative - Singapore Government Securities (SGS) instead of fixed deposits.

First up, you should note that the SSB is an offering under the SGS umbrella:



Hence, in this section, we will be comparing the SSB against its 'predecessors' - the Singapore Government Bonds and Singapore Treasury Bills (T-Bills).



Here're the differences between SSB vs SGS and T-bills, as taken from the MAS website:

	SGS bonds	T-bills	Savings Bonds
 Available tenor	2, 5, 10, 15, 20 or 30 years	6 months or 1 year	Up to 10 years
 Method of sale	Uniform price auction - competitive or non-competitive bids	Uniform price auction - competitive or non-competitive bids	Quantity ceiling format
 Frequency of issuance	Monthly, according to the issuance calendar	Fortnightly or quarterly, according to the issuance calendar	Monthly, for at least 5 years
 Minimum investment amount	S\$1,000, and in multiples of S\$1,000	S\$1,000, and in multiples of S\$1,000	S\$500, and in multiples of S\$500
 Maximum investment amount	None; up to allotment limit for auctions	None; up to the allotment limit for auctions	S\$200,000 overall
 Buy using SRS and CPF funds?	Yes	Yes	SRS: Yes; CPF: No
 Type of interest rate payment	Fixed coupon	No coupon; issued and traded at a discount to the face (par) value	Fixed coupon, steps up each year
 How often interest is paid	Every 6 months, starting from the month of issue	At maturity	Every 6 months, starting from the month of issue
 Secondary market trading	At DBS, OCBC or UOB main branches ; on SGX through brokers	At DBS, OCBC or UOB main branches	No
 Transferable	Yes	Yes	No
 Maturity and redemption	No early redemption. Investors receive the face (par) value at maturity (i.e. price of S\$100).	No early redemption. Investors receive the face (par) value at maturity (i.e. price of S\$100).	Can be redeemed in any month, with no penalty. Investors receive the face (par) value plus accrued interest upon redemption.

If you're feeling overwhelmed, don't fret. Here're three key differences to know:

1. SGS are **tradable** and your **capital is not guaranteed** like with the SSB.
2. SGS and T-bills have a **minimum investment sum of \$1,000**. SSB only requires a minimum sum of \$500.
3. The target audience is different – SGS bonds were designed to meet **organisations'** needs for a risk-free asset in their portfolios, whereas SSB are designed to meet the needs of retail investors like us.

Why You should Invest in Singapore Savings Bonds?

The unique selling point about the SSB is its flexibility. Unlike conventional bonds where investors receive the short end of the stick if they redeem the bonds early, the SSB has no lock-in restrictions.

Although each SSB has a maturity term of 10 years, you can redeem your bonds at any time before maturity.

Even if you redeem the bond early, you still **get to keep** the interest paid out at six-monthly intervals.

SSBs are a great tool for you to lock in long term, guaranteed returns when interest rates are high. When interest rates are lower as they were in 2020 till now, investors may not find them as enticing.

Also, you may be delighted to note that the returns are exempted from tax.

How Long Should You Invest?

That's really up to you.

The bond tenor is 10 years, but because you can get your money back at any time with no penalty, you do not have to decide about the duration of your investment upfront.

Obviously, the longer you invest, the better the yield. The question is, do you have the patience to sit on your SSB for the full 10 years?

Singapore Savings Bonds

Interest Rate: How Much Can You Earn?



[Illustration Credit: [MAS](#)]

Interest on the SSB will be linked to long-term SGS rates.

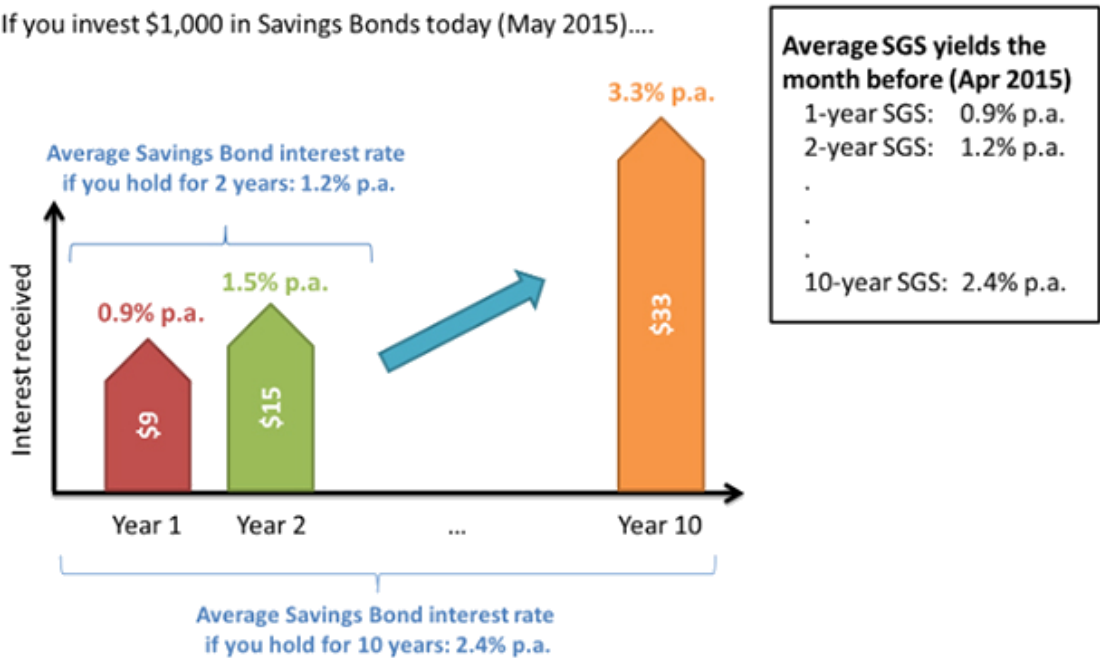
This means that the average interest you receive over the period you hold the SSB will match what you would have received had you bought an SGS bond of equivalent tenor.

The **key difference** is, while SGS bonds pay the same interest every year, the SSB offer “**step-up**” rates, meaning that interest payment will increase the longer you hold your bonds.

Just to give you an idea of how much to expect: the 10-year SGS has mostly yielded between 2 to 3% over the past 10 years, with the current yield being 1.45% per annum.

Assuming a S\$10,000 investment, this gives an average interest of \$145 a year or ~\$12 a month, over 10 years.

Illustration of step-up interest payments
(Figures are for illustrative purposes only)



[Illustration Credit: MAS]

Financial adviser Wilfred Ling has done an interesting analysis on the projected yield percentages, arguing that the realised return for the SSB is actually slightly lower than that for the SGS.

If we go according to his figures, here’s how much your investments would work out to over the long run.

Principal Amount	Year 1 1%	Year 2 1.28%	Year 3 1.26%	Year 4 2.30%	Year 5 2.51%	Year 6 3.23%	Year 7 3.33%	Year 8 3.25%	Year 9 2.72%	Year 10 3.02%	Total + Principal	Total Gain
\$ 500	\$ 5	\$ 6	\$ 6	\$ 12	\$ 13	\$ 16	\$ 17	\$ 16	\$ 14	\$ 15	\$ 620	\$ 120
\$ 1,000	\$ 10	\$ 13	\$ 13	\$ 23	\$ 25	\$ 32	\$ 33	\$ 33	\$ 27	\$ 30	\$ 1,239	\$ 239
\$ 5,000	\$ 50	\$ 64	\$ 63	\$ 115	\$ 126	\$ 162	\$ 167	\$ 163	\$ 136	\$ 151	\$ 6,195	\$ 1,195
\$ 10,000	\$ 100	\$ 128	\$ 126	\$ 230	\$ 251	\$ 323	\$ 333	\$ 325	\$ 272	\$ 302	\$ 12,390	\$ 2,390
\$ 50,000	\$ 500	\$ 640	\$ 630	\$1,150	\$1,255	\$1,615	\$1,665	\$1,625	\$1,360	\$1,510	\$ 61,950	\$ 11,950
\$ 75,000	\$ 750	\$ 960	\$ 945	\$1,725	\$1,883	\$2,423	\$2,498	\$2,438	\$2,040	\$2,265	\$ 92,925	\$ 17,925
\$ 100,000	\$1,000	\$1,280	\$1,260	\$2,300	\$2,510	\$3,230	\$3,330	\$3,250	\$2,720	\$3,020	\$ 123,900	\$ 23,900

If you think about it, the SSB’s interest rates aren’t bad, if you’re a conservative investor.

Sure, they’re lower than that of long-term CPF funds, but at least they’re higher than that of short-term fixed deposits and savings accounts.

If you’re looking for somewhere to park your savings (*under \$100,000*), forget about the banks and go for the SSB instead.

How to buy & invest in Singapore savings bonds?

Before You Apply

You will need the following to start applying for the Singapore Savings Bonds:

- **A bank account and ATM card** with one of **the participating banks** – currently DBS/POSB, OCBC or UOB. (More banks may be included in future)
- An individual (not joint) CDP Securities account with **Direct Crediting Service activated**.

Note that you must be at least 18 years old to open an individual CDP Securities account.

A new SSB will be issued every month, at least until 2020. The application window for each SSB issue will open on the first business day of each month and close four business days before the end of the month.

You can apply through any participating bank's ATMs, or via DBS/POSB's internet banking channels. Application requests must be made in multiples of \$500. Bank charges may apply.

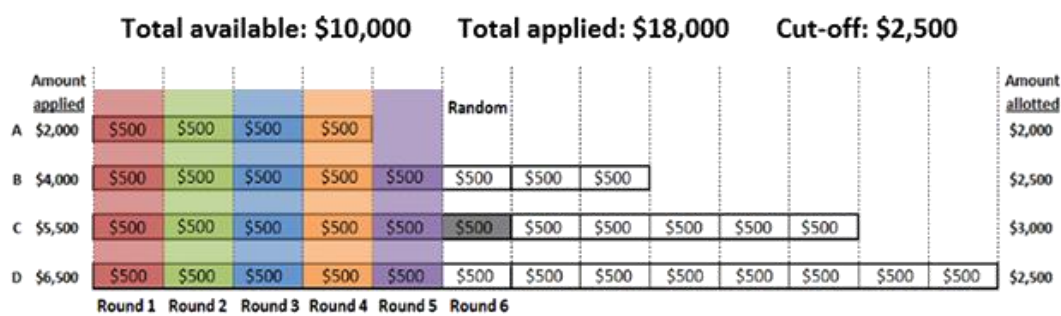
Note that you can purchase SSB using cash or your Supplementary Retirement Scheme (SRS). In future, the Government may consider allowing people to use their CPF savings and funds to buy SSB.

How will I Know If My Application is Successful?

The success of your application depends on the demand for the SSB in that particular tranche.

The issuance size for each SSB tranche will be announced before application opens. If the demand exceeds the amount on offer in a particular month, MAS will allocate the bonds to maximise the number of successful applicants.

Allotment in an oversubscription – an illustration



The Government plans to issue up to \$10,000 of Savings Bonds. Four individuals A (\$2,000), B (\$4,000) C (\$5,500) and D (\$6,500) applied for a total of \$18,000 of Savings Bonds.

Illustration Credit: MAS.

If you read between the lines, you'll realise this means smaller applications stand a higher chance of being fully allotted.

But fret not – if you did not receive your full allotment, you can always apply again for the next issue. (Although there is little reason to worry about not getting your full allocation...)

If your application is successful, you will be notified by CDP via mail of the amount of SSB credited to your account. Application results will also be announced three business days before the end of the month.

How to Redeem Singapore Savings Bonds?

The redemption process is similar to the application process – submit your request through any participating bank's ATMs, or via DBS/POSB's internet banking channels. You will get your cash (along with any accrued interest) back in the bank account linked to your CDP Securities account.

Do note, however, that redemption proceeds will only be processed by the **second business day of the next month**.

So, if you need instant liquidity, SSB may not be the best option for you.

Also, don't invest your entire nest egg in the SSB; you should still keep a portion of emergency funds separately in case you need them urgently.

How much can I Invest In the Singapore Savings Bonds?

The minimum sum is \$500 and the maximum sum is \$200,000. In other words, **you can only hold up to \$200,000 worth of SSB at any one time.**

You can top-up in multiples of \$500 and apply for up to \$50,000 on any single bond issue.

(Note: These figures may be revised in future, pending MAS's review after the programme has been in place for some time.)

Yes, there is a quota imposed, but it's a far more generous cap than what many of us were expecting.

This cap should be sufficient to meet the needs of most Singaporeans, as more than 90% of individual bank deposit accounts have balances of \$100,000 or lower.

Investing Strategies for Singapore Savings Bonds

1-Optimising the SSB and SGS

The SSB's pre-set coupon rate is good news if you're an astute investor, because you'll be able to decide whether to participate based on last month's yield compared to current yields.

Financial blogger [TradeHaven](#) has proposed a possible strategy you could consider:

- If the 10-year SGS yield is higher than the prior month's where the SSB would be issued at, buy the 10-year SGS.
- If the yields collapse by, say, 0.32%, you would have made 0.2% (cross the 0.12% bid offer spread on the SGX). This would translate to around 2% returns.
- Cash out the SGS and buy the SSB, which has no capital downside but pays interest.
- When the SGS yields rise again, cash out the SSB and buy the SGS. If not, hold on to the SSB till another opportunity arises.

It's a rather 'active' trading strategy, but if done religiously over time could bring some significant returns.

Due to the amount of work and complications in the execution of the strategy above, most busy investors would not find it sustainable. Instead, the following strategy may be more sound.

2-Endowment Replacement

Endowments are attractive in that they provide a hope for greater returns through their 'non-guaranteed' returns. We don't have the exact numbers, but often times the non-guaranteed returns are not returned to us.

So, instead of placing your money in endowment and having a tiny portion of it eaten up by the fund managers, why not just purchase into the SSB regularly.

- Purchase a fixed amount of SSB every quarter or half yearly.
- Hold them over 10 years.
- Start receiving payouts every quarter or half yearly once they mature.

There are limitations to this strategy as well.

A) Sustainability

Interest rates of the SSB will depend on the returns of the SGS. This means that returns are still market driven.

There may be periods when SSB returns dip and this would affect your eventual payout. There may be better alternatives when SSB interest rates are low.

Also, depending on the uptake and response, the frequency of new SSB tranches may change.

This means that if the government decides to only release SSBs annually 5 years later, you might need to readjust and reconsider the pros and cons.

B) Investment Limit

There is a maximum individual holding limit of \$200,000. This means that you can only own \$200,000 worth of SSB at any one time.

Conclusion

In our opinion, the Singapore Government has created the perfect financial product *for the lazy investor and the non-investor who wants their savings to grow*. Such an instrument will never exist in the free market.

Unless you consider the need to activate the Direct Crediting Service in your CDP account as 'work', it's like having the option to unlock free returns.

Unfortunately, bonds tend to be highly misunderstood and hence shunned by many investors. Because of that, the take up rate for the Singapore Savings Bond will likely remain low among retail investors in Singapore.

We hope that by changing your perspective, you are able to see that despite the name, the Singapore Savings Bond has more features of a Fixed Deposit rather than a Bond.

And that it isn't as intimidating as its name.

With that in mind, we hope more will explore and subscribe to the offering, if it makes sense for your portfolio.