

OCBC Financial Wellness Index 2022

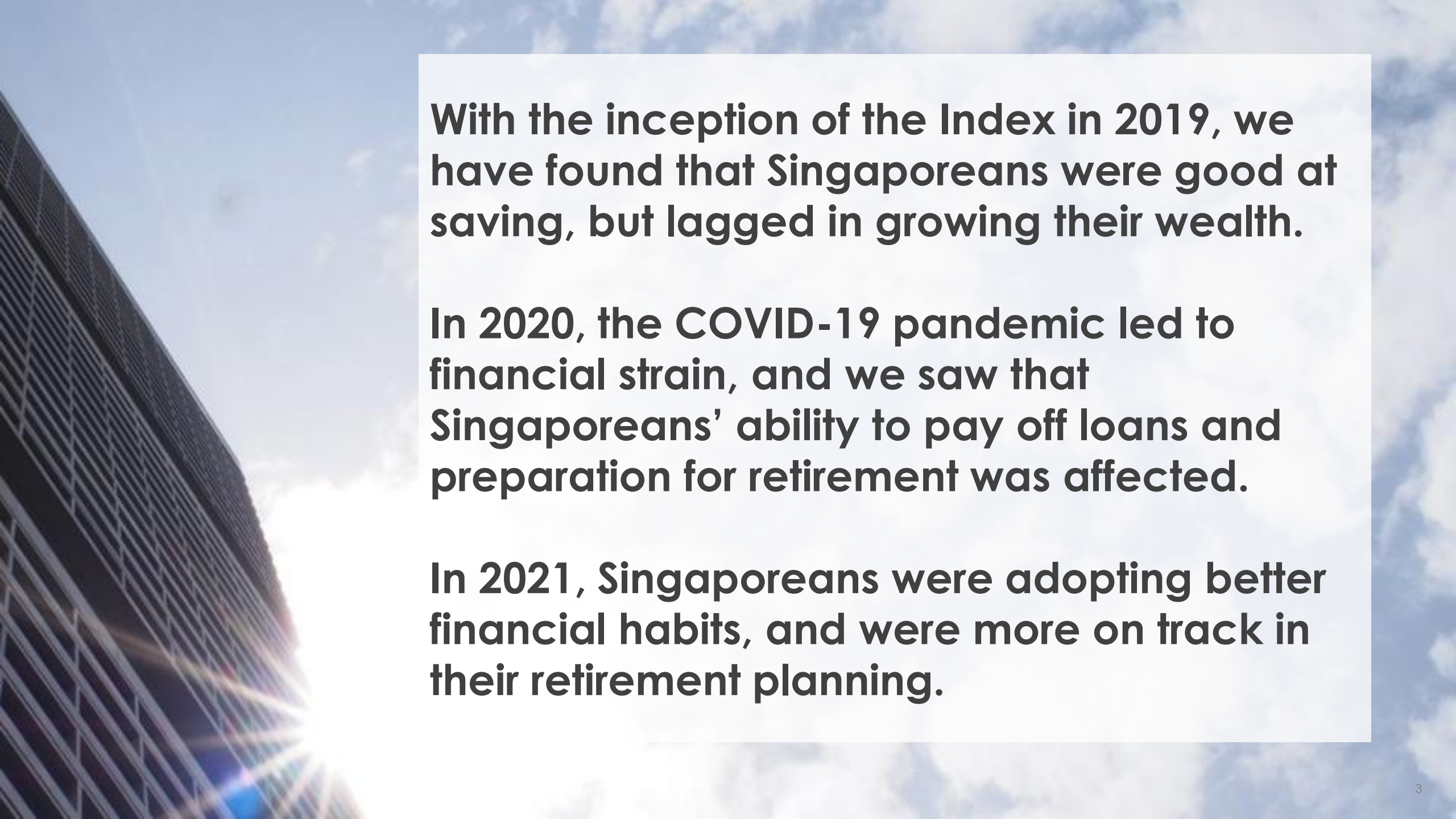
22 November 2022





In 2019, we launched the inaugural OCBC Financial Wellness Index to understand Singaporeans' financial wellness.

It was the first time such a comprehensive study – comprising 10 financial wellness pillars and expanded into 24 indicators to understand Singaporeans' state of financial health – was conducted.



With the inception of the Index in 2019, we have found that Singaporeans were good at saving, but lagged in growing their wealth.

In 2020, the COVID-19 pandemic led to financial strain, and we saw that Singaporeans' ability to pay off loans and preparation for retirement was affected.

In 2021, Singaporeans were adopting better financial habits, and were more on track in their retirement planning.

**How did Singapore fare
this year?**



A man in a dark jacket and blue jeans is walking away from the camera down a long, brightly lit office hallway. The hallway has a polished wooden floor and recessed ceiling lights. The walls are light-colored with some glass partitions.

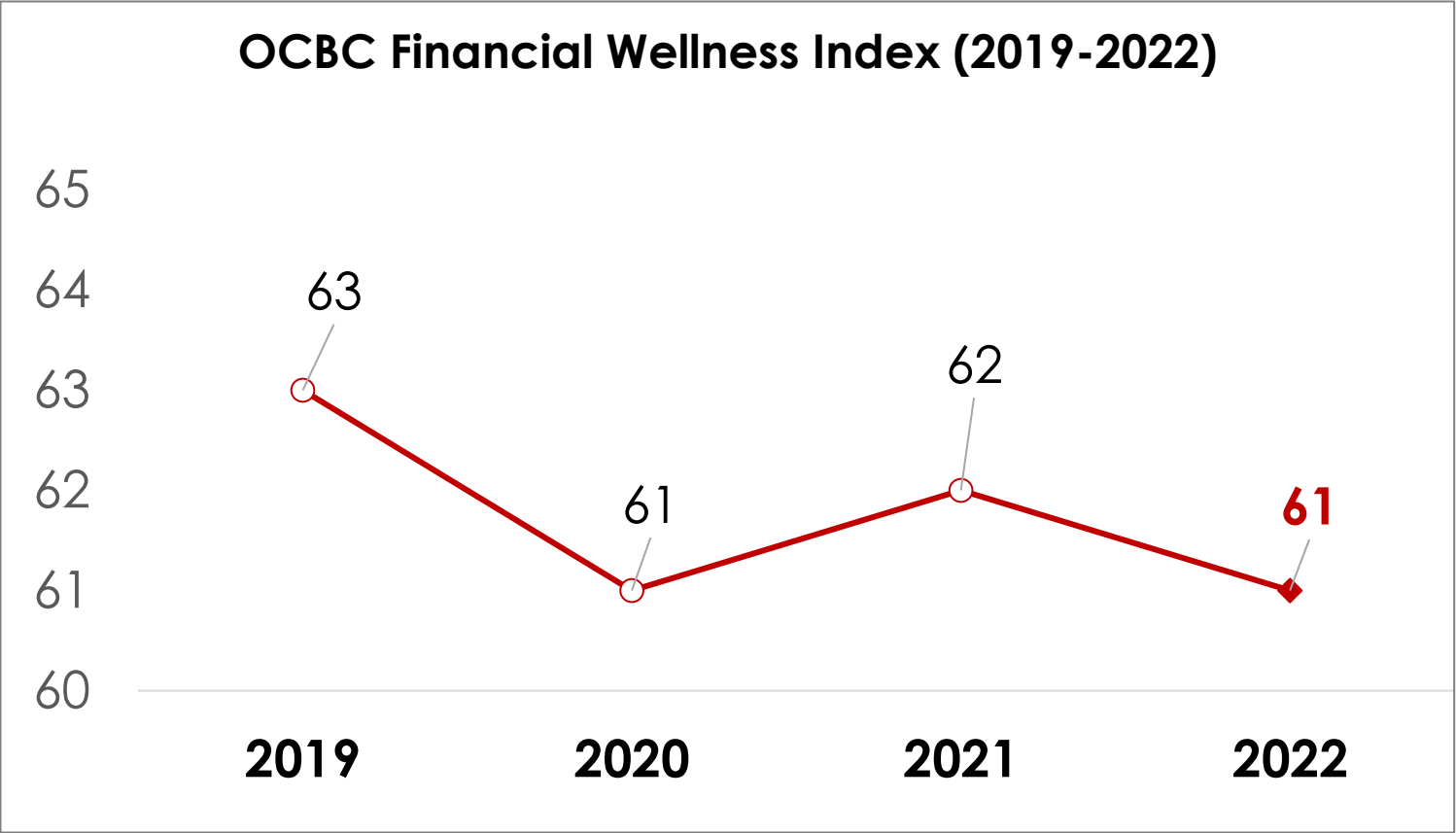
**Inflation, rising interest rates,
and a market downturn led to
these outcomes:**

- **More savings**
- **Poorer investment returns**
- **Increased debt stress**
- **Less on track for retirement**

**Result: Net negative impact on
Singaporeans' financial
wellness**



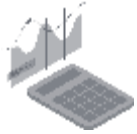







In August 2022, we surveyed 2,182 working adults in Singapore. The Financial Wellness Index Score is 61 – a one point drop from last year’s score.

The Index Score is now back to where it was in the pandemic year of 2020.



* Drop of one point is statistically significant

The OCBC Financial Wellness Index tracks 10 pillars of financial wellness and the 24 indicators

SAVING HABITS	SPENDING BEYOND MEANS	MANAGEABLE DEBTS	PROTECTION FROM FINANCIAL EMERGENCIES	REGULAR REVIEWS	REGULAR INVESTING	RETIREMENT PLANNING	EXCESSIVE SPECULATION	BORROWING MONEY FROM LOVED ONES	GAMBLING HABIT
 <p>1. Saving regularly</p>	 <p>2. Sticking closely to a budget</p> <p>3. Being able to spend comfortably</p> <p>4. Being able to meet family's financial needs</p> <p>5. Spending beyond means to keep up with peers</p>	 <p>6. Managing unsecured debt well</p> <p>7. Often paying the minimum sum on credit cards</p> <p>8. Being able to pay off housing loan</p>	 <p>9. Having enough funds to overcome crisis</p> <p>10. Being able to defray major medical expenses</p> <p>11. Being able to sustain financially for 6 months if jobless</p> <p>12. Having sufficient mortgage insurance</p> <p>13. Ensuring dependents are financially taken care of for at least 12 months in the event of my death</p> <p>14. Ensuring finances are taken care of in the event of death</p>	 <p>15. Reviewing financial plans annually</p> <p>16. Being aware of tax relief schemes</p>	 <p>17. Investing</p> <p>18. Seeking professional advice and doing my own research before investing</p> <p>19. Having regular passive income</p>	 <p>20. Planning for retirement</p> <p>21. Leading a healthy lifestyle so I can work for as long as I want</p>	 <p>22. Excessively speculating for quick gains</p>	 <p>23. Often borrowing money from friends/relatives</p>	 <p>24. Gambling more than I can afford to lose</p>

Each respondent is scored based on an assessment of their current state of financial wellness

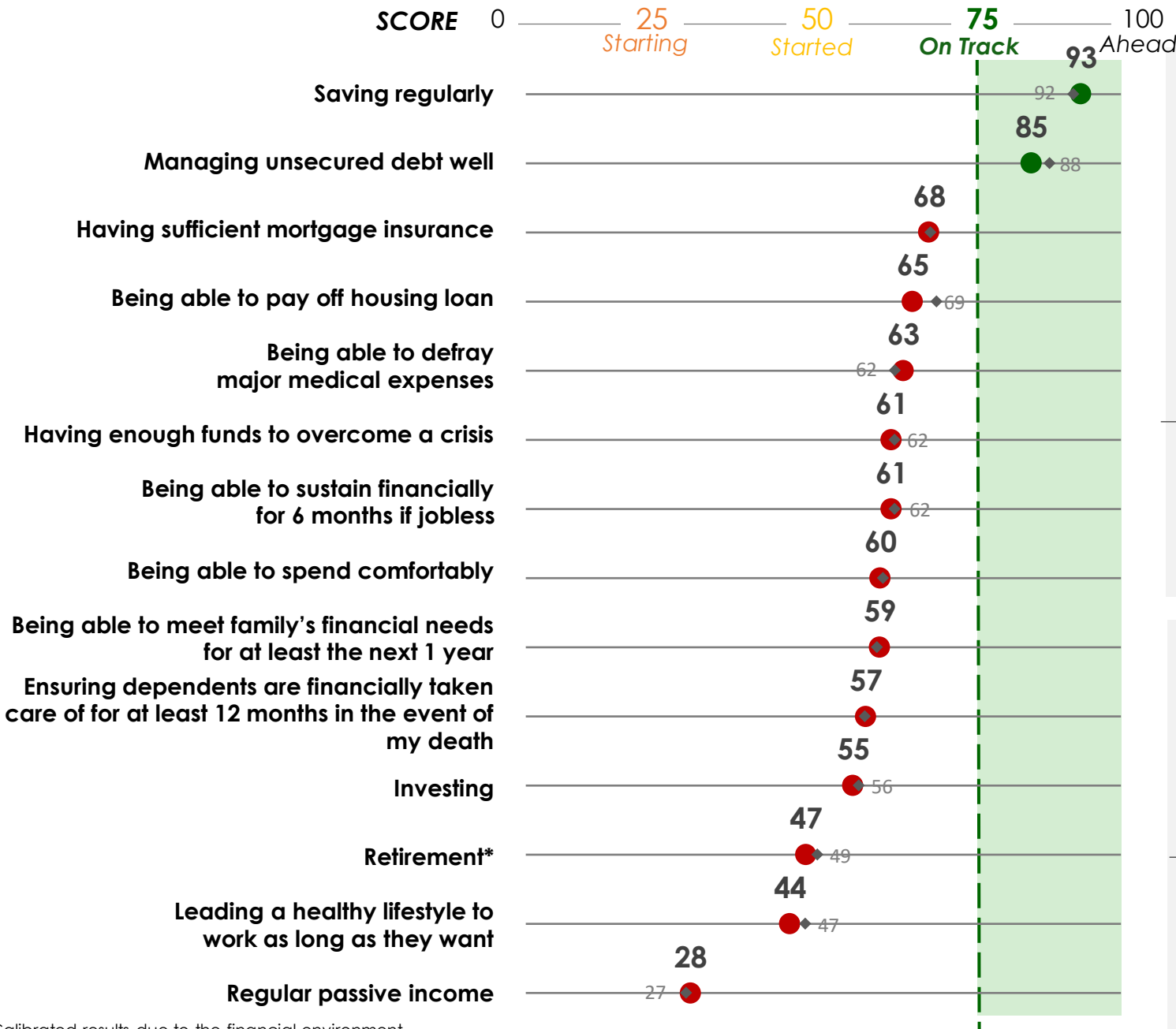
**14
Indicators**



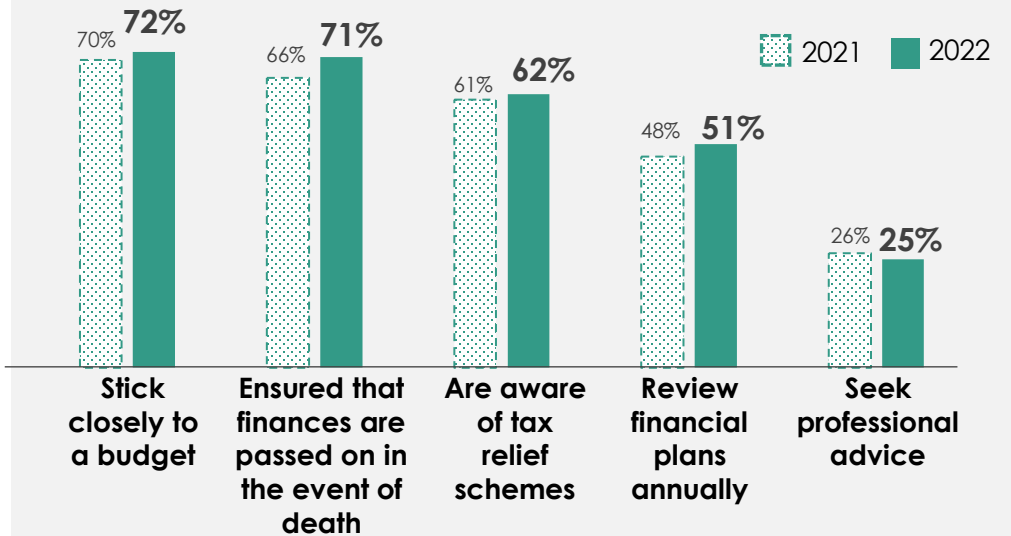
**10
Indicators**



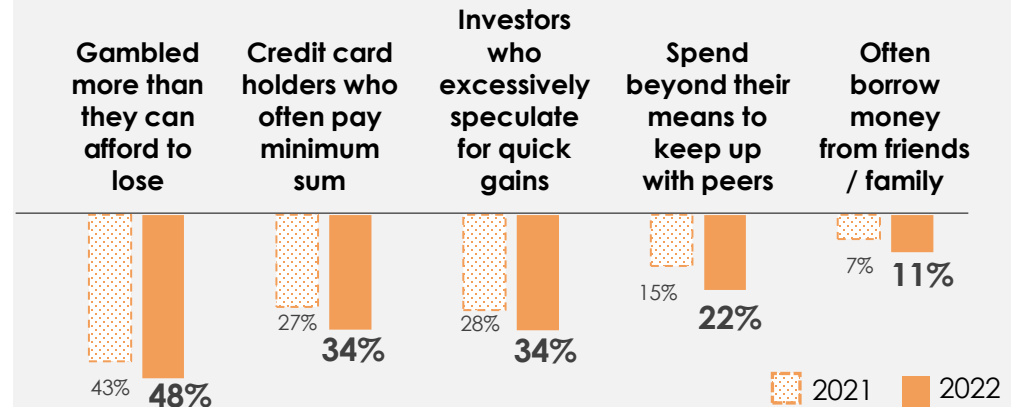
OCBC Financial Wellness Index 2022 Score of 61 is an average of the respondents' scores



Singaporeans continue to practise most financial virtues...



...but more are engaging in undesirable financial habits



*Calibrated results due to the financial environment

Singaporeans are strong savers, but they're not saving for crises



91%

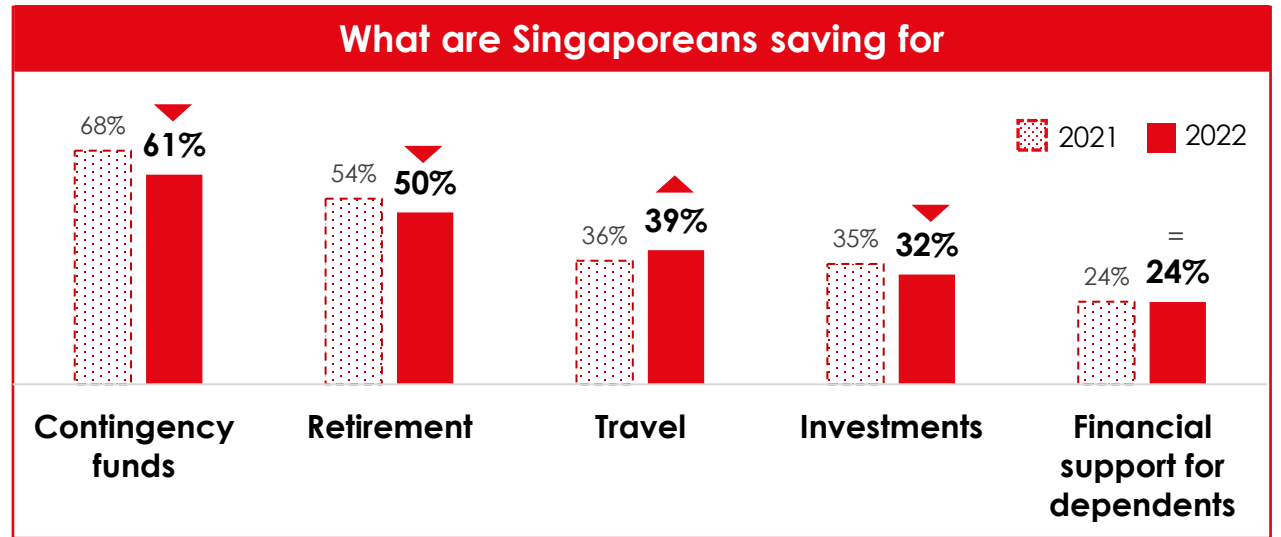
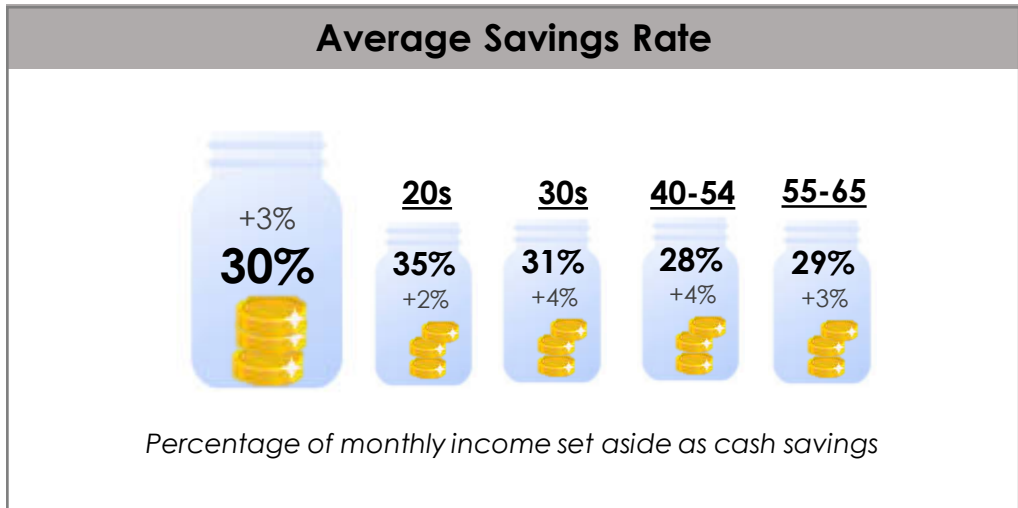
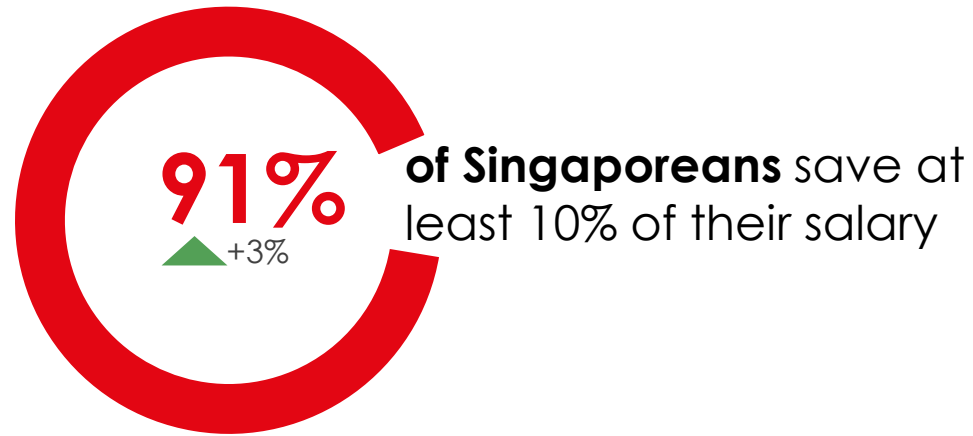
Save at least
10% of their
salary

Only

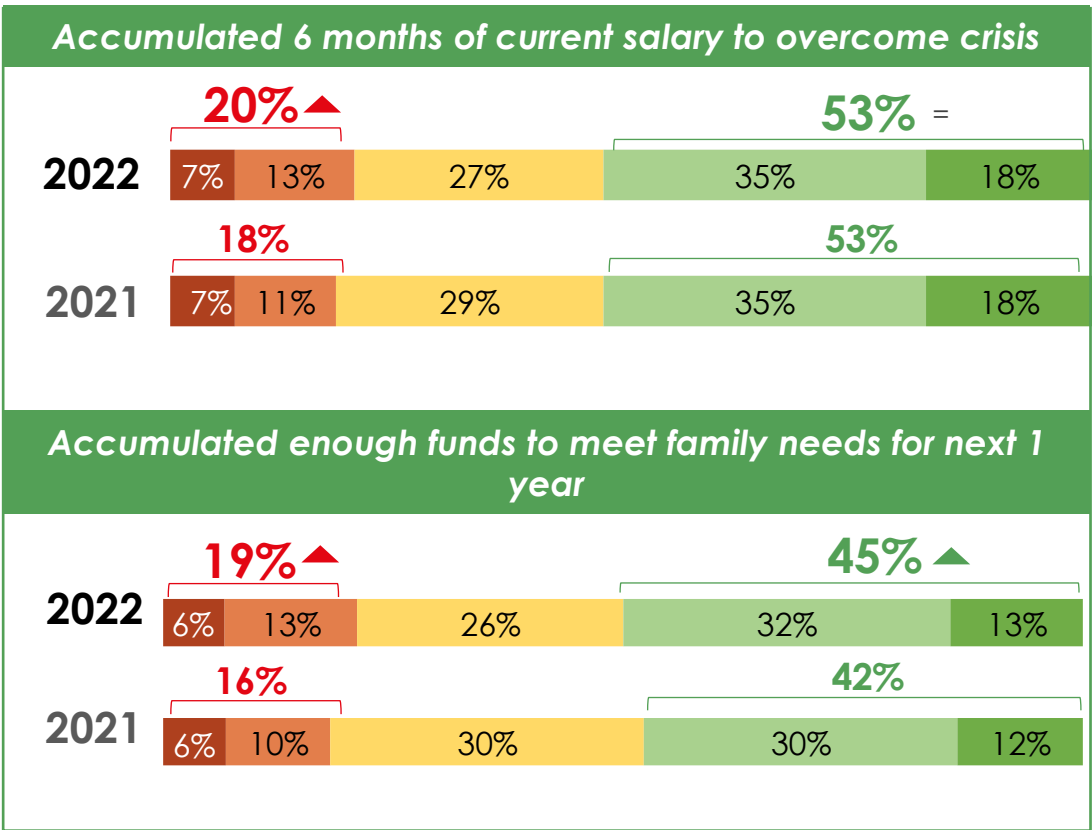
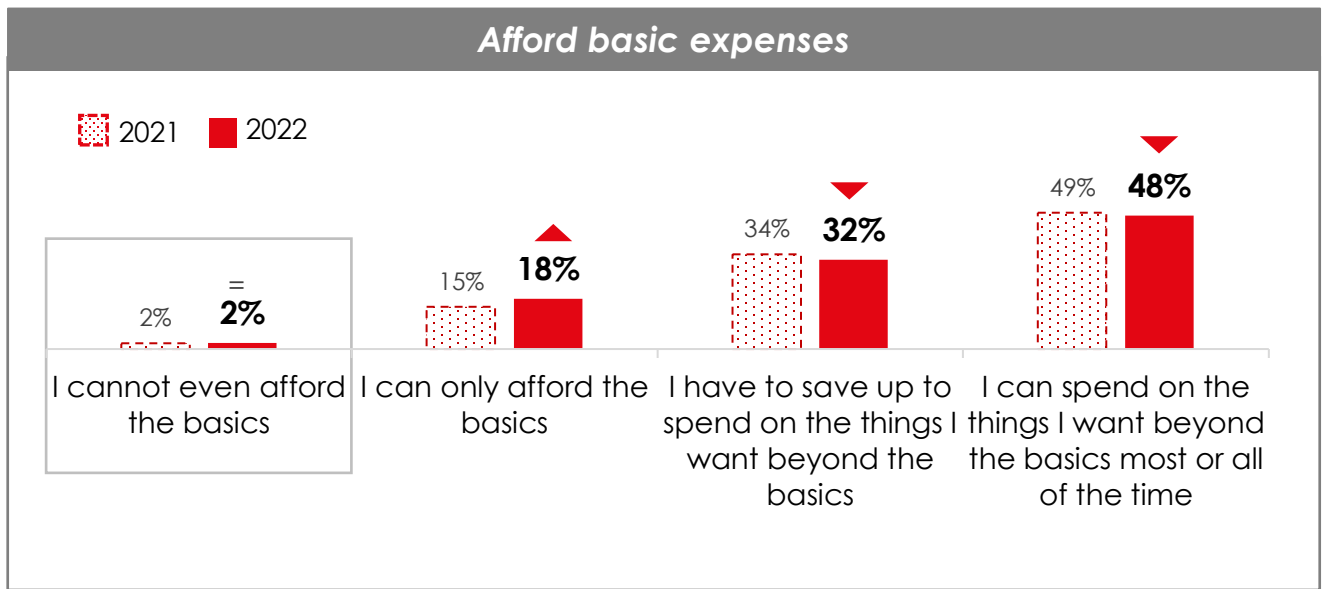
53%

Have 6 months
of salary to
overcome a
crisis

Savings rate is up, and more Singaporeans are saving for travel



While a majority of Singaporeans can afford basic expenses, half of Singaporeans are not ready for a crisis



- I cannot do it and don't intend to do anything in the next 12 months
- I cannot do it but intend to start in next 12 months
- Started but below target
- Started and meeting target
- Started and exceeding target

More Singaporeans incurring debt; mortgage stress mounting



19%

Have some difficulty managing unsecured debt

38%

Of high-income earners have unsecured debt

40%

Face difficulty in paying off mortgage loans

More have unsecured debt this year, especially the higher income groups

DEBT

▲+7% **31%**
of Singaporeans have
unsecured debt*

MPI#	Below \$4,000	\$4,000 - \$5,999	\$6,000 - \$9,999	\$10,000 & above
2022	26%	31%	32%	38%
	+1%	+7%	+10%	+11%

MPI \$10,000 & above and...

More likely to be...	Have unsecured debt	No unsecured debt
Investors who excessively speculate	68%	26%
Gambled more than they can afford to lose	64%	40%
Spend beyond means to keep up with peers	40%	33%

What type of unsecured debt				
MPI#	Below \$4,000	\$4,000 - \$5,999	\$6,000 - \$9,999	\$10,000 and above
Credit Card	17% +3%	22% +5%	23% +7%	27% +6%
Personal Line of Credit	11% -	13% +4%	9% -1%	12% -1%
Education Loan (Personal)	4% -	6% +3%	4% +1%	11% +2%
Education Loan (Children)	3% +2%	3% +1%	4% +1%	12% +5%
Renovation Loan	2% +1%	3% -	2% -	5% -2%

Monthly Personal Income

*Including credit card debt, personal line of credit, education loan, renovation loan (excludes housing loan)

Ability to pay unsecured debts has also taken a hit

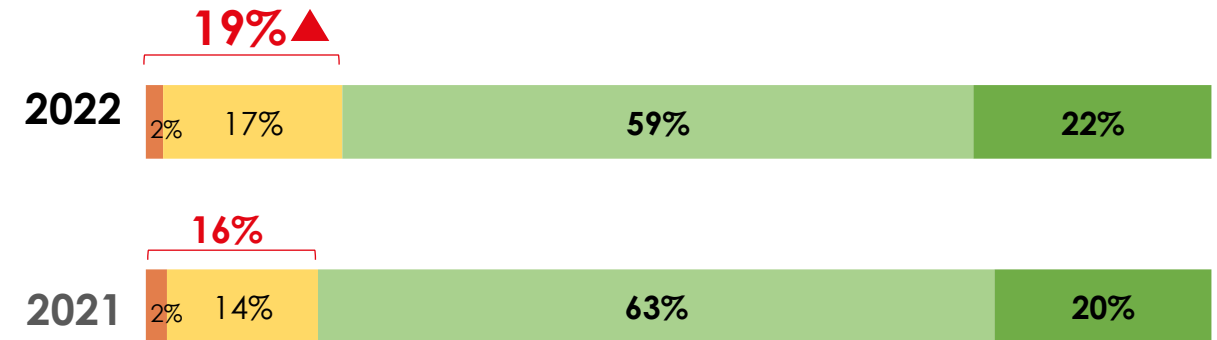
35% ^{+3%}▲

are worried about not being able to pay off personal loans

Often pay minimum sum for credit card

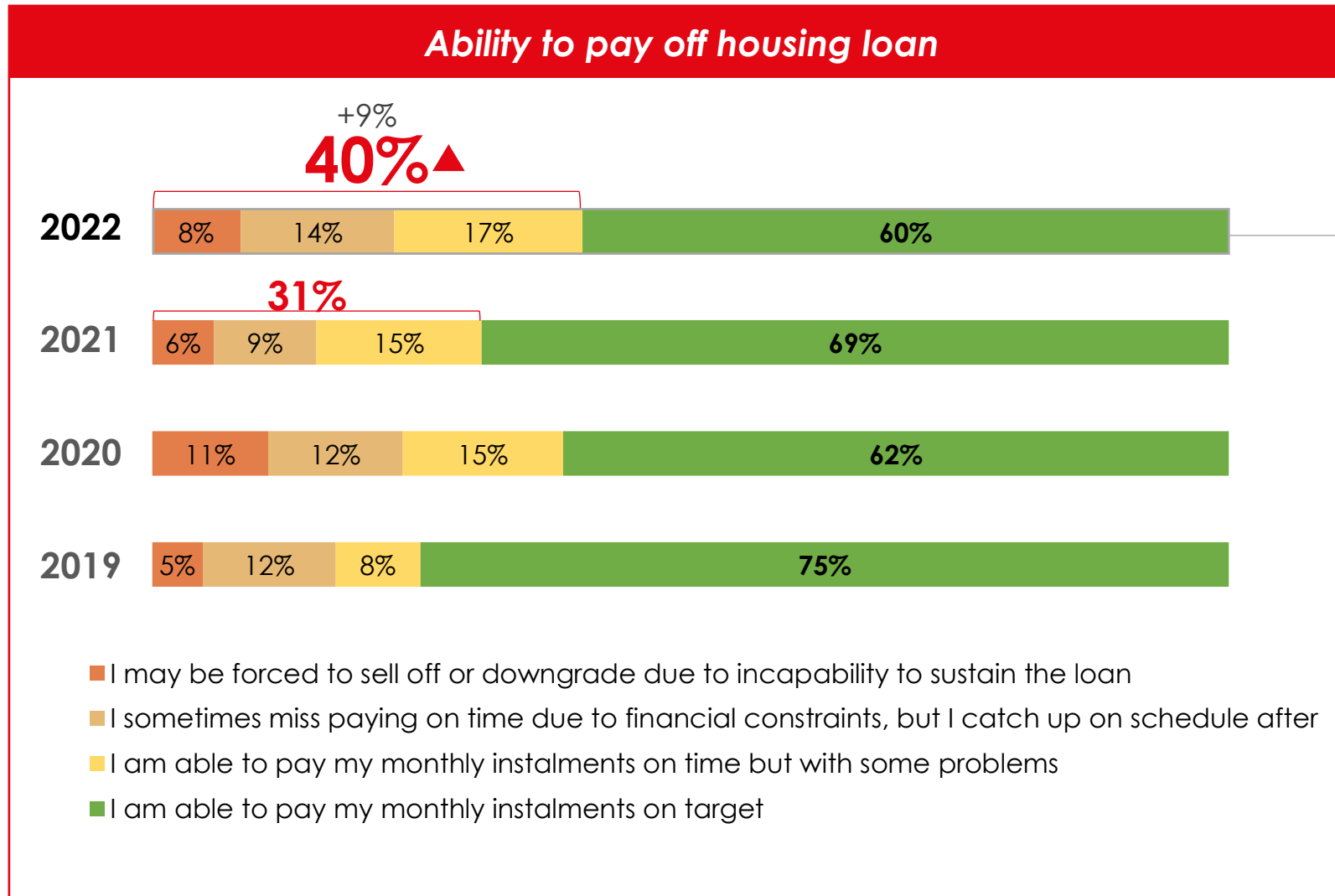
MPI	Below \$4,000	\$4,000 - \$5,999	\$6,000 - \$9,999	\$10,000 and above
2022	31%	32%	32%	43%
	+6%	+7%	+9%	+4%

Management of Unsecured Debt

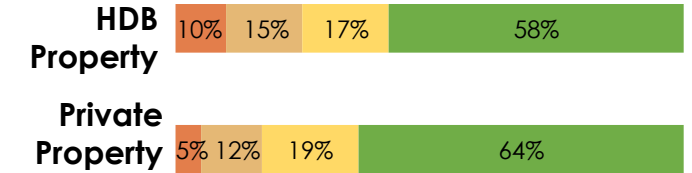


- I don't intend to pay it off in the next 12 months
- I intend to start paying it off in the next 12 months
- I'm paying it off on time every time
- I'm paying it off ahead of time

2 in 5 Singaporeans are facing mortgage stress. As interest rates continue to climb*, stress levels may continue to escalate



Those with housing loan for:



38% ^{+2%} ▲

Worried about not being able to afford a home

56%

of those in their **20s** are worried about not being able to afford a home

Singaporeans' average return on investments fell

Only

41%

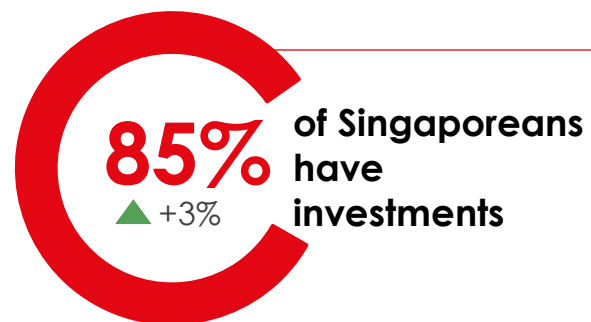
On track with
investment
goals

36%

Suffered overall
investment losses



More are investing this year, with a shift to lower risk holdings, such as fixed income securities and bonds, and are expecting slightly lower returns

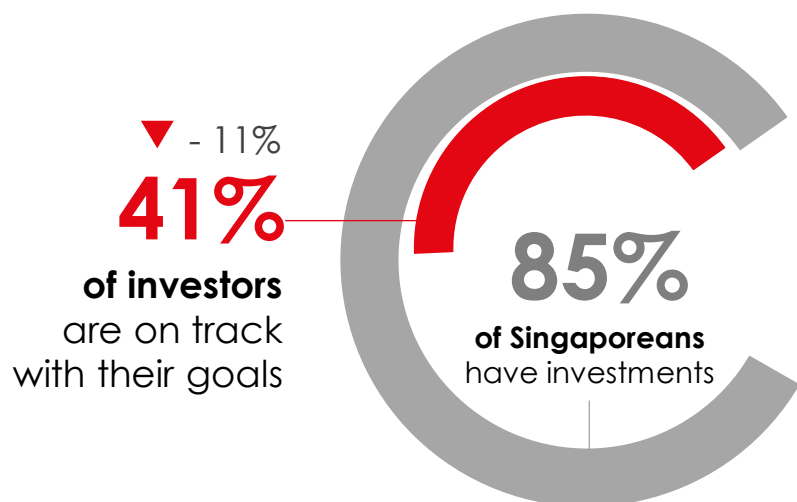


<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
86% =	86% +2%	83% +2%	86% +7%

Types of investments	
Local (Singapore) shares/stocks	41% -6% ▼
Unit Trust	30% -1%
Fixed Income Securities/Bonds	29% +4% ▲
International shares/stocks	25% -4% ▼
REITs (Real Estate Investment Trusts)	22% -3%
Exchange traded funds (ETFs)	22% -3%
Structured Deposits	19% +1%
Investment-linked insurance	19% -5% ▼
Structured Investment Products	19% +5% ▲

Expected returns		
Low <3%	Moderate 3 – 6 %	High >6%
▲ 18% +1%	▲ 59% +7%	▼ 23% -8%

Less are on track with their investment goals this year with a fall in overall investment returns



Proportion of investors who are on track with their investment goals

	<u>2021</u>	<u>2022</u>
Overall	52%	41% -11%
20s	51%	36% ▼
30s	49%	38% ▼
40-54	51%	42% ▼
55-65	62%	50% ▼

Average rate of return from investments

	<u>2021</u>	<u>2022</u>
Overall	1.5%	0.7%
<0% Made a loss	26%	36% ▲
0.1 – 2.9%	28%	29% ▲
3 – 6%	35%	28% ▼
>6%	11%	7% ▼

Moving forward, Singaporeans are looking to invest more in equities, especially local stocks in the next year ahead

<i>In the next 12 months, likely to invest more in...</i>					
	20s	30s	40-54	55-65	Overall
Local (Singapore) shares	32%	34%	33%	29%	32%
Fixed Income Securities/Bonds	27%	28%	29%	29%	28%
International shares	28%	31%	23%	21%	26%
REITs (Real Estate Investment Trusts)	26%	27%	24%	24%	25%
Exchange traded funds (ETFs)	30%	29%	20%	22%	24%
Unit Trust	19%	23%	23%	23%	22%
Structured Investment Products	19%	22%	19%	20%	20%
Structured Deposits	19%	13%	17%	17%	16%
Commodities (e.g. Gold)	13%	15%	13%	17%	15%
Robo-Investments	20%	21%	11%	10%	15%
Dual Currency Investment/Dual Currency Return	9%	16%	11%	10%	12%
Investment-linked insurance	12%	12%	11%	12%	12%
Non-traditional investments (e.g. Cryptocurrency, NFTs)	17%	17%	9%	7%	12%
Futures	10%	14%	8%	8%	10%
Options	11%	11%	9%	10%	10%
Foreign Currency Trading	9%	10%	8%	8%	9%
Investment Property	5%	10%	7%	7%	8%
Warrants	5%	6%	5%	5%	5%

Sustainability is not central to Singaporeans' investment decisions



of Singaporeans have a **sustainable investment** in their portfolio (e.g. ESG rated BB and above)

<u>Overall</u>	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
51%	52%	53%	48%	51%

What % of your portfolio are sustainable investments?

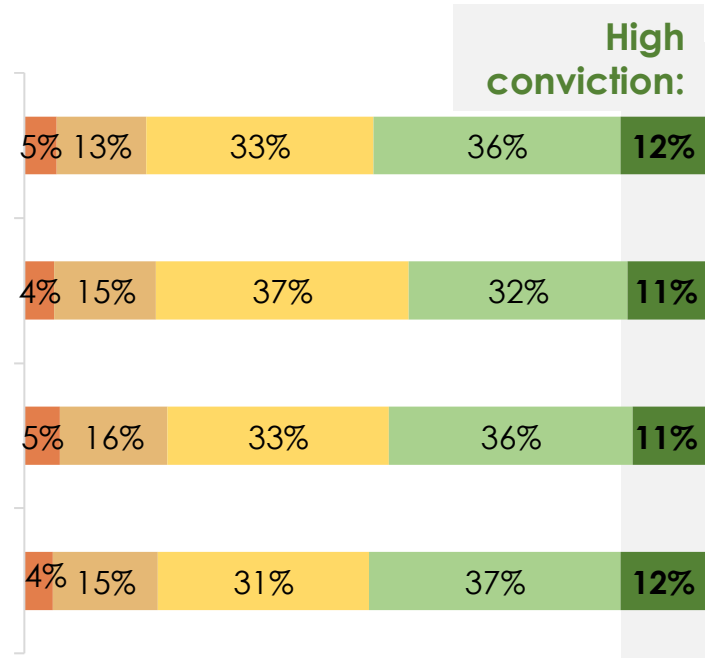
<u>Overall</u>	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
20%	21%	20%	20%	22%

I consider product ESG/sustainability ratings when deciding what to invest in

I avoid investments in companies that are not taking sufficient action to address ESG/sustainability issues

I am willing to prioritize investing in high ESG rated products over high financial returns

I understand ESG/sustainability investments and ratings

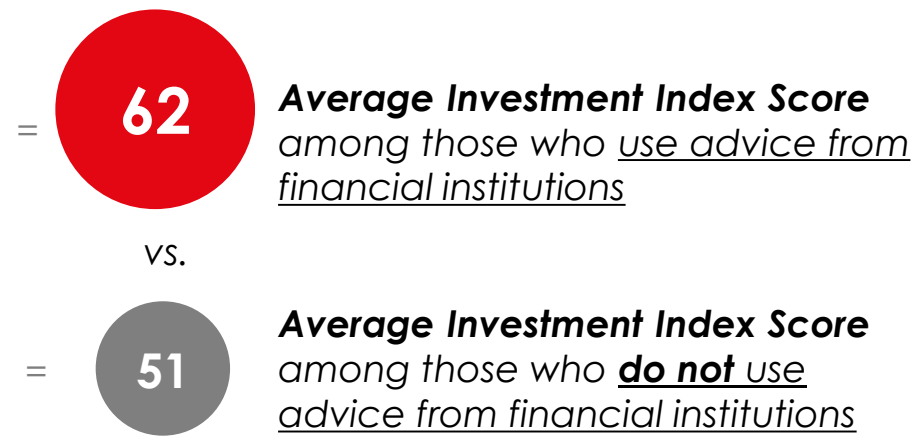
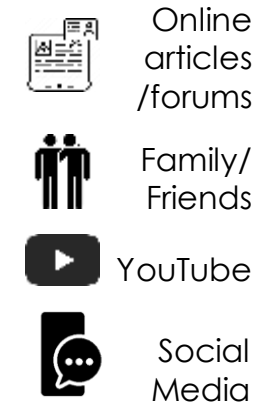


- Strongly disagree
- Somewhat disagree
- Neither agree nor disagree
- Somewhat agree
- Strongly agree**

Those who sought institutional financial advice had higher investment index scores

Sources of Investment advice and information

	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
Advice from Financial Institutions				
Financial Advisor	20%	20%	21%	28%
Seminars by FIs	14%	21%	18%	23%
Bank Analysts	14%	15%	17%	23%
Advice from Other Sources				
Online articles /forums	51%	52%	50%	43%
Family/ Friends	46%	42%	38%	42%
YouTube	51%	49%	33%	24%
Social Media	23%	20%	19%	17%



Singaporeans want to retire better, but...

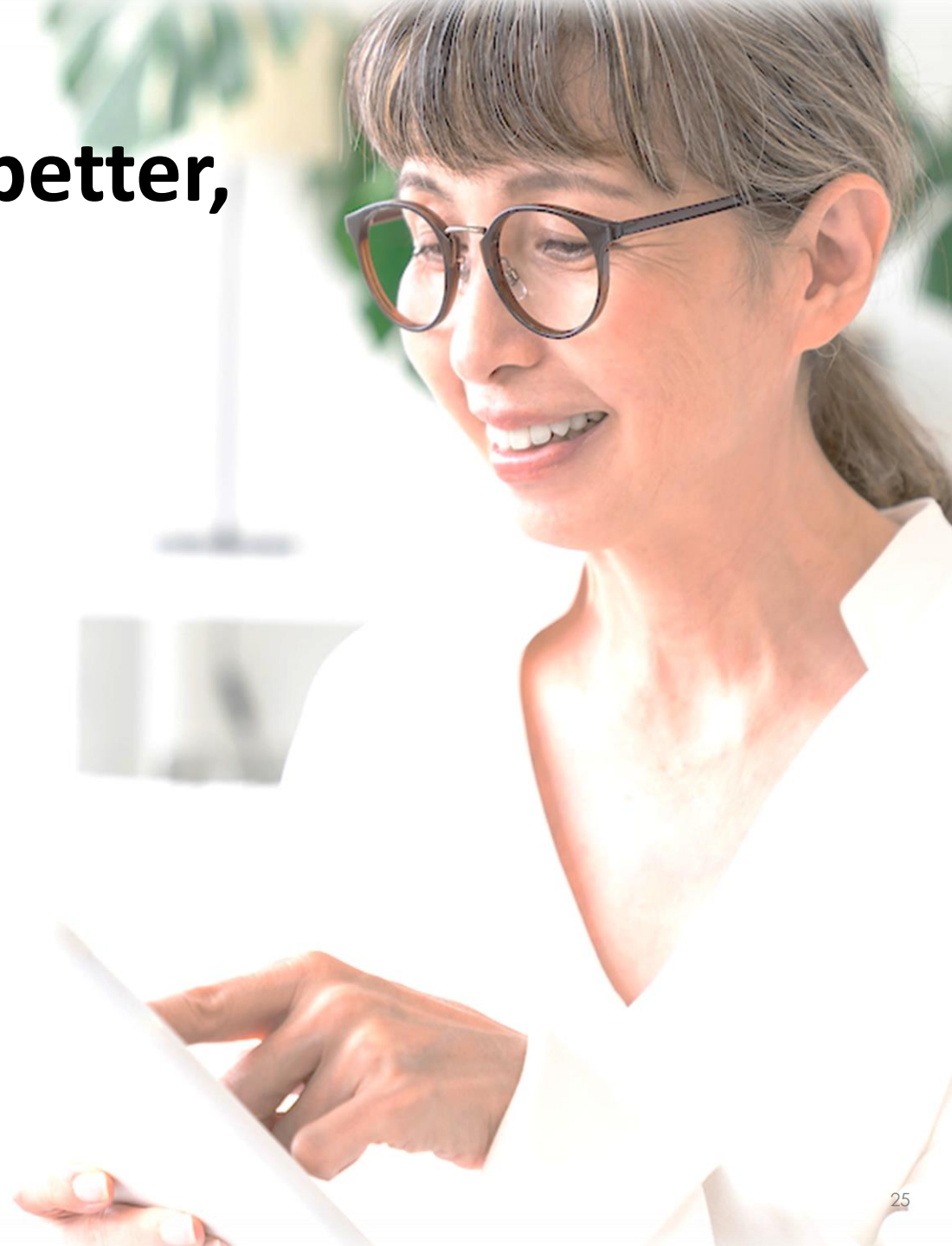
Only

42%

Of Singaporeans
on track to their
ideal retirement

34% +17%

Of seniors
speculate
excessively



We asked Singaporeans to choose their preferred retirement lifestyle

Retirement Lifestyle A
Owns & lives in a HDB property
Commutes via public mass transport
Medical consultation/ treatment at polyclinics and government hospitals
No domestic helper
Regional holidays 2 times a year e.g., Thailand, Hong Kong

\$2,550 

*Per person basis
In today's value*

Retirement Lifestyle B
Owns & lives in a HDB property
Commutes via taxi or owns a mid-range car
Medical consultation/ treatment at General Practitioner and government hospitals
Employs part-time domestic helper
Regional holidays 3 times a year e.g., Thailand, Hong Kong, Korea

\$3,210 

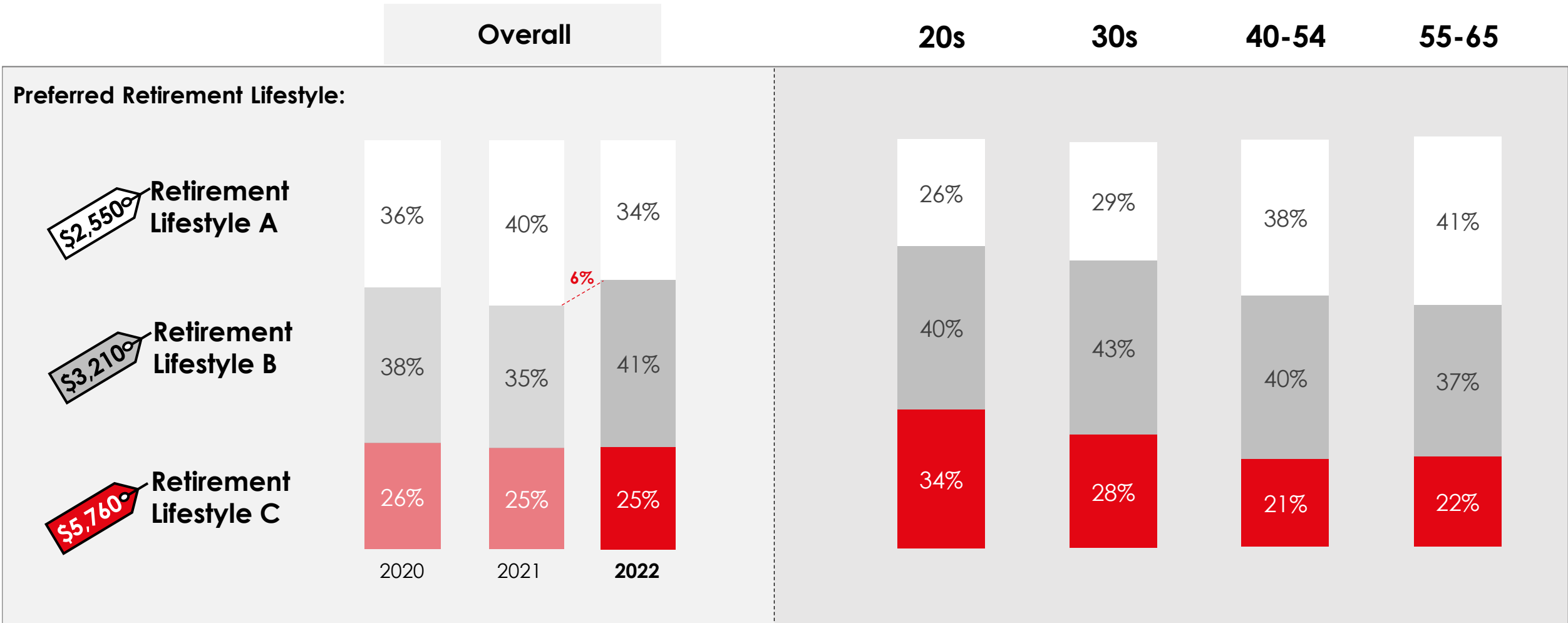
*Per person basis
In today's value*

Retirement Lifestyle C
Owns and lives in private property
Owns a high-end car
Medical consultation / treatment at General Practitioners and private hospitals
Employs a full-time domestic helper
International holidays 2 times a year e.g., Europe, America
Enjoys lifestyle & wellness experiences

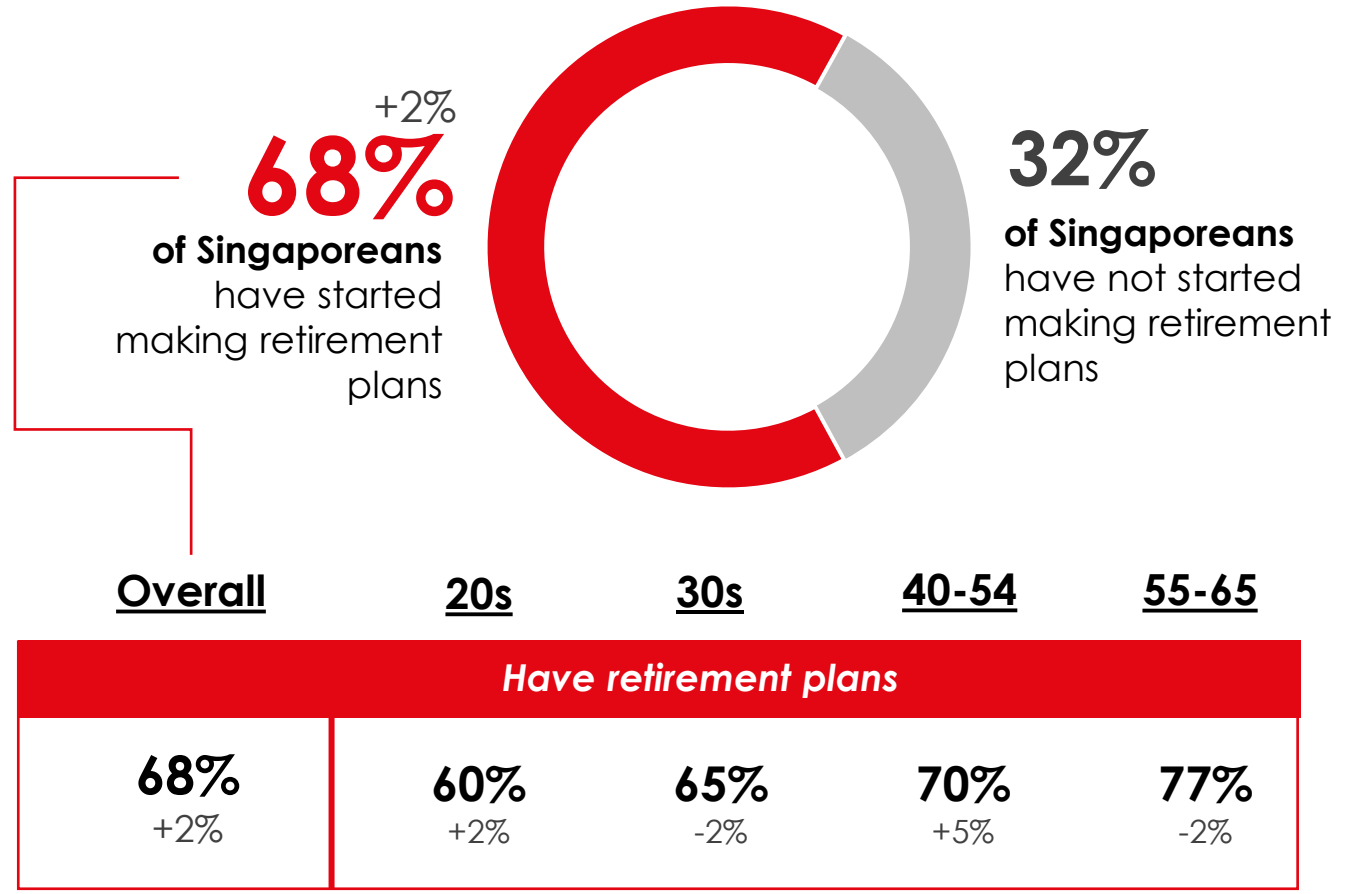
\$5,760 

*Per person basis
In today's value*

More are choosing a more comfortable though pricier retirement lifestyle

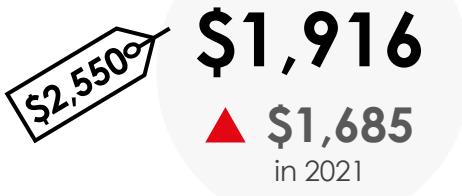


While Singaporeans have considered the high inflation of the past 12 months and rising expenses in their estimations, many are still underestimating the costs of their retirement lifestyles

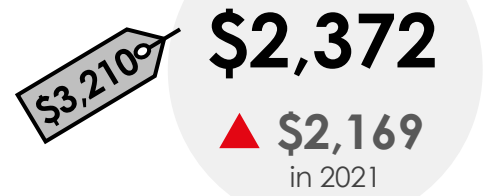


What is your expected monthly expenses during retirement?

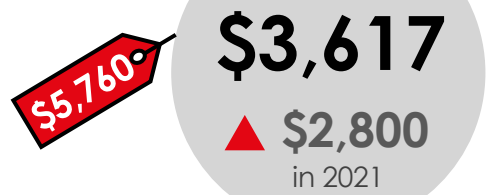
Retirement Lifestyle A



Retirement Lifestyle B



Retirement Lifestyle C



Less Singaporeans are on track with achieving their retirement plans

Among Singaporeans who have started making retirement plans:



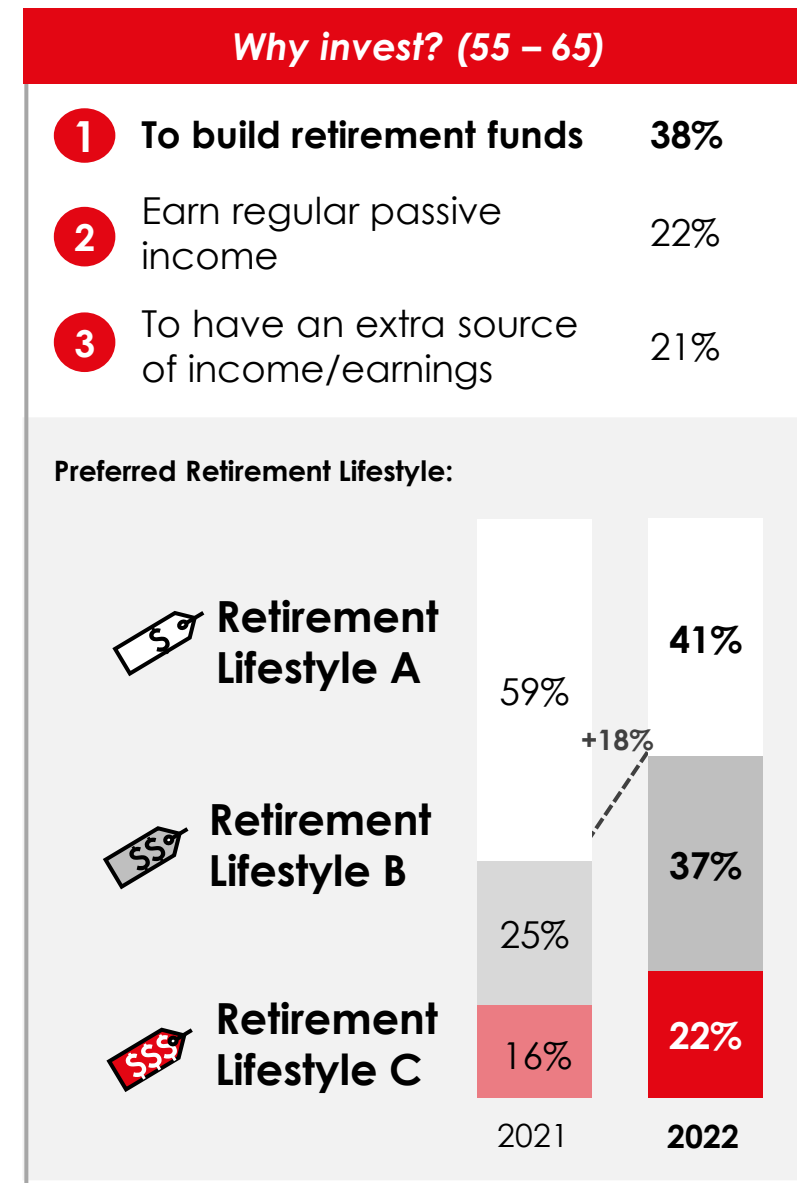
Those who are on track have these 3 characteristics:

	(1) Contribute more regularly to retirement funds	(2) Estimate perceived monthly expenses more accurately			(3) More diversified sources to accumulate retirement funds					
On track	92%	\$2644	\$3351	\$5742	58%	36%	26%	25%	22%	19%
versus	Regularly contribute to retirement funds	\$2,550 → Lifestyle A	\$3,210 → Lifestyle B	\$5,760 → Lifestyle C	Cash savings	Local Stocks	CPF LIFE	Regular investments plan	Endowment	Foreign Stocks
Not on track	67%	\$1580	\$1979	\$2931	53%	16%	25%	18%	16%	10%

Despite being close to retirement age, seniors are taking on more risk to meet their retirement goals

	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
Have Investments	86% =	86% +2%	83% +2%	86% +7%
Excessively speculate <i>Among investors</i>	33% -2%	33% +2%	36% +11%	34% +17%

Key Portfolio Differences Among... <i>Among those aged 55-65</i>	% of Portfolio	Those who <u>do not</u> Excessively Speculate	
		Those who <u>do not</u> Excessively Speculate	Those who Excessively Speculate
Futures		5%	31%
Currency Trading		7%	29%
Structured Investments		9%	28%
Options		2%	16%
Warrants		1%	12%
ETFs		11%	21%



Young Singaporeans' conundrum

Singapore's Gen Zs and millennials – those in their 20s and 30s – want to build their retirement nest eggs quickly.

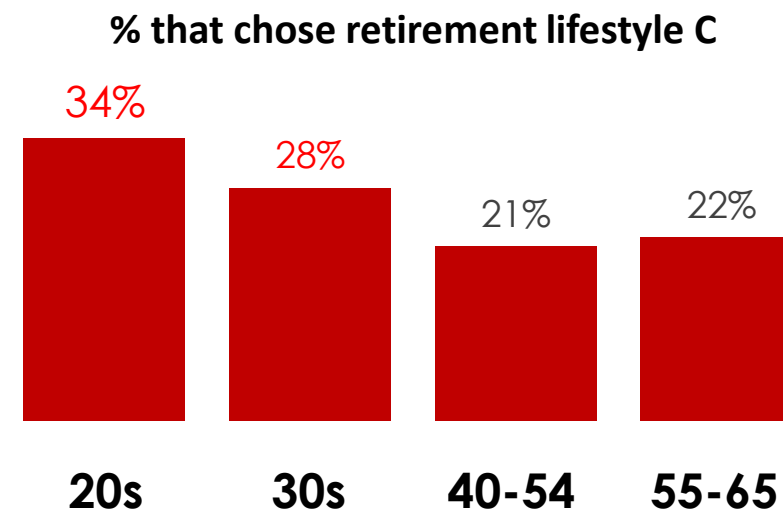
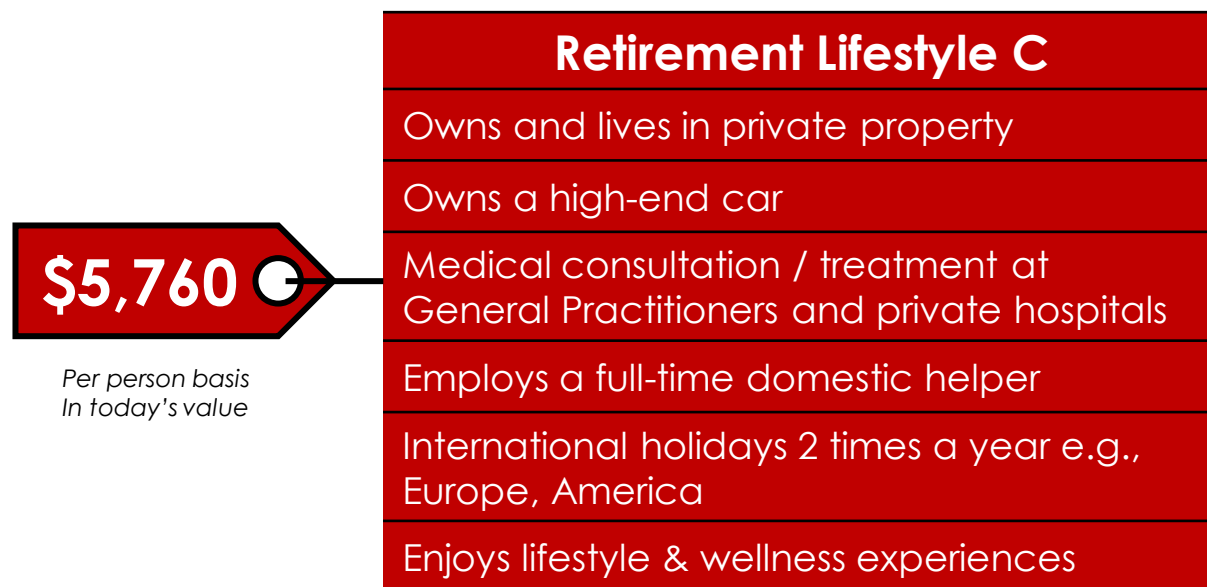
In their haste, some are turning to high-risk investments like crypto.

What do young Singaporeans aspire towards?

The current re-employment age is 68. Gen Zs and millennials – those in their 20s and 30s – want to retire a decade earlier than that.

<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
Age they want to retire			
57 years =	58 years =	61 years -1	65 years =

And they are not looking to lead a simple life. They want to retire in style



These goals might be daunting given today's challenging macroeconomic landscape. It's no wonder young Singaporeans worry.

Gen Zs and younger millennials – those in their 20s – are especially worried.

<i>I am worried about...</i>		
	20 & 30s	40s & above
Not doing enough to build my own wealth	60%	51%
Not having enough financial resources for my retirement	58%	49%
Not having enough money to take care of my loved ones	56%	49%
Not having enough money to take care of myself	55%	49%
My dependents not having sufficient insurance coverage	47%	43%
Not being able to afford a house for my own stay	49%	30%

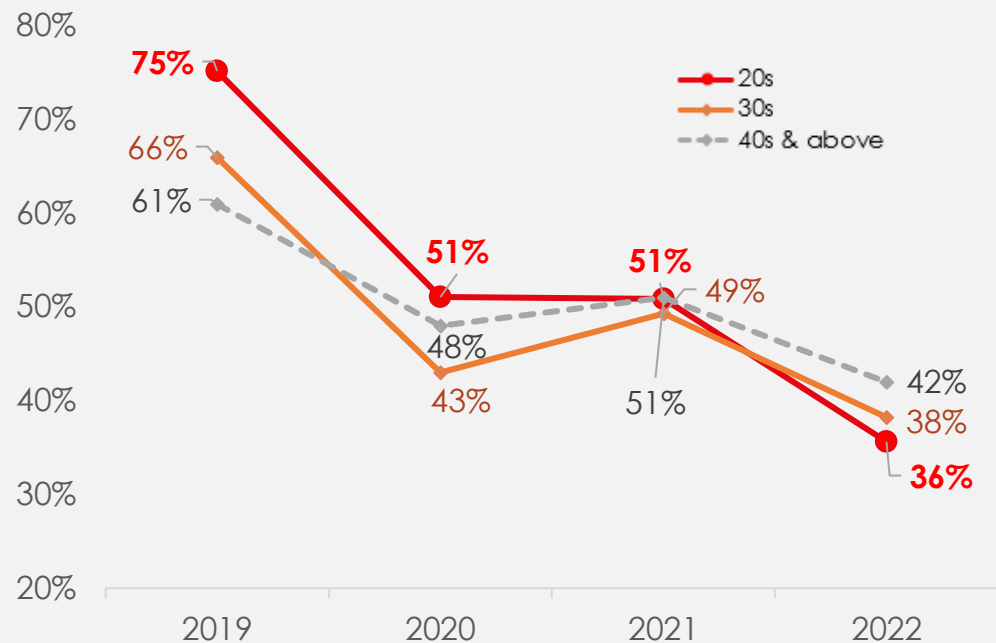
62%
of those in their **20s** are worried about not having enough financial resources for retirement

56%
of those in their **20s** are worried about not being able to afford a home

*Slightly Agree / Strongly Agree with the statements

Their worries might put them in a rush to build up their nest egg, but they might not be making informed investment decisions.

On track with their investment goals (2019-2022)



Among those in their 20s & 30s..

Top 3 worst performing products

1. International stocks/shares
2. Local (Singapore) stocks/shares
3. Non-Traditional Investments (e.g., Cryptocurrency, NFTs)

	20s	30s	40-54	55-65
Product Holdings	Invest in high risk, high return products*			
	14% -4%	12% -1%	10% =	7% +1%
Product Holdings	Invest in Cryptocurrency			
	18% -6%	14% -7%	8% -3%	4% -2%
Portfolio Performance	Average rate of return of investments'			
	0.3% -1.9%	0.9% -0.9%	0.7% -0.4%	1.1% =
Portfolio Performance	Made an overall loss			
	42% +19%	35% +10%	35% +9%	31% +2%
Future	Willingness to invest more in non-traditional investments in the next 12 months..			
	10%	8%	3%	2%

Crypto investors in their 20s who made losses lost

40%

on average from cryptos

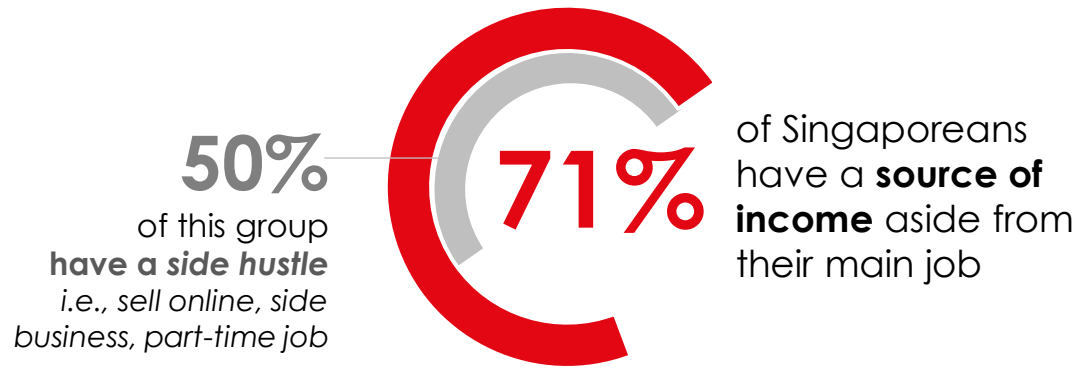
39%

of crypto investors in their 20s are likely to invest more in the next 12 months

*For example, earn 6% or higher per annum but the value of investment may sharply decline in any given year

'Refers to annual average rate of return of overall investments over the tenor of investments

Their worries have inspired them to action. We see young Singaporeans pushing towards their goals.



	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
Have a side hustle: (base: Totals)	48%	40%	32%	24%

Young Singaporeans are more active with side hustles



	<u>20s</u>	<u>30s</u>	<u>40-54</u>	<u>55-65</u>
Seek Professional Advice: (base: Totals)	34%	41%	40%	50%

Seeking advice from financial institutions can help them obtain better financial wellness index scores



The economic outlook doesn't look too rosy. What are the most important things Singaporeans should do to ensure financial wellness?

1. Save for a rainy day. • Spend prudently.

- Have at least 6 months of your monthly expenditure on hand, for emergency funds
- Spend within your means and don't take on more debt than necessary, especially given today's high interest rate environment.

2. Make informed • investment decisions

- Adopting a long-term perspective with a well-diversified portfolio goes a long way towards maximising your returns over time.
- Don't speculate excessively just for quick gains.
- Do your research before investing.
- Seek professional advice

3. Get adequate • insurance

- Imagine what would happen if an unexpected health crisis were layered on top of an already tough economic environment. Having emergency funds alone would be insufficient.