MEDIA RELEASE

RESEARCH STUDY FINDS SINGAPOREANS POOR MONEY MANAGERS

Independent research commissioned by OCBC Bank to better understand the money management habits of locals shows that Singaporeans have little invested, not enough assets and may face financial problems in retirement.

Singapore, 18 July 2005 – OCBC Bank announces today that an independent study by a leading group of Singapore Management University (SMU) professors has unveiled further insights into the money management habits of the average man-in-the-street Singaporean.

Key findings reveal that Singaporeans are generally poor money managers who invest too little too late. Many only start to save when they are married. Most are ill-prepared for retirement. Apart from their CPF balances, the average person has little invested, with liquid and assets invested averaging just S$60,000 at age 55. Yet many expect to retire with an average monthly income of S$1,800.

In addition, many Singaporeans are overly dependent on earned income as their main source of wealth accumulation. Amongst those that may face financial problems, those who earn less than S$3,000 per month are the most vulnerable.

"This is the first comprehensive study conducted in Singapore that specifically seeks to understand the money management behaviour of Singaporeans in the various life stages," said Practice Professor Francis Koh, Associate Dean of SMU's Lee Kong Chian School of Business and Director, MSc in Wealth Management Program.

Through this study, it has become clear that what Singaporeans really need is basic money management skills and to learn to be more proactive in managing their finances. "What started out as a simple exercise for us to understand the average Singaporean better has thrown up some interesting, if not alarming, insights where money management is concerned," said Mr Nicholas Tan, Head Wealth Management, OCBC Bank.

"We had a rough sense that most Singaporeans are not saving enough and may have little savings set aside by the time they reach retirement age. This study not only showed us that we were not far wrong, it also made us aware of the critical need to provide Singaporeans with basic money management skills and solutions. Besides the key insights that showed that Singaporeans invest too little and too late, what is worrying is that most of us start investing in our 30s and only at the point when we start a family. In this life stage, most of our fixed commitments are really starting to pile up, such as housing, children, and a car if you can afford it. Most of these will leave us little with which to make a meaningful start on our financial planning journey. Yet, this is the time that many Singaporeans choose to start investing. It is too late."

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Mr Tan has a few basic principles that Singaporeans can follow to circumvent future financial problems.

Principle number 1:
Save and invest early; because the power of compounding really takes hold only after a period of time. The key is to start early even if it means that your annuity sums may be small in the beginning.

Principle number 2:
It all starts with basic money management. Wealth management is not just for the wealthy; it is for everybody. "Before you do anything, you have to ensure your financial health is fine. You need to have someone explain and recommend the best solutions. This is similar to going to a doctor for a medical check-up and getting the doctor to explain what the symptoms mean and the necessary remedial actions to address possible warning signs," said Mr Tan.

Principle number 3:
It is never too late to start. "Doing nothing is not an option," added Mr Tan. "If a person continues to do nothing, then he would end up with nothing. But if he starts something small, like a monthly savings plan with whatever he can spare, there will be something at the end."

Ultimately, to follow the three principles requires tremendous discipline not just on the part of the customer, but also on the part of the Bank. "Whilst the study validates our philosophy of developing products to meet real needs, it also means that we have to offer more effective solutions that will help the average Singaporean manage his money better," shared Mr Tan.

"Firstly, we provide discipline to customers through our product solutions. Good examples being our monthly savings plan and regular premium insurance plans. Secondly, discipline underlies customer advice to ensure needs and risk appetites are met. We are re-visiting our customer engagement process, equipping our people with enhanced skills sets and upgrading our WealthMap™ system to provide more customised solutions."

"These improvements will be gradually implemented. We recognise that we cannot do this overnight. We hope that our customers will start to take small steps with us to start their financial journey and to adjust their expectations to match their needs. For example, don't be frightened off by the large sums that others say you'll need in your retirement years. You can retire on smaller, more realistic and achievable sums if you wish. It is a matter of discipline and adjustment."

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About OCBC Bank

OCBC Bank is Singapore's longest established local bank. It has assets of S$128 billion and a network of 113 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Brunei, Japan, Australia, UK and USA. OCBC Bank offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to meet the needs of its customers across communities. Its subsidiary, Great Eastern Holdings, is the largest insurance group in both Singapore and Malaysia in terms of assets and market share.

In 2004, OCBC Bank was named Lafferty Group's Retail Bank of the Year in Asia-Pacific and South East Asia and *Global Finance* magazine's Best Bank in Singapore. Additional information may be found at www.ocbc.com.

About Singapore Management University

Incorporated on 12 January 2000, SMU's aim is to groom outstanding business leaders and creative entrepreneurs capable of excelling in a rapidly changing and dynamic world. A collaboration with the Wharton School of the University of Pennsylvania allows SMU to draw on Wharton's academic and research strengths across all major disciplines. Today, SMU is home to over 3,500 students and comprises four schools: Lee Kong Chian School of Business, School of Accountancy, School of Economics & Social Sciences and School of Information Systems. SMU offers bachelor's degree programmes in Business Management, Accountancy, Economics, Information Systems Management and Social Science. The university offers master's degree programmes in Wealth Management, Applied Finance, Applied Economics and in Economics and Finance (by research). It also has a dedicated Office of Research and provides public and customised programmes through Executive Education. The newly completed SMU city campus is a state-of-the art facility located right in the heart of Singapore's civic and business district. www.smu.edu.sg

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APPENDIX 1

About the Study

The study was done in two phases – qualitative and quantitative data collection. For the qualitative collection, focus group discussions were conducted with participants sharing their attitudes and perceptions towards money management. In the quantitative data collection phase, a general survey of almost 1,000 respondents across various income groups, living in different housing types, holding different occupations and experiencing differing stages of family life cycle was conducted.

The research team was led by Practice Professor Francis Koh, the Associate Dean of SMU's Lee Kong Chian School of Business and Director, MSC in Wealth Management Program; and included Associate Professor Jin K Han, Co-Executive Director of SMU Centre of Excellence for Brand Leadership and Area Co-ordinator for Marketing and Practice Associate Professor Thomas Tan, faculty member of the Marketing Group.

The Findings

Among the many findings provided by the in-depth study were some key insights that showed a worrying trend.

1. Singaporeans are ill prepared for retirement

The study found that 74% of Singaporeans wish to retire before the current mandatory retirement age of 62; however most of them are ill-prepared for their golden years. Whilst 90% are not content to spend $700 or less per month during their retirement years, many do not have enough in their CPF to supplement additional monthly allowances.

"As CPF savings are unlikely to be sufficient for retirement, it's critical that Singaporeans save and invest actively during their working years. Yet our study shows that Singaporeans are poor money managers. They invest too little and too late to be able to enjoy quality retirement. In fact, we found that many who are aged 55 only have S$40,000 in liquid assets and S$20,000 in invested assets to help fund their retirement. This is insufficient," said Practice Professor Koh.

2. Singaporeans are poor money managers

Singaporeans are poor money managers and are overly dependent on their earned income as the main source of wealth accumulation. Most tend to invest only when they start a family and are in their 30s. The average amount that Singaporeans across all age groups have in liquid assets (savings, current accounts and fixed deposits) is only about S$30,000.

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3. Majority of Singaporeans not prepared for structural unemployment

Singaporeans are not well prepared for structural unemployment. Statistics from the Labour Market show that 41% of retrenched workers remained un-employed after six months. Professor Koh added, "Our survey shows that the median Expense Coverage Ratio was only 5.24 months. Thus, four in ten Singaporeans would face financial difficulties if they are retrenched. We also found that about 16% of individuals had less than one month coverage, which is really not satisfactory. They will encounter immediate problems upon retrenchment and may have to borrow to meet immediate cash flow needs."

4. Group most likely to face financial problems are those earning less than S$3,000 per month

Singaporeans who are most likely to face financial problems are those earning less than S$3,000 per month. This is because they are vulnerable to structural unemployment, and are overly conservative in their investments.

In addition, these individuals are not willing to take risks to grow their savings. They are also not willing to pay fees for quality financial advice. This implies that Singaporeans who are earning S$3,000 and below are not likely to invest unless their money is guaranteed or their investments yield guaranteed returns or have good performance records.

As the average wage of a Singaporean in 2004 was S$3,329, this means that the majority of the population is vulnerable to financial problems in times of structural unemployment. At the same time, they are not investing their savings in the most effective way to grow them.

"Our survey shows that this income group has relatively low savings with an average savings balance of S$14,000. And, more than 37% do not have regular savings on a monthly basis and about 60% have an expense coverage ratio of less than six months to cover their needs," shared Professor Koh. "What this means is that this group is more likely to suffer in the long run when faced with structural unemployment. Their investments would not generate sufficient returns and they have minimal savings to cover their needs."

Source of Average Wage: Ministry of Manpower

5. Commonly used financial ratios may not be accurate

Singaporeans may seem financially healthy based on financial ratios often cited by financial planners. However these ratios are based on US data and may not be relevant to Singaporeans. For example, in the Singapore context, the current savings ratio of 12% has resulted in an expense coverage ratio of 5.2 months which many may find inadequate when unemployment occurs.

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