



Monetary Authority of Singapore

Challenges of Promoting Financial Education on a National Level

~ *Sharing Singapore's Experience*

Citigroup-INSEAD Financial Education Summit 2005
12 December 2005, Kuala Lumpur

Christina Tan
Deputy Director & Head, Consumer Issues Division
Monetary Authority of Singapore



Outline

- About MoneySENSE
- Key learning points
- Key survey findings
- Future plans
- Challenges in financial education



About MoneySENSE

– Singapore’s National Financial Education Programme



Need for Financial Education

- Ageing Population, Increased Healthcare Needs, Reduced Job Security
Singaporeans have to start early and plan for financial independence in old age, and be prepared for unexpected events.
- Liberalization of Financial Markets
More aggressive marketing of products and services by financial institutions.
- Limit to what the regulator can do
MAS cannot guarantee that consumers will make money in their investments.



Objective: To Develop Well-Informed & Empowered Consumers

- In a disclosure-based regime, consumers bear the principal responsibility for protecting their own interests. MAS cannot protect consumers from investment risks.
- Disclosure-based regime cannot work if consumers do not know how to make use of the information disclosed to them.
- Financial education helps to empower consumers to make informed choices.

Collective Responsibility for Financial Education

Industry - Financial Institutions & Industry Associations

- Provide products & services.
- Provide adequate product knowledge, understanding of product risks & basic education on product class.
- Funding for programs.
- Build a sophisticated & vibrant investment community.

Close partnership between Government and Industry to ensure that the consumer has adequate information to make his own informed decisions.

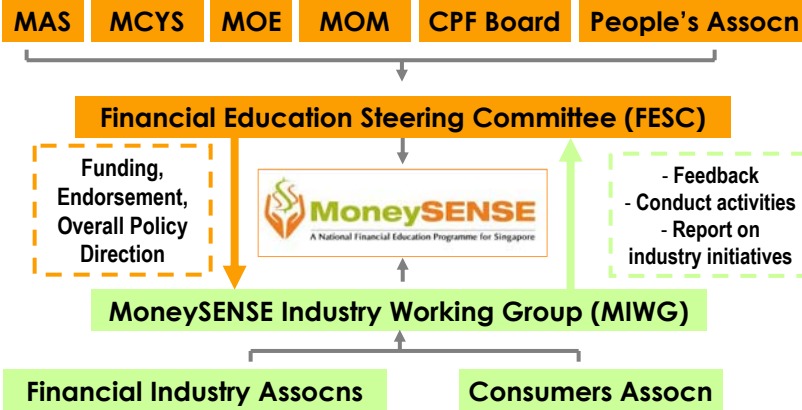
Retail Investor

- Responsible for own investment decisions.
- Keep informed on
 - market developments
 - product knowledge
 - financial risks

Government

- Set policies to develop well-regulated, transparent, efficient markets.
- Act against market misconduct.
- Support financial education programs, e.g. thru co-funding / endorsement.

Structure: Partnerships with Key Stakeholders



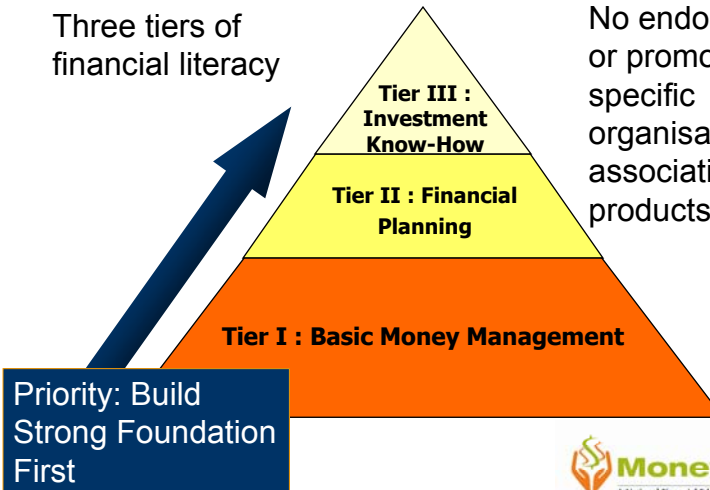
MoneySENSE Journey

- Key Learning Points



Structured Approach Helps Us Focus Our Efforts Systematically

Three tiers of financial literacy



No endorsement or promotion of specific organisations, associations or products

Variety of Channels & Topics

Type of Activity	Target Audience	Topics
Interactive Skits	Working Adults	Basic Money Management
Seminars / Talks / Workshops	Families	Financial Planning
Games / Contests	Low-Income / Financial Assistance	Retirement Planning
Media Articles	School-children	Insurance Planning
Consumer Guides / Website	Housewives	Personal Investing
	Retirees / Pre-retirees	

Examples of Programmes that Work Well

Programmes for low income families where volunteers follow up with attendees



Financial gameboard in schools to build awareness on basic money management, financial planning & investment concepts.

Examples of Programmes that Work Well

Regular media columns, pictorial illustrations on how to read common financial documents & SMS contest



Examples of Programmes that Work Well



Road shows where financial education is communicated in fun ways

Cartoons Guides Popular with Most

My Family Budget Template

MONTHLY INCOME
Average monthly take home pay (includes dividends, interest, rental income, and cash profit from selling shares) \$

MONTHLY EXPENSES USING CASH (Priorities: 1 - needs, 2 - wants)
Actual amount spent on: Priorities

Fixed expenses	Variable
Mortgage repayments (cash / bank payments)	
Condominium and property taxes	
Utilities	
Income tax	
Children's education	
Allowances for parents and children	



Tip 7 Beware of buying a financial product on impulse. Determine your needs and buy what is suitable for you.

10 THINGS TO DO TO HAVE A BRIGHTER FINANCIAL FUTURE FOR YOU AND YOUR FAMILY

- Have you planned for your financial future? Find out how well-planned you are by checking the boxes applicable to you:
- I have set up a monthly budget.
 - I have an emergency fund consisting of 6 months of my monthly salary.
 - I have identified my financial goals and objectives.
 - I know what my net worth looks like minus liabilities.
 - I have a proper plan to reach my financial goals and objectives.
 - My needs and I are adequately covered against risks such as illness, accidents and loss of income.
 - I know how much CPF savings I will have when I retire.



- ✓ Learn financial education in a fun way
- ✓ Simple, entertaining
- ✓ Appeals to masses
- ✗ Less detailed information

Different Guides Meet Different Needs



Product-specific guides distributed at point of sale

- ✓ Wide outreach to consumers at time of purchase
- ✗ Information overload

Different Guides Meet Different Needs



Detailed guides distributed at seminars and talks

- ✓ Reaches consumers interested in learning
- ✓ Reinforces education messages delivered
- ✗ Limited outreach

Website acts as a Central Repository & Communications Tool

MoneySENSE
A National Financial Education Programme for Singapore

CONSUMER GUIDES & OTHER PUBLICATIONS

- (I) MAS' Policies Explained
- (II) Product Guides
- (III) Other Publications

Investor Alert List

MoneySENSE Mailing List – Auto-alert service to keep consumers updated on MoneySENSE tips & activities.

Links to other Financial Education resources.

MoneySENSE
A National Financial Education Programme for Singapore



Singapore's First Financial Literacy Survey

– Key Findings

Objectives of Survey



- Measure current levels of “financial literacy” among different segments of Singaporeans.
- Gauge Singaporeans’ attitudes towards financial matters.
- Identify gaps in financial knowledge and actions.
- Identify areas where more consumer education is needed & the most effective channels for delivery.

Defining Financial Literacy

“the ability of individuals to make informed judgements and take effective decisions in managing their finances”

Actions

Knowledge

Key attributes:

- What steps Singaporeans have taken to manage their money.
- What active plans Singaporeans have made to plan for their future / retirement.
- For Singaporeans who invest, what steps they have taken to understand what they invest and monitor investment performance.

Key attributes:

- What level of understanding do Singaporeans have of the risks and implications of common financial products:
 - - Loans.
 - - Life insurance policies.
 - - Investment products.

Research Methodology

- External research consultant commissioned to undertake this survey.
- Face-to-face interviews with a representative sample of 2,023 persons aged 18 to 60 years old.
- Research covered only analysis of findings based on the responses of those surveyed. Does not include analysis or comparison with findings of other studies.

Survey Findings are Encouraging

ACTIONS

Generally good money management habits.

Singaporeans recognise the importance of planning for their finances and have taken some basic steps in financial planning.

Singaporeans who invested take a considered approach in their investment decisions.

KNOWLEDGE

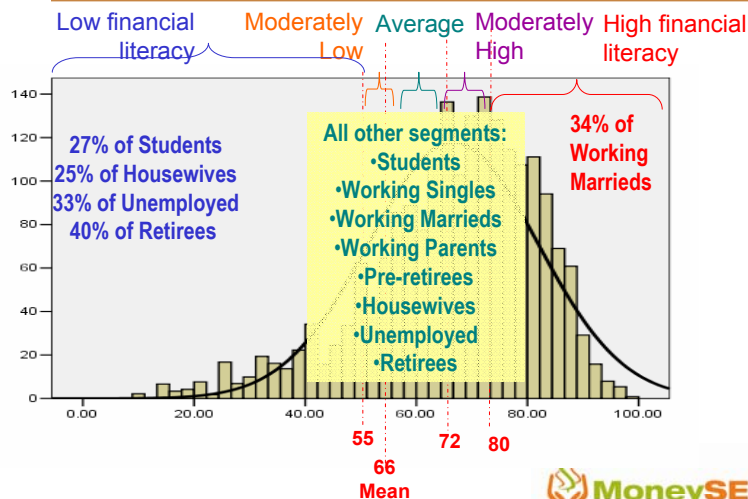
Generally knowledgeable about their loans.

Understand risks inherent in investments & importance of diversification.

Areas for Improvement

- Inadequate Savings for Emergencies**
 Only 32% of Singaporeans have cash savings of at least 3 times their monthly income.
- Inadequate Retirement Planning**
 Only 24% have actually calculated how much they would need when they retire.
- Inadequate Understanding of Common Financial Products**
 Singaporeans are not aware of basic features of common financial products such as life insurance, unit trusts and structured deposits.

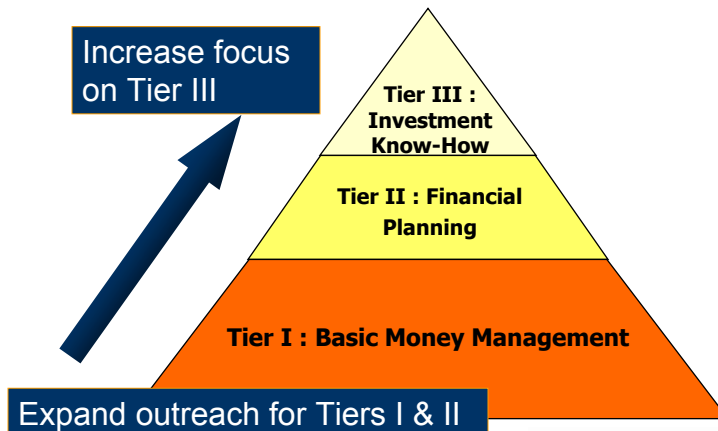
Main Survey Findings by Segments





Future Plans

Moving Up The Financial Education Pyramid



Multi-Pronged Strategy To Reach Consumers More Effectively



Examples of New Initiatives



- Quarterly newsletters in four languages
- Regular Smart Investor magazine column
- Radio programmes
- Five-year series of financial planning for families talks



Challenges in Financial Education

Challenges in Financial Education

- Understanding consumer behaviour in making financial decisions
- Gaining a good understanding of needs of each segment, customizing and delivering programmes to meet those needs
- Continual scanning of emerging areas where financial education is needed
- Monitoring and measuring progress

Enhancing Financial Literacy Is An Ongoing Sustained Process



Concerted efforts by regulators and industry associations help facilitate the process.

Consumers must also take the initiative to enhance their own financial literacy and be responsible for their own financial decisions.



~ Thank You ~

