SESSION 3: INVESTOR EDUCATION

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Investor Education

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Monetary Authority of Singapore
Outline

• Trends underscoring need for Investor Education
• Benefits of Investor Education
• Common threads in Investor Education
• The Singapore Experience:
  ➢ MoneySENSE National Financial Education Programme
  ➢ Singapore’s First Financial Literacy Survey
• Challenges in Investor Education
Trends Underscoring Need for Investor Education

- Ageing populations
- Increasingly more complex products
- Consumers have greater access to variety of financial products.
- Larger number of consumers are involved in financial markets
- Consequences of poor financial decisions
Benefits of Investor Education

- Empower consumers to make more informed investment decisions
- More sophisticated investors help the market grow in depth and liquidity
- Less reliance on the state
Common Threads in Investor Education

- More regulators taking on investor education roles
- Provide information to help consumers make informed decisions
- Portal, helplines, investor alert lists
- Promote consumer rights
Common Threads in Investor Education

- Focus on retirement planning / pension plans
- Start financial education in schools
- Coordinated approach in close collaboration with industry and consumer associations
Investor Education – The Singapore Experience
The Need for Investor Education

- **Ageing Population, Increased Healthcare Needs, Reduced Job Security**
  Singaporeans have to start early and plan for financial independence in old age, as well 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.
MAS’ Objective: Developing 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.
- Investor education helps to empower consumers to make informed choices.
Three-pronged Approach to Empower Consumers to Achieve Fair Dealing

Enhancing Disclosure, Market Conduct & Professional Standards

Financial Advisers Act
Securities & Futures Act

Enhancing Investor Education
MoneySENSE national financial education programme

Facilitating Consumer Redress
Financial Industry Dispute Resolution Centre
Collective Responsibility for Investor 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.

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

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

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

Financial Industry Associations

Consumers Association
Structured Approach to Financial Education

Three tiers of financial literacy

Programmes do not promote /endorse any specific organisation
Central Repository for Objective Information

CONSUMER GUIDES & OTHER PUBLICATIONS

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

Investor Alert List
An Array of Consumer Guides
Structured Outreach

<table>
<thead>
<tr>
<th>Type of Activity</th>
<th>Target Audience</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interactive Skits</td>
<td>Working Adults</td>
<td>Basic Money Management</td>
</tr>
<tr>
<td>Seminars / Talks / Workshops</td>
<td>Families</td>
<td>Financial Planning</td>
</tr>
<tr>
<td>Games / Contests</td>
<td>Low-Income / Financial Assistance</td>
<td>Retirement Planning</td>
</tr>
<tr>
<td>Media Articles</td>
<td>School-children</td>
<td>Insurance Planning</td>
</tr>
<tr>
<td>Consumer Guides / Website</td>
<td>Housewives</td>
<td>Personal Investing</td>
</tr>
</tbody>
</table>
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

- Cartoon guides putting across financial education in a fun way. Templates that consumers can use.

Tip 7: Beware of buying a financial product on impulse. Determine your needs and buy what is suitable for you.
Examples of Programmes that Work Well

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

Plan how you will retire with your CPF savings now

MoneySENSE
A National Financial Programme for Singapore
Singapore’s First Financial Literacy Survey
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”

Key attributes:

**Actions**
- 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:

**Knowledge**
- 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**

| KNOWLEDGE | Generally knowledgeable about their loans.  
|           | Understand risks inherent in investments & importance of diversification. |
| 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. |
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

Low financial literacy  |  Moderately Low  |  Average  |  Moderately High  |  High financial literacy

27% of Students
25% of Housewives
33% of Unemployed
40% of Retirees

34% of Working Marrieds

All other segments:
• Students
• Working Singles
• Working Marrieds
• Working Parents
• Pre-retirees
• Housewives
• Unemployed
• Retirees

MoneySENSE
A National Financial Education Programme for Singapore
# Financial Literacy Scores by Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Tier 1 (Basic money management)</th>
<th>Tier 2 (Financial planning)</th>
<th>Tier 3 (Investment know-how)</th>
<th>Overall Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees</td>
<td>65</td>
<td>55</td>
<td>50</td>
<td>59</td>
</tr>
<tr>
<td>Unemployed</td>
<td>68</td>
<td>53</td>
<td>58</td>
<td>61</td>
</tr>
<tr>
<td>Students</td>
<td>71</td>
<td>51</td>
<td>57</td>
<td>62</td>
</tr>
<tr>
<td>Housewives</td>
<td>72</td>
<td>60</td>
<td>51</td>
<td>64</td>
</tr>
<tr>
<td>Pre-retirees</td>
<td>73</td>
<td>63</td>
<td>58</td>
<td>67</td>
</tr>
<tr>
<td>Working Singles</td>
<td>77</td>
<td>64</td>
<td>62</td>
<td>70</td>
</tr>
<tr>
<td>Working Parents</td>
<td>77</td>
<td>68</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Working Marrieds</td>
<td>80</td>
<td>71</td>
<td>65</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>74</strong></td>
<td><strong>62</strong></td>
<td><strong>58</strong></td>
<td><strong>67</strong></td>
</tr>
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MoneySENSE – Next Steps

Assess each segment’s financial education needs

Evaluate if existing programmes meet those needs

Monitor feedback & review

Roll out current programmes relevant to target segments

Finetune and tailor programmes

Develop new programmes

Assess progress

Raising consumer awareness of MoneySENSE

Continual scanning to identify emerging areas where investor education is required
Challenges in Investor 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 investor 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~