

**OECD/ADB 7th Round Table on
Capital Market Reform in Asia**

**27-28 October 2005
ADB Institute, Tokyo, Japan**

SESSION 3: INVESTOR EDUCATION

**Ms. Christina Tan
Monetary Authority of Singapore**



Investor Education

OECD-ADBI 7th Roundtable on Capital Market Reform in Asia
27 October 2005, Tokyo

Presentation by:
Christina Tan
Consumer Issues Division
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*

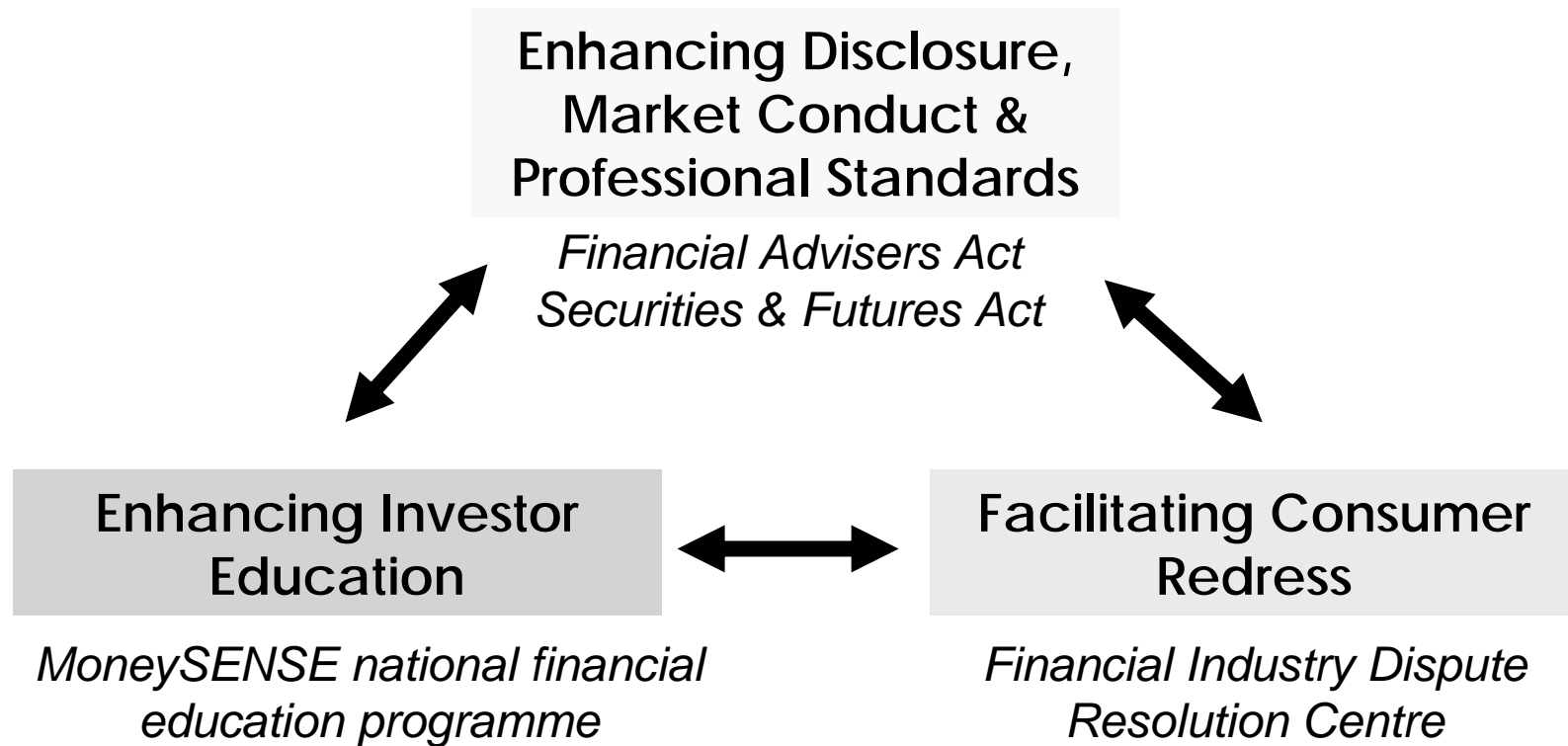
The Need for Investor Education

- 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.

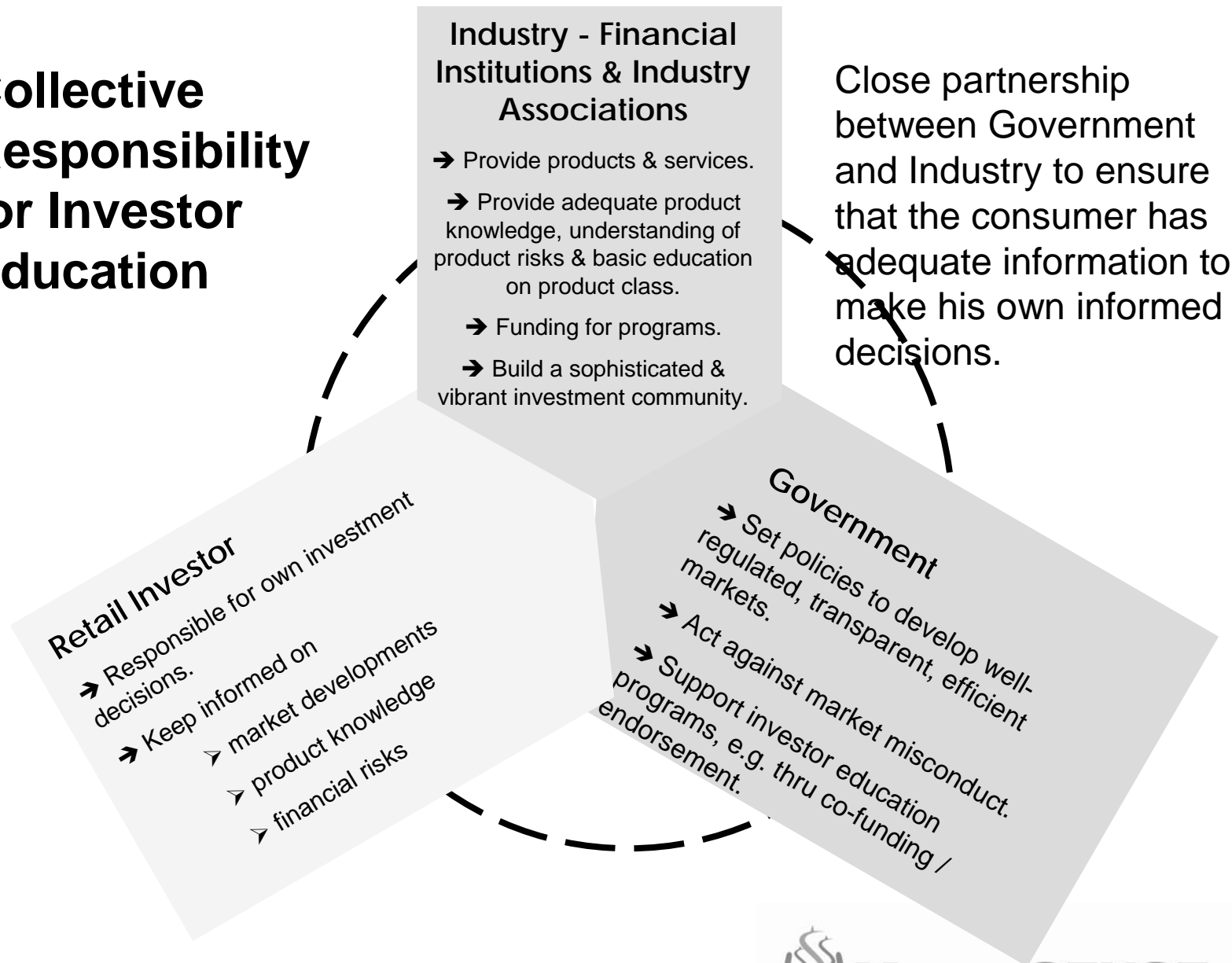
MAS' Objective: Developing Well-Informed & Empowered Consumers

- 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.

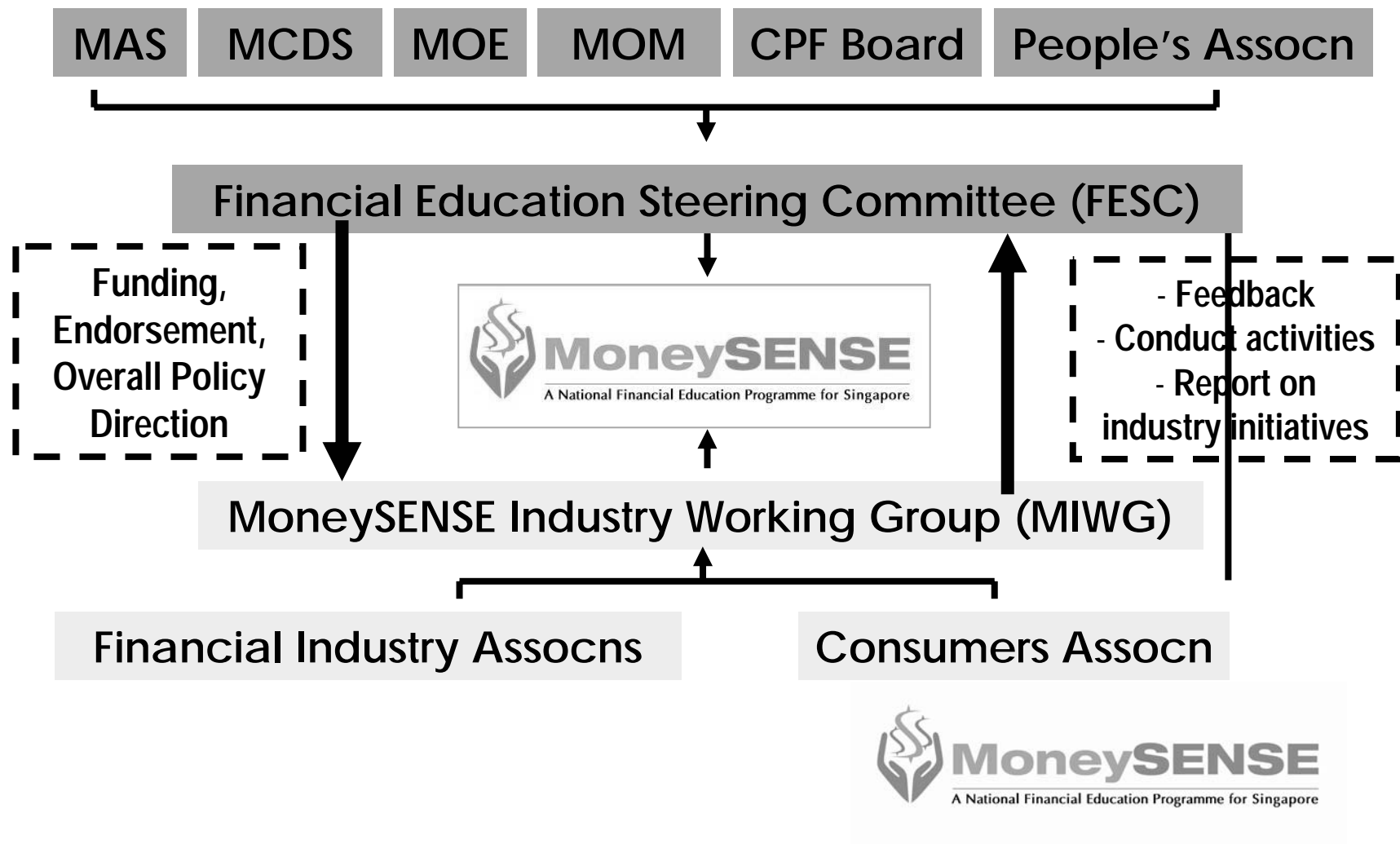
Three-pronged Approach to Empower Consumers to Achieve Fair Dealing



Collective Responsibility for Investor Education



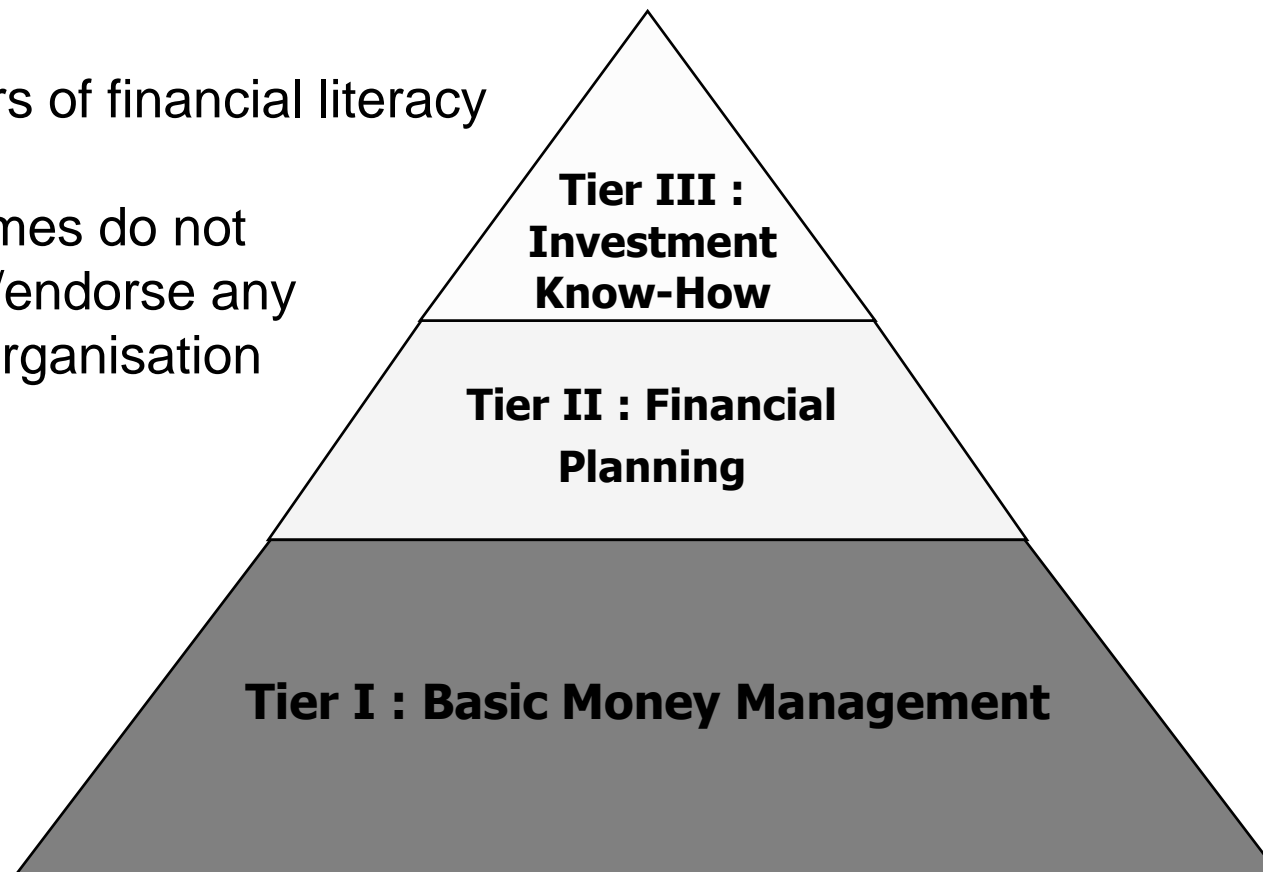
Partnership with industry and other stakeholders



Structured Approach to Financial Education

Three tiers of financial literacy

Programmes do not promote /endorse any specific organisation



Central Repository for Objective Information

The screenshot shows the MoneySENSE website interface. At the top left is the MAS Monetary Authority of Singapore logo. To the right is a banner for 'For The CONSUMER' with a family photo. A navigation menu on the left lists: Latest News, MoneySENSE, Investor Alert List, Codes Of Practice, Dispute Resolution, Other Resources, and Contact Us. The main content area features the MoneySENSE logo and the text 'A National Financial Education Programme for Singapore'. Below this is a section titled 'CONSUMER GUIDES & OTHER PUBLICATIONS' with a list: (I) MAS' Policies Explained, (II) Product Guides, and (III) Other Publications. A 'Share Your' section is partially visible with a dropdown menu showing 'MONEYSENSE' and 'Consumer'. A map of Singapore is visible in the background. The bottom right corner features the MoneySENSE logo and tagline. Several large black redaction boxes cover parts of the page, including the top right, middle right, and bottom left.

An Array of Consumer Guides



Structured Outreach

<u>Type of Activity</u>	<u>Target Audience</u>	<u>Topics</u>
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



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

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

My Family Budget Tem

MONTHLY INCOME

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

MONTHLY EXPENSES USING CASH (Priorities: 1 - need

Actual expenses (\$)

Fixed expenses

Savings

Rental payments

axes

children

X

enses

enance

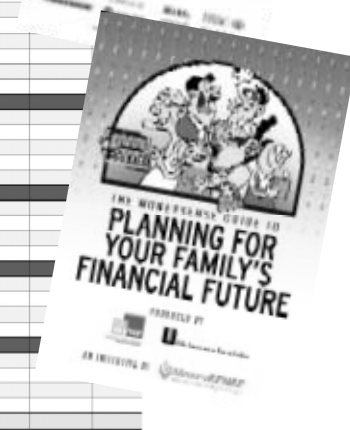
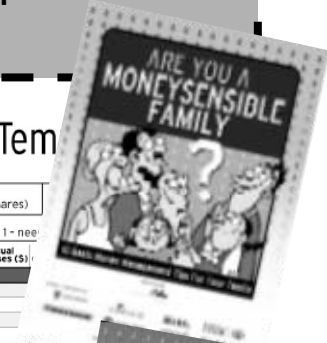
tenance

ne - Total Expenses

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 (assets minus liabilities) is.
- I have a proper plan to reach my financial goals and objectives.
- My family 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.
- I know how much I need for my retirement and have started building up a retirement fund.
- I have started putting aside some money in investments to grow my wealth.
- I review my financial plan regularly.



MoneySENSE

A National Financial Education Programme for Singapore

Examples of Programmes that Work Well

漫画指南教你理财

了一本名为《你是个存钱有方、理财有道的家庭吗?》的漫画书,画出了一般家庭在理财方面所犯的错误,并提供解决这些问题的暗示。

另一本漫画书,则解释了财务规划的概念,并提供拟定财务计划和制定预算的方法,提醒人们确保有足够的资源应付医药及其他需求。

主要银行推出。

另 一本新加坡寿险财务规划从业协会 (IFPA) 与人寿保险协会 (IAI) 批准的漫画书,则解释了财务规划的概念,并提供拟定财务计划

“存钱有方、理财有道” (MoneySENSE) 的家庭教育活动自开幕仪式时说,很多福人并没有为家庭进行财务规划,或者与家人一起决定财务事宜。

她说:“我们所推出的财务教育计划是针对家庭财务规划的,因为良好理财规划习惯是从童年开始。”

“存钱有方、理财有道”是去年底推出的一项财务教育计划,目的是提高国民的理财意识。

公众可在26日至28日,到新加坡四座举行的家庭日活动,索取该成本理财手册。

“保守”投资产品刊登

■ 理财王起能性做其成一个贴士,不



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

PANDUAN PENGGUNA

Diawakan oleh RANGKAI WANG MASA DEPAN CERAH

Dalam bahagian ketiga siri pendidikan mengenai penurusan wang dan kewangan peribadi keluarga, kita akan melihat bagaimana Keluarga Lim mengira nilai bersmreka dan jenis perlindungan insurans yang diperlukan keluarga mereka.

Rencana ini adalah petikan daripada Risalah Panduan MoneySense bagi

KELUARGA LIM

- DATUK LIM**
Diraja sebuah kerajaan yang beraja di suatu negeri.
- ENCIK WISLEY LIM**
Bapa Wisley seorang doktor yang bekerja di sebuah hospital. Beliau mempunyai dua orang anak lelaki dan seorang perempuan.
- PIAH LIM TAI TAI**
Ibu kepada Encik Wisley. Seorang isteri yang sangat kerana dapat dia bekerja sebagai pengasas sebuah syarikat yang sangat berjaya.
- ENCIK YUPPY LIM**
Anak lelaki kedua Encik Wisley. Seorang isteri yang sangat kerana dia bekerja sebagai pengasas sebuah syarikat yang sangat berjaya.
- BREKELY LIM**
Anak perempuan Encik Wisley. Seorang isteri yang sangat kerana dia bekerja sebagai pengasas sebuah syarikat yang sangat berjaya.



BERPAKAH JUMLAH PERLINDUNGAN YANG MENCUKUPI?

Insurans adalah perlindungan terbaik untuk keluarga anda. Insurans yang betul dapat melindungi anda dan keluarga anda dari kerugian kewangan yang besar.

Apakah insurans yang anda perlukan? Insurans yang betul dapat melindungi anda dan keluarga anda dari kerugian kewangan yang besar.

Insurans yang betul dapat melindungi anda dan keluarga anda dari kerugian kewangan yang besar.

Benefit illustration for regular premium investment-linked policy (ILP)

Benefit illustration to help you make an informed decision on what insurance product to buy, you will receive a product summary and a benefit illustration - from your insurance adviser. Insurance companies associated with the product you are buying. These details are shown in the benefit illustration is contained in a benefit illustration for a regular premium ILP.

End of term (years)	Amount paid (RM)	Total premium (RM)	Guaranteed sum assured (RM)	Non-guaranteed cash values (RM)	Effect of investment (RM)	Guaranteed sum assured (RM)	Total death benefit (RM)
1/01	2,400	2,400	2,375	250	250	2,375	2,375
2/01	2,400	4,800	4,375	425	425	4,375	4,375
3/01	2,400	7,200	6,375	587	587	6,375	6,375
4/01	2,400	9,600	8,375	750	750	8,375	8,375
5/01	2,400	12,000	10,375	912	912	10,375	10,375
6/01	2,400	14,400	12,375	1,075	1,075	12,375	12,375
7/01	2,400	16,800	14,375	1,237	1,237	14,375	14,375
8/01	2,400	19,200	16,375	1,400	1,400	16,375	16,375
9/01	2,400	21,600	18,375	1,562	1,562	18,375	18,375
10/01	2,400	24,000	20,375	1,725	1,725	20,375	20,375
11/01	2,400	26,400	22,375	1,887	1,887	22,375	22,375
12/01	2,400	28,800	24,375	2,050	2,050	24,375	24,375
13/01	2,400	31,200	26,375	2,212	2,212	26,375	26,375
14/01	2,400	33,600	28,375	2,375	2,375	28,375	28,375
15/01	2,400	36,000	30,375	2,537	2,537	30,375	30,375
16/01	2,400	38,400	32,375	2,700	2,700	32,375	32,375
17/01	2,400	40,800	34,375	2,862	2,862	34,375	34,375
18/01	2,400	43,200	36,375	3,025	3,025	36,375	36,375
19/01	2,400	45,600	38,375	3,187	3,187	38,375	38,375
20/01	2,400	48,000	40,375	3,350	3,350	40,375	40,375

eyeonmoney

Plan how you will retire with your CPF savings now

MOST Singaporeans are having difficulty meeting the minimum sum requirement of their Central Provident Fund (CPF) accounts.

The current minimum sum is \$84,500.

At the end of last year, only about 40 per cent of active CPF members were able to meet the minimum sum on reaching 55.

Of these, slightly more than half had pledged their property to meet the minimum sum.

Members who had pledged half of their Minimum Sum in properties had set aside at most \$40,000 in cash. Clearly, this amount is insufficient to maintain the lifestyle of most CPF members after retirement.

Those who do not meet the minimum sum would have even less.

And in 10 years' time when the minimum sum is increased to \$120,000, only half of active members turning age 55 may be able to achieve the minimum sum.

The minimum sum provides CPF members with a monthly income to support a basic standard of living during retirement. The minimum sum is taken from both the

they nominate each other as the beneficiary for the balance of their minimum sum.

Another option: top up the shortfall for the minimum sum by using cash or CPF savings. This can be done after a member turns 55.

A husband can top up his wife's retirement account through cash deposits or transfers of CPF savings.

If he uses cash, he gets to enjoy tax relief of up to \$7,000 per year.

What about the rest of your CPF savings once you have met the minimum sum at age 55?

The options are:

- ▶ Withdraw the CPF savings in one lump sum;
- ▶ Partially withdraw the CPF savings; and
- ▶ Leave the money with CPF Board.

The interest rate is 4 per cent per annum for the CPF retirement account and 2.5 per cent per annum for the CPF ordinary account.

Next, what can you do with the minimum sum set aside?

- ▶ Buy a life annuity from a participating insurance company.



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”

Actions

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.

Knowledge

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	<p>Generally good money management habits.</p> <p>Singaporeans recognise the importance of planning for their finances and have taken some basic steps in financial planning.</p> <p>Singaporeans who invested take a considered approach in their investment decisions.</p>
KNOWLEDGE	<p>Generally knowledgeable about their loans.</p> <p>Understand risks inherent in investments & importance of diversification.</p>

Areas for Improvement

➤ Inadequate Savings for Emergencies

Only 32% of Singaporeans have cash savings of at least 3 times their monthly income.

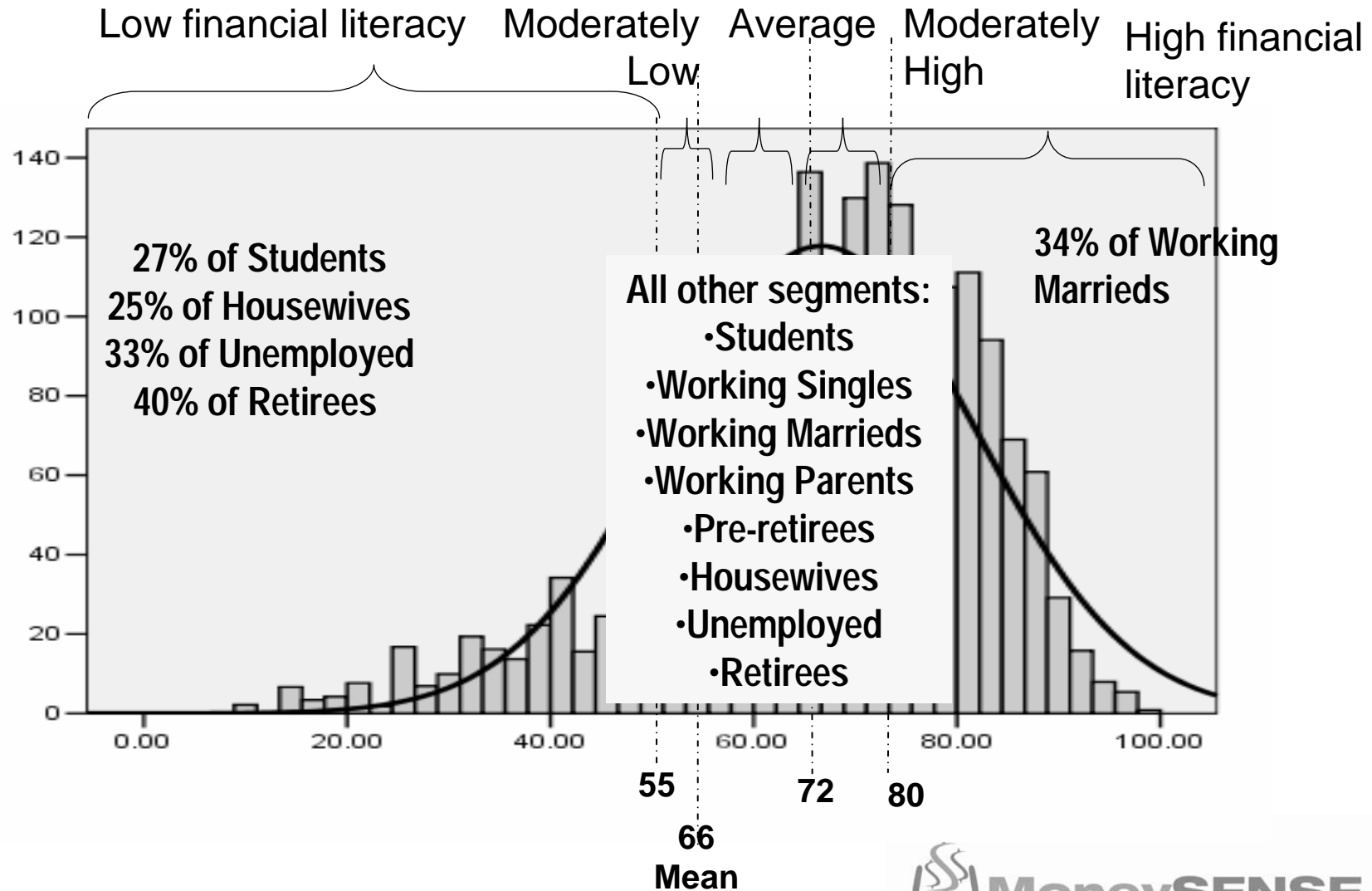
➤ Inadequate Retirement Planning

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.

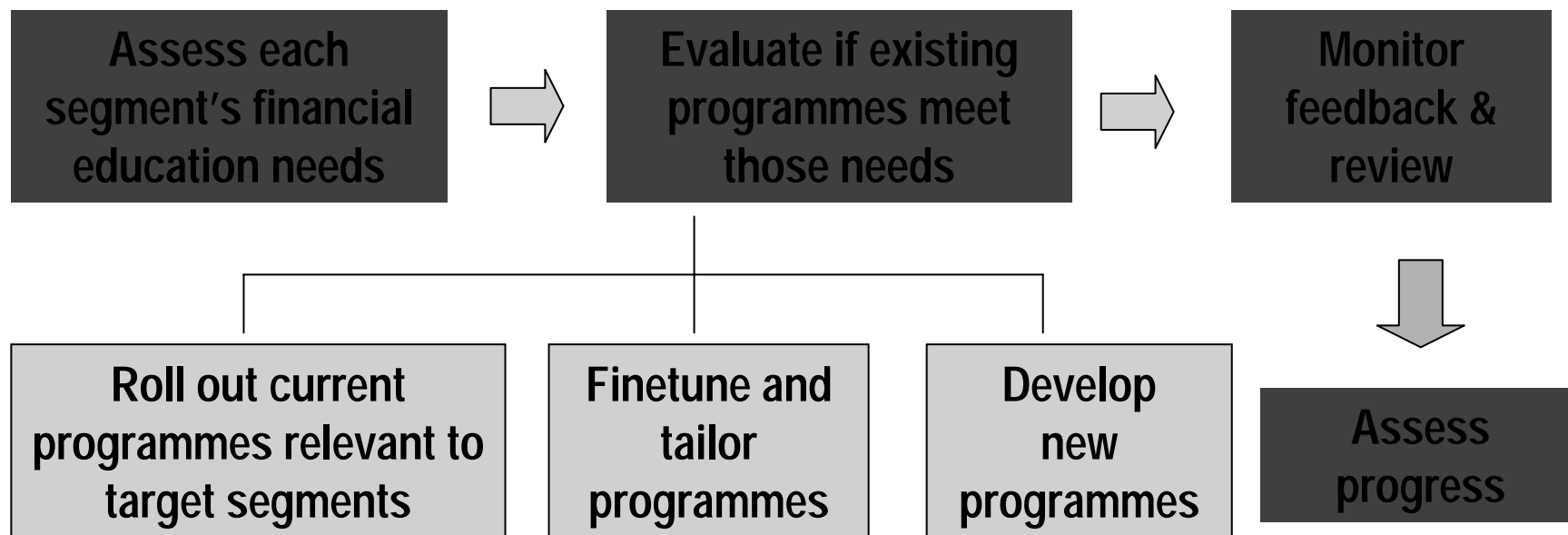
Main Survey Findings by Segments



Financial Literacy Scores by Segments

	Financial Literacy Scores			
	Tier 1 (Basic money management)	Tier 2 (Financial planning)	Tier 3 (Investment know-how)	Overall Mean Score
Retirees	65	55	50	59
Unemployed	68	53	58	61
Students	71	51	57	62
Housewives	72	60	51	64
Pre-retirees	73	63	58	67
Working Singles	77	64	62	70
Working Parents	77	68	63	71
Working Marrieds	80	71	65	74
Total Population	74	62	58	67

MoneySENSE – Next Steps



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 ~

