

Driving more of a savings culture in Singapore

A new product from Friends Provident International (FPI) aims to help those locals and expats who are not natural 'savers' to meet short-term goals – and at the same time overcome biases and irrationality in their investment decisions.

While everyone has a short-term savings need, most people cannot fulfill it, even if they want to and have the opportunity to do so.

Various behavioural biases can help explain this, as can demographic dynamics, such as the growth of the population of Millennials, many of whom are 'spenders' and not 'savers'.

Breaking the cycle is important, though, given the obvious need for individuals across the wealth spectrum to plan for the future.

With all this in mind, FPI's new contemporary savings plan, Purpose Saver, aims to provide a range of features to provide choice, flexibility and transparency to expats and locals alike in Singapore.

"We see an opportunity to play an active role in helping people to become better savers," explains Andrew Waddell, managing director for FPI.

NEW GROUND

Some of the features that he believes will make a difference for customers include allowing them to choose their frequency of saving, how much they would like to save, as well as increasing or decreasing their savings amount after the first six months.

Further, with the multi-currency options, customers have the flexibility of saving in their preferred currency, to minimise potential future exchange rate risk. At the end of the plan, there is the option to withdraw the savings, continue to save or take on new investment opportunities. And for customers who are able to stick to their plan, there is a savings bonus. "This should suit anyone who has a purpose for saving for a term of five years – or slightly more or less – but who needs a bit of help," adds Waddell.

UNDERSTANDING MIND-SETS

Giving these individuals the structure to save in this way will help address



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common biases around savings patterns – which are typically based on cognitive responses for medium versus long-term gratification.



BRAD COLLINS
Results Business Coaching

It is also important to create a pattern of savings. "This is to ensure that people have a way to save that is enforced," says Brad Collins, a business coach at Results Business Coaching. "They can then save into the future by it being an automated process."

Indeed, the micro-site and white paper that FPI developed on the science of saving in conjunction with the product's launch, confirmed a lot of intuitive thoughts around savings and spending patterns. "The issue is that most people have a desire for immediate gratification; they want to spend to get something now," explains Collins.

To delay this, they have to overcome various psychological biases, he adds, including a desire to seek out pleasure.

The consequences of not saving would be framed within the concerns of one of two different times of individuals: either people have a 'towards' motivation, so would want to move towards

'pleasure'; or they have an 'away from' motivation, so would want to move away from 'pain'. "The product is a bridge between long-term and short-term investing, starting off by helping people to be savers," adds Collins.

SAVING SINGAPORE

Singapore is similar to many other markets Collins has done research into, in terms of attitudes and behaviours in relation to saving versus spending. Yet one point of difference relates to the large proportion of foreign workers – roughly 32% of the workforce.

At the same time, Singapore also has a rising Millennials market. The challenge here, it seems, stems from the fact that this group has a strong propensity to spend rather than save. "There are around 500,000 millennials currently in Singapore who will increasingly contribute to the consumer market over the next 10 to 15 years," adds Collins.

ENGAGEMENT VIA EDUCATION

The integrated campaign involving digital and other resources has also been a way for FPI to help drive the right conversations around the new product. "It isn't just about making a product available. We also want to be effective in partnering with advisers to help them add more value to their customers, as well as engage their customers around why they might want to save for the future," says Waddell.

Supporting advisers is key, especially as he believes that, to date, there haven't been many options to help them explain the theme of savings to clients.

In line with this, adds Collins, creating more awareness about the behaviours of clients is a big step in the right direction. "Advisers can plan more clearly how to help clients be better savers."

Key features of Purpose Saver

- *Transparency, via simple charging that is easy to understand and free from complicated fee structures or hidden fees*
- *Visibility, by being able to track the level of savings at all times*
- *Choice, with options for three or four years, in addition to the standard five-year plan – plus the choice after the target savings period*
- *Savings flexibility, through being able to choose how much to save and then making increases or decreases to this amount after the first six months – as well as being able to choose whether to save on a monthly, quarterly, semi-annually or annual basis*
- *Multi-currency, as a result of the options to save in British pounds, US dollars, Euros, Hong Kong dollars or Singapore dollars*
- *Investment options, due to a range of funds available under the plan*
- *Rewards, with a savings bonus at the end of the target saving period, of between 1% and 3% depending on the length of savings period*

Envisaging' is key to this, he adds, explaining that this means helping people to envisage what they will look like in the future. ■