ST. JAMES'S PLACE
WEALTH MANAGEMENT

MONEY RELATIONSHIP MONITOR 2020

Singaporeans' Relationship with Money in Uncertain Times

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Welcome

Reflecting on a challenging time for investors

The year 2020 has been heavily defined by the impact of the COVID-19 pandemic, becoming a watershed moment as the world looks uncertainly to the future. The pandemic has led to record declines in global economic activity, as disruptive forces push many businesses, industries, and individuals to the edge financially. This has culminated in the largest economic recession since the Great Depression, almost a century ago.

What the pandemic has shown firstly, is that we live in mercurial times. Financial worries, economic volatility and recessionary pressures have reached unprecedented levels, affecting a wide range of investments and asset classes.

Additionally, the swift and sudden disruption caused has given much pause in assessing our financial affairs – reminding us that a potential crisis is never far away. As volatility continues to beset financial markets, many investors are desperately looking for safe havens, and more are turning to financial experts for independent guidance to help invest their money safely and wisely.

St. James's Place Wealth Management Asia (SJP Asia) launched this report to better understand the hard truths about how Singaporeans manage their money, as well as the softer aspects around how they take on board and use financial advice in building wealth and enriching their lives.

SJP Asia's research examines the insights of over a thousand middle-to-affluent class Singaporeans with investing experience, attempting to analyse and understand their relationship with money and how it motivates them. The report corroborates some things that we already know – that most Singaporeans are hardworking, industrious and want to build a better life for themselves and their loved ones. It also highlights some things that we ought to know – that we should all save more and that chasing wealth through work alone can be cyclical and requires sacrifice.

As the future, at least in the near-term, still looks uncertain, investors and individuals alike should study their financial habits with clarity, if only so that they can learn from the lessons of others and build a better future.

The value of an investment can fall as well as rise. You may get back less then you invested.

How are Singaporeans Investing?

Investing Within a Comfort Zone

Earlier in the year, SJP Asia conducted research to examine how Singaporeans are investing their money and their attitudes towards and perceptions of various asset classes.

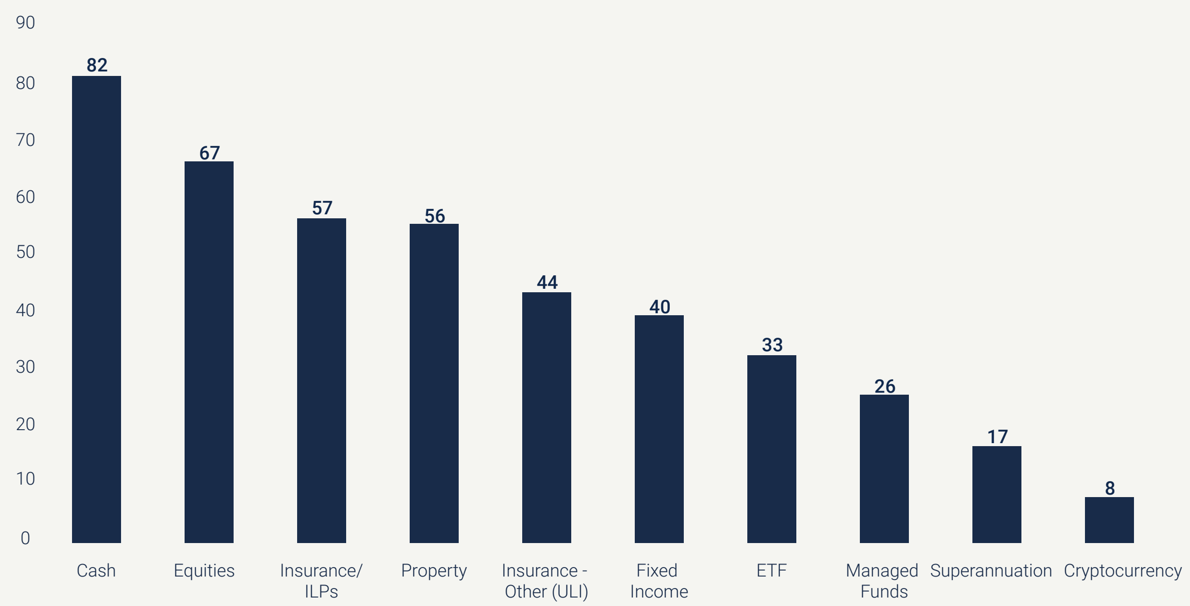
Outside of cash, Singaporeans have the most exposure to equities, insurance (investment-linked policies or ILPs) and property. Conversely, the least popular asset classes are managed funds, superannuation funds, and cryptocurrency.

As investors tend to stick with what they know, these findings are not hugely surprising. Our research shows that while majority of Singaporeans are generally confident in investing and managing each asset class, the two where investors have the least confidence are cryptocurrency (62%) and managed funds (46%).

This is aligned with the prevailing notion among investors that managed funds and cryptocurrencies require a certain level of technical savvy and investment expertise for optimal returns, while superannuation funds in Singapore are generally tied to factors outside of investors' immediate control, such as their income levels, career tenures, and governmental return rates.

As Singapore has a mandatory savings and pension scheme (the Central Provident Fund or CPF) for all permanent residents and citizens, this may also explain the relatively low uptake of superannuation funds as an active asset class.

Please indicate the asset classes in which you are personally invested in currently (%)



The value of an investment in equities can fall as well as rise. You may get back less then you invested.

Given the year that has been and how Singaporeans have invested their money, it is likely that many Singaporeans' investment portfolios have been negatively impacted. Just based on performance in the first half of 2020, where many G20 economies saw a downturn of at least 25 to 30 points, many investors have been mauled by bear markets globally.

Yet, even in such conditions, investing has become even more essential. With interest rates serving as collateral in the fiscal fight against COVID-19's economic impact, the value in cash or bank deposits will slowly erode against inflation. This leaves many investors in a difficult predicament.

Remaining Steady During COVID-19

When asked in February 2020 to assess which asset classes they were most satisfied within the preceding year, satisfaction levels were highest for property (84%) and ETFs (82%).

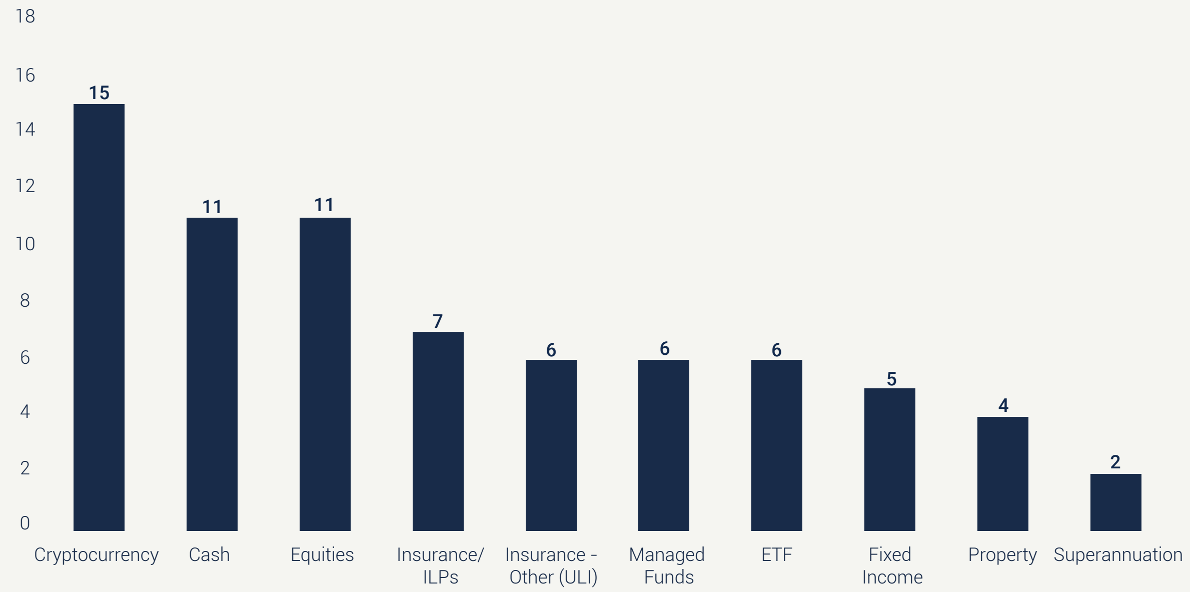
While property in land-scarce Singapore comes at a premium, with some of the most expensive house prices in the world, accessibility especially for first-time homeowners is good. This is supplemented by public initiatives which have seen property prices steadily increase over the years. Singapore also has an established and mature Real Estate Investment Trust (REIT) market, which is the largest in Asia, excluding Japan. While retail properties such as malls have been affected adversely by COVID-19, certain segments of this market (such as in logistics property or healthcare) have shown stability and are still fairly insulated against its effects, which will provide relief to some investors.

The most disappointing asset classes based on performance were cryptocurrency (15%) and cash (11%). The onset of COVID-19 and other adverse market events may have led to more cries for investors to liquidate and hold cash assets, but most financial advisers will always recommend reinvesting cash in other return-generating assets for wealth creation over time.

In September 2018, the price of Bitcoin, one of the most prominent cryptocurrencies, had fallen by 80% of its peak and was in percentage terms, even larger than the bursting of the dot-com bubble in 2002. Cryptocurrencies have since lost favour among Singaporean investors, largely disappointed by the inherent volatility of the asset.

In contrast to its performance however, cryptocurrencies (51%) are still among the most popular assets to invest in. Despite the widely scrutinised financial risks seen through 2018, many investors still want to increase their investments in cryptocurrency assets in the next 24 months. This may be in part due to cryptocurrencies such as Bitcoin being decentralised from any regulatory authority or jurisdiction, which is something that might play an important long-term role in a bifurcating world with increasing global tensions.

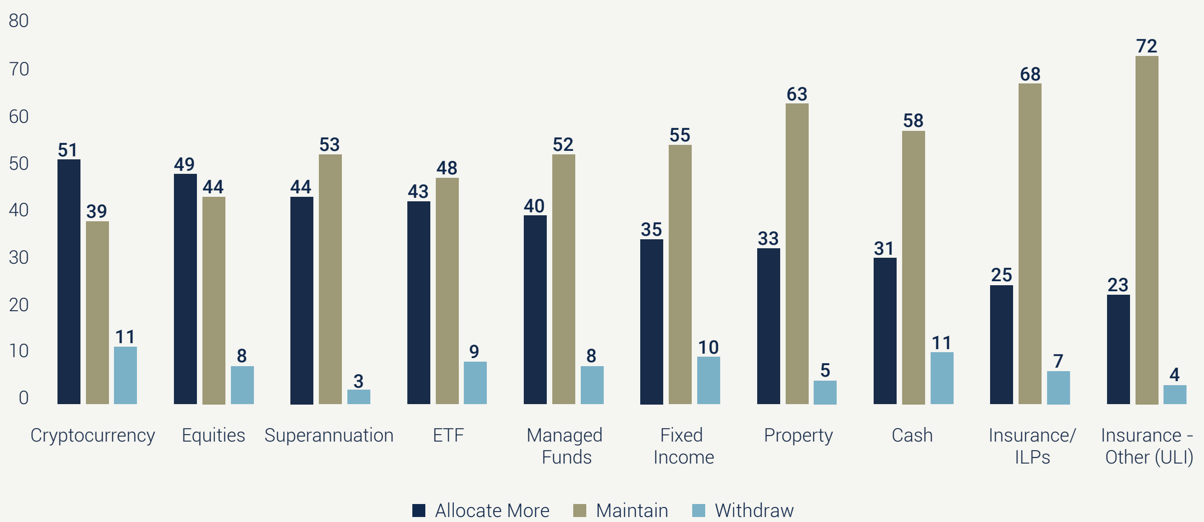
Please indicate your level of dissatisfaction with how your investments in these asset classes have performed in the past 12 months (%)



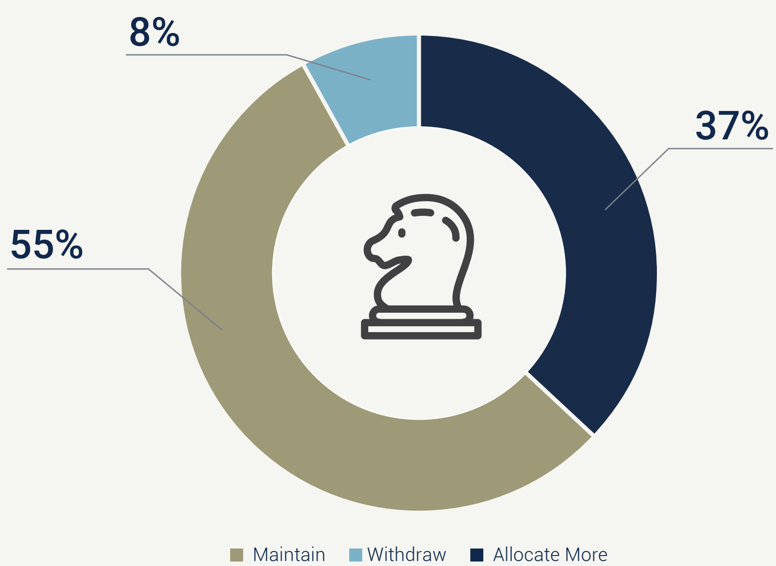
However, despite the challenging times, across all asset classes, 37% of Singaporeans are still choosing to allocate more funds towards their investments and 55% choose to maintain their current level of investment. This highlights that most Singaporean investors clearly understand the need to maintain a strong investment mandate.

Insurance products, both ILPs and ULs, are the most neutral asset classes, with 68% and 72% of investors respectively, opting to maintain these. Insurance policies by their nature are long-term investments and the value of insurance is often only truly realised in crisis, so it would be counter-productive to discontinue them.

Please indicate if you intend to invest more or less of your personal money in these asset classes over the coming 12-24 months (%)



Investment Appetite



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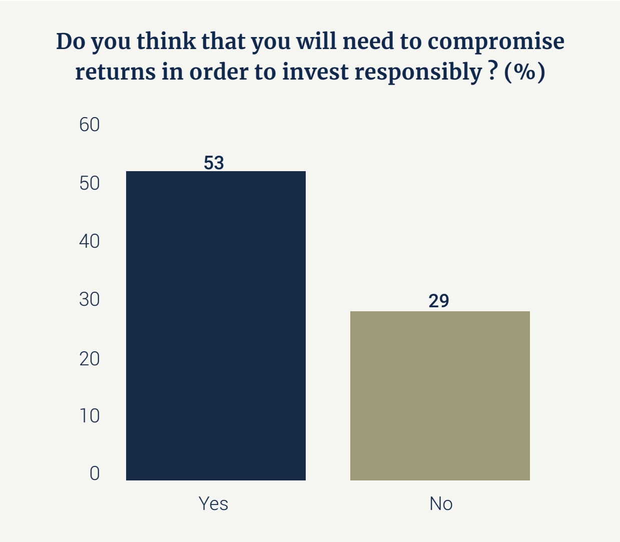
Increasing Appetite for Sustainable Investing

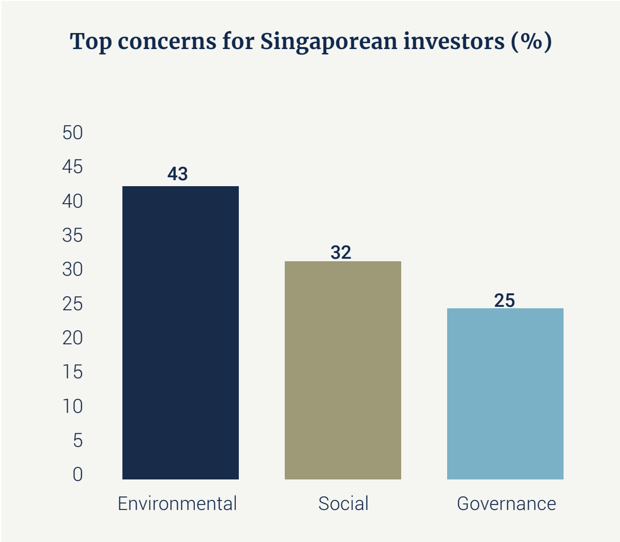
As well as keeping a firm eye on returns, 2020 has been an interesting year for sustainable investing. The fallout of the COVID-19 pandemic has generated an uplift in interest from investors in the Environmental, Social and Governance (ESG) credentials of potential investments, and markets and companies across Asia are responding as a result.

In terms of retail investors in Singapore, while an interest in sustainability credentials has been recognised for some time in younger generations, we now see this transpiring across the board more generally with retail investors of all ages. Our research finds that for 57% of Singaporeans, ESG factors are a priority consideration in the investments they select, with 40% saying that their interest in ESG investing is increasing.

However, despite this trend, misconceptions persist. More than half (53%) of those surveyed in Singapore still believe they need to compromise on the returns they can achieve in order to invest responsibly, when in fact the opposite is true – recent market performance data in fact shows a strong correlation between investments with strong ESG ratings and financial performance. Those assets with good ESG credentials are also more likely to have better long-term growth prospects, since they are by nature more sustainable.

When it comes to which issues are important to investors, environmental responsibility is the top concern for Singaporean investors, with 43% identifying this as the most important issue, followed by social issues at 32%, and governance at 25%.





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Appetite for Risk

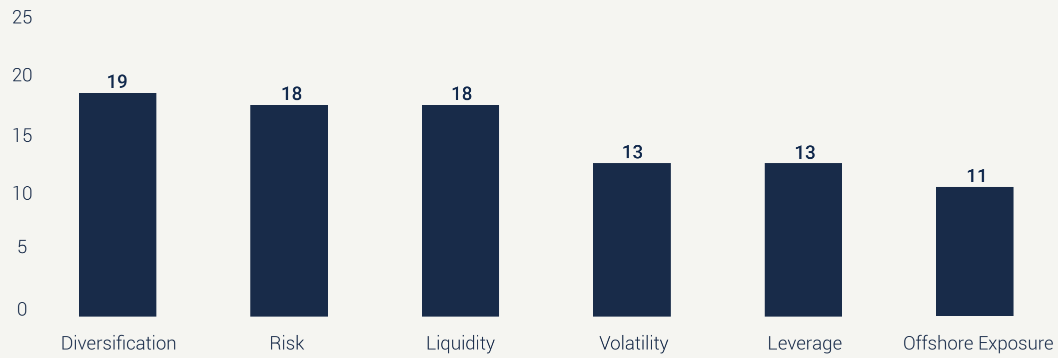
Diversifying Amid Volatile Markets

Diversification (19%), liquidity (18%) and risk levels (18%) are the three most important considerations for Singaporean investors, which is reflected in how they intended to adjust their portfolios in the future.

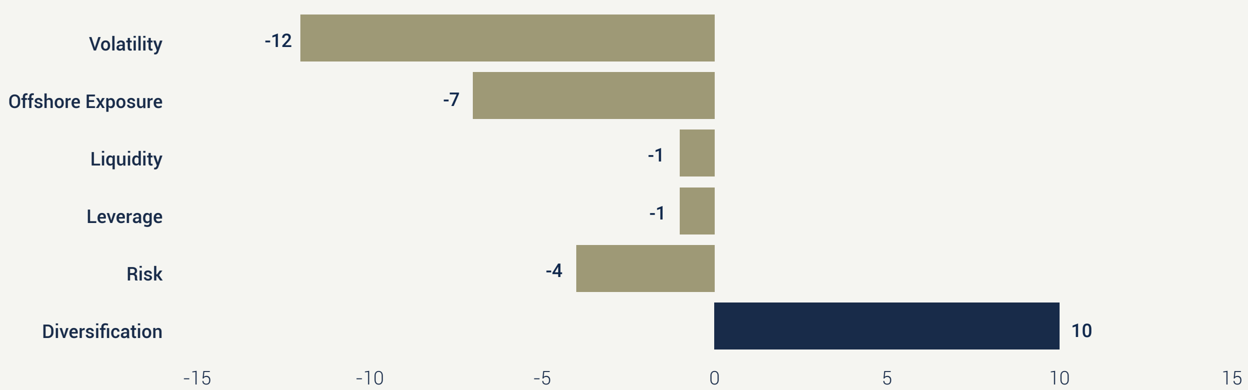
When asked which features of their portfolio they intend to increase or decrease, diversification is the only element that investors intend to increase (by 10%), reflecting its importance as a tool to hedge against market risks and uncertainty. On the other end is volatility, which investors had opted to reduce the most (by 12%).

Some degree of volatility is generally associated with investing because it is essential in generating returns. Large deviations in a stock's price for example, can point to greater investment risk but also highlight opportunities for investors to cash out and "beat the market". However, this was not the case for investors going into 2020. High levels of volatility point to the probability of further market declines, so there is a foreshadowing of the events to come.

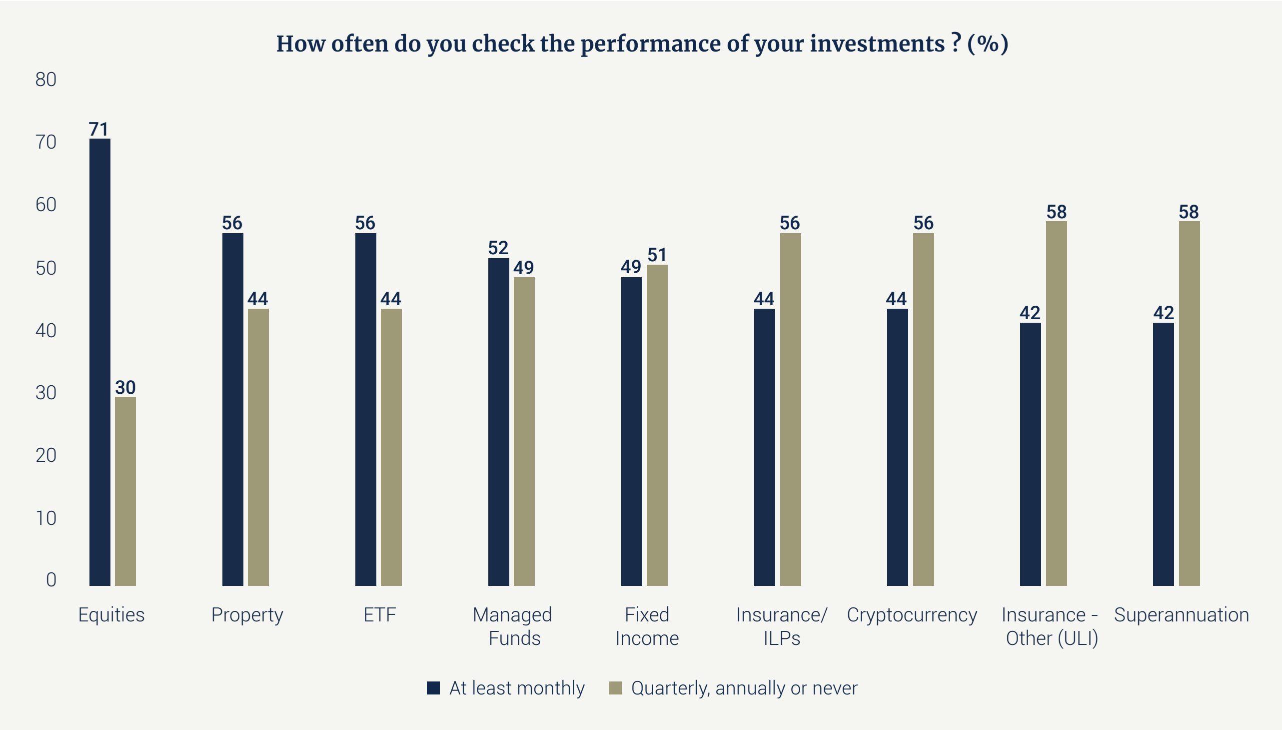
Please select the degree to which each of the following investment aspects are reflected in your current overall investment portfolio (%)

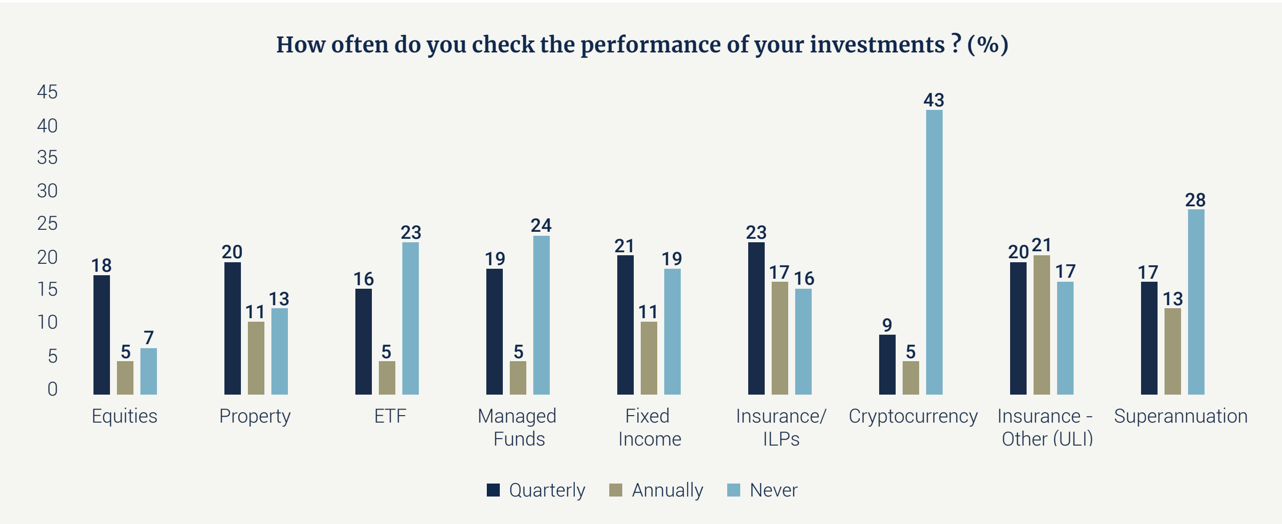


Please indicate whether you intend to increase, decrease or not change the following aspects of your investment portfolio in the coming 12-24 months (%)



Outside of cash, the asset class which investors provide the most hands-on management is equities. 71% say they review their investments in equities at least once a month, with 20% doing this daily. The asset classes which are perceived to require the least management are superannuated funds and ULI policies, with 58% saying they only review this on a quarterly or annual basis, if at all.





Singaporean investors are also quite risk averse overall and quick to divest to try and limit their short-term losses. When asked how they would most likely respond if an investment's performance declined, over one quarter of investors (27%) would divest within 24 hours and 24% would wait and see for up to one week then divest if it continues to fall.

How will you most likely respond if an investment's performance declines rapidly ? (%)

How will you most likely respond if an investment's performance declines rapidly – Equities ? (%)

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Case Study: Time In The Market Vs Timing The Market

Seasoned financial advisers often advise how "time in the market" can be more valuable for growing investment portfolio values than "timing the market" and attempting to cash out on price fluctuations. This is exemplified no better than in the global stock market rout in early 2020.

Our research indicates from February to March 2020, that 67% of Singaporeans investors hold equities. In the event of adverse performance, 32% said they would divest within 24 hours, and a further 28% would divest within one week if the investment continues to fall. A further 11% said they would hold and 9% would invest more.

From an examination of global markets from 19 February onwards (the first point in which many markets had started to fall), we can see that an average Singaporean investor with SGD10,000 invested who exited within 24 hours, and did not re-enter, would have lost 18.11% of their investment's value on the S&P500.

This is in comparison to the minority who stayed invested and would have gained 4.43% on their investment portfolio just a little over six months later.

Scenario	S&P 500 Performance (SGD)	Invested Amount	Net Position
Investor entered market on 1 Jan and cashed out on 24 Feb. What is the net position?	-18.11%	$10,000	($1,810.73)
Investor entered market on 1 Jan and cashed out a week later after crash period (19 Feb) on 2 Mar. What is the net position?	-0.83%	$10,000	($83.47)
Investor entered market on 1 Jan and stayed invested throughout. What is the net position on 24 Jun?	-1.45%	$10,000	($144.90)
Investor entered market on 1 Jan and stayed invested throughout. What is the net position on 24 Sep?	4.43%	$10,000	**$442.66**

Index	30/09/2019 to 30/09/2020	30/09/2018 to 30/09/2019	30/09/2017 to 30/09/2018	30/09/2016 to 30/09/2017	30/09/2015 to 30/09/2016
S&P 500 GTR in US	15.15	4.25	17.91	18.61	15.43

Past performance is not indicative of future performance. Fund values fluctuate and can fall as well as rise. You may get back less than you invested.

What's Your Investor Persona?

When looking at appetite for risk as a baseline for investor personas, we can garner some interesting insights.

Namely, we generally see those in higher income brackets with a greater appetite for risk and they are also more active in managing their portfolios. We further see this group simultaneously more likely to divest from underperforming assets quickly and to engage a financial adviser.

We tend to see those with a medium-to-low appetite for risk being less educated about investing, but relatively active in their portfolio management, and more open to financial advice than not.

Finally, there is a notable group of investors where uncertainty dominates. They have low financial knowledge and are inactive investors and as a result fail to see as much value in financial advice – when they are probably the group most in need.

	Active Investor	Everyday Investor	Safe Investor	Disengaged Investor
Appetite for risk / capacity for loss	**High**	**Medium**	**Low**	**Uncertain**
Demographics	25 - 39 / Higher income	25 - 44 / Lower income	35 - 49 / Lower income	40 - 54 / Higher and Lower income
Investment portfolio management style	High understanding of investment portfolio management	Low understanding of investment portfolio management	Low understanding of investment portfolio management	Low understanding of investment portfolio management
Activity level of investment management	Daily cash management and weekly performance review of all investments	Monthly cash management and performance review of all investments	Monthly cash management / Quarterly equities and property performance review	Monthly cash management / Quarterly equities performance review
Likelihood to divest if an investment's performance declines	Would divest after 24 hours, excluding for equities where would wait a week, and ETFs one month	Wait and see for up to one week then divest if continues to fall, excluding for property, superannuation and crypto, where no action would be taken	Take no action - excluding equities and ETF, where would wait for up to one week and divest if continues to fall	Take no action
Likelihood to seek advice before major financial decisions	Very likely	Quite likely	Quite likely	Quite likely
Perceived need for financial advice	Strong desire for investment advice, other areas recognised some need	Recognised need for some advice	Recognised need for some of advice	Unsure of need for financial advice, excluding for retirement where strong need is recognised
Openness to engaging a financial adviser to manage investments on their behalf	Yes (85%)	Yes (72%)	Yes (53%)	Yes (60%)

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Wealth and Happiness

Does Money Buy Happiness?

For four-in-five Singaporeans, it does. 83% say that being wealthier would make them happier and almost three-quarters (72%) say that monetary pressures are a large source of stress in their family relationships. Interestingly, those with higher personal incomes are more likely to feel strongly that having more wealth would make them happier – with 34% of those with monthly personal incomes above S$10,000 strongly believing this, compared with 24% with personal incomes below S$10,000.

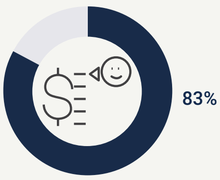
As a result of this perception, over two-thirds (68%) of people in Singapore are willing to spend more time working to increase their wealth. Almost three-in-five (60%) are prepared to work longer and harder while they are younger, even at the expense of personal relationships, so they can enjoy the fruits of their labour when they are older. For respondents under 40, two-thirds (67%) shared this sentiment.

However, at the same time, most Singaporeans (89%) acknowledge that having a balanced lifestyle is still more important than a higher income. There are many potential reasons for these seemingly conflicting positions, not least of all because 77% believe that being wealthier will allow them to have better work life balance.

While having a financial end-goal is important, it shouldn't be at the expense of a healthy work-life balance, and with proper financial planning this often doesn't need to be the case.

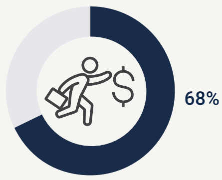
Singaporeans are clearly willing to work hard for their financial freedom and are prepared to sacrifice work-life balance and personal relationships in attaining it. However, the findings highlight that the accumulation of wealth has a highly cyclical nature, with many not fully realising the trade-offs needed to accumulate it.

Please indicate how strongly you agree or disagree with the following statements

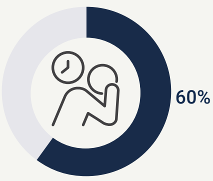


Being wealthier would make me happier

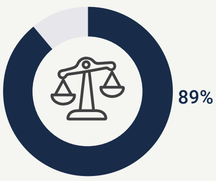
Money (or the lack thereof) is a large source of stress in family relationships



I am willing to spend more time working to increase my wealth

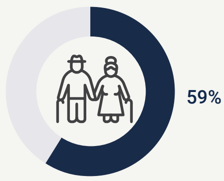


You should work longer and harder, even at the expense of personal relationships while you are young so that you may enjoy the fruits of your labour



Having a balanced lifestyle is more important than a high income

Being wealthier would allow me to have a better work life balance



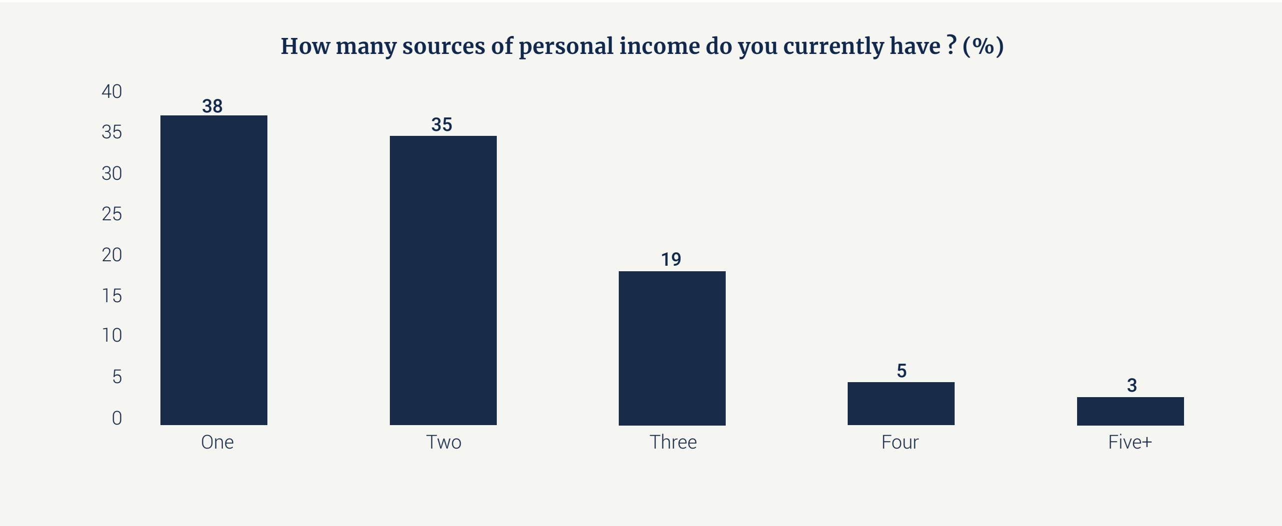
There is a duty for someone (children, relatives, the state, etc.) to provide for me when I am retired

One Source of Income is No Longer Enough

Currently more than a third (38%) of Singaporeans only have one stream of personal income but 89% say that generating alternative sources of income is a priority for them in the coming 12-24 months.

The disruptive effects of COVID-19 have significantly affected many people's jobs. With high levels of retrenchments and more to come on the horizon from a worsening economy, Singaporeans are concerned about what may happen in the future and many are looking to secure their financial positions.

Simply put, more income streams mean more security. A particular focus for many Singaporeans in the current economic climate is how to utilise current savings to grow passive income, without utilising too much time and effort for growing these side-investments.



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Securing a Harmonious Retirement

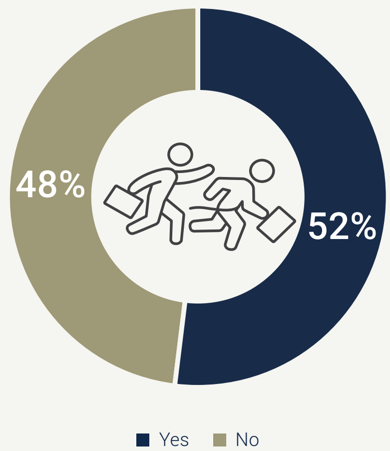
Another hot-button issue in the complicated relationship between money, happiness and family is around retirement planning.

More than half (59%) of Singaporeans believe that there is a duty for someone (children, relatives, the state, etc.) to provide for them when they are retired.

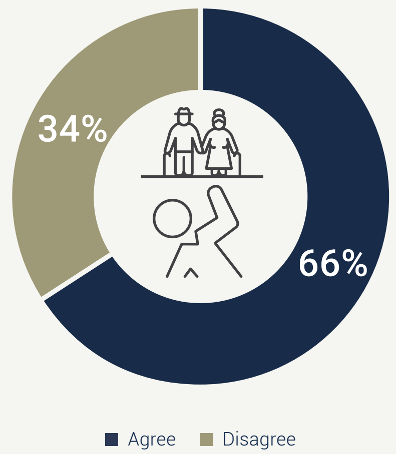
To make matters more concerning, almost half (48%) of Singaporeans forecast that they will not have enough money saved to sustain the lifestyle they want in retirement. Over one-in-eight (13%) believe they will need to work past retirement age owing to a lack of savings, with two-thirds (66%) concerned about being a financial burden to those closest to them.

This issue will become even more pronounced in 2030, when the estimated number of Singaporeans aged 65 and above will be over 900,000. This means that one in four Singaporeans will be in that age group, exerting significant pressure on other generations.

Do you feel that you are on track to have enough money saved for the lifestyle you want to live in your retirement?



I am concerned about being a financial burden to my family in my retirement

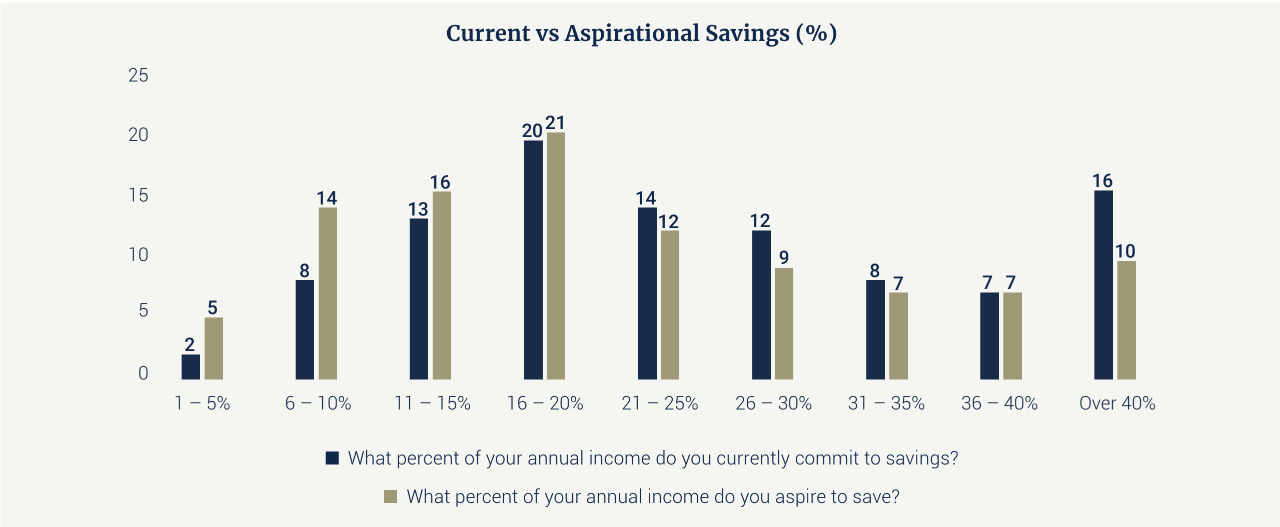


Attitudes to Saving

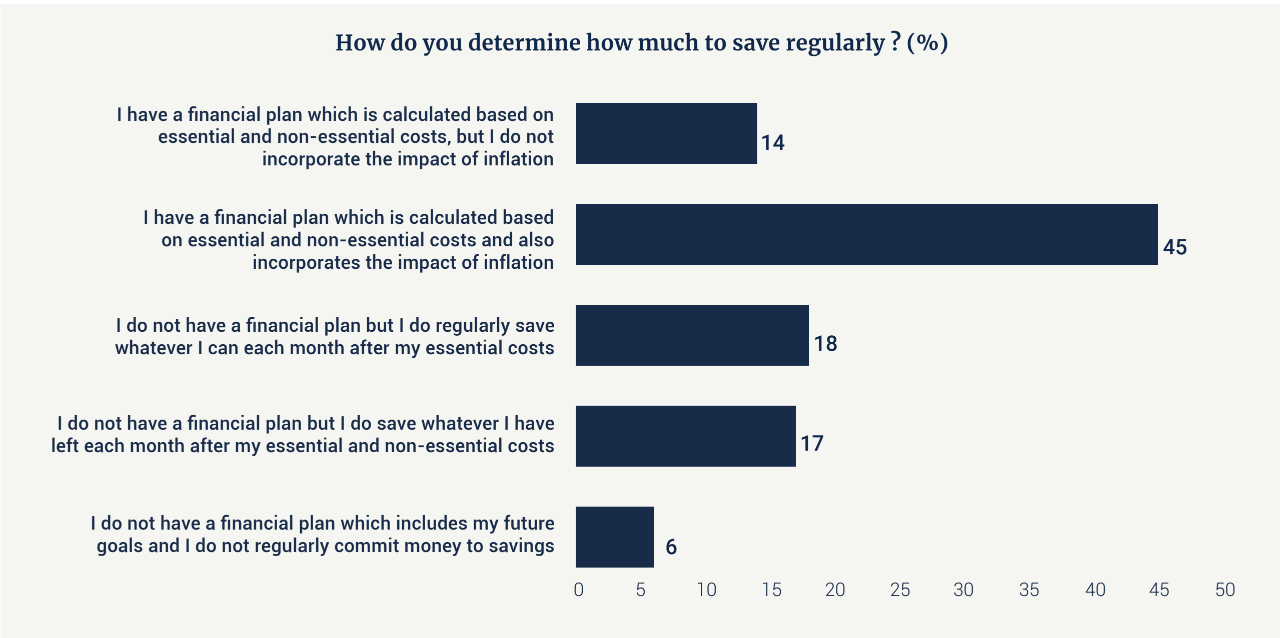
Are Singaporeans Saving Enough?

Budgeting is a core component of financial planning. A good budget focuses on immediate monetary needs and issues while also planning for longer-term ambitions and goals.

While 57% of Singaporeans aspire to commit more than 20% of their annual income to savings each year, only 44% are achieving this. As a result, two out of five Singaporeans (40%) are either dissatisfied with their savings levels or unsure if they have enough.



Worryingly, more than two in five (41%) of Singaporeans say they do not have a financial plan to help them save regularly. As a result, close to one third (31%) are not comfortable with the amount of savings they currently have. Additionally, of those who do have a financial plan, 14% of plans do not incorporate the cost of inflation.



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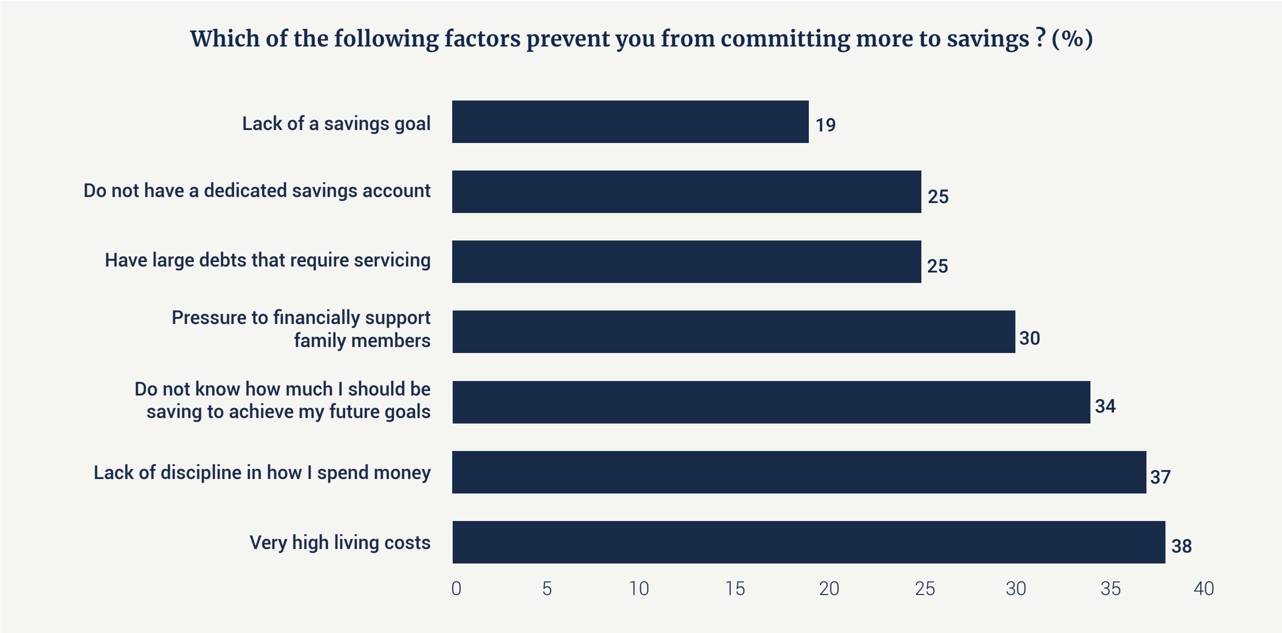
Among other reasons cited by Singaporeans for not committing more to savings, are high living costs at 38% and a lack of discipline with how money is spent at 37%. With 28% saying that their living costs and income are not balanced, these are genuine areas of concern for Singaporeans, many of whom wish to maintain a certain lifestyle in a city which has frequently been counted among the most expensive cities to live in the world.



The Value of Planning and Advice

Managing money properly can be a difficult subject to broach but it is absolutely essential, especially in the current economic climate. Investing has also become more complicated and will yield varying degrees of success, so extensive investment research grounded in solid financial advice is necessary for investors to survive and thrive beyond 2020.

People are willing to work harder and longer for their financial freedom and are prepared to make the tough decisions in sacrificing now for a better future. However, many also don't save enough to work towards their future goals meaningfully, or even have an adequate financial plan. COVID-19 has demonstrated that a disruptive crisis is never too far away. A potential job retrenchment or critical illness is already difficult enough for many to overcome, doubly so in this climate.

We advise Singaporeans to start early and adopt good habits in financial planning and budgeting. When it comes to building wealth for the future, time is money. They should also adequately review their investment portfolios and any current policies. This can help them to identify blind spots in their financial security and insulate against the disruptive impact of COVID-19.

Seeking expert financial advice in this journey can help provide objectivity as well as valuable counsel, lessening the chance of investors making decisions driven by emotions rather than facts.

In the current climate, investing is no longer an option. It is a necessity. Working alone can pay the bills and sustain a lifestyle, but only through investing can Singaporeans build their wealth and grow their money over the long term.

We hope that our Money Relationship Monitor serves as a useful resource for investors in Singapore to reflect on how they are approaching investing, financial planning, and wealth creation for the future.

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About the Research

The Money Relationship Monitor 2020 is an independent research study undertaken by Sandpiper Communications on behalf of St. James's Place Wealth Management Asia around financial advice trends in Hong Kong and Singapore. It provides insights into the attitudes of investors, how they perceive money and plan for the future, as well as the impact of money on their relationships.

The findings in this survey were analysed and established through a total of 2,064 interviews conducted online in February and March 2020 in Hong Kong (1,019) and Singapore (1,045). Only respondents that were between the ages of 25-54 and who held personal investments in stocks, property, shares, funds, etc. were interviewed. All respondents were from households with a minimum annual income of S$70,000 to over S$250,000.

Figures included within this research are rounded to the nearest whole number and may not add up to 100%.

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