DBS Asian Insights
DBS Group Research • August 2022

Are You Losing the Race Against Inflation?

Implications on Financial Wellness

Are You Losing the Race Against Inflation?

Implications on Financial Wellness

This is the fourth instalment of our special NAV series.

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Executive Summary

Singapore is gradually emerging from the COVID-19 pandemic. As the recovery continues, consumer behaviour is changing, and new challenges have emerged. High inflation has thrown a new spanner in the works. Singapore's headline consumer price index (CPI) and core inflation rate reached 6.7% and 4.4%, respectively, in June 2022 – the highest since the Global Financial Crisis period. High inflation is chipping away income growth, eroding the value of money and consumers' purchasing power. This is further complicated by the changes in consumption patterns arising from the reopening of the economy – such pent-up spending against a backdrop of high inflation could have significant implications on financial wellness.

In this report, we analysed the aggregated and anonymised database of about 1.2 million of our non-wealth customers in May 2022[1], relative to the same period last year, to shed light on the impact of high inflation rates on our customers' financial wellness. Our analysis examines whether income growth across different segments of society has kept up with inflation, which segments of our customers are more susceptible to pent-up spending, and how changes in expenditure patterns would make some groups more vulnerable to the impact of inflation. We also study the investment behaviour of different groups of customers and explore various ways to overcome inflation. Some of our key findings include:

1. **Income is not keeping up with inflation for 40% of our customers.** Among the sampled customers, 40% saw their income grow by less than 5% over the past year, which is lower than Singapore's average CPI inflation of 5.2% in first half of 2022, and DBS' 2022 CPI forecast of 5.1%.

2. **Lowest income group witnessed the greatest lag in income growth.** Customers within the income group earning below $2,500 registered just a 2.5% increase in income between May 2021 and May 2022. Simply put, vulnerable segments of the society are struggling most with high inflation.

3. **The silver lining is that there has been upward income mobility.** About 23% of the customers who were earning below $2,500 in May 2021 managed to move up to higher income bands over the past year amid the economic recovery, along with the improvement in job prospects and wages. If we consider income mobility effects, then the income growth situation of this income group would appear more encouraging.

[1] Our database covers specifically 1.2 million of our non-wealth salary-crediting customers which excludes work permit holders.

4. **Expenses have risen as well; customers are now spending 64% of their income, versus 59% a year ago.** The rising proportion of expenses to income in May 2022 suggests that the growth rate of expenses has outpaced that of income. Customers are still spending within their means, although rising expense-to-income ratios suggest inflationary effects and pent-up spending over the past year.

5. **Increase in expenditure has outpaced income growth by 2x.** Overall monthly expenses for sampled customers grew 22.2% in May 2022, compared to their income growth of 11.1%. This is even more so for the lowest income group, who saw their expenses grow 13.8%, which is 5.6x faster than their income growth of 2.5%.

6. **There is a need to keep discretionary spending in check amid high inflation.** All expense categories saw double-digit growth over the past year. Apart from transportation (+60.2%), spending on shopping, entertainment, and travel, which are discretionary in nature, witnessed the steepest increase (+56.7%).

7. **Inflation affects everyone differently, depending on individual's expenditure pattern.** The three key drivers of inflation in Singapore have been food, transportation, housing and utilities, which together accounts for around 63% of the overall CPI basket.

8. **Lowest income group and Boomers are more vulnerable to high inflation, based on their lower wallet bandwidth.** We observe that the lowest income group (i.e., those earning less than $2,500) spends almost the entirety of their income, with a significantly higher expense-to-income ratio of 94% in May 2022 (versus average of 64%). Among the different generations, the expense-to-income ratio (96%) for Boomers is the highest, thus suggesting a lower bandwidth to stomach higher inflation.

9. **Investments experienced growth over the year.** However, the main laggards are Gen X customers (aged 42 to 57 years old), who saw their investments grow at a slower rate than their expenses, while Millennials (aged 26 to 41 years old) and Boomers (aged 58 to 76 years old) generally saw their investment growth outpace that of their expenses. There could be more room for growth in investments among Gen Xers given they are near retirement age, which makes investing and financial planning a more pressing priority.

10. **There are also signs of "flight to safety" amid recent market volatility.** Across all generations and income groups, we saw a shift in investments towards bonds in May 2022 compared to a year ago, with bonds making up 37% of total investments, up from 2% in the previous year.

11. **NAV Planner users are more likely to invest,** across all generations and income groups. On average, 10% of NAV Planner users invest, versus only 3% of non-NAV Planner users that do. Furthermore, NAV Planner users were found to have more monies invested (based on asset under management or AUM), close to 3x the amount of a non-NAV Planner user.

12. **Don't lose your cash to inflation.** The value of money declines more rapidly during periods of high inflation. The rate of inflation outpaces that of the returns earned on bank deposits, translating into negative real returns on cash. Excess cash, if uninvested, is at risk of seeing its value erode during periods of high inflation.

Many would agree that life often does feel like a rat race. And inflation has intensified that pressure. With income growth lagging that of inflation and expenditure growth, some would feel left behind, unable to keep up.

To stay ahead of inflation, it is important to exercise sustainable financial planning and investing. It will be prudent to review our budget and reduce discretionary spending. It may also be wise to ensure adequate emergency cash and insurance to mitigate risks, as well as invest excess cash to generate returns to ease the impact of inflation. Doing so will enable us to get more bang for our buck, beat inflation and achieve short- and long-term goals like financial freedom.

To stay ahead of inflation, it is important to exercise sustainable financial planning and investing.

Introduction

The past two years of pandemic have unravelled social norms, disrupted business models, and affected the lives of many. As the Singapore economy pivots towards treating COVID-19 as endemic, economic activity and social norms are gradually returning to normalcy. However, the recovery has brought about new challenges and new norms.

The economy registered robust gross domestic product (GDP) growth of 7.6% in 2021 and is projected to average 3.5% this year. Along with the economic recovery, employment prospects have improved. Resident unemployment rate dipped below pre-COVID levels by 1Q22 (3.0% seasonally adjusted vs 3.2% in 4Q19), down from the recent peak of 4.7% in 3Q21. The ratio of job vacancy to unemployed persons spiked to a historical high of 2.42, suggesting an unprecedently tight labour market. As a result, wages have risen. Nominal wages of resident employees rose 3.9% in 2021, implying that wage growth is now back to pre-COVID levels.

However, inflation has emerged, throwing a new spanner in the works. As of June 2022, Singapore's headline CPI and core inflation rate reached 6.7% and 4.4%, respectively, the highest since the Global Financial Crisis. High inflation is chipping away income growth, eroding the value of money and consumers' purchasing power. Beyond that, the pent-up demand against the backdrop of the reopening has also led to higher-than-normal expenditures. Will such pent-up spending be sustainable, especially with inflation gnawing away the value of money? What would be the impact and implications on the financial wellness of Singapore residents? Which segments of society will be harder hit?

"High inflation is chipping away income growth, eroding the value of money and consumers' purchasing power."

In this report, we utilised the aggregated and anonymised database of about 1.2 million of our non-wealth customers in May 2022[2] and the same period last year to shed light on the impact of high inflation. Our analysis examines whether income growth across different segments of the society has kept up with inflation, as well as to understand which segments of our customers are more susceptible to pent-up spending, and how changes in expenditure patterns would make some people more vulnerable to the impact of inflation. We also study the investment behaviours of different groups of customers and explore various ways to overcome inflation.

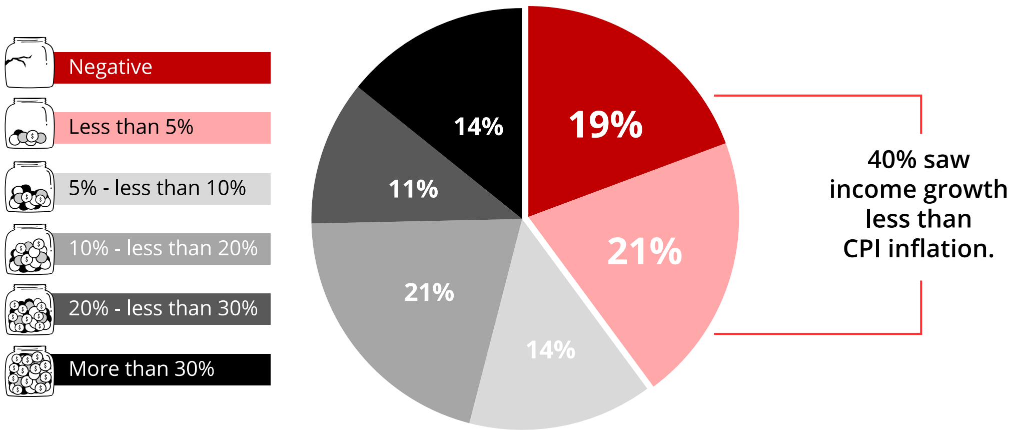
[2] Our database covers 1.2 million of our non-wealth salary-crediting customers which excludes work permit holders

Income growth lagging inflation, for the low income

Among the sampled customer base, 40% saw their income growth lag inflation over the past year. More specifically, 19% of our customers saw negative income growth and 21% of our customers saw an income growth of less than 5%[3] in May 2022 (Figure 1).

While economic recovery has brought about an increase in wages, the spike in inflation – May 2022's headline CPI of 5.6% – essentially means that 40% of customers are experiencing a decline in their real income (i.e., income change after factoring inflation in).

Figure 1. % customers categorised by income growth over the past year



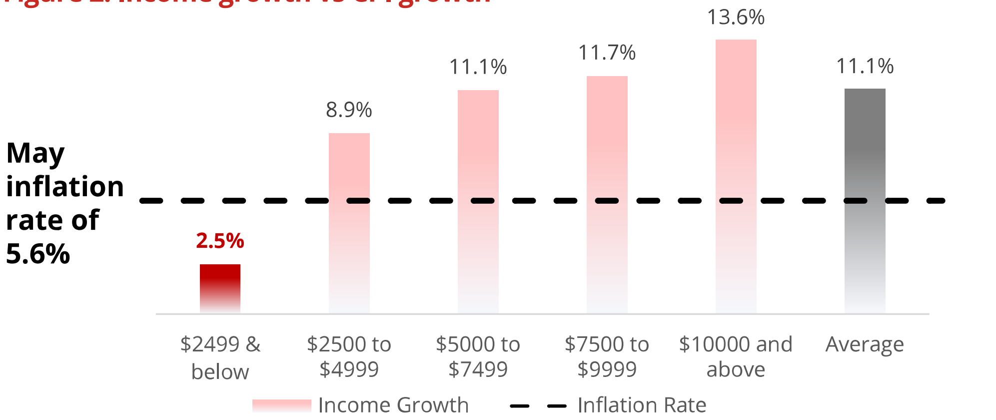
Note: Growth rates represent the time horizon between May 2021–May 2022. Income growth is represented as % growth in credited income, i.e., take-home employment income. Source: DBS Bank

Income growth of the lowest income group has lagged inflation. Our analysis shows that income growth for customers earning below $2,500 registered 2.5% growth from May 2021-22 (Figure 2), which is lower than the headline CPI inflation rate of 5.6% reported in May 2022.

Additionally, this is significantly lower than the other income groups which experienced at least 8.0% growth in their income over the past year. Vulnerable segments of society will be harder hit by high inflation.

[3] We define income as credited income, i.e., take-home employment income.

Figure 2. Income growth vs CPI growth

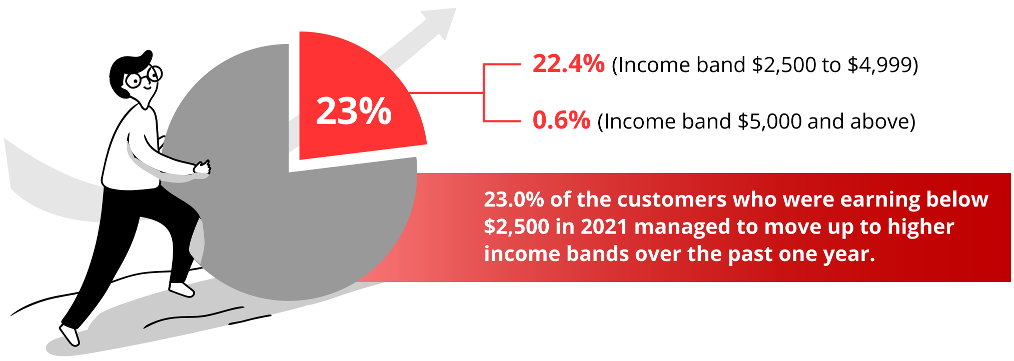


Note: Growth rates represent the time horizon between May 2021–May 2022. Income growth is represented as % growth in credited income, i.e., take-home employment income. Source: CEIC, Singstat, DBS Bank

Income mobility a silver lining

However, the silver lining is that there has been income mobility; some customers managed to move up the income ladder over the past year. Economic recovery and improvement in employment prospects have enabled 23% (52,947) of customers who were earning below $2,500 in May 2021 to climb to a higher income bracket in the same period this year (Diagram 1). This is likely driven by a more robust employment outlook and people returning to the workforce, getting salary raises or better paying jobs, and/or receiving higher variable components such as sales commissions.

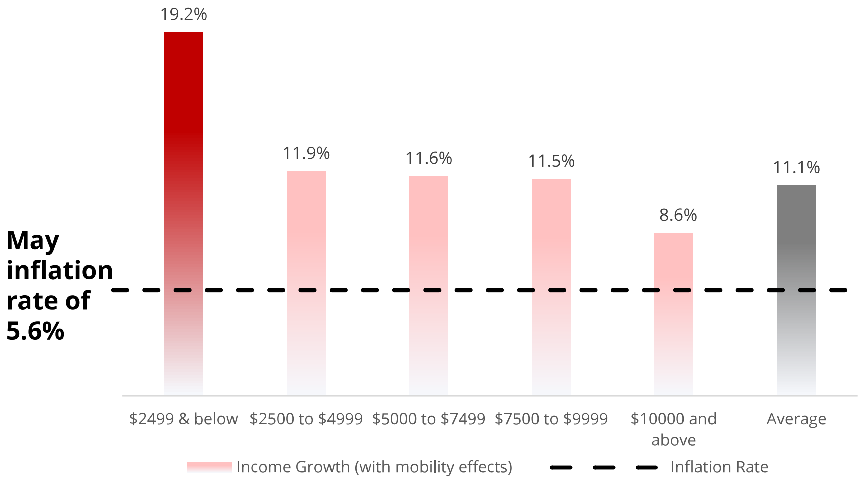
Diagram 1. Income mobility of customers earning below $2,500 in May 2021 to higher income groups



Note: % share is as of total customers who are earning below $2,500 in May 2021. Source: DBS Bank

If we consider the notion of income mobility, i.e., customers who managed to advance to higher income brackets, then the income growth situation looks more encouraging. Broadly speaking, income growth has been progressive over the income brackets, with the lower income groups experiencing relatively higher income growth. Those earning less than $2,500 in 2021 have experienced income growth of 19.2% after accounting for upward income mobility (Figure 3).

Figure 3. Income growth vs CPI growth, with income mobility factored in



Note: Growth rates represent the time horizon between May 2021–May 2022. Income growth is represented as % growth in credited income, i.e., take-home employment income. Source: CEIC, Singstat, DBS Bank

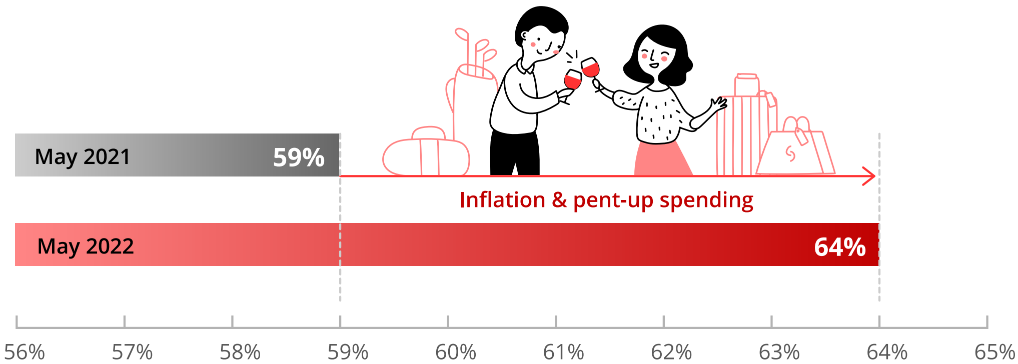
Nonetheless, our analysis suggests that there is a segment of society that is struggling with the spike in inflation given their income growth over the year has been lower than inflation (i.e., negative real wage growth). That said, a strong Singapore dollar will help. And the $1.5 billion support package announced in June 2022, which seeks to aid vulnerable and low-income groups through the provision of additional one-off GST vouchers, household utility rebates, ComCare cash pay-outs, long-term assistance pay-outs and more, could alleviate some of these inflationary pressures.

A strong currency and recent $1.5 billion support package could alleviate some of the inflationary pressure faced by the lower-income households.

Expenses outpacing income, especially for the low income

Customers are now spending more relative to their income.[4] While customers have, in general, continued to spend within their means, the ratio of expenses to income has increased to 64% in May 2022, compared to 59% in the same period last year (Figure 4). This reflects a combination of both inflation and pent-up spending over the year.

Figure 4. Expenses-to-income (%) of an average customer in May 2021 versus May 2022



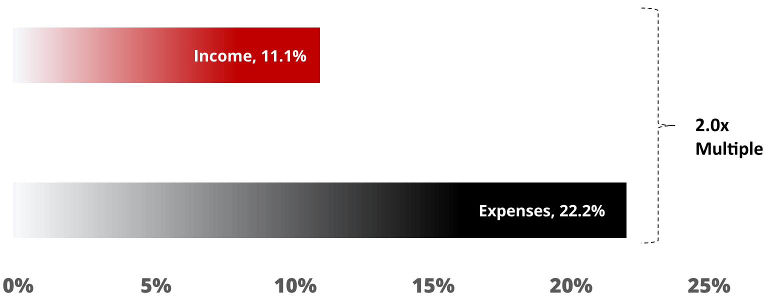
Note: Expenses include the following categories: Housing, food, transportation, healthcare, insurance, education, shopping, travel and entertainment, as well as other expenses, i.e., 'Others'. 'Others' include Giro, point of sale/ NETS payments, service charge, cash top-ups, cash line payments, hire purchase, rental, repair and more.
Source: DBS Bank

Specifically, expenses grew 2x faster than income on aggregate.
We observed that over the past year, overall monthly expenses for the sampled customers grew 22.2% in May 2022 relative to a year ago, which is approximately double the rate of an average customer's income growth of 11.1% (Figure 5).

> *Over the past year, overall monthly expenses grew 2x faster than income.*

[4] More detailed discussion available in Appendix 1.

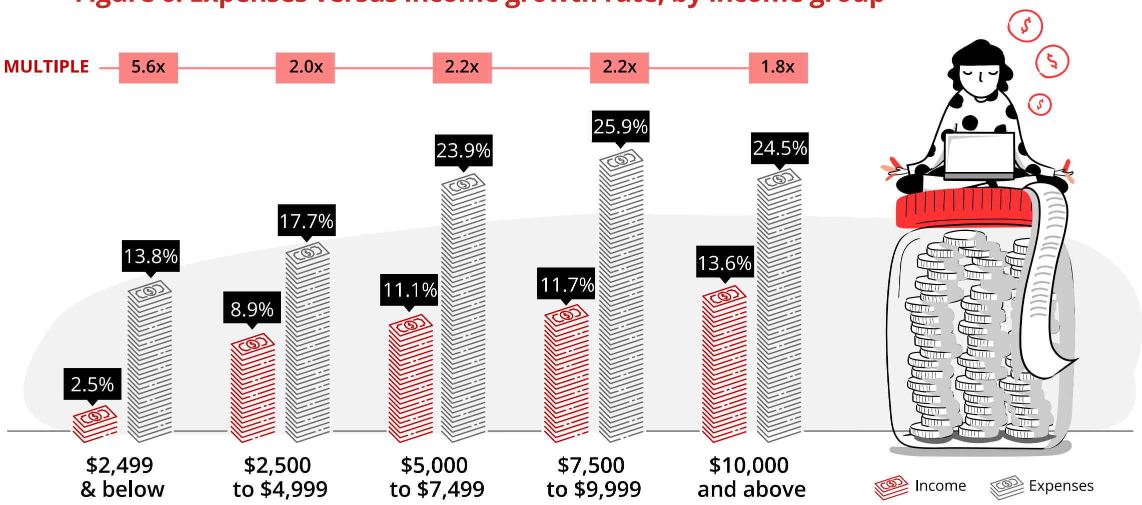
Figure 5. Expenses versus income growth rate, for an average customer



Note: Expenses include the following categories: Housing, food, transportation, healthcare, insurance, education, shopping, travel and entertainment, as well as other expenses, i.e., 'Others'. 'Others' include Giro, point of sale/ NETS payments, service charge, cash top-ups, cash line payments, hire purchase, rental, repair and more. Source: DBS Bank

However, a key concern is that income is not keeping up with expenses, especially for the lowest income group. Across all generations and income groups, we observe that the lowest income group saw expenses grow significantly faster than that of income. For customers earning less than $2,500, expenses grew by 13.8%, which is 5.6x the rate of their income growth of 2.5% (Figure 6). While some policy support will be helpful, the lowest income group might also need to further mitigate the situation by exercising prudent financial planning, particularly against the current backdrop of high inflation.

Figure 6. Expenses versus income growth rate, by income group

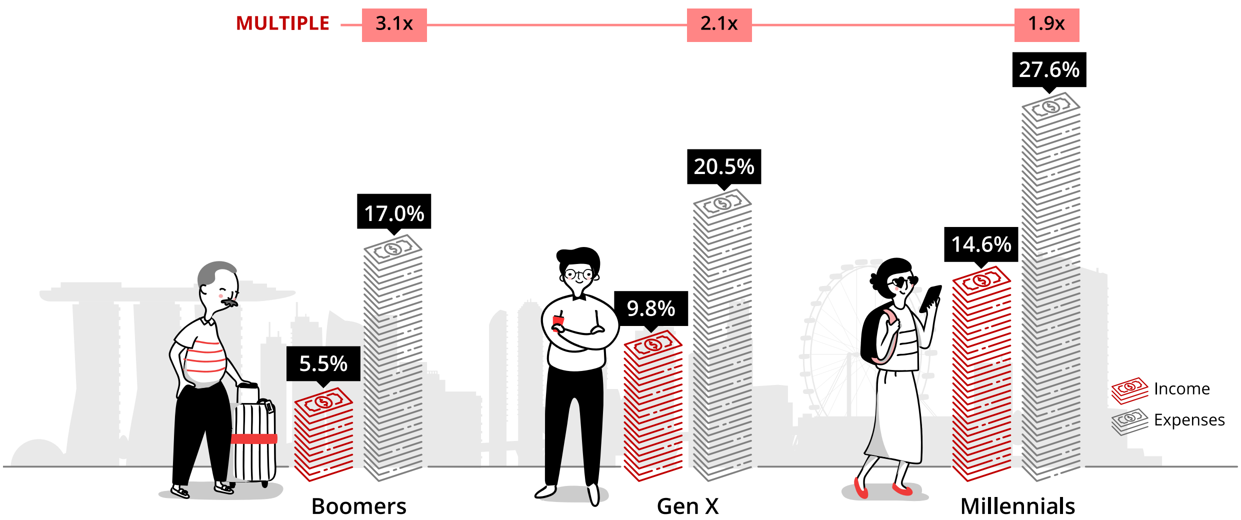


Note: Growth rates represent the time horizon between May 2021–May 2022. Income growth is represented as % growth in credited income, i.e., take-home employment income. Multiple refers to the differences between expense growth rate versus income growth rates. Source: DBS Bank

Millennials' expenses increased by almost 30% over the past year, hinting at pent-up spending. However, across all generations, the difference between expense and income growth is the widest for Boomers at 3.1x, mostly attributed to Boomers' lower income growth (Figure 7).

For most of our customer segments, except for the lowest income group as mentioned above, **expenses generally grew around 2-3x faster than income growth.**

Figure 7. Expenses versus income growth rate, by generations



Note: Growth rates represent the time horizon between May 2021–May 2022. Income growth is represented as % growth in credited income i.e., take-home employment income. Multiple refers to the differences between expense growth rate versus income growth rates. Source: DBS Bank

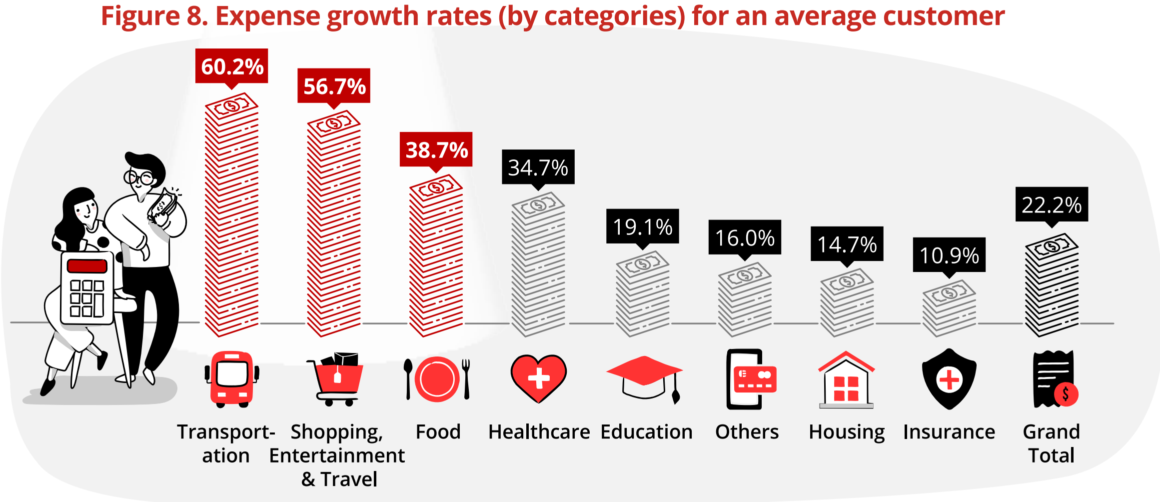
Except for the lowest income group, expenses generally grew 2-3x faster than income growth.

Keeping discretionary spending in check amid high inflation

All expense categories witnessed double-digit growth, outpacing that of income growth. We broke down an average customer's expenses into the following categories: (1) Housing, (2) food, (3) transportation, (4) healthcare, (5) insurance, (6) education, (7) shopping, entertainment and travel, and lastly, (8) 'others' (Figure 8).

Top 3 expense categories that saw the highest growth: Transportation, shopping, and food.[5] The increase in transport and food expenditure could be driven by both inflation (i.e., higher prices), as well as the reopening and easing of COVID measures, resulting in higher mobility and spending. The spike in expenditure for shopping, entertainment and travel stemmed largely from pent-up demand. Healthcare expenditure grew strongly as well, partly due to costlier medical treatment but most likely because of greater health awareness following the pandemic.

Figure 8. Expense growth rates (by categories) for an average customer



Note: 'Others' include Giro, point of sale/NETS payments, service charge, cash top-ups, cash line payments, hire purchase, rental, repair and more. Growth rates represent the time horizon between May 2021–May 2022.
Source: DBS Bank

Rapid increase in discretionary spending may not be sustainable amid high inflation.

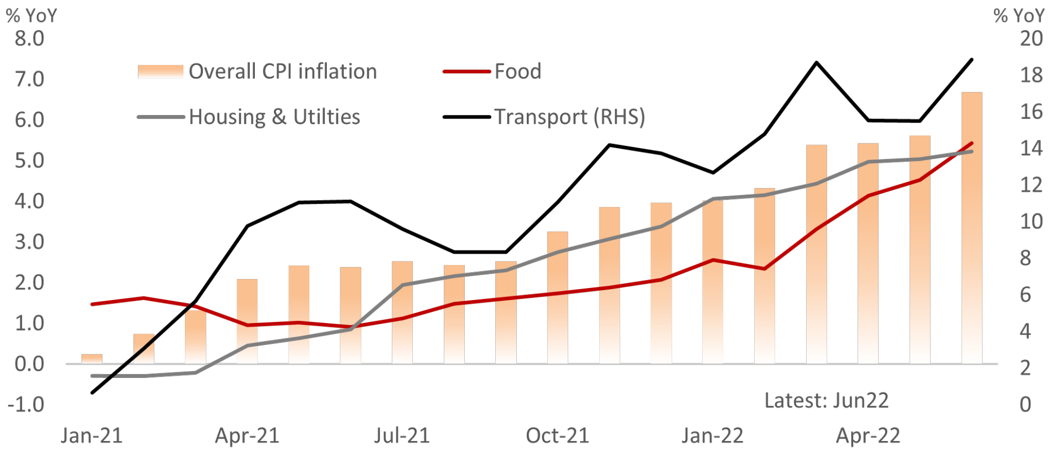
It is important to moderate discretionary spending amid high inflationary conditions. Notwithstanding the pent-up demand from the reopening of borders and easing of COVID measures, the rapid increase in shopping, entertainment and travel expenses may not be sustainable. High inflation and the corresponding increase in interest rates will slow economic activity and raise the risk of recession. There could also be knock-on impact on employment prospects and wage growth. As such, individuals must maintain prudent spending habits and keep tabs on their monthly budgeting, especially when inflation and the rise in costs of essential items take a toll on one's wallet.

[5] More detailed discussion available in Appendix 2.

Inflation hits some harder than others

Inflation affects everyone differently, depending on your expenditure pattern and expense-to-income ratio. Headline CPI inflation recorded a multi-year high of 6.7% in June 2022 (Figure 9). Food, transport, and housing, & utilities have been the key drivers. Food, housing & utilities rose 5.4% and 5.2%, respectively, in the same month while transport costs, which account for 17.1% of the CPI basket, recorded a 18.8% surge compared to the same period last year.

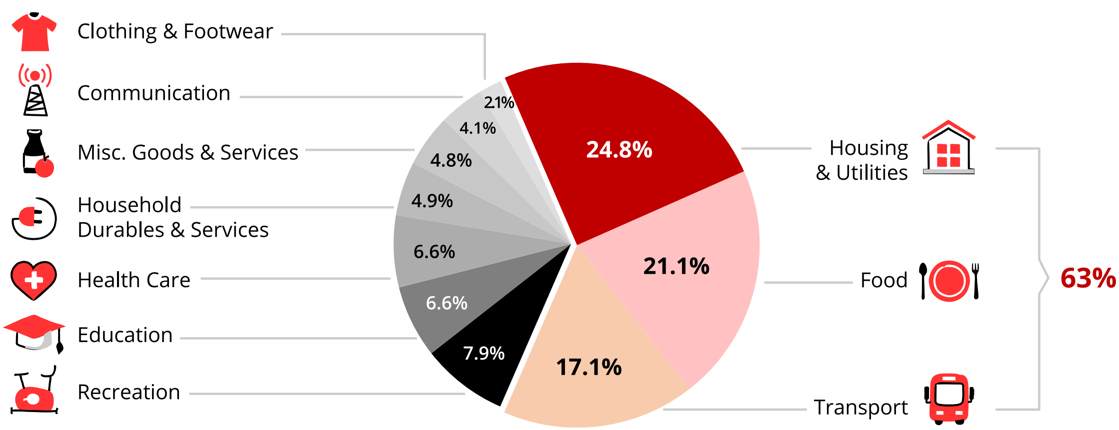
Figure 9. Key drivers of inflation



Source: CEIC, Singstat, DBS Bank

Note that these three components, together, account for 63% of the entire basket (Figure 10) and is reflective of the consumption pattern of most Singaporeans. In our view, we believe these three categories would continue to drive inflation higher and take a toll on the wallets of our customers.

Figure 10. Weightage of the CPI basket, 2021

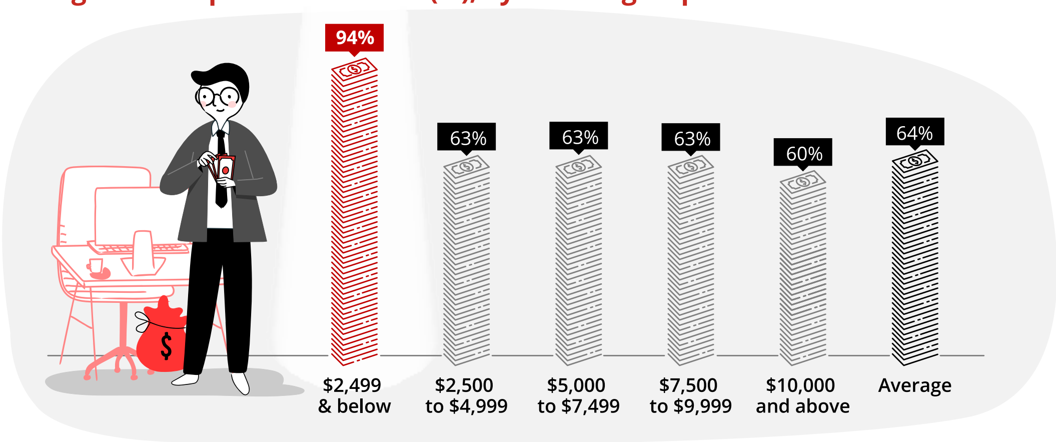


Source: CEIC, Singstat, DBS Bank

The lowest income group and Boomers have less bandwidth to stomach higher inflation.[6] Most income groups generally spend about 60-65% of their take-home income on monthly expenses, except for the lowest income group that spend 94% of their income (Figure 11). This suggests the lowest income group spend almost all of their income. Sharp inflationary pressures could further squeeze the wallets of the lowest income group and put them in a vulnerable position.

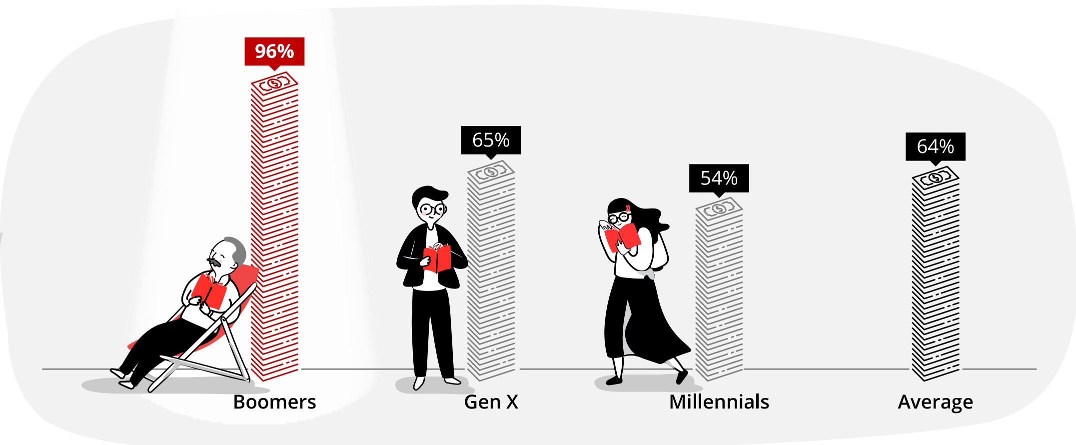
Separately, among the different generations, Boomers may be more vulnerable to inflation due to their higher expense-to-income ratio of 96% (Figure 12). This is likely due to their lower earning capability.

Figure 11. Expense-to-income (%), by income groups



Note: % is based on total monthly expenditure as of income. Source: DBS Bank

Figure 12. Expense-to-income (%), by generations



Note: % is based on total monthly expenditure as of income. Source: DBS Bank

The lowest income group and Boomers are potentially most vulnerable to inflation.

[6] More detailed discussion available in Appendix 1.

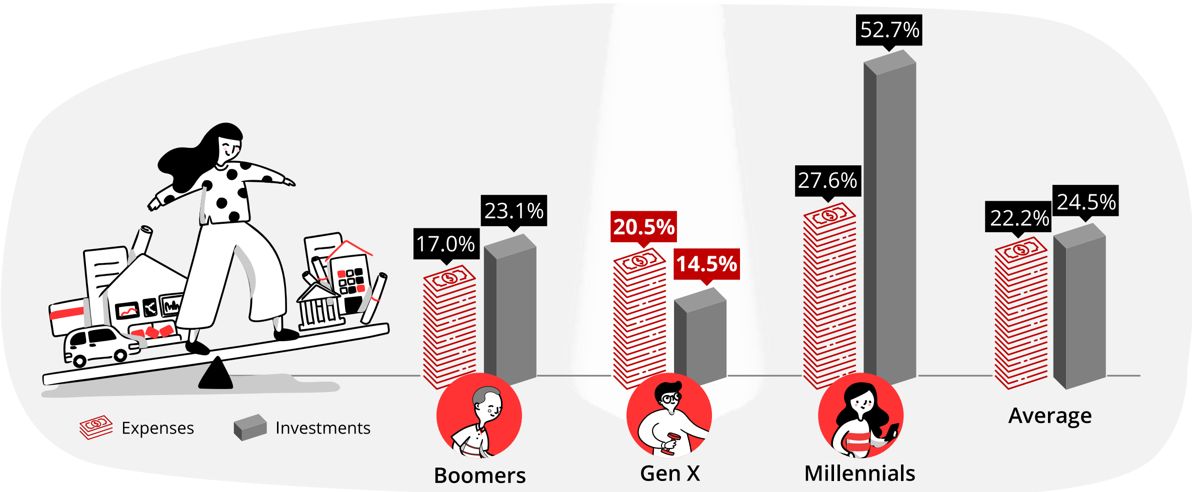
Investments grew, but Gen X could invest more

In general, investments experienced growth over the year. On an aggregate basis, we observe that total investments of our customers grew 24.5%, outpacing the growth in expenses of 22.2%.

More room for investments for Gen X. Gen Xers saw their investments grow 14.5% y-o-y, which is lower than that of Boomers (+23.1%) and Millennials (+52.7%)[7] (Figure 13). Furthermore, Gen Xers saw their expenses rise 20.5%, which outpaced the growth rate of their investments, whilst other generations saw their investment growth outpacing that of their expenses.

In our view, we believe there could be more room for growth in investments amongst Gen Xers given this group is near their retirement age, which makes investing and financial planning a more pressing priority.

Figure 13. Expenses vs investments growth, by generations

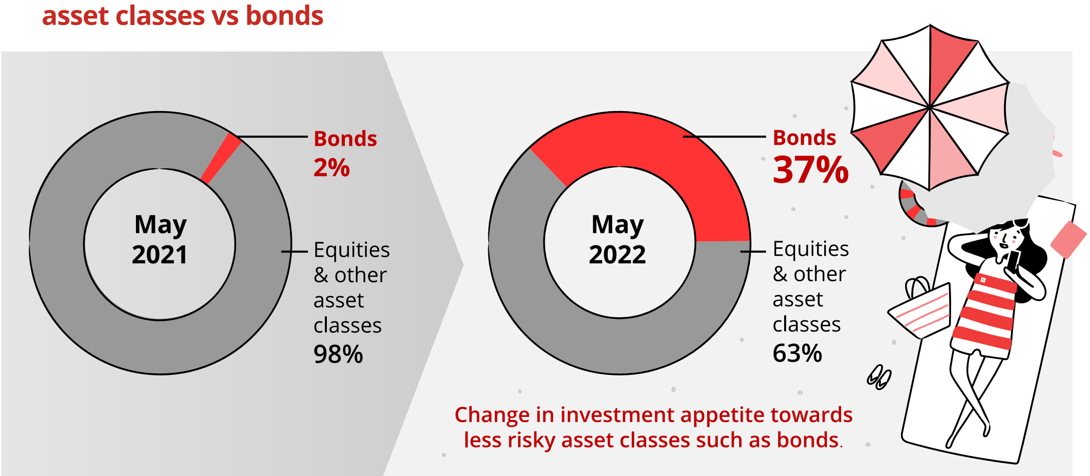


Note: Growth rates represent the time horizon between May 2021–May 2022. Source: DBS Bank

There are also signs of "flight to safety" amid recent market volatility. Across all generations and income groups, we saw a shift in investments towards bonds in May 2022, with bonds making a higher % contribution in total investments, while investments into other asset classes (e.g., equities, mutual funds, ETFs) declined in % contributions (Figure 14). This suggests our customers' changing investment appetite towards safer asset classes such as bonds, while other riskier asset classes (e.g., equities) took a backseat.

[7] More detailed discussion available in Appendix 3.

Figure 14. Average % share of investment flows, between equities & other asset classes vs bonds



Note: Investment amount made in the month of May 2021/2022. Source: DBS Bank

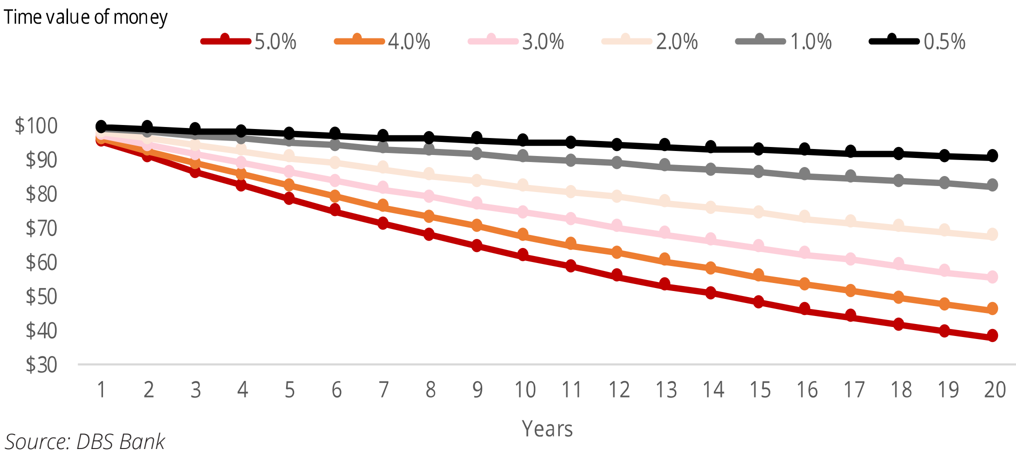
More room for growth in investments. We believe there is more room for growth in our customers' investments, especially among Gen Xers, given the group is near retirement age. In a high inflationary environment, customers should continue to look to investments as a means to generate higher returns above of the rate of inflation. This will help them mitigate the depreciative effects of inflation on their wealth.

> *Important for Gen Xers to invest more as they are near retirement age.*

Overcoming inflation

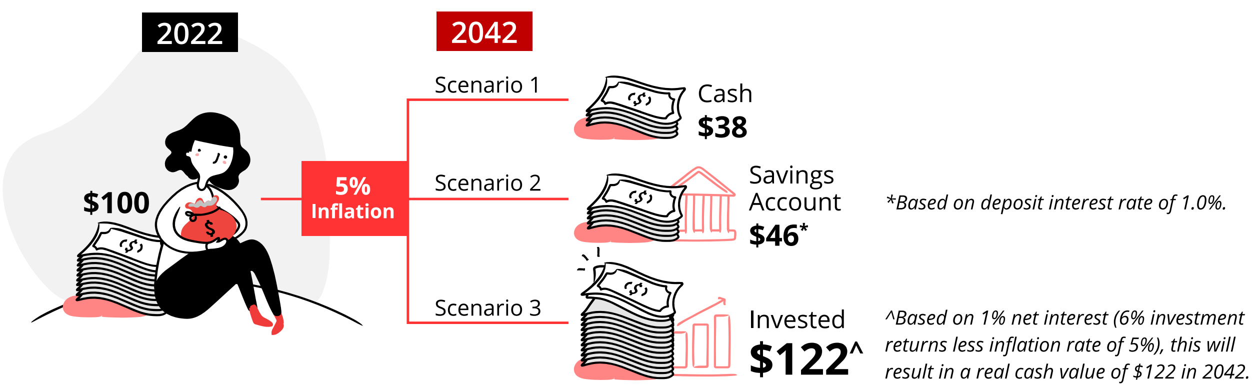
Don't lose your cash to inflation. The value of money declines more rapidly during periods of high inflation. Based on our economist's forecasts, headline inflation and core inflation are expected to average 5.1% and 3.3%, respectively, in 2022. During periods of high inflation, cash loses its value at a rapid rate (Figure 15): In 20 years, $100 will amount to a mere $38 with an inflation rate of 5.0%, versus $82 at 1.0%. Merely holding cash in bank accounts earning a deposit interest rate of 1-2% is not sufficient, given the rate of inflation outpaces that of the returns earned on bank deposits – translating into negative real returns on our cash (Figure 16). Excess cash, if uninvested, is at risk of seeing its value erode at a more rapid pace during periods of high inflation.

Figure 15. Time value of money, assuming different inflation rates



Source: DBS Bank

Figure 16. Real value of money under 3 scenarios



Source: DBS Bank

Get more bang for your buck. The "new normal" poses pressing challenges for our customers. With income growth lagging that of inflation and expenditure growth, coupled with ongoing inflationary pressures, it may be prudent to exercise sustainable financial planning and investments. It may be wise to review our budget, reduce discretionary spending, ensure adequate emergency cash and insurance to mitigate risks, as well as invest our excess cash. Doing so will enable us to get more bang for our buck, beat inflation and achieve short- and long-term goals like financial freedom.

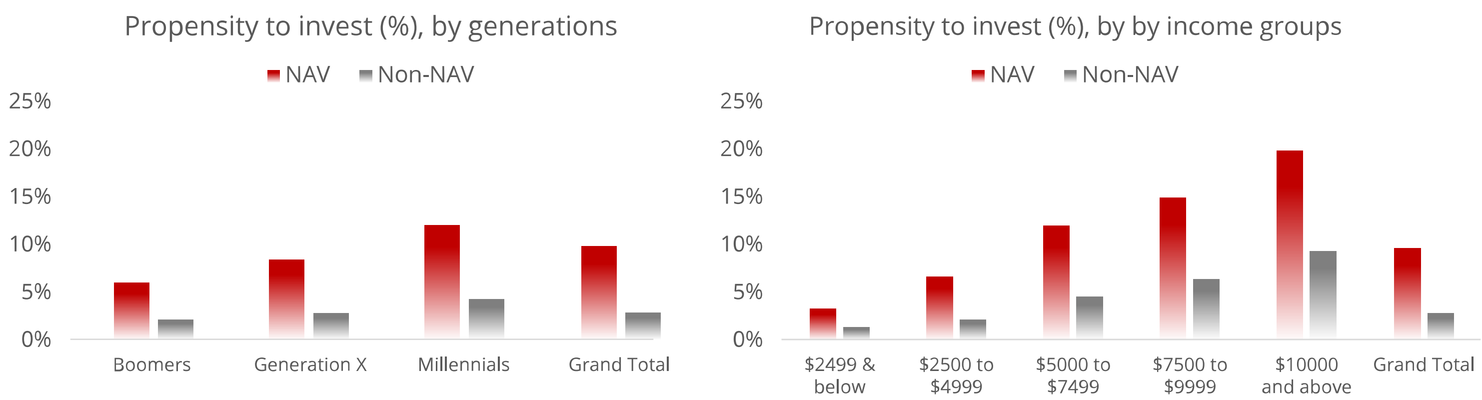
Consider DBS NAV Planner, which could aid in your investing journey. We observe NAV Planner users are more likely to invest, evident across all generations and income groups (Figure 17). On average, 10% of NAV Planner users invest, versus only 3% of non-NAV Planner users that do (Table 1). NAV Planner users are also found to have more monies invested (based on AUM), at close to 3x the amount of a non-NAV user.

Table 1. NAV vs Non-NAV Planner users based on investment penetration

	NAV		non-NAV	
Time period	May-21	May-22	May-21	May-22
% Investment penetration	8%	10%	3%	3%

Source: DBS Bank

Figure 17. Propensity to invest (%), by generations and income groups



Source: DBS Bank

Financial wellness advisory

6 tips to guard against inflation and make your finances more resilient:

1. Review your expenses regularly

- Make it a habit to review your expenses on a quarterly basis to make necessary adjustments.

- Use the digital financial advisory tool **DBS NAV Planner** to help you keep track of your expenses and set up a budget and savings target.

- With interest rates heading north, those who are servicing their home loan may consider refinancing or repricing to a more suitable mortgage, if they are out of the lock-in period. Do a cost-benefit analysis first and consult a home loans specialist. Home loan options include fixed-rate, floating-rate, or a combination of both. For new home buyers, do refrain from over-leveraging and maintain adequate funds to tide through at least a year.

- For homeowners experiencing tight cashflows during this period, consider paying off housing loans through your CPF OA account and maintain liquidity.

2. Shop wisely

- Some suggestions: Buy house brand products at supermarkets, bulk buy non-perishables if there is significant discount, consider buying second-hand items, etc.

- Using credit/debit cards that are more suited to your lifestyle to earn cashback.

- Do note that credit cards are double-edged swords so only use them if you have control over your spending as credit card debts can snowball quickly if they are not well-managed.

3. Inflation-proof your savings

- While emergency cash should be kept liquid, keeping the rest of your savings in a simple savings account will not preserve your purchasing power, especially in a high inflationary environment. Some possible instruments to consider include higher interest-yielding savings account like **DBS Multiplier Account, Singapore Savings Bonds, endowment insurance plans** or **money market funds.**

- Beyond savings, you'd need to start investing your money for a better chance at beating inflation.

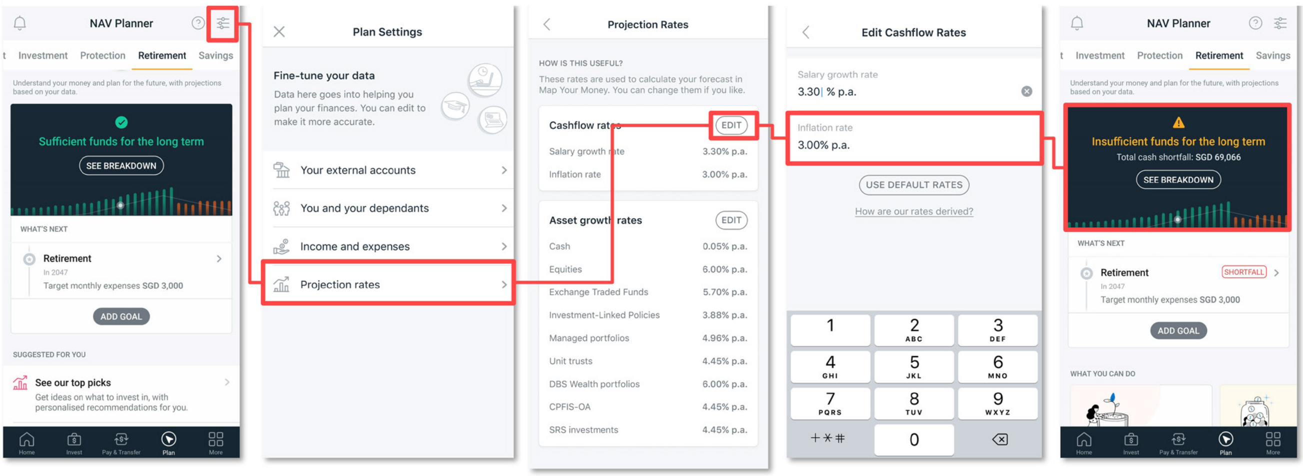
4. Start investing and adopt a long-term horizon

- As a rule of thumb, at least 50% of your net worth (assets minus liabilities) should be invested.
- A regular savings plan like the **DBS Invest Saver** works on a dollar-cost averaging approach and helps customers accumulate their investment steadily with no need to time the market.
- DBS' robo-advisor **digiPortfolio** is a hybrid of human expertise powered by robo-technology, with a team of portfolio managers that carefully selects ETFs to create quality portfolios, monitors the market regularly and ensures alignment with DBS Chief Investment Officer's (CIO) views.
- Consider investment recommendations from **DBS CIO**.
- Get investment ideas on DBS' research platform **Insights Direct**, where you can access award-winning and in-depth analysis of more than 500 stocks across Singapore, Hong Kong, China, Indonesia, and Thailand.
- Follow **Singapore Equity Picks**, accessible through Insights Direct and one of DBS Group Research's most-read products, has generated a time-weighted rate of return of 14.51% in 2021 and has consistently outperform STI since its inception in July 2016.

5. Stress-test your financial plan

- Most financial plans assume an inflation rate of 3% when projecting future income flows to determine retirement adequacy. Plan for higher costs of living by assuming different inflation scenarios of 3%, 4% or 5% and work out how these different rates impact your future cash flows and retirement planning (Figure 18).

Figure 18. Stress-test your financial plan with DBS NAV Planner



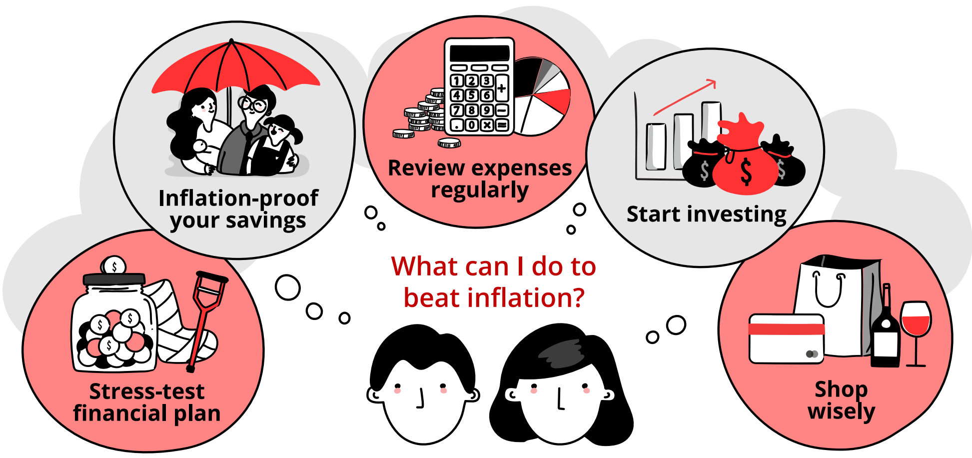
Source: DBS Bank

6. Don’t forget about insurance!

- The COVID-19 pandemic has increased awareness that taking care of ourselves and attending to our health is more important than ever. It may be tempting to cancel or reduce your insurance coverage to lower monthly expenses, but the last thing you want to worry about in a health crisis/accident is how you can pay for your medical expenses.

- Going forward, we believe healthcare and insurance spending should play a bigger role in our financial planning since inflation will likely increase healthcare costs as well. As a guideline, we recommend our customers to have a basic hospitalisation plan, a basic term coverage of about 9-10x your annual income, as well as about 5x your annual income in critical illness cover.

Keep your money safe from inflation



Source: DBS Bank

The economic recovery from the pandemic has brought about new norms and new challenges. As inflation starts to rear its ugly head again, some segments of the society will be relatively harder hit. The lowest income group is especially vulnerable to the regressive nature of inflation. The race against inflation just got more intense as the price barometer continues to tick up.

Fiscal support will help. But to truly stay ahead of inflation, it is important for Singaporeans to exercise sustainable financial planning and investments. It will be prudent to review our budget, moderate discretionary spending, and build up emergency cash reserves. Putting excess cash to work and investing wisely would also enable one to generate returns to beat the impact of inflation.

As central banks around the world are racking their brains to stem inflation through various policy means, we, too, can put up a good fight against inflation with comprehensive and sustainable financial planning.

Check out the rest of our NAV Planner reports:

1) Same Storm, Different Boat: Impact of COVID-19 on Financial Wellness in Singapore (18 August 2020)

2) No Storm Lasts Forever: Impact of COVID-19 on Financial Wellness in Singapore (2 March 2021)

3) Will Property Still Be Your Pot of Gold? Why More Isn't Always Better for Your Financial Planning (12 October 2021)

Appendix 1

Expenses-to-income (%) by income and age groups

We compared the total monthly expenses and income of our customers between May 2021 and May 2022.

Table 2. Total expenses as % of income, by income groups

	May-21	May-22
$2499 & below	83%	94%
$2500 to $4999	54%	63%
$5000 to $7499	51%	63%
$7500 to $9999	50%	63%
$10000 and above	49%	60%
Average	**59%**	**64%**

Note: Total expenses refers to the sum of housing, food, transportation, healthcare, insurance, education, shopping, entertainment and travel, and other expenses, i.e., 'Others'. Income is taken as the average take-home employment income based on each income band. Source: DBS Bank

Table 3. Expenses as % of income, by generations

	May-21	May-22
Boomers	86%	96%
Generation X	60%	65%
Millennials	49%	54%
Average	**59%**	**64%**

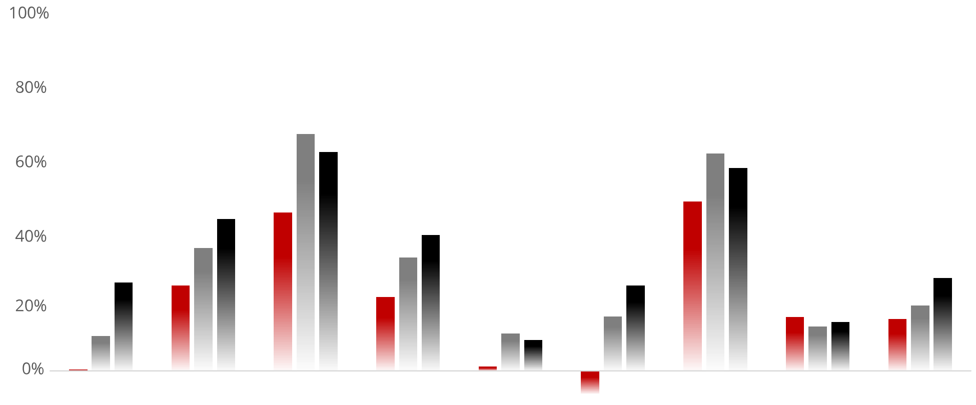
Note: Total expenses refers to the sum of housing, food, transportation, healthcare, insurance, education, shopping, entertainment and travel, and other expenses, i.e., 'Others'. Income is taken as the average take-home employment income based on each age group band. Source: DBS Bank

Appendix 2

Expenditure growth by income and age groups

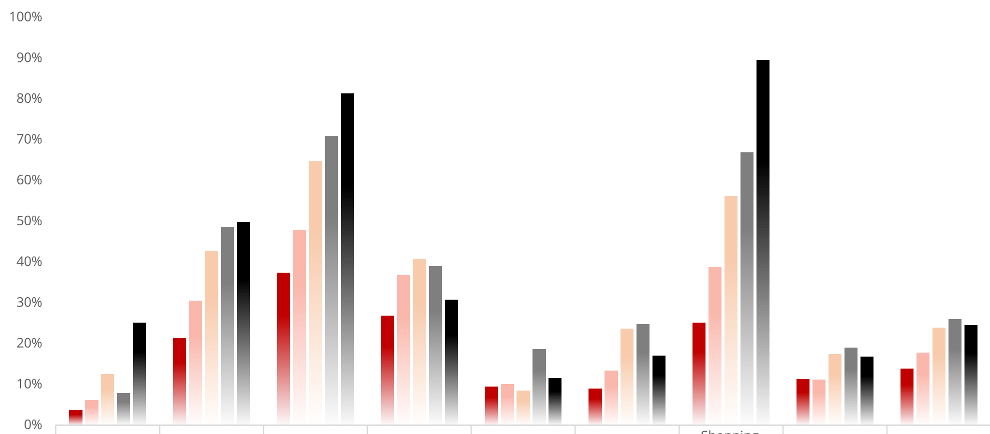
We analysed the growth in monthly expenses of our customers between May 2021 and May 2022 to understand which segment of our customers is more susceptible to pent-up spending over the past year.

Figure 19. % Growth in monthly expenses over the past year, by generations



	Housing	Food	Transportation	Healthcare	Insurance	Education	Shopping, Entertainment & Travel	Others	Grand Total
Boomers	0%	26%	44%	23%	5%	-9%	47%	18%	17%
Gen X	13%	35%	65%	33%	13%	18%	60%	15%	20%
Millennials	26%	43%	60%	39%	12%	26%	56%	16%	28%

Figure 20. % Growth in monthly expenses over the past year, by income groups



	Housing	Food	Transportation	Healthcare	Insurance	Education	Shopping, Entertainment & Travel	Others	Grand Total
$2499 & below	4%	21%	37%	27%	9%	9%	25%	11%	14%
$2500 to $4999	6%	30%	48%	37%	10%	13%	39%	11%	18%
$5000 to $7499	12%	43%	65%	41%	8%	24%	56%	17%	24%
$7500 to $9999	8%	49%	71%	39%	19%	25%	67%	19%	26%
$10000 and above	25%	50%	81%	31%	12%	17%	89%	17%	24%

Note: Grand total refers to the sum of housing, food, transportation, healthcare, insurance, education, shopping, entertainment and travel, and 'Others'. Growth rates represent the time horizon between May 2021–May 2022, based on the spending profiles of the different customer subsegments. Income groups shown above is based on credited income of our customers, i.e., take-home employment income.

1. *Housing includes housing, taxes (property), telecommunications, utilities, and more*
2. *Food includes dining, food & beverage stores, supermarkets, and more.*
3. *Transportation includes automotive-related spend, fuel, land and sea transportation, and more.*
4. *Shopping, entertainment, and travel includes airlines, apparel, department stores, digital goods, hotel/ lodgings, music, tour agencies, watches and jewellery, and more.*
5. *Others includes Giro, point of sale/NETS payments, service charge, cash top-ups, cash line payments, hire purchase, rental, repair, and more*

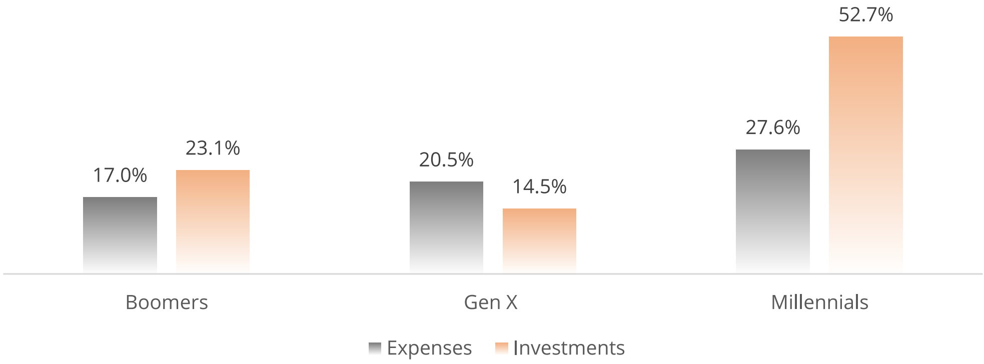
Source: DBS Bank

Appendix 3

Investments by income and age groups

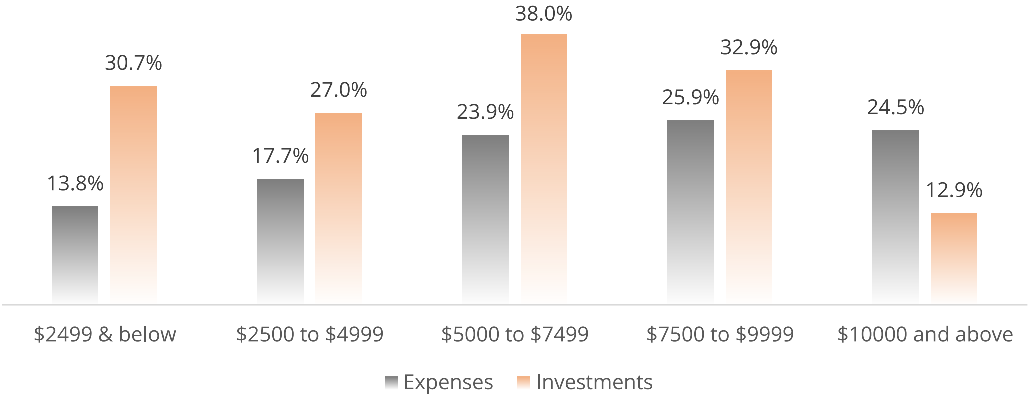
We analysed the investment behaviour of different groups of customers.

Figure 21. Expenses vs investments growth, by generations



Note: Expenses include housing, food, transportation, healthcare, insurance, education, shopping, entertainment and travel expenses, and 'Others'. Growth rates represent the time horizon between May 2021–May 2022. Source: DBS Bank

Figure 22. Expenses vs investments growth, by income groups



Note: Expenses include housing, food, transportation, healthcare, insurance, education, shopping, entertainment and travel expenses, and 'Others'. Growth rates represent the time horizon between May 2021–May 2022. Source: DBS Bank

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