



MEDIA RELEASE

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SURVEY BY OCBC BANK – ONLY 45% OF SINGAPOREAN PARENTS ARE FINANCIALLY PREPARED FOR THEIR CHILDREN'S EDUCATION

*46% of parents claim they do not have hospitalisation plans
for their children.*

Singapore, 17 February 2014 – Only 45% of Singaporean parents are financially prepared for their children's education. More than half say they are either behind target or have not begun saving. 46% say their children are not covered by any hospitalisation insurance. These are the key findings from the OCBC Survey of Family Financial Awareness conducted in December 2013.

Not Prepared for Rising Education Costs

Anxiety amongst parents sets in when their children begin primary school. Two in five parents with children aged seven to 10 feel they have fallen behind target.

More than 570 respondents, comprising parents with children below 16 years old, parents-to-be and those planning to start a family were asked about their investment attitudes and financial habits. The respondents are aged between 25 and 49, and have a monthly household income of above S\$5,000.

Said Ms Ng Li Lian, OCBC Bank's Head of Segment Management (Personal Banking): "We would think that today's parents – better educated than parents from previous generations – are financially prepared for their children's education, or at least know what to expect and how to plan for it. From our survey findings, we were surprised. Parents today are not doing enough to plan financially for their children, and we believe many of them do not realise that it is expensive."

According to OCBC Bank's estimates, a Singaporean pursuing a four-year non-medical degree in a local university today will need S\$38,000 for tuition fees. The same degree obtained in a private university in the United States (US) will cost about S\$251,000 – about 6.6 times more. A medical degree in Singapore costs around S\$134,000, compared to S\$333,000 in a private US university.

In 15 years' time, the costs will increase sharply. For instance, a four-year, non-medical degree in a local university would cost S\$56,000, while a four year non-medical degree in a private university in the US would cost about S\$548,000 – more than twice of what it costs today. For a medical degree, the

costs of obtaining it in Singapore would hit S\$198,000 in 15 years' time, or S\$726,000 in the US.

"The cost is indeed hefty and may seem unachievable at first glance. The key is to plan early and start saving as soon the child is born. Be realistic about the amount you can set aside, have a plan in place and execute it in phases to build the funds over time. The right financial solutions and the power of compounding go a long way in helping you achieve these goals. Parents should also review their plans periodically to incorporate changes in financial situation and the needs of the child," said Ms Ng.

The study found that 35% of parents or parents-to-be think that they will be able to fund their children's tertiary education through savings or fixed deposits. Mr Vasu Menon, Vice President of Wealth Management Singapore, OCBC Bank, said, "With the relatively low interest rates on savings, there is a need for parents to look beyond deposits to grow their money."

Not Prepared for Hospitalisation

OCBC Bank's survey also showed that 46% of parents claim to have no hospitalisation plans for their children. The top reasons are that "they just have not gone round to doing it, the children are too young and (the parents) intend to buy when (the children) are older". However, they may continue to procrastinate even as the children get older. The study shows 44% of those with children above the age of 11 say they do not have a hospitalisation plan for their children.

Ms Ng advised: "A comprehensive hospital & surgical plan for your child is important as it will help alleviate a strain on your finances should there be a need for urgent medical attention or hospitalisation. Such a plan can be affordable as well as the premium can be paid with funds from the parent's CPF Medisave account." For example, the annual premium of Great Eastern's SupremeHealth A Plus Plan offered by OCBC Bank, for a child age below 18 is only S\$108 a year or S\$0.30 per day.

Having taken care of the child's protection needs, parents can then look at investments to grow their money over the longer term.

Investing for the Future

The survey showed parents favour equities less when saving for their children's education. Mr Menon advised: "Parents may consider dollar cost averaging to ensure that they are not financially over-extended. Dollar cost averaging involves investing a fixed amount of money over a regular period for example, monthly. In this manner, you buy more units when the price is low and lesser units when the price is high during volatile market situations."

OCBC Bank offers two regular investment plans which parents can choose from: OCBC Blue Chip Investment Plan and OCBC Momentum. The former allows investors to purchase blue chip stocks for as little as S\$100 a month;

while the latter allows investors to spread out their investment in selected unit trusts over six months.

Summary of Survey key findings

- 1) Only 45% of Singaporean parents are financially prepared for their children's education.
- 2) Among parents with children aged seven to 10, two in five feel they have fallen behind target.
- 3) 35% of parents or parents-to-be think that they will be able to fund their children's tertiary education through savings or fixed deposits.
- 4) 46% of parents claim to have no hospitalisation plan for their children. The top reasons are that "they just have not gone round to doing it, the children are too young and they intend to buy when they are older".
- 5) 44% of those with children above the age of 11 say they do not have a hospitalisation plan for their children.

SOCIAL MEDIA ASSETS

Keywords:

OCBC, family survey, cost of education



Suggested tweet: More than 2 in 1 Singaporean parents may not be financially prepared for their child's education. (98 characters)



Suggested Facebook post: OCBC survey finds only 45% of Singaporean parents are financially prepared for their children's education. Do you know how much it will cost?

In 15 years' time, the costs will increase sharply. For instance, a four-year, non-medical degree in a local university would cost S\$56,000, while a four year non-medical degree in a private university in the US would cost about S\$548,000 – more than twice of what it costs today.

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Moody's. It was ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012.

OCBC Bank and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 450 branches and representative offices in 15 countries and territories, including more than 330 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which continued to gain industry recognition including being voted "Outstanding Private Bank in Asia Pacific" in 2013 by Private Banker International.

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