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Younger adults here are not impulsive spenders: IPS poll

They are also careful about taking out loans and the use of credit, survey finds

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Younger adults here are not really impulsive spenders and likely to spend within their means, but a substantial number will buy stuff that makes them happy without worrying about the future, according to a survey.

Overall, the respondents demonstrated prudence in their financial behaviours and keep within their means for day-to-day expenses. They are also unlikely to take out loans or use credit on impulse, the joint survey by the Institute of Policy Studies (IPS) and CNA noted.

The majority (88.8 per cent) said they spend within their income every month. Almost half indicated food as one of their top two expenditures (46.2 per cent), followed by loan payments (25.5 per cent), clothes and footwear (18.9 per cent), and allowance for children, parents or other dependants (17.4 per cent).

More than nine in 10 have felt personally affected by the rising cost of living, with higher-income earners less affected. The top two ways to cope are keeping to a fixed budget and deferring purchases until prices become affordable.

Higher-income earners are also more likely to use credit cards to cope with rising costs, while lower-income earners are more likely to defer purchases.

Nearly nine in 10 respondents would cut down on spending if they notice they are spending beyond their means. But six in 10 said they prefer to spend on things that make them happy and not worry about the future.

The survey on the financial behaviours of younger Singapore residents was done by IPS researchers Dr Teo Kay Key, Dr Mathew Mathews and Ms Samantha Nah. It was published on April 15.

A representative sample of 2,001 Singapore residents aged 21 to 39 were polled online from November to December 2022.

The IPS team noted that eight in 10 respondents have at least a rough idea of how much they are spending, but still worry whether they are spending too much.

Dr Teo said the findings debunk some myths about reckless spending among younger people.

"Young people are quite conservative and thoughtful about their spending, and will work on ensuring that they stay within budget," she added.

But she noted that while they accept that loans are part of life, especially for big-ticket purchases, some do not have long-term plans for their retirement, with only a third having a definite plan to save for retirement.

Most (about seven in 10) have at least three months' worth of expenses set aside as savings, and even more (about seven in 10) have more or less planned to save for retirement.

While younger respondents are less likely to plan for the longer term, and a larger proportion prefer to spend on things that make them happy, the report noted that it is likely that perceptions and attitudes may change as they grow older.

University-educated respondents are most likely to think everyone takes out loans from time to time (77.8 per cent) and that making use of loans is healthy financial behaviour (67.3 per cent). This group is also least likely to say they have been taught that borrowing is not desirable behaviour (66.8 per cent).

This could be because of a different perspective on what it means to be prudent, said Dr Teo. The university-educated respondents might be more well-versed about financial instruments and how loans work, making "getting into debt" sound less negative, she said.

The age profile of university-educated respondents is also more likely to be the older half of the sample, who tend to also have housing or car loans to pay off, she added.

The most common loan types are property (34 per cent) and credit card (22.1 per cent). But 32.5 per cent have no loans to service.

Over one-third do not have any credit cards, while another 46 per cent have one or two cards.

More than half (65.4 per cent) have used a buy now, pay later (BNPL) plan before. BNPL plans allow consumers to make purchases and spread payments over a few months without having to incur interest on the outstanding amount.

Respondents who have used at least one BNPL plan are more likely to spend to be happy. Higher-income earners and BNPL users are also more likely to justify taking out a loan for non-necessities like a holiday or expensive branded item.

More than four in 10 respondents said they make more impulse purchases when using BNPL plans. And 67.8 per cent said they make more purchases per month after using BNPL plans.

BNPL users are also much less likely to forgo items until they can afford them, compared with non-BNPL users.

About a third said BNPL plans have got them into trouble.

While in general, respondents were careful about taking out loans, the increased likelihood of impulsive purchases with credit cards and BNPL plans means people should be more aware of some of the risks with the easy access of buying on credit, especially if they have less financial capacity, said Dr Mathews.

Financial literacy programmes would be able to help more people make wiser choices when it comes to purchasing on credit, he said.

When asked who should help those who cannot repay their loans, 62.6 per cent indicated family and friends – the most popular choice across different age groups – while 32.5 per cent said the Government should help those who cannot pay their loans.

While many (74.3 per cent) feel that people who take loans – apart from housing and car loans, which are seen as desired objectives – have not managed their finances well, many (78.7 per cent) also accept credit as part of today's lifestyle.

The report noted that while young adults make use of loans, credit cards and BNPL plans, they view them with some level of caution, and the overall picture shows relatively healthy financial habits.

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Items cited as the top 2 expenditures

What do you spend your money on?	Percentage of respondents
Food	46.2
Loan payments (for example: home loan, car loan)	25.5
Clothes and footwear	18.9
Allowance for children, parents or other dependants	17.4
Insurance premiums	16.6
Utility bills	15.7
Travel	11
Technological products (for example: new phones, computers, tablets)	10.4
Hobbies	8.7
Telco bills	8.2
Social media (for example: buying equipment or outfits, renting locations)	6.9
Self-improvement (for example: courses)	5.6
Sports (for example: gym or club membership, purchasing equipment)	4.8

Top ways to cope with rising costs

Which of the following are you doing to help you better cope with rising costs?	Percentage
I keep to a fixed budget every month	47.6
I defer purchasing items I like until a time when prices are more affordable	41.9
I make use of instalment plans to pay for the items I want to buy	26.2
I make use of credit cards to pay for the items I want to buy	25.4
I make use of government schemes	16.8
Others	0.6

Types of loans being serviced

What type(s) of loans are you currently servicing?	Percentage
Property/real estate loan (for example: buying a house, paying for renovations)	34
I do not have any loans to service at the moment	**32.5**
Credit card loan (borrowing up to your credit limit)	22.1
Car loan	17.1
Personal (for example: wedding expenses, medical bills)	16.3
Buy now, pay later instalments (Buy now, pay later plans allow consumers to split up payments for purchases instead of paying the entire sum upfront)	12.8
Outstanding credit card fees	6.8
Student loan	6.3
Other motor vehicle loan (for example: motorcycle)	5.4

Source: INSTITUTE OF POLICY STUDIES STRAITS TIMES GRAPHICS