SingSaver

Building Your Emergency Fund

The Ultimate Savings Guide for COVID-19 and Beyond

Executive Summary

2020 will always be remembered as the year of COVID-19 — our generation's greatest challenge yet.

When we conducted a survey with 1,000 Singaporeans to examine how they coped with their finances in the downturn, there were sobering discoveries on respondents' savings habits. Many were unable to grow their savings owing to increased expenditures, pay cuts and job losses, and savings quickly came under scrutiny as they proactively sought out ways to put together an emergency fund.

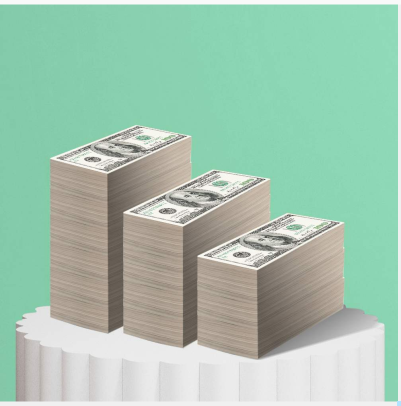
This episode has also caused a mindset shift towards building an emergency fund; Singaporeans are exercising greater prudence with more than half in the survey reporting lowered spending on non-essentials.

With a sharp increase in online banking activities observed over this period, Singaporeans also have to deal with the challenge of sustaining healthier savings habits over the long run, given the insidious spending habits encouraged by digital payments.

In '**Building Your Emergency Fund: The Ultimate Savings Guide**', you'll find necessary how-to's and tools to save better and survive storms.

As you'll find out, the savings journey starts with 3 levels: **The Expenditure Lockdown**, **Open For Business**, and **The Road To Financial Freedom**.

Contents

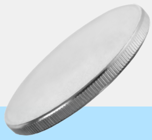


What Is An Emergency Fund?

Different people may have different definitions of what an emergency fund is, but it is safe to say that it is personal savings that are worth at least **6 to 12 months of living expenses.**

Successfully saving your way to an emergency fund (and beyond) requires a delicate and diligent management of your expenditures and income. One or two things must happen: you increase your cash inflow (income sources), or you decrease your cash outflow (fixed and variable lifestyle expenses). Even better, do both!

Why Singaporeans Find It Hard To Save?

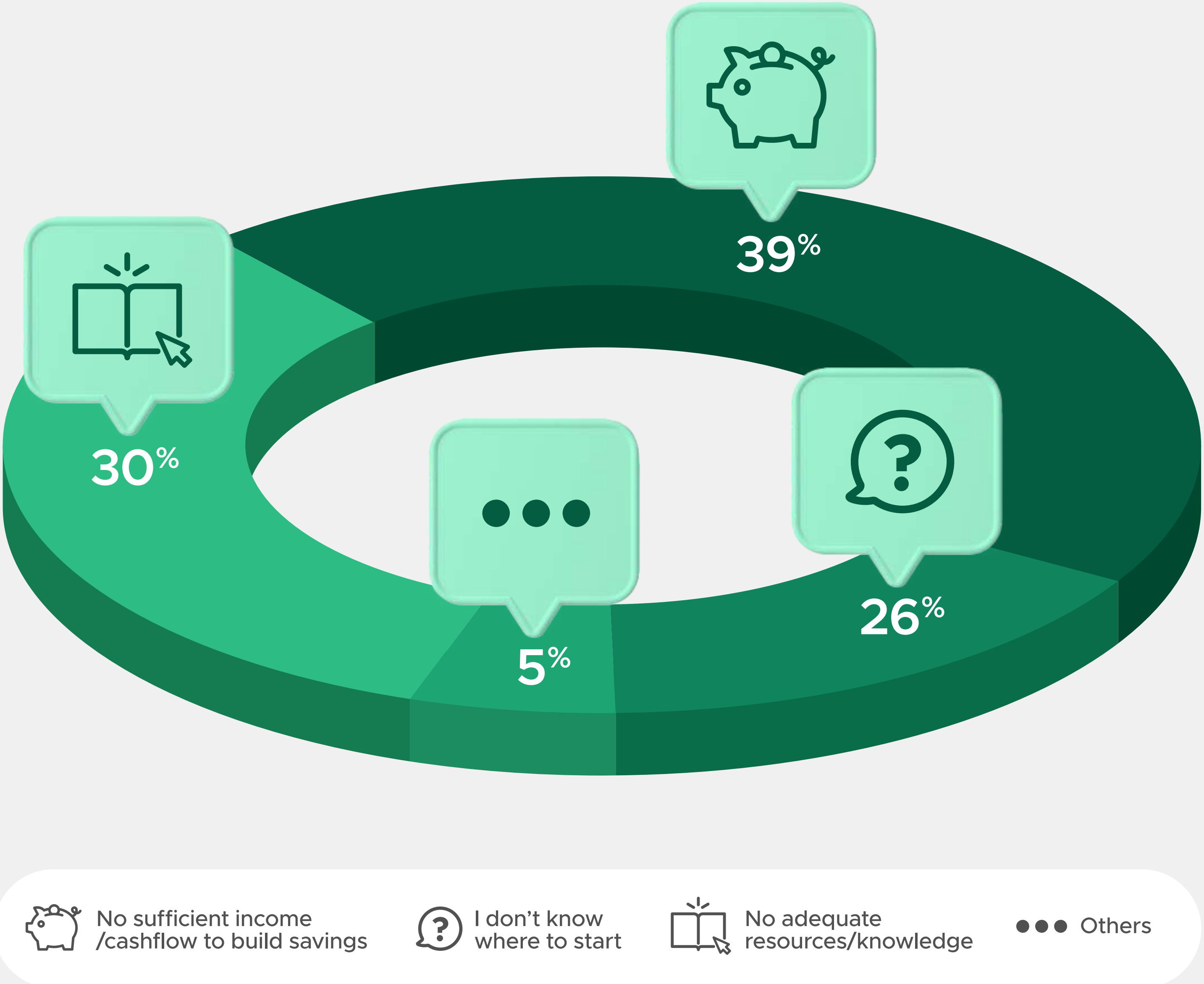


Unfortunately, COVID-19 happened. Our money plans went sideways, as did everything else. 60.31% of respondents from our SingSaver COVID-19 survey reported that their expenses have shot up over the course of the pandemic, making it difficult to save. Furthermore, 47% indicated that insufficient income and poor cashflow were the main roadblocks to better personal finance management.

As Singaporeans were mandated to stay home during the Circuit Breaker period, going to work (or even getting to work) was not an option. The income stoppage caused existing expenses such as bill payments to be more 'expensive'. It is also likely that expenditures per se have increased due to greater online transactions.

In short, the opposite of what would've been a successful building of emergency funds happened: expenditures went up, income went down.

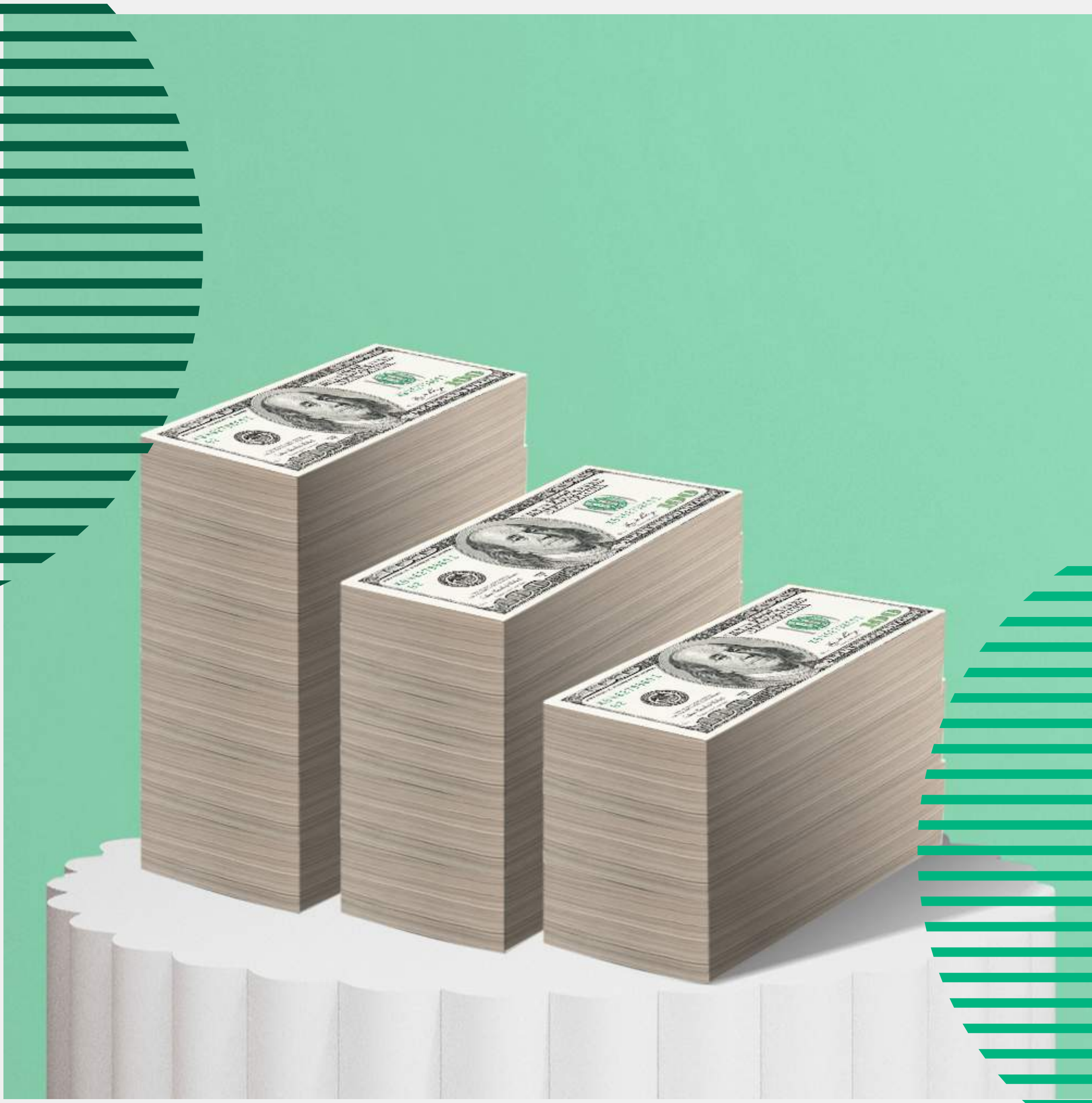
What are Singaporeans' biggest personal finance challenges during COVID-19?



Source: Taken from **SingSaver's COVID-19 survey**, conducted from 12 - 15 June with 1,000 Singaporeans and PRs aged 18 and above on their biggest challenges with personal finance, changing financial habits and attitudes.

LEVEL 1

The Expenditure Lockdown



4 Tips To Lock Down All Your Unnecessary Expenses

Expense lockdown #1: Halve non-essential spending for a start

First things first, your non-essential expenditures should come under lockdown. Taking online food deliveries as an example, if you've been ordering in meals every other day of the week, start by halving the frequency to about twice a week.

In case you didn't know, most — if not all — eateries mark up prices on their delivery menu, even for the exact same meal or dish. That's because food delivery platforms charge around 30% commission fees, which make it tough to absorb wholly. Then, there are delivery fees, platform fees and, sometimes, small order fees that bump up the cost of your meal easily by 20%, if not more.[1]

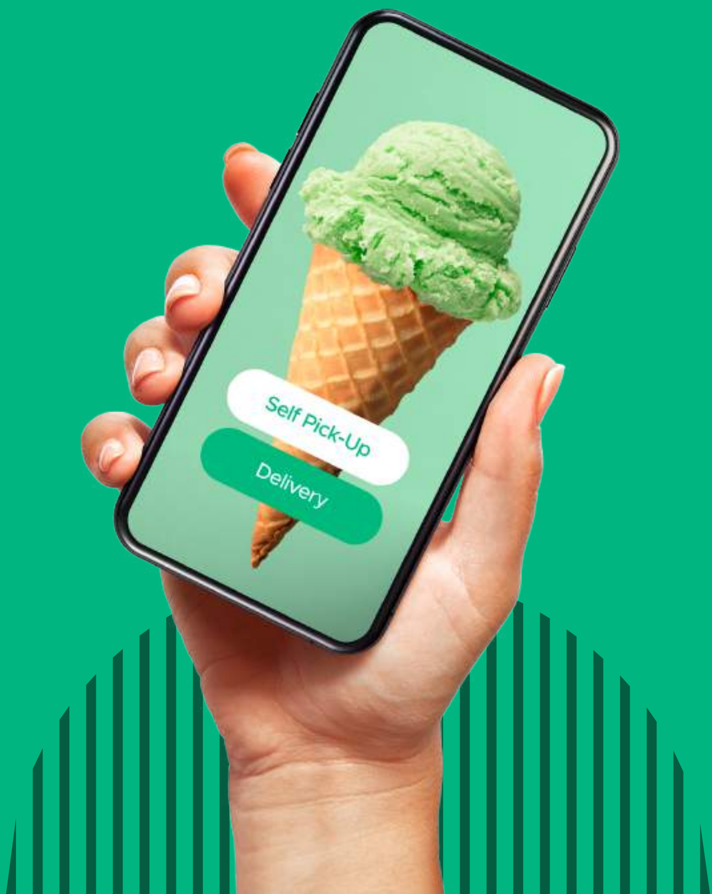
If you don't already have a grip on your monthly expenditure breakdown, the real danger is in the sneaky way in which your food delivery bills snowball to an indigestible amount.

Other non-essentials to lock down:

- Online shopping
- Fitness memberships
- Media streaming services (i.e. Netflix, Spotify)

BONUS TIP

Besides picking up a new dish, consider placing a takeaway order if you really have to order from your favourite delivery app. You get to step out for fresh air, skip the queue and skirt delivery fees!



Expense lockdown #2: Fixed expenses aren't exactly fixed

We've got fixed, unavoidable expenses like utilities, telco bills and other daily essentials. But that doesn't mean we can't 'squeeze water out of a rock' by switching electricity providers or downgrading mobile subscription plans.

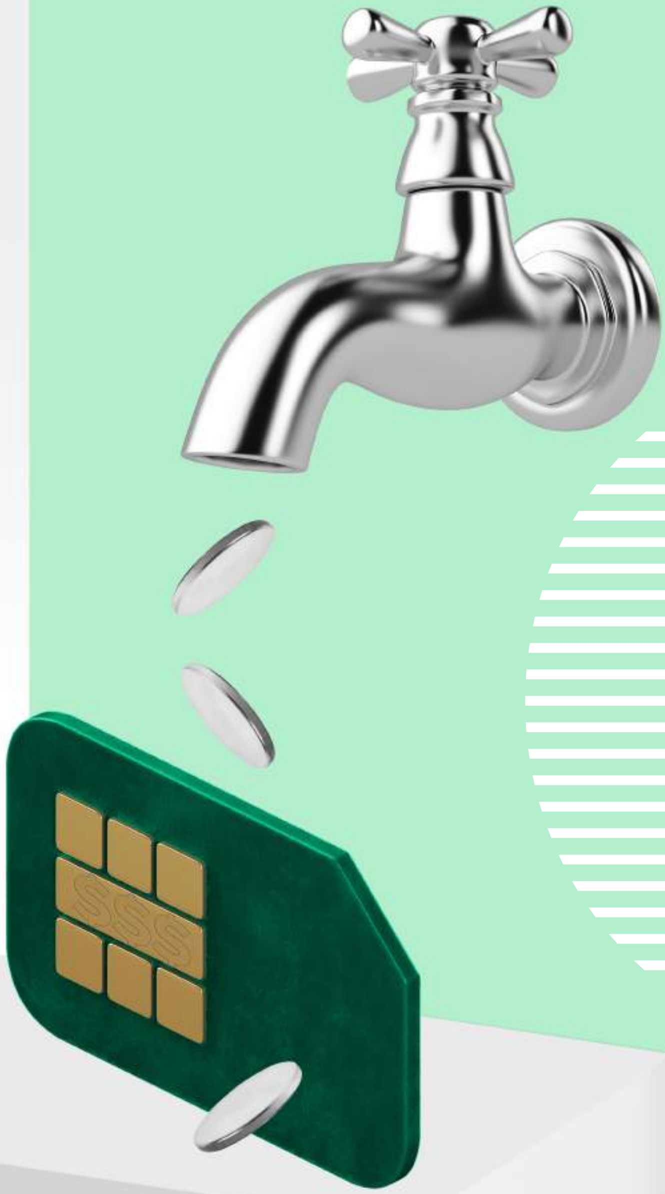
Off the back of our now-opened electricity market, read in full on how to switch electricity provider, the ones you should choose (based on your usage), and how you'll save money every month: **Open Electricity Market (OEM) Singapore Guide.^**

On the telco side of things, if you're due for a recontract (or expiry), this is a good chance to either downgrade to a cheaper plan or switch to a SIM-only plan for its flexibility — for as low as $10.

Read in full on how to save money with SIM-only mobile plans: **Best SIM-Only Mobile Plans For Light, Moderate, And Heavy Data Users.^**

BONUS TIP

One fixed expense you could ease your cashflow from are your insurance premiums. Check in with your insurer or financial advisor if there's room to defer your payments or take a policy holiday.[2]



Expense lockdown #3: Cashback credit cards, your savings saviour

Cashback credit cards[3] have proven to be the most popular choice of credit card type in Singapore, and for a good reason. You get the gratification of immediately saving on things you might already be spending on: groceries, bus/MRT rides, food and telco bills.

Using the Standard Chartered Unlimited credit card as an example, you get 1.5% cashback on all your spending regardless of category, with no cap placed on how much you can earn.

BONUS TIP

If you can't trust yourself not to overspend on your credit card, set a spending limit to be slightly higher than what the monthly qualifying spend is, via the bank's app or online banking platform.

While useful, cashback credit cards come with certain... maintenance. There are annual fees to pay, minimum monthly spending to meet (to qualify for the cashback), and eye-watering interest to deal with if you roll over your balances.

3 Ways To Maximise Your Cashback Credit Card

Applying for an annual fee waiver (pssst, some credit cards even come with lifetime fee waiver[4]!);

Chucking essential expenses and recurring bills on the card to meet the minimum spend and earn the cashback;

Simply paying your bills on time!

Expense lockdown #4: Stop your money from 'bleeding out'

Ordering in treats via food delivery apps and online shopping are explicit expenditures that are keenly felt. Then, there are those that aren't immediately obvious: compound interest on your existing debt.

Quick fact: the more you service your principal debt, a good portion of it goes to interest payments[5]. That's the negative way compounding works: for every two steps you take, you're taking one back.

BONUS TIP

If your debt belongs to the housing, education or car loan kind, it doesn't hurt to call up the bank, explain your situation and check whether a temporary suspension of interest payment can be granted.

There might just exist a simple solution to stop the 'bleeding'. Here are a few instruments to convert and centralise your debts at much friendlier interest rates[6].

Personal Loan

Offers much lower interest rates, from 3.48% p.a. Also comes with promos and flexible tenures.

You focus on servicing just this low-interest, fixed payment loan.

Balance Transfer

Short-term loan (3-12 months) that temporarily reduces interest payments to 0%, so you avoid the 'bleeding' from the compounding interest.

Debt Consolidation Plan (DCP)

DCP[7] transfers all your debts to one financial institute, which pays off all outstanding debts on your behalf.

You'll then enter an agreement to repay it at much lower interest rates.

BONUS LEVEL

Build Successful Savings Habits

SingSaver

Making your savings habit stick for the long haul

The next part is where many hit a wall and falter: making the savings habit stick.

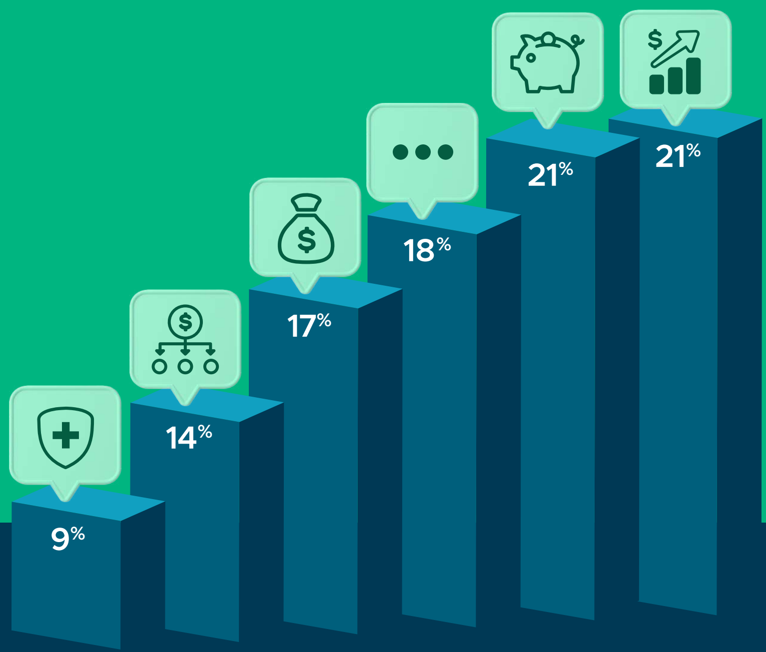
According to our COVID-19 study, an overwhelming majority have adopted online banking and will continue to do so in the future. Because of the convenience of online purchases, your emergency fund efforts could be easily derailed if you're not careful; remember, you don't feel the pinch when you're not seeing cold hard cash leave your hands!

Luckily, there is also good news out of the study: the pandemic was a call to action for many to commit to building an emergency fund.

> "The pandemic was a call to action for many to commit to building an emergency fund."

What did Singaporeans do most due to COVID-19?

- Purchased more insurance
- Diversified investments
- Started investing
- None of the above
- Build emergency fund
- Boost income



Source: SingSaver COVID-19 Poll

Another good news: increased digital payments also mean it's easier than ever to track where your money is flowing out to. There's a whole plethora of free personal finance apps you could choose from and download onto your smartphone – take advantage of them!

Little effort is needed on your part as these apps automate the tracking and organisation of your expenses[8].

ICYMI: Digibank apps have also rolled out expense tracker function. At a glance, you'll know which area to cut back on!

FUN FACT

A majority 87% of respondents from our COVID-19 study agree the pandemic has reoriented them to adopt a lower consumption and higher savings habit, while 89% want to be more prudent and intentional about their personal finance due to the pandemic.

Appendix

4 Common Money Mistakes To Avoid During COVID-19 Circuit Breaker

Click To Read →

Deferring Insurance Premium Payment During COVID-19: A Complete Guide

Click To Read →

Cashback vs Miles vs Rewards: Which Is The Best Type Of Credit Card For You?

Click To Read →

4 Types Of Credit Cards With Lifetime Annual Fee Waivers

Click To Read →

2 Strategies To Consider When Clearing Crushing Debt In Singapore

Click To Read →

Personal Loans, Balance Transfers And Credit Lines: The Pros And Cons Rundown

Click To Read →

What Is A Debt Consolidation Plan And How Does It Work In Singapore?

Click To Read →

11 Ways To Prepare Yourself For A Recession During COVID-19

Click To Read →

Open Electricity Market (OEM) Singapore Guide

Click To Read →

Best SIM-Only Mobile Plans For Light, Moderate, And Heavy Data Users

Click To Read →

LEVEL 2: OPEN FOR BUSINESS

Multiply Your Income

Level 2: Multiplying Income to Secure Your Financial Future

Congratulations if you have successfully crossed Level 1. It's time to climb to Level 2 — giving your skillset and income a major uplift.

With COVID-19, pay cuts and job losses became the norm *du jour*, and brought with it a deluge of concerns around savings. While most of our respondents feel their existing savings can last them for at least six months, there's still some anxiety around growing their savings. A considerable 40% were able to save more, while 33.8% reported exactly the opposite.

This is where upskilling and creating multiple income streams figure.

First things first: How much of your income should you save?

We recommend saving at least 20% of your income each month, until you build a fund of six months of your living expenses. This emergency fund will be your safety net to cushion situations such as retrenchment, or a sudden medical need.

Even then, with your emergency fund set, it doesn't mean you should spend all the extra moolah! Strive to maintain the 20% habit while making room for self-indulgences.

That said, these are defensive measures. Without further ado, let's go on the offense: multiplying your income!

How To Create Additional Income Streams

Upgrade your income #1: Part-time hustle!

A tumultuous economy and a volatile job market are common side-effects of this global pandemic, but that doesn't mean jobs are lacking — not in the traditional sense, at least.

Some of the most readily available part-time positions for a quick income booster include:

BONUS TIP

Whether you're affected by the job market upheaval or you want to monetise spare time, keep an eye on some of these job portals for temporary but in-demand roles to cash in on them:

- JobStreet
- JobCentral
- JobsDB
- MyCareersFuture
- Glints
- eFinancialCareers
- Glassdoor

Estimated Pay Rate

Food Delivery Riders

$6-$12 (approx.) per delivery

Temperature Screening Staff

$8-16 (approx.) per hour

Grab Driver

$20-$28 (approx.) per hour

Part-time Relief Teachers

$12-14 per hour

Admin Coordinators

$2,000-$2,200 per month

Upgrade your income #2: Create your own 'job'

Other than part-time jobs, creating a side income[3] can even come from home-based businesses (stay-at-home has its advantages too!).

For instance, stemming from COVID-19, there has been a boom in self-starting initiatives such as home bakeries and food photography. Cues can also be taken from business pivots, such as bars delivering pre-packaged cocktails.

This is an opportune moment to turn a marketable hobby of yours into a side business.

If you've found a niche in these top 'Moonlight worthy' skills, a light bulb should be going off in your head. There's nothing quite like earning an income through a project close to your heart.

- **Copywriting**
- **Web or App Development**
- **Social Media Marketing**
- **Consulting**
- **Graphic Design/Illustration**
- **Public Relations**
- **Voiceover Narration**
- **Podcast-ing**
- **Data Research**

Personal branding

How to get the word out

Start a website/blog
An essential to let potential customers learn more about your products/services, body of works and contact modes.

Through social media
Short of Facebook and Instagram pages, you could get creative and start a YouTube channel with an episodic series on your expertise.

Network
Update your LinkedIn profile. Include links to your latest portfolio and glowing testimonials from past collaborations. Next, get connected virtually.

Print a business card
A small but important step to gain clients' trust and demonstrate that you're taking it as more than just a side gig.

Tell your friends, and friends of friends
Don't forget about your 'warm market'!

BONUS TIP

Stay focused on your core expertise (a.k.a. your branding).

If you're planning to start a side income from copywriting, work with clients within the same industry. If you're starting a home confectionary making kueh, maybe not jump into jam-making and diversify at once.

To further build branding and income consistency, consider fixed fee retainers and pricing packages that would also sit well within your target market's budget.

BONUS LEVEL

Upgrading Your Career

Stepping Up Your Income Requires Your Skillset To Step Up Too

How to upgrade your career

COVID-19 has battered many industries and we're left thinking what's really lucrative or 'safe'.

Be ready to welcome alternative solutions[4] if you fear retrenchment or pay cuts. This could mean taking up a new internal role at your company, accepting a contract or temporary role, picking up work that adds value to your resume, or making the biggest leap of faith yet — a complete career switch.

A career switch in uncertain times may be extra scary, but considering that the digital transformation is upon us ahead of expectations, we've picked out vocations best positioned for the post-COVID economy – and for your income padding.

Career Field	Why This?	Estimated Annual Income
Digital Marketing	Agile across industries, and WFH-friendly.	Up to $71,000
Data Analyst	Because data is the new oil.	Up to $71,000
Software Developer/Engineer	It is thriving and has remained relatively silent.	Up to $56,000
Sustainable Finance	It's a MAS-backed field that potentially mirrors fintech's boom.	Up to $118,000

*Taken from our article, 'Considering a Career Switch? Here Are 4 In-Demand Jobs In The COVID-19 'New Norm' [4]. Salary range is indicative.

How to make a smooth transition to a new career

Keeping an open mind is the first step. As some of these career switches require specialised skills, you may need to get yourself through a round of upskilling.

A quick look at platforms such as skillsfuture.sg, NTUC LearningHub, Udemy, Coursera or General Assembly will give you an inkling about the many available online courses and programmes related to your chosen field. Make good use of your free Skillsfuture credits if you haven't already! Also keep tabs on government initiatives that support career transitions and growth sectors – they're all measures to take advantage of right now.

Appendix

1

6 Crucial Things You Need To Do During Job Loss And Near-Unemployment

Click To Read →

2

Part-Time Jobs And Where To Find Them During Circuit Breaker

Click To Read →

3

5 Simple Steps To Build A Side Income in Singapore

Click To Read →

4

Considering a Career Switch? Here Are 4 In-Demand Jobs In The COVID-19 'New Norm'

Click To Read →

5

Resilience & Solidarity Budget To Tide You Over COVID-19 Circuit Breaker

Click To Read →

LEVEL 3

The Road To Financial Freedom

Paving The Way To Financial Freedom

Got your emergency fund down? Give yourself a pat on the back! Level 3 is where you begin earning money on your money.

FUN FACT

A recent SingSaver survey found that among Gen-Z & millennials, the biggest motivation for investing is to gain financial freedom (40%), and to save for retirement (39%).

Online banking and other digital services will continue to see a boom post-COVID. In line with this uptake in online banking, there has also been an increase in financial product offerings by robo-advisors and banks. This presents an opportunity to tap on financial products available online to grow your wealth – let them out of the biscuit tin!

But because the word investment can come across puzzling and at times intimidating, let's first start with the easy stuff.

Growing Wealth #1: Choosing the right savings account

Ordinary savings accounts earning a measly 0.05% p.a. will do little to protect your money against inflation. Instead, you can consider keeping your emergency funds in high yield savings accounts, Singapore Savings Bonds (SSBs) or even fixed deposits[1].

Use your ordinary savings account as your spending account, and leave your emergency funds in the following to soak up the power of compounding interest.

	High Yield Savings Accounts	Fixed Deposit	Singapore Savings Bonds (SSB)
What's this?	Your everyday savings accounts that you can withdraw from anytime — with sweetened interest rates to boot.	An 'untouchable' account that earns you guaranteed interest on money deposited with the bank over a specified duration — usually 3 to 36 months.	Issued and backed by the Singapore government, SSBs interest rates differ for each month's issuance and start low, increasing every year until year 10.
Min. deposit amount	$1,000 to $3,000 daily average balance required to avoid fall below fee.	Typically $1,000 or $5,000.	$500

BONUS TIP

At a younger age, like when you're fresh into your first job, you're likely to not be 'sandwiched' yet: providing for children and looking after elderly parents at the same time.

Tap on the power of compounding and grow your portfolio.

With more fintech players in the market, you now have more savings instruments to choose from. Besides these low-risk products, you can also consider products[2] such as cash management accounts[3], insurance savings plans[4] or short-term endowment plans[5].

	Cash Management Accounts	Insurance Savings Plans	Short-term Endowment Plans
What's this?	Your idle cash in these accounts will be put into low-risk assets giving modest returns that are projected and non-guaranteed.	Earn around 2% p.a. in interest with these insurance-savings hybrids. You also gain insurance benefits based on your account value.	Enjoy guaranteed returns for a holding period of about 3 years. After paying the premium, you cash out a larger amount than what you've put in upon maturity.
Min. deposit amount	$0 to $10,000	$500 to $5,000	$5,000 to $10,000

Growing Wealth #2: Start a Regular Savings Plan (RSP)

Get started on your investment journey with a Regular Savings Plan (RSP)[6]. Designed to help take the emotions out of your investments, RSPs allow you to invest a fixed amount into an asset class every month, regardless of market conditions.

For those still jittery about investments and the risks: did you know can start from as low as $100 a month? Your funds that go into the RSP will be invested in asset classes such as stocks, ETFs and unit trusts.

Digibank apps have made it easier to start your investment journey. You can set up a RSP with your bank or with financial institutions such as Phillip Securities or FSMOne. Once the RSP is set up, this monthly investment is automatic and recurring.

Perks of a RSP

- ✔ Start small
- ✔ Avoid timing the market
- ✔ Instill discipline in investing
- ✔ High flexibility and liquidity
- ✔ Opportunity to invest in more 'expensive' blue-chip stocks

BONUS TIP

Stay invested for the long-term. It is not about timing the market, but time in the market. Think about growing money as a journey that spans decades. Resisting temptation to liquidate and staying invested for the long-term allows us to ride out market volatility over the years.

Growing Wealth #3: Build a diversified portfolio

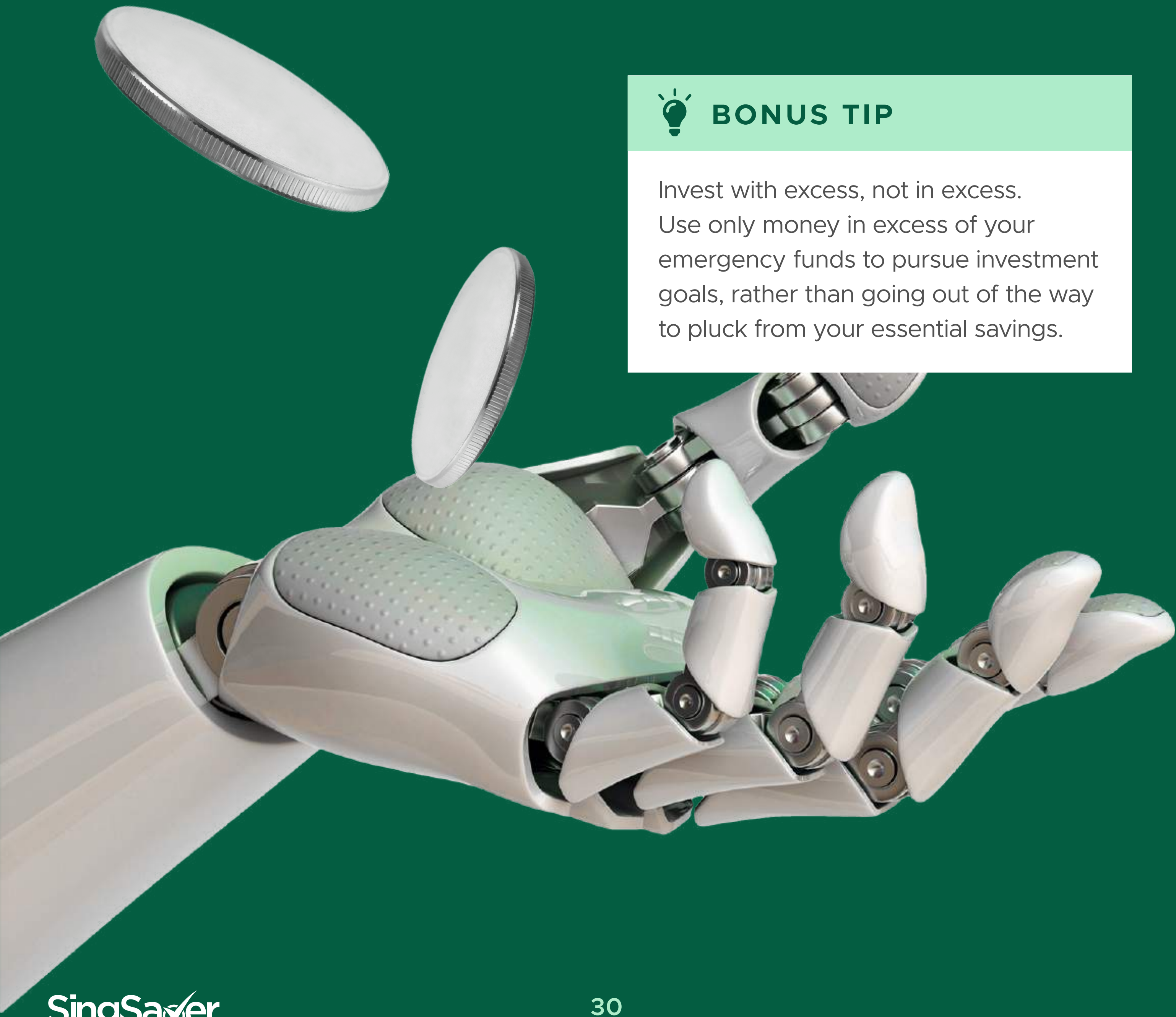
Robo-advisors[7] have made it much easier to start investing. They also check many boxes for novice investors, including creating a diversified portfolio that spans across different asset classes and geographical markets. You are also encouraged to make regular investments by starting a RSP with the robo-advisor.

Robo-advisors have also made investments easily accessible and understandable for the everyday Singaporean. Rather than hand picking various ETFs[8], unit trusts and stocks yourself, you can instead input details such as your risk appetite and your financial goals.

Based on these inputs, the robo-advisor will then create a portfolio that suits your needs.

BONUS TIP

Invest with excess, not in excess. Use only money in excess of your emergency funds to pursue investment goals, rather than going out of the way to pluck from your essential savings.



Beware of online fraud & scams!

As you sail through the three levels, you may realise many of the tips deal with the digital space. Don’t let your guard down when using online banking tools and services; banking scams such as phishing attacks prey on customers’ negligence and continue to be commonplace. In the first three months of 2020, scammers cheated victims in Singapore of at least $41.3 million.

Preserving your savings also means protecting yourself from financial loss resulting from online banking or credit card fraud. Try these tips[9]:

What you need to know

Phishing is an attempt at stealing your money by tricking you into providing your password, personal, social media or financial information.

Dos

- Use two-factor authentication
- Only reply to verified emails and phone numbers
- Seek buyer’s protection
- Browse **ScamAlert.sg** or dial **1800 772 688** (Anti-scam hotline) for advice

Dont’s

- Sharing your PIN, OTP or other bank login details
- Transferring money to an unknown bank account
- Providing information about your family, location and interests
- Ignoring your credit card’s fraud protection policy

Even with these layers of precaution, online scammers are still getting smarter.
Fret not though, there are online banking insurance plans out there that cover you for cyber attacks incidents which compromise your credit/debit cards and bank accounts.

Don’t be a stranger! Sign up for a free SingSaver account to receive the latest (and greatest) of promotions and personalised content for your journey towards financial wellness.

Appendix

Fixed Deposit vs Singapore Savings Bond (SSB) vs Savings Account

Click To Read →

Endowment vs Insurance Savings vs Bank Savings

Click To Read →

Best Alternatives to Savings Accounts in Singapore (2020)

Click To Read →

Insurance Savings Plans: Singlife Account vs GIGANTIQ vs SingTel Dash EasyEarn

Click To Read →

Best Endowment Plans in Singapore (2020)

Click To Read →

Regular Savings Plan (RSP): What They Are And The Best Ones To Invest In

Click To Read →

Robo Advisors Singapore: Complete 2020 Guide

Click To Read →

Investing In Exchange Traded Funds (ETFs): A Newbie's Guide To Getting Started

Click To Read →

Online Banking: Easy Tips To Prevent Cyber Attacks And Safeguard Your Money

Click To Read →