

# The young and the cashless

Overspending among Singapore's young adults is becoming rife with the rise of contactless payment methods

Cheryl Doo

When Ms REXANNE NG got her debit card in junior college, payments became convenient and hassle-free.

However, she soon found herself making unnecessary purchases and losing track of her spending.

"It became a problem when my savings kept falling and the money going out exceeded my allowance and pay from a part-time job as an event crew worker," says the 22-year-old geography student at the National University of Singapore (NUS).

Ms Ng is not alone. Overspending with cashless payments is becoming a growing concern in Singapore, especially as more young people hop on the cashless bandwagon. Contactless payment has also become more widespread in general during the pandemic.

Such payment methods include credit and debit cards, e-wallets, PayWave and PayNow.

DBS, Singapore's largest bank, has observed that the shift to cashless payments was most significant among customers aged 18 to 35, when comparing data from March to May this year with the same period last year.

Use of cashless payments among customers in that age group also shot up more than 60 per cent.

Associate professor of marketing Ang Swee Hoon at NUS Business School believes cashless payments are more likely to encourage overspending.

"By not seeing the cash being spent, consumers tend to underestimate their expenditure," she says. These underestimations make them feel "less pain on the pocket" when making purchases and may lead to overspending.

Assistant professor of finance Aurobindo Ghosh at the Singapore Management University (SMU) notes that cashless payment methods such as credit cards and e-wallets can be used to manage one's finances because of electronic tracking.

But this may also "embolden them to spend even more" as they become more confident about their ability to pay for expenses, Prof Ang says.

Last year, a first-year student pursuing a communications and psychology degree at SIM Global Education in Singapore – who wanted to be known only as V. Ho – started using cashless payment methods such as Nets and debit cards.

Ms Ho, 19, was initially prudent with her spending, tracking it with budgeting apps.

But by the second month, she had become sloppy. "It was such a hassle to keep track of every payment I made online or using the cards. I ended up just estimating and eventually overestimated my account balance," she says.

At the start of university, she spent excessively and often ended up with barely enough money for a week's worth of transport.

To get through the rest of the month, she would skip meals or not take the bus from the MRT station to her campus.

These days, she uses Google Sheets to record her expenses, but admits "overspending is still a hard habit to shake off".

Prof Ghosh, who is also programme director for the Citi-Foundation SMU Financial Literacy Program for Young Adults, feels it is perhaps not so much the payment method, but discipline and financial literacy that play a role in financial prudence.

However, he acknowledges that the proliferation of different cash-



Contactless payment methods in Singapore include credit and debit cards, e-wallets, PayWave and PayNow. PHOTO: ISTOCKPHOTO

less payment models might influence young people's spending habits and increase the risk of overspending.

One of them is the fast-growing Buy Now, Pay Later (BNPL) model, which allows users as young as 18 to defer payments or service interest-free instalments.

BNPL schemes, Prof Ghosh notes, "enable particularly cash-strapped younger adults to afford more things, but also get them into debt easily without check and balance".

Auto-renewable subscriptions, used by popular service providers such as Netflix and Spotify, also "create future cash outflows", he adds.

Online retail, which is ubiquitous, can also lead to overspending.

Mr Herbert Lian, an executive financial consultant with Inspire Advisory Group at IPP Financial Advisers, notes that e-commerce apps are designed for payment convenience. Think Amazon's one-click checkout service.

This "frictionless nature" of digital payments and discounts with expiring deadlines make online sales particularly dangerous for people who tend to overspend, he says.

Ms Ng is one of them. It does not help that sales events, fuelled by the pandemic growth in online shopping, are now popping up every month.

For instance, Ms Ng points out, the 6/6, 6/18 and 7/7 sales all took place last and this month.

"So every time there's a promotion, I buy. Eventually, I don't end up saving anything, but instead spend more unnecessarily," she says.

Overspending with cashless payments can have severe effects if it is not nipped in the bud.

Ms Lorna Tan, DBS' head of financial planning literacy, says the No. 1 reason people land in financial ruin is overspending – not bad investments or gambling.

"Those who overspend usually do not realise they are in trouble until they are weighed down by a mountain of debt," she adds.

Ms Tan Huey Min, general man-

ager of Credit Counselling Singapore (CCS), explains that debt accumulates when payments are linked to a credit line, like a credit card.

"If you can't make the payment in full by the due date, it attracts interest on the outstanding balance. If you continue to overspend, the outstanding balance grows," she says.

Debt can also adversely affect one's credit report, which then limits one's ability to borrow for expenses such as buying a house, she adds.

And it is not just the wallet that suffers. Debt, DBS' Ms Tan points out, can also cause stress, depression and other health issues.

A debtor, who wants to be known only as Mr Choo, is familiar with those emotions.

The 29-year-old, who is seeking help under CCS' Debt Management Programme, incurred a debt of \$90,000 mainly because of uncontrolled spending on online trading.

It started out last year as an extra stream of income for the engineer. But when he consistently profited from his trades, he became greedy and borrowed to fund his investments.

Trading on the go and paying online also made him less mindful of the amounts he was investing.

Then, the bubble burst and he lost everything last year. He was under so much stress that he found it difficult to sleep at night.

"I was working a lot, so I couldn't focus on finding solutions. The problems also affected my work performance," he says.

Now, he hopes that by cutting down on unnecessary expenses and with an additional part-time job as a pre-planning adviser for afterlife services, he will be able to pay off his debt more quickly.

Overspending with cashless payments may not only lead to debt, Mr Lian says, but also deprive one of finances that could have been used for investment.

"This is especially impactful for the young because their money has a potentially longer time to compound, leading to greater gains if they are disciplined about saving and investing," he adds.

Overspending can also impede one's ability to build a sound insurance plan or retirement nest egg, says Prof Ghosh.

"If people cannot insure themselves against bad outcomes like the pandemic, which has caused significant job losses, it is society and the government that have to bear health and livelihood costs," he adds.

## Financial planning tips

1

### Set a budget

Ms Lorna Tan, DBS Bank's head of financial planning literacy, says: "Knowing how your money is spent can help you trim your annual expenses by hundreds, if not thousands, of dollars. If you are not conscientious about your tracking, an expensive dinner or a branded bag can easily cause your monthly expenses to spike."

2

### Save for rainy days

Aim to save at least 10 per cent of your monthly income and keep savings and spending accounts separate, says Ms Tan. It is also advisable to build up an emergency fund equivalent to at least three to six months of your expenses.

3

### Avoid instalment plans

"If you are often low on cash, it is best to wait until you can pay for what you want upfront to avoid the risk of getting into debt," says Ms Tan.

4

### Think twice before buying

Mr Herbert Lian, an executive financial consultant with Inspire Advisory Group at IPP Financial Advisers, says: "Ask yourself if you really need the item. If not, close your app. As you know, sales will always come back."

5

### Optimise your credit card

Ms Tan says: "Choose credit cards

that best suit your lifestyle needs so you can enjoy better mileage for every dollar spent."

Consolidating spending on one or two cards allows for faster accumulation of points, she adds.

Pay credit balances on time and in full. Another tip to curb spending is to lower the credit card limit.

6

### Take debt-prevention measures

To better manage your finances, Ms Tan suggests reducing payment modes and setting calendar reminders to avoid late card payments and end online subscriptions before auto-renewals set in.

Those who need help for debt restructuring can consider Credit Counselling Singapore's Debt Management Programme or a debt-consolidation plan offered by banks.

## Manage your money with these apps

### 1. PLANNER BEE

This home-grown app is a one-stop shop for managing your finances.

Using bank-level security to protect personal data and working with a third-party aggregator, Salt Edge, it can be synced with your bank accounts, credit cards, insurance policies and investment accounts.

Budgets can be set by expense categories and the app will suggest corresponding daily spending limits.

Users also have access to personal finance articles and a finance glossary.

Price: Free

### 2. SEEDLY

Its local founders say the app, which has an uncluttered user interface, is designed for millennials.

It works with Salt Edge to provide syncing with bank accounts, though DBS Bank and Standard Chartered Bank are not supported.

Seedly's budgeting functions are similar to Planner Bee's and

provide clear visualisation reports of income and expenses.

Access Seedly's blog articles directly on the app and use the community feature to crowd-source solutions for technical or financial management issues.

Price: Free

### 3. SPENDEE

This budgeting app is filled with useful expense-tracking features.

Unlike Planner Bee and Seedly, it allows users to set recurring transactions and add new categories. You can also pair transaction records with photos of receipts for future reference.

Budgets can be set across expense categories and be recurring. The app will suggest corresponding daily spending limits.

All data is encrypted and stored on the Google Cloud platform.

To sync bank accounts and e-wallets, users have to pay for a premium account.

Price: Free for the basic version. Upgrade to Spendeer Plus for \$2.98 a month or Spendeer Premium for \$4.48 a month. All plans include a seven-day free trial.

### 4. MONNY

This user-friendly app with a minimalist user interface gamifies expense tracking and budgeting by introducing challenges and a rabbit mascot.

Users can manually record expenses and income, set recurring transactions and add new categories.

Budgets can be set according to a time frame, but not by category. Users can add savings goals.

The premium version is advertisement-free and provides unlimited analytical reports. But if you are looking for basic expense-tracking features, the free version will suffice.

Price: Free for the basic version. Upgrade to a premium plan at a one-time fee of \$4.49. Cheryl Doo

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A FIRST-YEAR UNIVERSITY STUDENT WHO WANTED TO BE KNOWN ONLY AS V. HO, on using cashless payment methods such as Nets and debit cards

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