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Headline: Commentary: Will our children still have a habit of saving, financial literacy in a cashless society?

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SINGAPORE: When I was in primary school, my mother liked to recount her own time at school, and how she needed only S$0.20 each day for her lunch, compared to my S$1.

With Prime Minister Lee Hsien Loong's National Day Rally highlighting the need for Singapore to go cashless as part of our Smart Nation initiative, I wonder if I will one day do the same to my children and reminisce how I once had to carry actual bank notes to school to pay for miscellaneous expenses.

FINANCIAL LITERACY VALUABLE IN CASHLESS SOCIETY

Going cashless, however, could have just as many pitfalls as perks, if one does not have the right instincts or knowledge to think through your finances.

Without feeling the pinch of handing over cold hard cash to the cashier, it may become easier for people of all ages to lose track of spending.

This is why financial literacy, or the art of managing one's wealth, will remain and become even more important in the future.

In youth, making thoughtful and informed financial decisions may seem inconsequential. For how much will splurging on that ice cream sundae really set you back?

But imagine doing that day in, day out, and getting used to spending as and when you want. Suddenly, the expenses can pile up and the items of your heart's desire become more expensive, especially if your taste for fine food and high fashion grows with age.

So starting young builds important habits and eventually, character. By the time one has reached adulthood and confronts the big decisions that matter, such as buying a home or building a retirement fund, practising good habits and having made well-considered decision over time can put you on a stronger footing, financially speaking.

Yet, financial literacy is not just about spending and saving, though these are an essential foundation.

It extends to more complex issues such as borrowing, investing and insurance.

EVERYONE HAS TO START SOMEWHERE

Akin to the ability to navigate computers and smart phones in our modern, digital society, financial literacy is a necessary life skill which should be instilled from young.

Unlike tech savviness, however, financial literacy is often not acquired naturally over the course of growing up. It is entirely possible for one to have never needed to consider budgeting, insurance or investment until he or she starts work or a family – when it is too late.

We must thus be proactive in educating ourselves financially, at the earliest age possible.

Parents must play an active part in scaffolding money lessons for their children. They must set up a child savings account for their kids to save money they may receive for birthdays and other celebrations – and inculcate the habit of saving from the very start.

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As a child gets older and receives allowances in primary school, parents must teach him or her the basics of saving and spending, the value of money, and how to budget for the knick-knacks he or she wants.

A lighter touch should be applied as a child matures, allowing him or her to take greater ownership of expenses in his or her teenage years.

The trick is not to instruct, but to guide – for you can fish for a man or you can teach him to fish.

Into adolescence and young adulthood, parents may wish to encourage their child to research and apply for insurance plans that they can afford with a steady income stream. This is likely to be after completing tertiary education, or earlier if one has a part-time job or two.

I recommend my peers to invest as soon as they have sufficient savings on top of emergency funds to cover three to six months of daily expenses. I personally started my insurance and investment plans during my National Service years.

HELP ALL AROUND YOU

Help at every stage of life is available, so long we are willing to look for it, or ask.

The POSB Smart Buddy Programme's digital watch is an example of a simple and targetted solution to let primary students practise how to save and spend within their means, and to track their expenses.

Schools are also increasingly conducting financial literacy workshops for their students, to create a conducive environment to learn about money management. The Citi-SMU Financial Literacy Programme for Young Adults is one example, offering programmes to students at the tertiary level.

But surely we cannot rely wholly on schools or the Government to educate us and our children on financial literacy.

Information sources such as money blogs are widely available, offering accessible advice on everything from the merits and demerits of various savings accounts and credit cards to common expenses parents-to-be should budget for.

EDUCATION IS AN INVESTMENT

There is a grave misconception that those coming from less well-to-do families need not be concerned about money management until they earn enough money.

In my opinion, it could be argued that children from these families need financial awareness more than their more privileged counterparts.

Learning how to avoid paying excess fees for financial products, how to get access to credit, and saving for their retirement may be even more important for them.

Investing some time into becoming financially aware will yield the best interest in the long run.

As the saying goes, look after the pennies, and the pounds will look after themselves.

In the end, we are responsible for our own financial literacy. The resources are already out there.

Parents, work with and build on what schools have started. If you do not consider yourself financially literate, then the time is now to take action.

I for one know that I will grow to become a naggy old man bragging to my kids about how I managed my S$1 allowance every day without a digital watch.

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