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Deferred gratification key to successful saving



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Having counselled many young people over a period of 25 years, I have come to realise that the main difference between those who are able to save and those who are not boils down to their understanding and practice of deferred gratification ("Got your first pay cheque? Start saving"; June 14).

Admittedly, it has become increasingly challenging to defer gratification, given the very pervasive and persuasive media we are bombarded with daily.

In the famous "marshmallow" experiment which started in the late 1960s at Stanford University, it was found that young children who were able to exercise "deferred gratification" tended to have better life outcomes years later, including better educational attainment, less substance abuse and even better social skills.

In separate studies at the University of Rochester, researchers found that while self-control does play a role in decision-making (immediate or deferred gratification), young children's actions are also based on rational decisions about their environment, in other words, their belief in the stability of the world around them.

Interestingly, studies even suggest that children with absent fathers prefer "more immediate rewards over larger but delayed ones".

These studies tend to suggest that what happens in the home can affect a person's attitude towards money, and ultimately his potential for success in life.

In our voluntary community work in providing financial literacy to students from low-income families, we have found that we became successful in getting a good percentage of them to start saving when we started addressing social challenges they faced at home and also the economic benefits they could reap.

Encouraging a nation of savers can have tremendous benefits.

A multi-pronged approach, including practical financial education (even in early childhood), responsible advertising and marketing and even socio-psychological factors need to be considered.

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