Baby Bonus banks battle to woo parents

Stanchart, OCBC may roll out more enticements

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TWO banks are neck-and-neck in what could be the start of a “rates war” to snag a larger market share of the baby bonus pie — just over two months before they officially get to manage these accounts.

OCBC and Standard Chartered Bank (Stanchart) have more than doubled the interest rates they had offered one month ago on the baby bonus children development accounts (CDAs).

In addition, they are offering other enticements to parents — such as, in Stanchart’s case, a $50 daily cash benefit if the child were hospitalised with hand, foot and mouth disease.

And the goodies may not stop here — both banks have indicated they could roll out even more.

“In the end, the children will be the winner,” said Stanchart’s head of consumer banking, Mr Ajay Kanwal Kanwal.

But will the more attractive rates and perks succeed in raising the overall take-up rate among parents, which under current managing agent DBS has hit 90 per cent?

And how far will these, tagged on to the baby bonus, go in lightening the child-caring load, with prices of most things from milk powder to school fees spiralling?

Shortly after it was announced the two banks had won the tender to manage the CDAs from this August until October 2013, OCBC offered an interest rate of 0.8 per cent and Stanchart 0.78 per cent. This was already triple the 0.25 per cent DBS is paying out.

Now, TODAY has learnt, OCBC is upping its rate to 2.05 per cent and Stanchart to 2 per cent.

In response to queries, the Ministry of Community Development, Youth and Sports (MCYS) told TODAY it was “happy” the banks have introduced “new and better products and services” that will “give parents more choice with higher returns on CDA savings and better service”.

Under the baby bonus scheme, the first child gets a cash gift of $3,000 from the Government, while the second to the fourth child will receive both a cash gift and a co-savings matching contribution in the CDA. Parents have up to 6 years from the child’s birth to open the CDA.

The MCYS is now sending out letters to some 100,000 account-holders, asking them to indicate, by June 30, their choice of OCBC or Stanchart as the managing agent for their children’s CDAs. So, one can expect the banks to look for even more ways to lure parents in, in the weeks ahead.

Parents TODAY spoke to suggest banks can offer hospitalisation insurance and incentives that help plan for education.

PR consultant Genevieve Kuek, 36, who has two children aged 4 years and 17 months, said: “Parents think about providing for their kids for the long term, so it would be good if banks can provide more than just savings plans.”

She pointed out that the extra interest offered “can’t even pay for milk powder — the basic cost of living has gone up by so much”.

While she has already decided on OCBC for the “convenience” factor — it has a wider network and more physical locations, she points out — she added that on the whole, “it will depend how the banks package it. It helps if they think of the kids as long-term customers and establish a banking relationship with them from young”.

Indeed this makes business sense for the banks, said Singapore Management University Associate Professor Annie Koh, who calls it the “stickiness” factor.

“Children who grow up saving with a bank would more likely stick to the bank, especially if they can recall good memories of perhaps, ‘saving animals’,” said Prof Koh, who cited POSB’s Squirrel Savers scheme as an example.

With pro-parenthood schemes implemented since 2004, Singapore’s fertility rate has climbed marginally from 1.25 in 2005, to 1.29 last year — still below the 2.1 replacement rate. — ADDITIONAL REPORTING BY NEO CHAI CHIN