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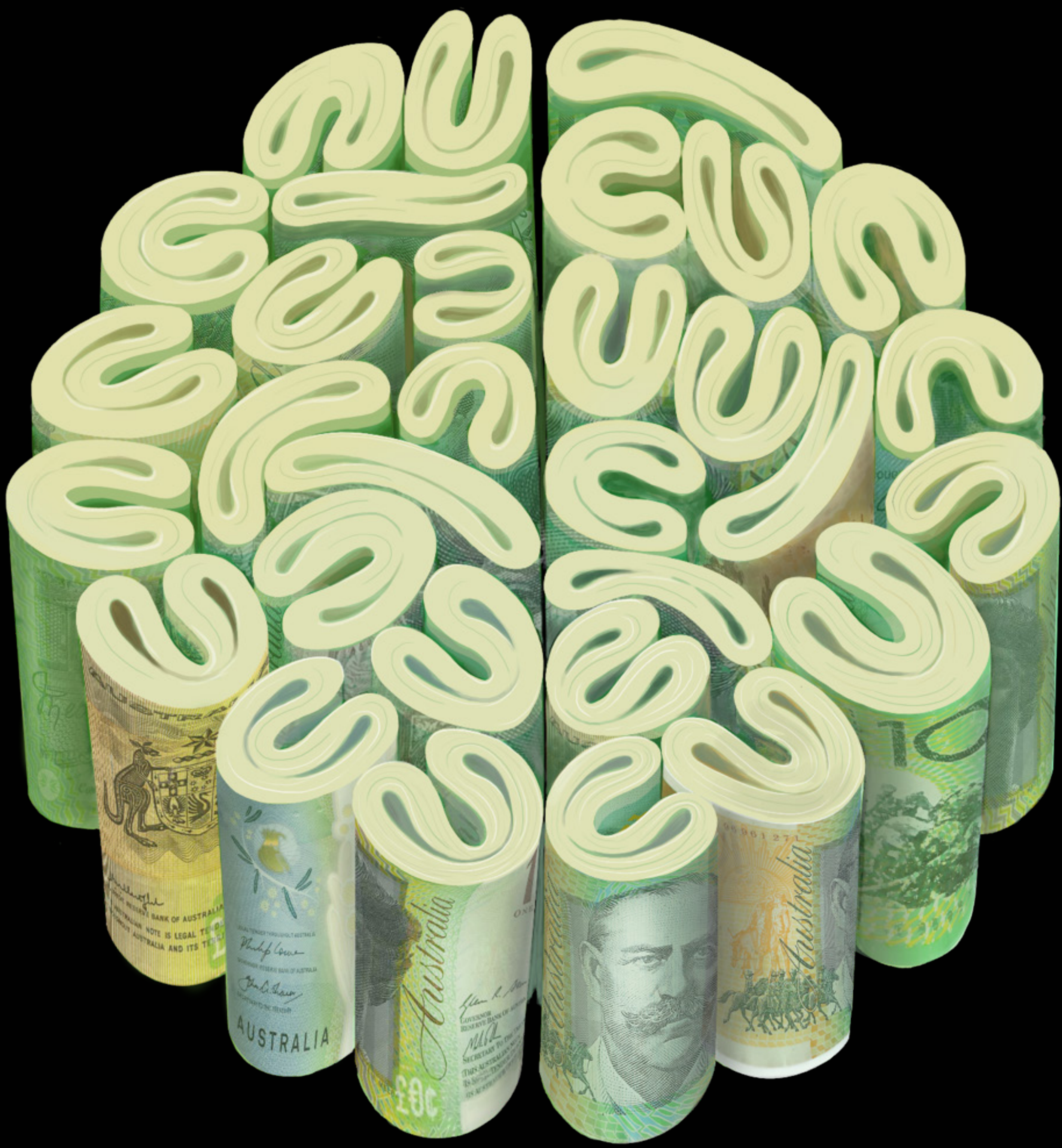

# Dollars and sense

Compare the Market's Financial Consciousness Index

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# Foreword

For years, Compare the Market has noticed a common behaviour pattern among many of its customers that suggests despite a general understanding that they could better their financial situation by taking action, there is a wide-ranging hesitancy to make any sort of change. Why is it that educated consumers who know they're not getting the best deal on many of their household products are so unwilling to take action to improve their household finances? What wider social and economic factors contribute to this apathy or decision-making paralysis?

We know it's far more complicated than a simple lack of understanding. We speak with our customers every day and their financial literacy is clear to see. So, if financial understanding is not enough to ensure self-improvement, then what is it that holds them back?

In an effort to better understand our customers, we engaged Deloitte Access Economics to help us investigate what drives a person's financial behaviour and choices (or lack of).

This report goes far beyond measuring financial literacy alone. The Australian Securities and Investments Commission, as well as a number of other high-profile institutions, do a fantastic job of keeping a check on Australians' general financial understanding. However, we wanted to take this existing analysis, one, two, even three steps further to understand what it means to be financially conscious. This encapsulates the belief that you have the power to alter your future financial outcomes, as well as the capability, the willingness and ultimately the sophistication to make necessary changes to improve your financial wellbeing.

It's easy to make assumptions as to what does and doesn't contribute to someone's financial consciousness, but as with most assumptions, they don't always stack up. That is why we felt it so important to investigate why people who share very similar characteristics - age, location, education, income - can have such varied attitudes and behaviours to managing their financial outcomes.

This report's findings demonstrate that Australians mostly believe that they have control over their own financial destiny, but that there are many 'forces' around them that create uncertainty when it comes to taking action. It is this uncertainty that chips away at people's confidence and influences how, or if, they make a decision at all.

We hope this report captures the attention of a range of stakeholders, including consumers, businesses, and public policy makers. Undoubtedly it demonstrates a need for greater education, empowerment and understanding to enable Australians to take tighter control of their everyday finances.

This report is the first line in the sand, and we're proud to commit to tracking Australia's financial consciousness going forward.

**Rod Attrill**
General Manager – Banking
Compare the Market

# Executive summary

## Put your money where your mind is

Think about your financial position. How do you feel about it? *Good? Bad*? Maybe you are even impartial. If you had to accurately tell someone the balance of your superannuation without looking it up, could you do it?

A lot of us couldn't. Not because we are financially illiterate or don't care, we are simply busy and prioritise knowing other information–what is going on at work, what is happening in the lives of our family and friends, our health and our education. But why is this the case?

It is a good question that deserves an answer–and Compare the Market engaged Deloitte Access Economics to help answer it by developing a Financial Consciousness Index (FCI) to be measured overtime and track how Australia fares.

The **Financial Consciousness Index** measures the extent to which a person is not just financially literate, but whether they are conscious of their ability to affect their own financial outcomes, all the way to their willingness to act, and the extent to which they are able to participate in sophisticated financial matters.

Information on financial consciousness isn't just a 'nice to know', it helps form a necessary understanding for decision makers and can help tackle much broader public policy problems.

But while financial consciousness is a well-rounded measure and indicator of an individual's financial understanding and behaviour–in and of itself, it does not measure a person's financial wellbeing or the confidence a person has in making financial decisions. That is why the relationship between financial consciousness, financial wellbeing and confidence is also explored in this report.

**So what do we know? The average Australians score 51.2 out of 100,** putting them right in the middle of the Index. Breaking it down across the Index itself, **27% of Australians meet the threshold of basic financial consciousness** (FCI score between 45-55). And only 9% of Australians are enlightened enough to be at the peak of financial consciousness (FCI score over 70).

**But what really determines an FCI score?** Age matters; when your income is up so is your FCI score; we see yet another gender gap with men averaging higher scores to women; higher education plays a role; and those with a mortgage are more financially conscious. These are some facts you might expect.

**What didn't we see coming?** Less than half (40%) of Australians meet the basic threshold for financial literacy and capability. It also turns out 41% of Australians with a mortgage don't check interest rate changes because they either have no interest, don't know what the RBA cash rate is, or do not see the relevance to them. And of those with a mortgage, 68% of Australians said they have not stress tested their home loan.

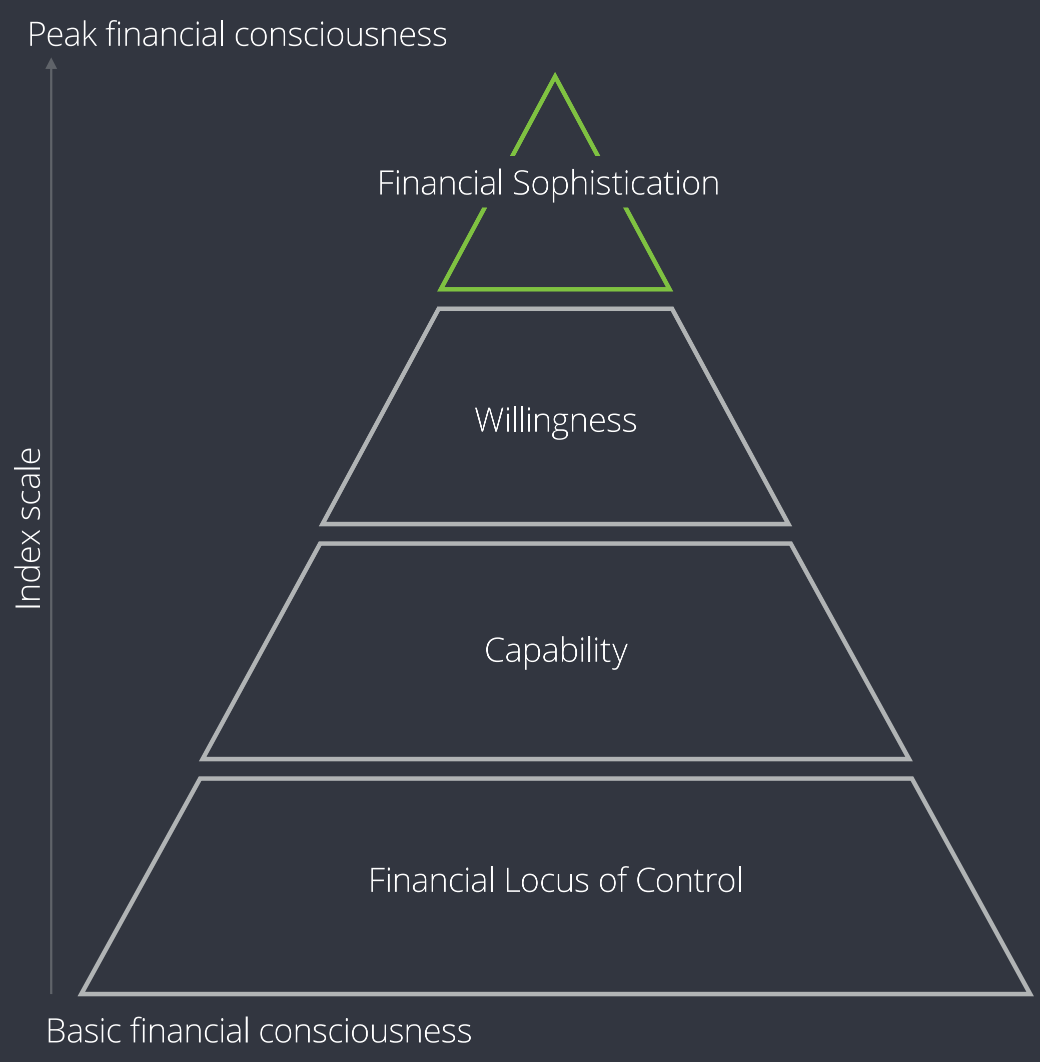
Trust also takes a hit... As the old saying goes, trust takes years to build and seconds to destroy–or in this case, a Royal Commission. 45% of Australians do not trust insurance companies or retail banks, a significantly higher figure compared to other financial institutions.

In good news, Australians mostly believe they have the control; it's their choices, decisions and knowledge that influences their financial outcomes. A case of dollars and sense.

# Australians score

**on the Financial Consciousness Index**

**51**
**100**




**Degree of financial sophistication** 12 / 40

**Degree of financial capability** 14 / 20

**Degree of financial willingness** 15 / 25

**Locus of control** 10 / 15

# So what do the scores mean?

| 12% | 21% | 27% | 31% | 9% |
|---|---|---|---|---|
| Don't know what they don't know – >35 | It's a blur – 35-45 | Conscious – 45-55 | Rising up the ranks – 55-70 | Enlightened – <70 |

# And who sits in each group?

## Don't know

**42%** rely on government benefits as main income source

**62%** lived in regional Australia

**71%** earned $40,000 p.a or less

## It's a blur

**28%** are single

**32%** are 34 or younger

**57%** are female

## Rising up the ranks

**53%** have higher education

**70%** were in a couple

**75%** do not get more than half their income from government benefits

## Consciousness

**35%** owned their home outright

**40%** have higher education

**41%** are full-time workers

## Enlightened

**57%** own a home with a mortgage

**67%** are full-time workers

**79%** live in a capital city

# 1 Why 'financial consciousness'?

## 1.1 Introduction

Think about your financial position. How do you *feel* about it? *Good? Bad?* Maybe you are even impartial.

If you had to accurately tell someone the balance of your superannuation without looking it up, could you do it?

A lot of us couldn't. Not because we are financially illiterate or don't care about it, we are simply busy and prioritise knowing other information – what is going on at work, what is happening in the lives of our family and friends, our health and our education.

But why is this the case? To what degree are Australians conscious of their financial position and decisions?

It is a good question that deserves an answer–and Compare the Market engaged Deloitte Access Economics to help answer it by developing a Financial Consciousness Index to be measured overtime and track how Australia fares.

The Financial Consciousness Index measures the extent to which a person is not just financially literate, but whether they are conscious of their ability to affect their own financial outcomes, all the way to their willingness to act, and the extent to which they are able to participate in sophisticated financial matters.

## 1.2 Why financial consciousness?

Financial consciousness, and the way in which Compare the Market and Deloitte Access Economics have sought to define it, is a fairly distinctive concept; it moves beyond the traditional understanding of financial literacy, it does not reflect what might come to mind when you think of someone as being 'financially conscious', and it deliberately considers the uniqueness of individual Australians and their circumstances.

The Australian government defines financial literacy as:

*'A combination of financial knowledge, skills, attitudes and behaviours necessary to make sound financial decisions, based on personal circumstances, to improve financial well-being[1].'*

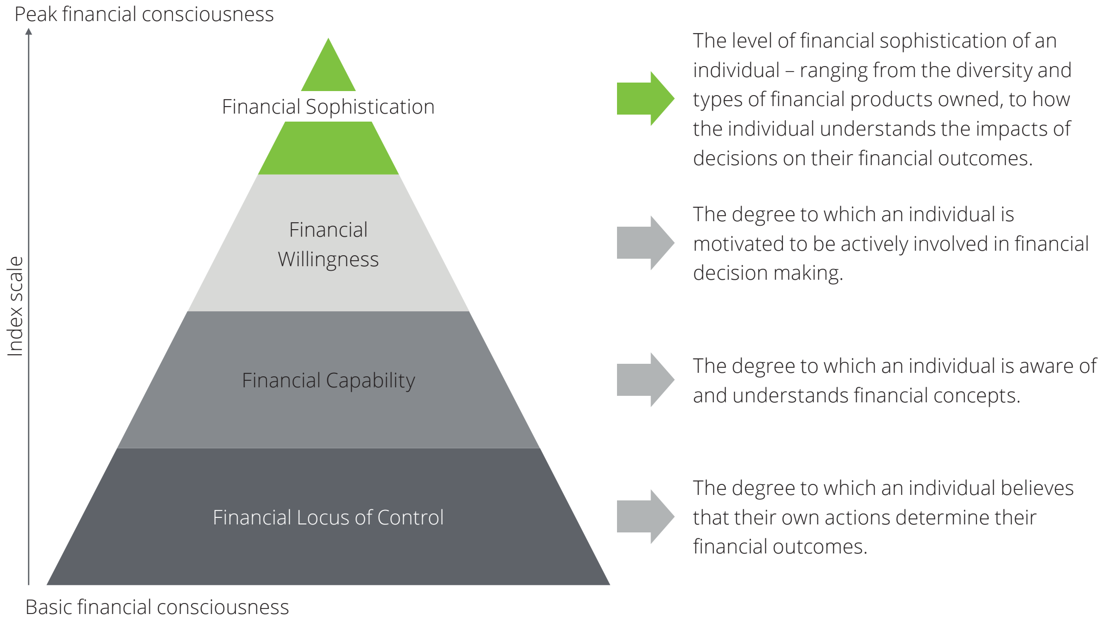
In today's increasingly complex and evolving economic structures, there is difficultly in determining what elements of a person's financial decision making and financial outcomes are a result of their financially literacy.

By standard measures of financial literacy, someone could be deemed financially illiterate for reasons out of their control – someone living on a low income may not be able to change their financial circumstances even though they are financially literate. In isolation, the traditional definition of financial literacy can fail to account for complex financial environments and offerings, or the role of significant life events on an individual.

This is not to say financial literacy is not a useful measure, but come 2018 there is a need for a broader measure and understanding of how Australians are conscious of their financial understanding, position and outcomes.

1 Australian Securities and Investments Commission 2017a

Figure 1.1 Financial consciousness building blocks




Source: Deloitte Access Economics

To cater for the nuance of a modern world, financial consciousness is comprised of a number of 'building blocks' – building on the degree a person believes that they have control over their financial outcomes to include their financial capability, financial willingness, and ultimately their financial sophistication (Figure 1.1).

By measuring not only how a person views their degree of control over their financial outcomes, their literacy, proactivity in making financial decisions, and their overall financial sophistication in both the short- and long-term – a more complete picture of Australian financial understanding is captured, which can be measured to reflect both current and long-term events in the broader economy and society.

Information on financial consciousness isn't just a 'nice to know', it helps form a necessary understanding for decision makers and can help tackle much broader public policy problems.

But while financial consciousness is a well-rounded measure and indicator of an individual's financial understanding and behaviour – in and of itself, it does not measure a person's financial wellbeing or the confidence a person has in making financial decisions. That is why the nature of the relationship between financial consciousness, financial wellbeing and confidence is also explored in this report.

Figure 1.2 The Banking Royal Commission, the nurse and the public policy dilemma

The Banking Royal Commission, the nurse and the public policy dilemma... What sounds like the start to a bad joke, is increasingly a tale with forewarnings for public policy decision makers across Australia.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ('the Banking Royal Commission') was established on 14 December 2017. It has heard testimony from individuals and businesses from all walks of life.

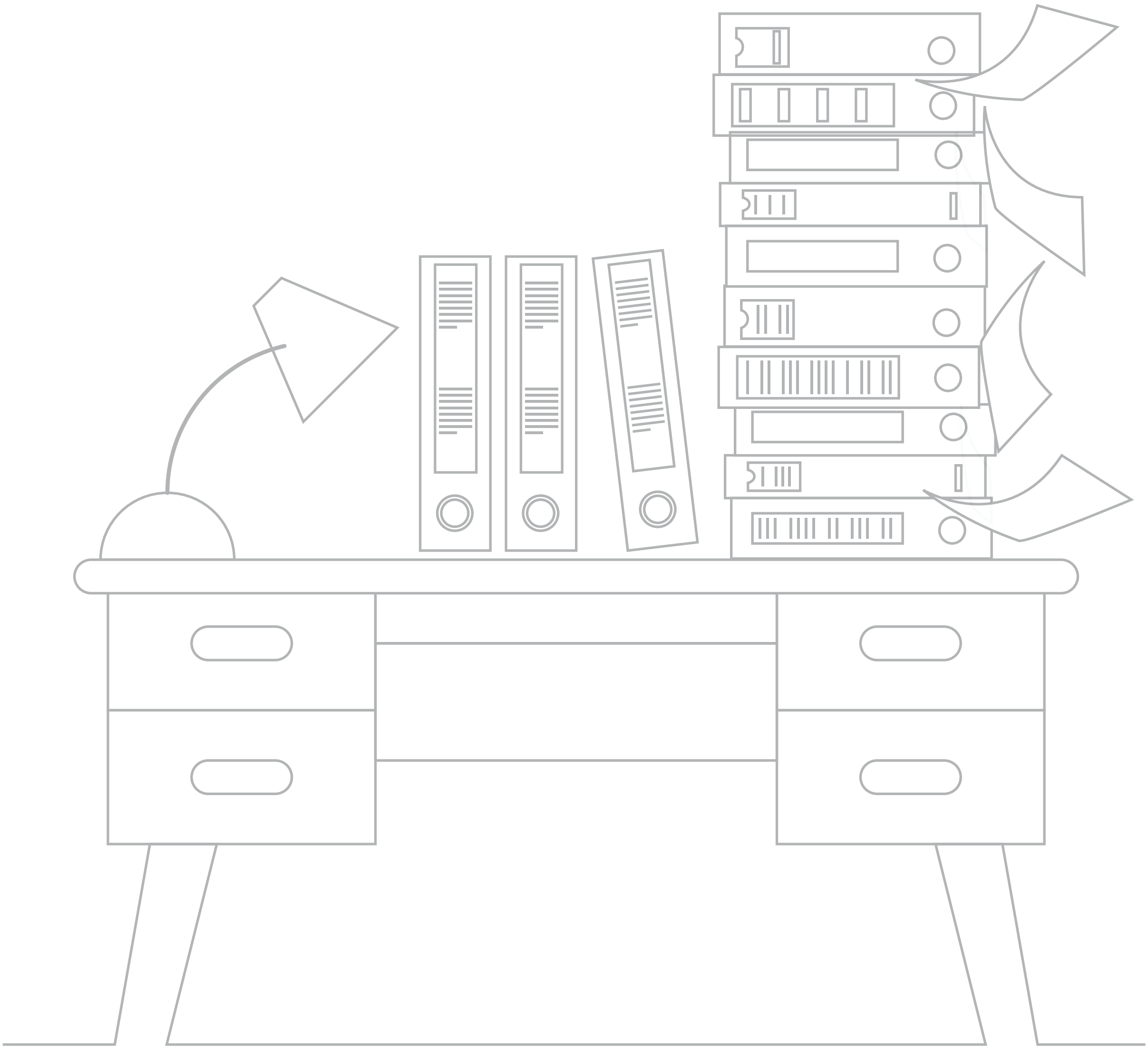
The Commission heard from Jacqueline McDowall, who planned to purchase and run a bed and breakfast with her husband, so that the nurse of 30 years could retire. With a little over $200,000 in superannuation in two industry funds, a home with a mortgage on it, two car loans and some other personal debts, they went to a financial planner, who said it was feasible to do this through a self-managed super fund. The business banker said they could borrow to fund the property purchase. On this advice, the McDowalls sold their family home and began renting, to be later advised they could not use superannuation funds to invest in an owner-occupied property. The McDowalls are still renting and working to repurchase a home to live in retirement.

It is stories like this that highlight how asymmetries of information can let people down. And this is not the first time the world has seen this dilemma.

Research prior to the global financial crisis showed that many Americans taking out home loans either did not read or did not understand their loan documents–meaning in many cases, they did not realise that they were authorising 'teaser loans' where interest rates start out low but increase after a few years. This lack of financial understanding, combined with predatory lending, caused the subprime loan crisis, the precursor to the full blown financial crisis.

Low financial understanding increases risks. It can also be a barrier to achieving a productive economy–good economic outcomes require borrowers to both have good information and understand it. In the absence of this, there is a market failure asking for a policy solution.

Source: ABC News 2018; Sydney Morning Herald 2018; Ross Guest 2017



### 1.3 Report structure

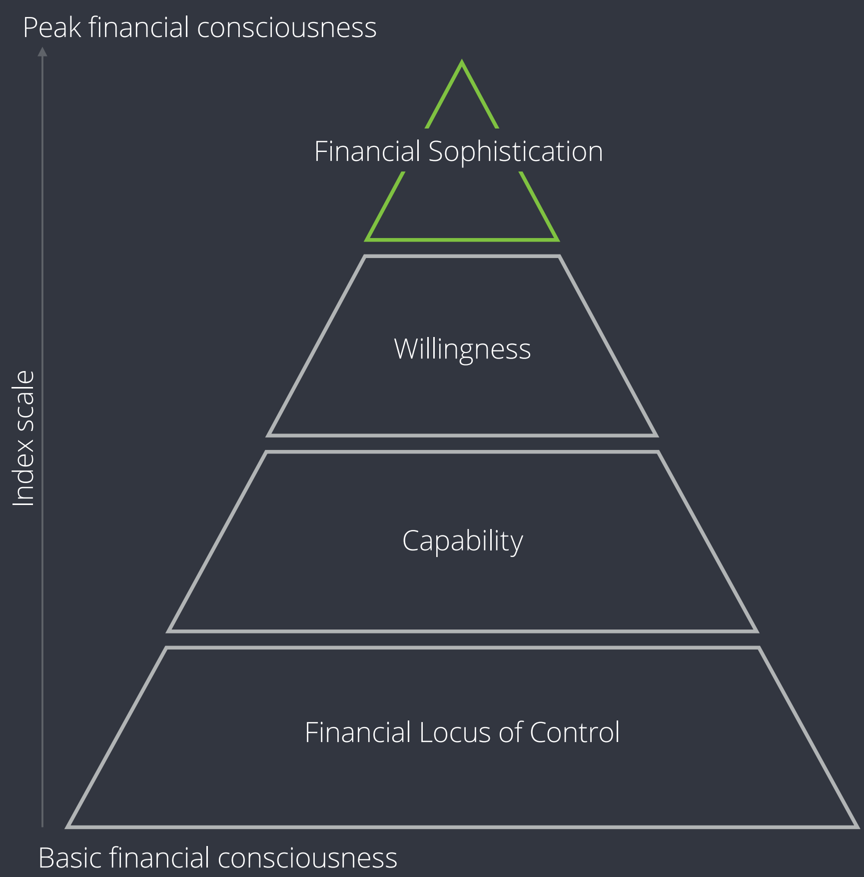
To understand financial consciousness, the report is structured as follows:

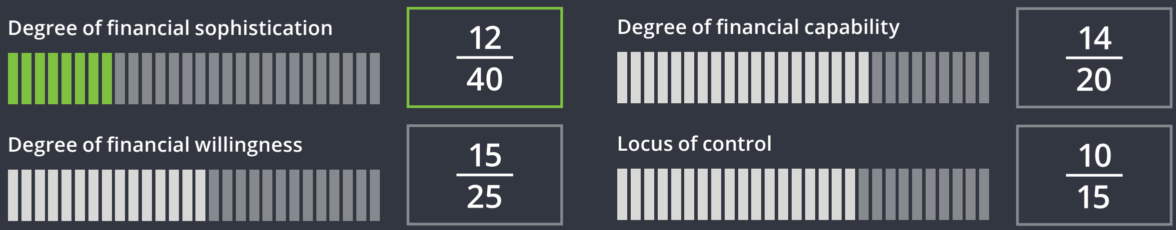
- **Chapter 2**: presents the results of the Financial Consciousness Index, revealing some results you might expect, as well as insights that might surprise you. What is the story of the typical Australian at each end of the scale?
- **Chapter 3**: explores the relationship between a person's financial consciousness and their financial wellbeing. Is an Australian more likely to be financially well-off if they have a higher financial consciousness? What makes them special?
- **Chapter 4**: takes it a step further, looking at the relationship between financial consciousness and confidence. If you are conscious, are you more confident? Does it come from their own ability or their confidence in the economic conditions around them?

# Australians score

**51/100**

## on average on the Financial Consciousness Index




Turns out Australians are bang in the middle of the Index. They have a fairly high locus of control, believing their own actions mostly determine their financial outcomes. They are also reasonably capable when it comes to basic financial literacy. They are also pretty motivated and proactive with their finances. But when it comes to being financially sophisticated, the average Australian falls short.

# Meet Amy

## Don’t know what you don’t know

**33/100**

She is a 21 year-old who lives at home with her parents in regional Australia. She doesn’t work except for the occasional odd job, but is actively looking for full-time work. She relies on the Youth Allowance to support herself. She’s not too sure how to really improve her financial outcomes, even if she wanted to. She has a basic understanding of financial concepts from school, but doesn’t know how to apply it in the real world. Her Mum likes to tell her ‘you don’t even know, what you don’t know’.

# Meet Lee

## Savvy and enlightened

**85/100**

Lee is a middle-aged male living in a capital city who earns over $190k annually from his full-time job. He has a university degree and is lucky enough to own the home he lives in with a mortgage. He is married and his 20-something year old children are still at home as they complete their education. He is on top of his finances and the financial outcomes of his family. He actively watches for interest rate changes and makes sure he gets the best deal on all of his financial products. If you asked Chris what the balance of his superannuation was, he could tell you – he has an app for that. His family would call him financially savvy, if not a little too savvy for their tastes… If his kids have to hear another lecture on the importance of their private health insurance and superfund, they might actually move out.

# 2 Financial Consciousness Index

### 2.1 About the Index

The Financial Consciousness Index ('the Index' or FCI) tells us where Australians sit across the spectrum of elements that make up an overall individual's score. Financial consciousness is comprised of four building blocks: locus of **control, capability, willingness** and **sophistication**. Each building block is designed to measure a different element that is proven to relate to an individual's financial outcomes and behaviour (see Appendix A for method). Importantly, the measures are a mix of how people *feel* and how people *actually act*. For instance, some elements measure how people *feel* about the degree of control they have over their financial fate, while others measure how they *perform* on questions relating to their financial literacy.

Using these building blocks, a robust definition of financial consciousness is formed and the ability to build a profile of what financial consciousness looks like is provided–across Australia's geography and demographic characteristics. Appendix A provides more detail on the technical methodology underpinning the Index, as well as the approach to calculation. The Index is calculated, and results are weighted for **a score out of 100.**

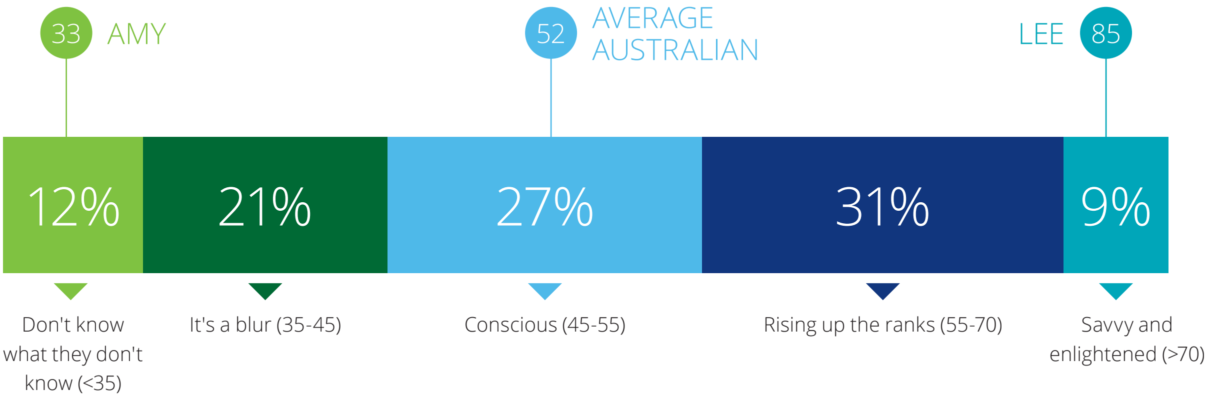
To measure the Index, a survey was fielded to 3,000 individuals that paint the picture of Australia–across the State and Territories, age, gender, income and employment status. The research approach was designed to elicit truthful answers from the respondent's own financial experiences and their understanding of various financial topics. The full list of survey questions and results are presented in Appendix B.

### 2.2 Where do Aussies sit?

On average Australians score 51.2 out of 100, putting them right in the middle of the Index. At this point on the scale of financial consciousness, they would be considered conscious. The Index can be broken down into five groupings, each with a different score range and degree of financial consciousness associated with it:

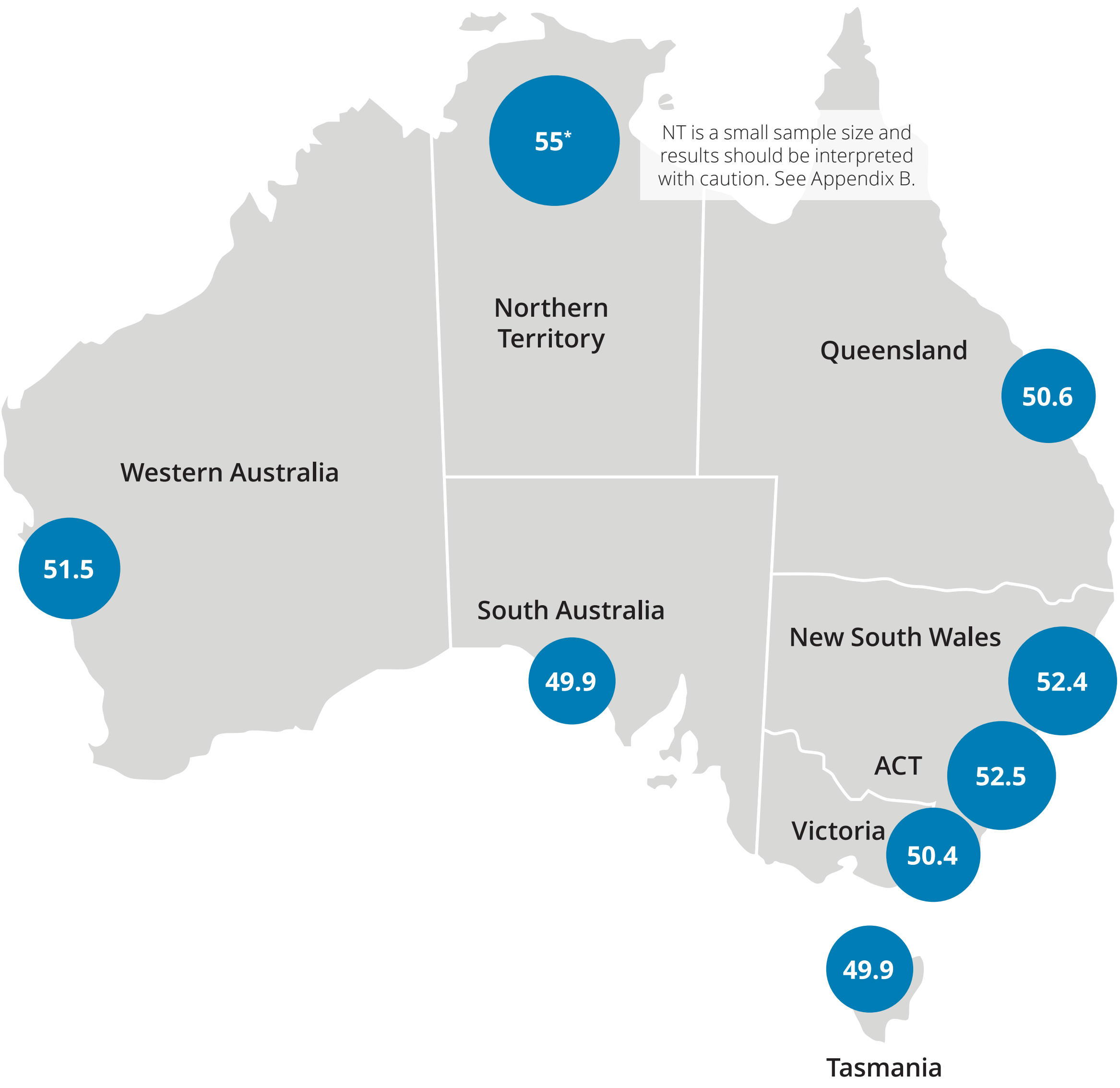
1. **Don't know what they don't know—score less than 35**
2. **It's a blur—score between 35-45**
3. **Conscious—score between 45-55**
4. **Rising up the ranks—score between 55-70**
5. **Enlightened—score over 70**

Chart 2.1 Where Australians sit across the Index



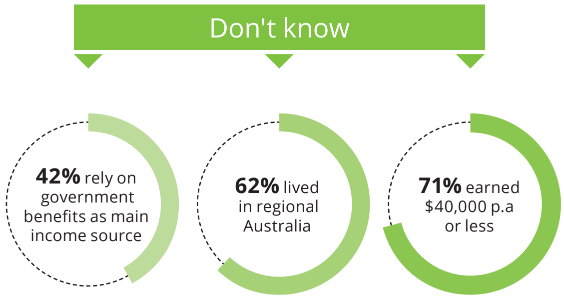

Source: Deloitte Access Economics

Figure 2.1 State of origin

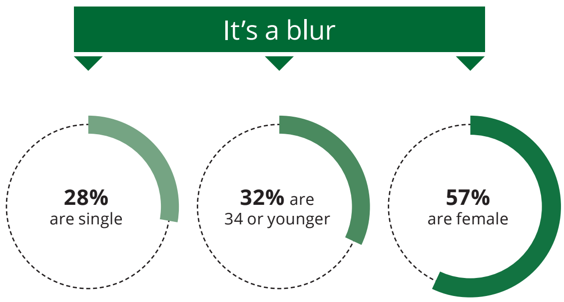



Note: Bubbles indicate FCI score by State and Territory. Source: Deloitte Access Economics

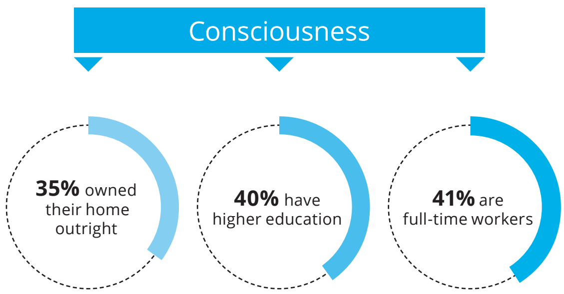
Those at the lower end of the scale (<35), simply **don't know what they don't know** about financial matters and behaviours that would improve their financial outcomes. They typically have a basic understanding of financial literacy concepts, but may find it difficult to apply this understanding to their financial decisions and planning. Importantly, people in this grouping are not proactive about improving their financial outcomes and understanding – this really sets them back. 12% of Australians find themselves not knowing what they don't know.



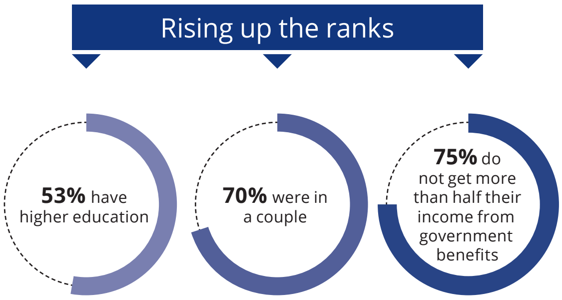

For those in the next grouping (35-45), financial understanding and how they can improve their financial position is still a **bit of a blur** – but they know this. These Australians know they might be missing out on improving their position or understanding but are not too sure how to step up. 21% of Australians find it a bit blurry.



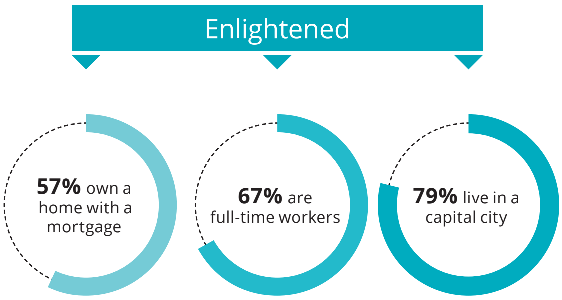

27% of Australians meet the threshold of basic **financial consciousness** (45-55). They have decent financial capability and are willing to improve their financial position when it comes to key matters that impact their hip pocket. Importantly, they know that they play a key role in determining their financial outcomes – it isn't just up to others.

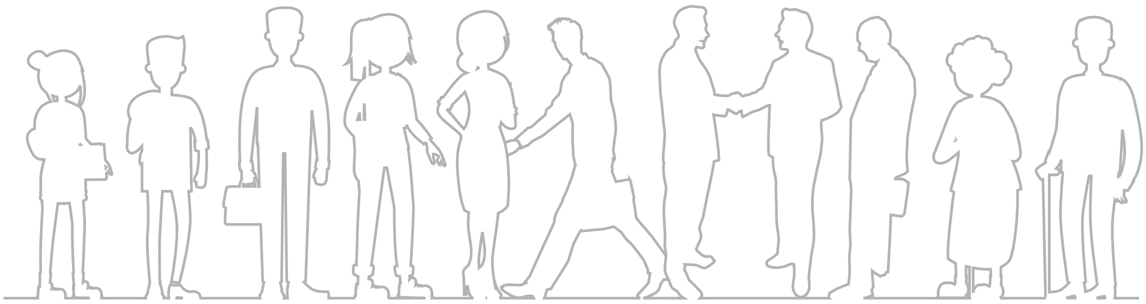


The largest cohort, 31% of Australians, are **rising up the ranks** of financial consciousness (55-70). These Australians score well on financial capability and willingness. They are more likely to make financial goals and plans – and stick to them. More than their ability and proactivity when it comes to financial matters, they have a capacity to acquire financial knowledge and reflect on what influences their financial decision making. As they rise up the ranks, they are applying their knowledge to financial problems they might face, such as sudden unemployment or expenses.




9% of Australians are **enlightened** enough to be at the peak of financial consciousness (>70). These Australians score highly on their control over financial outcomes, capability, willingness and sophistication. They actively follow broader economic policy decisions, such as interest rate changes, because they know how it can impact their mortgage and investments. They know the importance of having superannuation, a diversified portfolio of investments and they make financial plans for the long-term. These Australians are more likely to research new financial technologies before deciding to adopt them – they are informed, proactive and savvy with their finances.





## 2.3 What you might guess

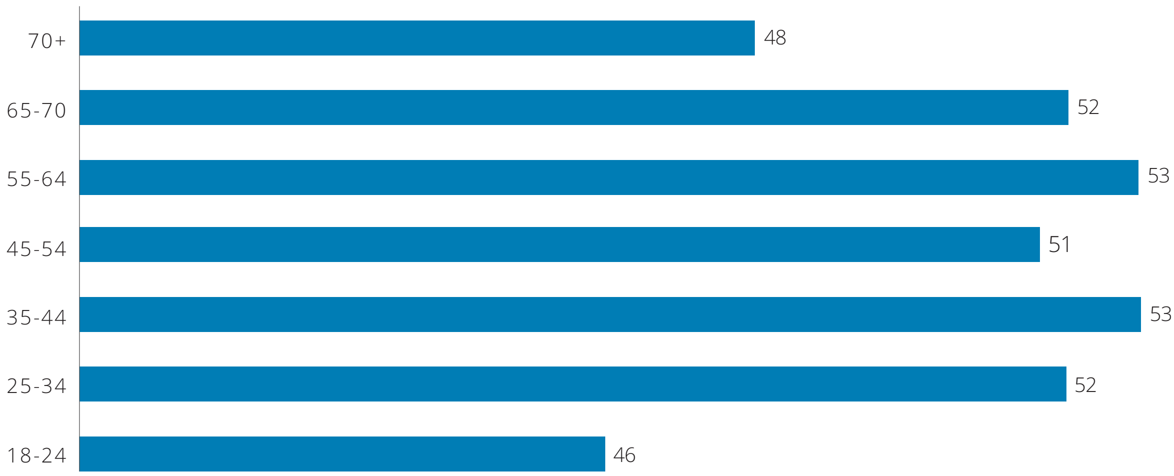
In many ways, the Index confirms some truths we would all suspect about how demographic characteristics might impact an individual's understanding and behaviour when it comes to financial matters.

### Age Matters

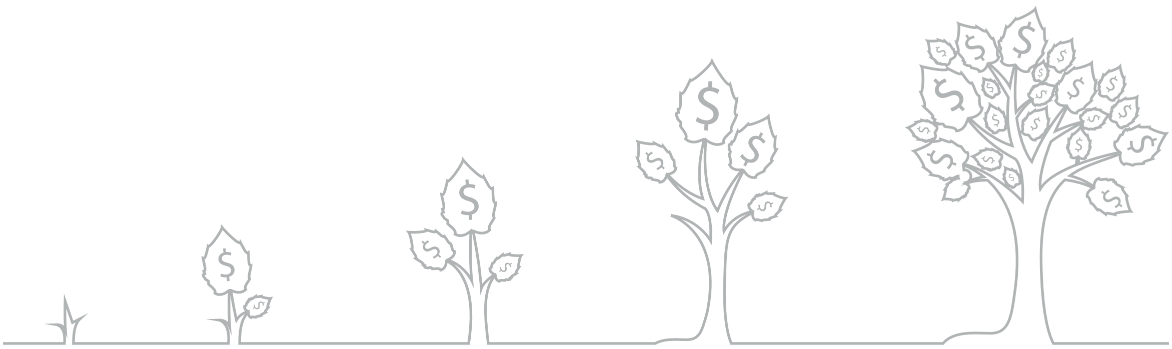
Whether you are young or old, you are typically less financially conscious than those who are middle-aged. **It is Australia's older millennial cohort, Gen X and Boomers who are typically more financially conscious.**

As you get older it seems that you have more understanding and are more confident that you're getting the best deal with key financial products, especially when it comes to health insurance. **70% of Australians over 55 believe they are getting the best health insurance deal** on average, while **40% of Australians between 18-34 are not even sure because they have never checked** - they don't know what they don't know.

Chart 2.2 The Upside Down U



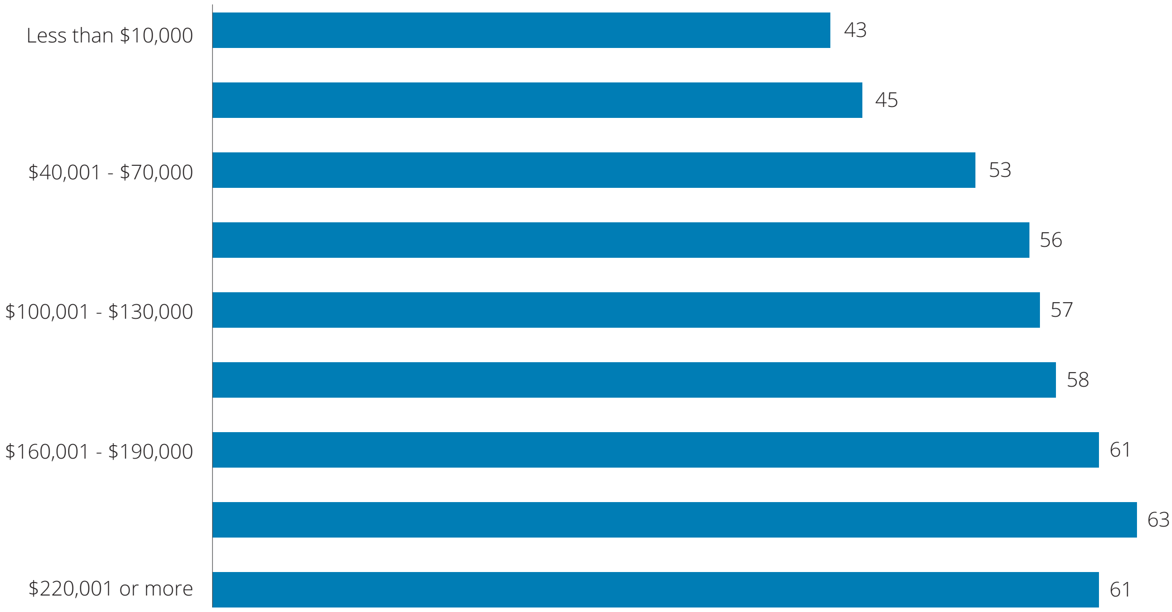

Source: Deloitte Access Economics



**Income Up, Consciousness Up**
The average Australian on an income of less than $100,000 a year has an FCI score of 43, compared to someone earning over $190,000 a year with an FCI score of 63

Typically, wealth is correlated with consciousness, but research has also shown that **people living on low incomes are some of the 'best budgeters'** because it is a practical necessity. This goes part of the way to explaining why those on a lower income, on average, meet the threshold of basic financial consciousness. In fact, **43% of those earning less than $40,000 a year have a weekly budget** – with 42% of them trying their best to stick to it.

Chart 2.3 More Conscious Income

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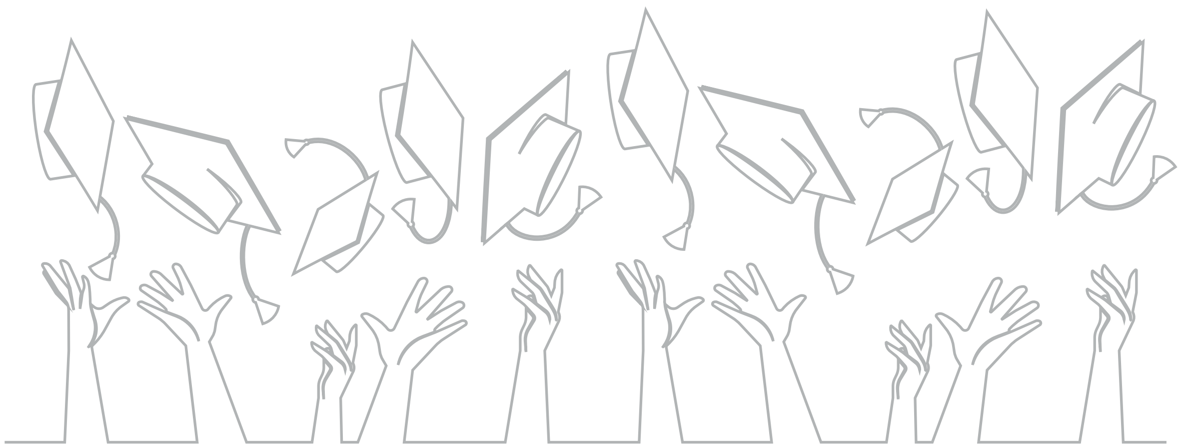


## Another Gender Gap

With FCI scores, the gender gap rears its head. On average Australian women score 49, while men score 53 – although not far apart, these differing scores reflect a range of inherent social and economic factors which mean women have different financial prospects and sense of control compared to men. Women are less likely to work full-time, have less superannuation and are more likely to be underemployed[2] – all contributing factors to a lower financial consciousness. This is consistent with Australia's full-time gender pay gap at 15.3%, with women on average earning $253.70 less per week[3].

## Higher Education, Literally

For the Australians with a higher level of education, their FCI score shows it. The average score of those who have completed only primary school is 38, compared to 57 for those with postgraduate degrees.

While this makes intuitive sense, it might be surprising to see that those with higher education do not reach the peak of financial consciousness – in fact, on average they are not even close.

This hints that **while having a higher level of education and/or training means you are more likely to have a higher FCI score, other factors might be more important, such as whether or not you have a mortgage.**

Chart 2.4 Higher Education


Source: Deloitte Access Economics

2 4125.0 - Gender Indicators, Australia, Sep 2017

3 Australian Workplace Gender Equality Agency statistics as at February 2018.

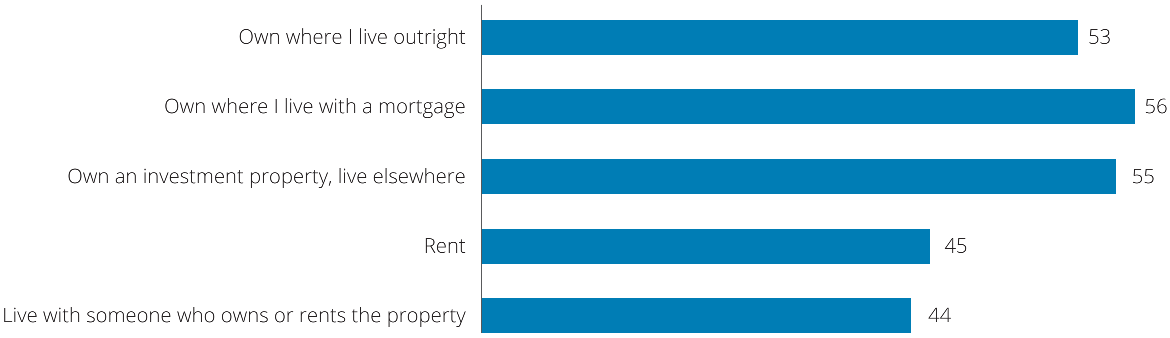
**Home Sweet Home**
For those Australians with a mortgage, this won't come as a shock. If you experience the joys of home ownership and mortgages, it is not surprising that our survey found that you are also more financially conscious, with an average FCI score of 56 – compared to those who don't have a mortgage or rent with an average score of 44.

The boost to financial consciousness that seems to come with home ownership typically stems from your understanding of interest rates, and how rates impact your financial position.

Of those **with a mortgage, 59% check for interest rate changes either all the time, or some of the time. This is a good sign.**

But for those who have a mortgage and don't check for changes, the news isn't so good. **41% of Australians with a mortgage don't check interest rate changes because they either have no interest, don't know what the RBA cash rate is, or do not see the relevance to them.**

Chart 2.5 Mortgage Pain, FCI Gain




Source: Deloitte Access Economics

These high-level findings from the Index align closely with the findings from research and studies conducted on topics like financial literacy and financial behaviour – showing that age, income, education level, gender, even where you live all influence your financial outcomes.

So in some ways these particular findings are not new. But it is important to note that financial consciousness is a much broader measure compared to what traditional research considers, taking in more wide-ranging concepts and issues.

Can you have financial literacy but not be willing to act to improve your financial position?

Do you think that no matter what you do, your financial position is out of your control?

Are you sophisticated in your financial understanding, but lack the income to realise your potential?

If you are in regional NSW or Melbourne, are you more financially conscious?

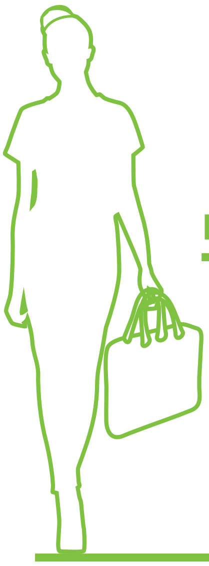
Who really understands interest rate changes?

Diving deeper into the results and intricacies of the Index, it begins to get to heart of some of these issues. Because while it is interesting to understand the average level of financial consciousness in Australia, every average masks a spread. And by definition, people and economies are complex – not average.

Figure 2.2 What's not average

While people can have the same levels of income, education and even be the same age, there are many things that make people have different lives and different financial understanding and behaviours. Culture, life stage, political views, social standing, profession and media and marketing exposure, are some key factors that may influence financial decision making, as well as understanding.

**Consider Lucy and Amelia:**

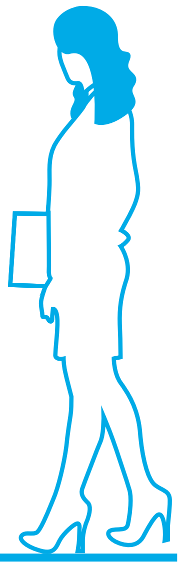


## Meet Lucy

| | |
|---|---|
| Age: | 27 |
| Occupation: | Lawyer |
| Income: | $90,000 p.a. |
| Education: | Bachelor |
| Lives in: | Sydney |
| FCI Score: | 55 |

## Meet Amelia

| | |
|---|---|
| Age: | 28 |
| Occupation: | Lawyer |
| Income: | $91,500 p.a. |
| Education: | Bachelor |
| Lives in: | Sydney |
| FCI Score: | 72 |



On paper, they are almost exactly the same – same occupation, income, education level, age and even live in the same city. In fact, it is these factors that both give them a relatively high FCI score – but Amelia is financially sophisticated, while Lucy is only on the cusp of rising up the ranks. What explains this deviation? Well Amelia is actually about to get married and plans to buy her first home with her partner, she has been saving for a long time for this and actively watches the property market and monitors interest rates. Lucy on the other hand, doesn't want to buy a property anytime soon, and only saves to travel several times a year with her partner and friends. Amelia and Lucy are at very different life stages; they are both more/less financially conscious by choice.

Showing that FCI scores as a broader measure can begin to capture the nuance of these differences which traditional financial literacy measures may overlook.

## 2.4 Capability and stress thresholds

Financial capability is foundational to a person's FCI score. When an individual understands and meets the basic threshold of financial literacy, new doors of financial improvement possibilities open to them. In particular, the greater your literacy, the greater your ability to improve your wealth. This of course, means the inverse is true–but it is important to recognise that someone on a lower income may find it hard to improve their financial position, even if they are financially literate.

Taking this view to a logical extension, some individuals on low incomes may even be negatively impacted by financial products as they don't, and won't, have mortgages or the minimum banking requirements for fees to be waived and benefits applied–a 'poverty trap' of sorts.

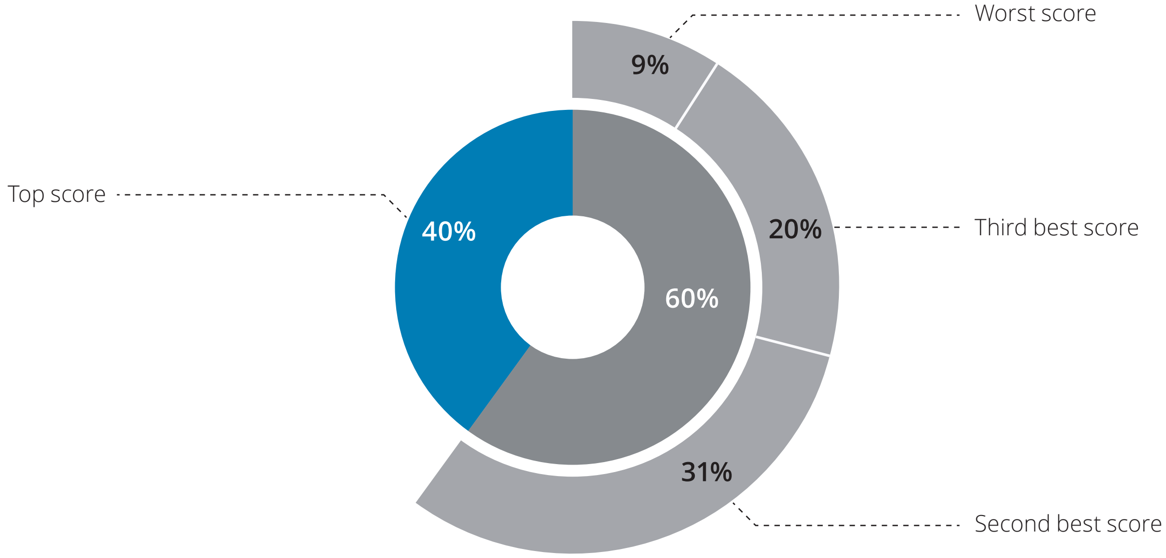
This begins to get to notions of financial consciousness and financial wellbeing–explored in Chapter 3. But before we can get there, the black and white of financial capability in Australia should be understood detached from the Index.

### A Question of Capability

**Less than half (40%) of Australians meet the basic threshold for financial literacy and capability–** to meet this threshold, it means they understand compound interest, inflation and the benefits of having a diversified investment portfolio.

31% of Australians understand at least two of these foundational financial concepts, and under 10% do not understand any at all (Chart 2.6).

Chart 2.6 Less Than Half Meet Basic Financial Capability




Source: Deloitte Access Economics

Figure 2.3 How does Australia compare? Financial capability around the world

The 'Big Three' financial literacy questions were developed to test respondent's knowledge of compound interest, inflation and risk diversification. The full questions and accompanying answers are presented in Appendix B. When this survey was first conducted in America, about one-third of people answered all 3 questions correctly (Lusardi and Mitchell, 2014) – making it apparent that financial literacy was an issue. Compared to America, Australians are marginally higher with 40% of us getting all 'Big Three' questions correct. But with less than half of us meeting the basic threshold of financial literacy, it makes sense why the Australian Government would develop a National Financial Literacy Strategy led by the Australian Securities and Investments Commission (ASIC).

The Strategy provides a practical framework for action to guide policies, programs and activities that aim to strengthen Australians' financial literacy. The Strategy recognises that improving financial literacy is a long-term behavioural change initiative and requires a multi-faceted approach to bring about gradual improvement.

**Cash Rates, Stress Tests, Capability Snags**

We learned before that even those with a mortgage struggle with interest rates. And in the current low interest rate environment, people could probably be forgiven for somewhat underestimating the importance of the cash rate.

Going to the broader Australian population, with and without a mortgage, over one-third indicated that they never check the cash rate. The most common reasons for not checking? They:

- had no interest in checking the rate (30%)
- don't see the relevance (28%)
- don't know what it is (24%)

These results all relate back to capability–or a lack thereof. How can someone fully understand cash rate movements when they struggle with the concept of price inflation?

This starts to get to the heart of a deeper issue – especially when you consider how snags in financial capability can result in significant public policy dilemmas and ultimately lead to broader economic issues – issues Australia may find that it faces in the coming decades.

**68% of Australians said they have not stress tested their home loan.** This is a particular worry when recent estimates show that a 0.5% increase from current interest rates would cause mortgage stress to jump from one in four mortgaged households to one in three. A 2% increase throws half of all mortgaged households into stress (interest rates were last at this level in June 2012)[4].

4 Analysis by Ting, Liu and Scott (2017)

## 2.5 A drag on financial consciousness

When you begin to delve into the complexities of financial consciousness and the myriad of social, demographic and economic factors that can influence a person's financial outcomes, attention starts to turn what drives a person's financial behaviour.

Why, for example, are **only half of Australians confident that they're getting the best deal on all of their financial products?** You would think that if you weren't confident, and you knew you could be saving/ earning a lot more money, that you would be motivated to act to ensure you were.

But as the FCI scores show, a lot of Australians are not motivated/willing.

In fact, on average, **28% of Australians know there is a better deal on their superannuation, home loan, health insurance and credit card but do not act on it.**

Certainly some of this is explained by the role of financial capability and having the right knowledge to make informed financial decisions. But when we see that 28% of Australians are aware that there are better deals, but don't act on them, there has to be more to it.

Understanding how people view their locus of control offers up some answers:

- 19% of Australians believe sticking to their budget or financial plan determines their ability to meet their financial commitments,
- followed by their investment and savings choices (14%), and
- their understanding of financial matters (12%).

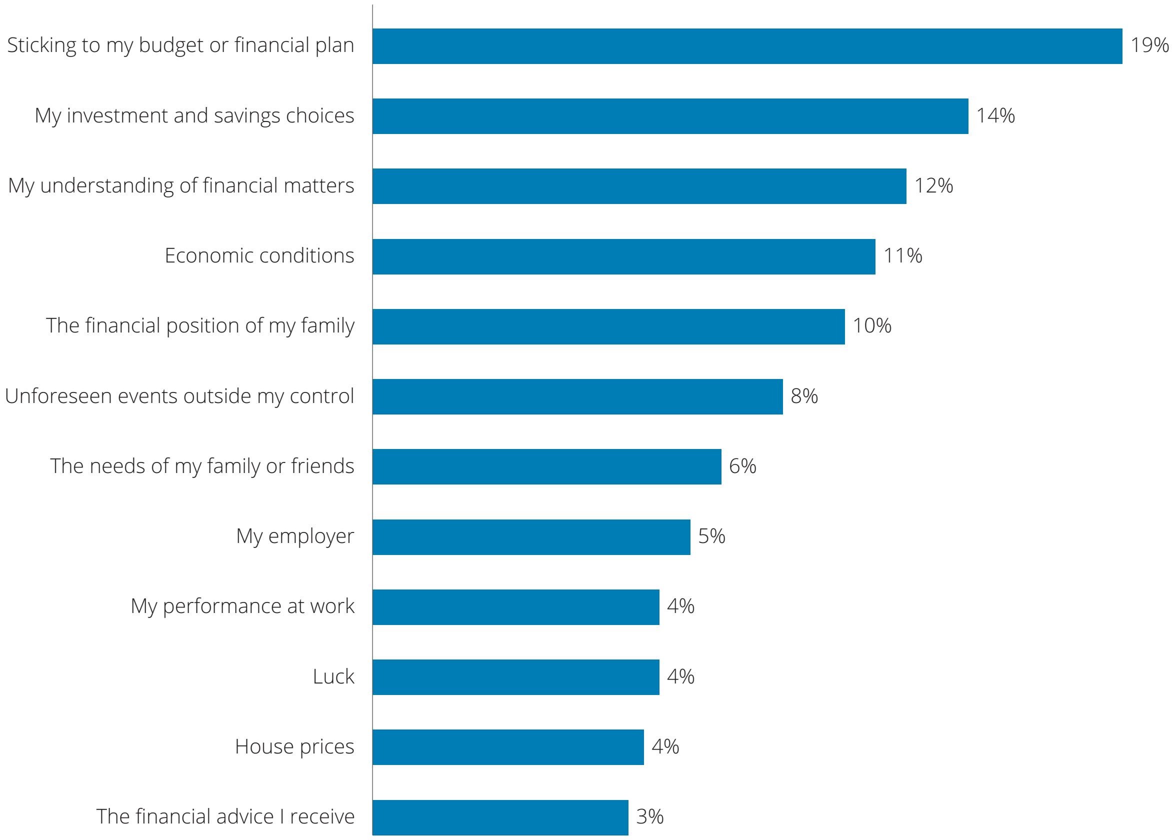
This rounds out the top three responses on average.

This **tell us that Australians mostly believe they have the control; it's their choices, decisions and knowledge that influences their financial outcomes.**

Interestingly, the next three that follow stand in contrast to this–economic conditions (12%), the financial position of their family (11%) and unforeseen events (10%)–all outside of a person's direct control. So while Australians believe it is mostly in their control, they also feel there are forces around them that shape their financial outcomes, and the uncertainty that comes with this can influence how people make decisions.

Here we enter the realm of behavioural economics and insights–and for those who are in the 28% that know they are missing better deals, this will feel like familiar territory.

Chart 2.7 In And Out Of Control




Source: Deloitte Access Economics

Figure 2.4 Frozen, and not the good Disney kind

**Decision making paralysis**

Too often, many consumers get stuck before making a choice–and then they do nothing. Despite having the knowledge, people often do not follow through and act – as the Index shows, where Australians consistently score higher in capability and relatively lower in willingness.

**Analysis paralysis: "there are too many options, I just can't decide."**

Decision paralysis brought on by the inability to choose between options is typically the result of cognitive overload and fatigue. The human brain simply isn't designed to process and compare the sheer amount of information it is often given. While consumers say they want choices, the need to select between endless options can become a cognitive burden rather than a delight. Without ways to mentally manage or weigh the value of information, people struggle to decide and freeze.

**Facing the uncertainty of the future: "I know I should . . . But that can wait."**

Outcomes set in the distant future typically lack a sense of urgency in contrast with everyday needs, making it easy to defer decision making to a tomorrow that never arrives. The human tendency to overinflate the here and now, known as the present bias, makes us regularly tip the balance in favour of choices that benefit us in the short term.

**The impact of emotion on behavior: "I worry about failure, and I hate feeling dumb."**

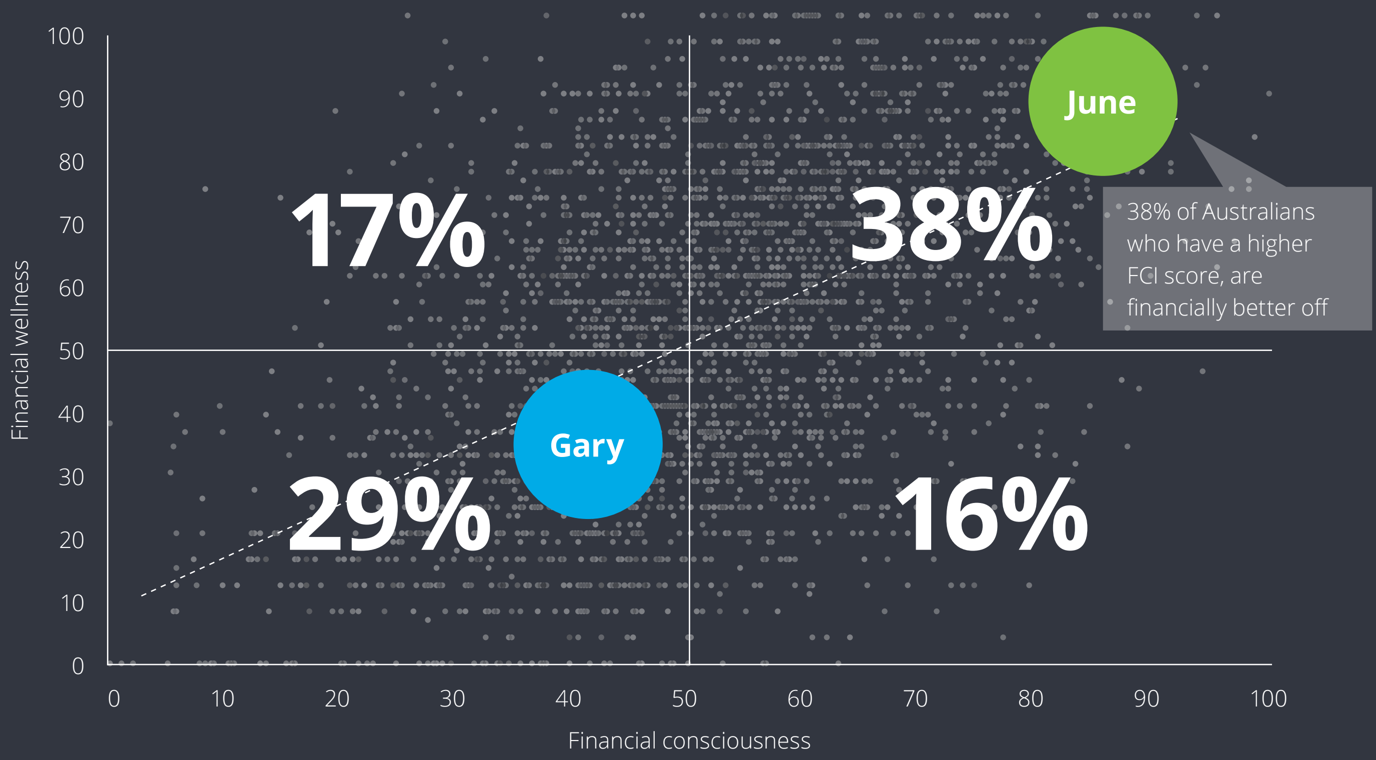
Consumers also hesitate when they fear or worry about the possibility of making a bad decision. Given the high levels of risk or uncertainty involved, consumers find retirement planning to be unpleasant, and are often fraught with anxiety rather than focused on the anticipatory pleasure of the unknown. This, coupled with the fact that people tend to avoid what makes them nervous, explains why they put off even thinking about funding their post-employment years.

**How do we overcome these barriers?**

Multiple triggers—too many options, present state/future state tensions, and negative emotions—provide a breeding ground for consumer paralysis and inaction across diverse industries and consumer situations. While there is no perfect formula or silver bullet to address inertia, understanding the issues that keep consumers from acting can provide valuable clues about what to try and which strategies might be most effective. In a world in which both uncertainty and options will continue to grow, it will become increasingly critical for organizations across industries to adopt strategies that combat consumer paralysis.

Source: Experts from Deloitte Insights, Frozen: Using behavioural design to overcome decision-making paralysis, Ruth Schmidt 2016

# FCI and financial wellness




## Meet June

| | |
|---|---|
| **Age:** | 56 |
| **Occupation:** | Public Servant |
| **Income:** | $190,000 p.a. |
| **Education:** | Postgraduate |
| **Lives in:** | Brisbane |
| **Wellness Score:** | 72 |
| **FCI Score:** | 75 |

June has spent her life working full-time on a good public service wage. Her two young adult children remain at home, and as a family of four, they all like to spend their holidays down the Gold Coast on their investment property. As a family, they have job security and no trouble paying the bills.

## Meet Gary

| | |
|---|---|
| **Age:** | 74 |
| **Occupation:** | Retired |
| **Income:** | Pensioner |
| **Education:** | High School |
| **Lives in:** | Regional VIC |
| **Wellness Score:** | 35 |
| **FCI Score:** | 30 |

Gary is a pensioner, after spending his working life as a mechanic. He lives with his wife in Regional Victoria, where she volunteers two days a week at the local community centre. When cost of living pressures hit, they can struggle to pay the bills. Gary worries what changes in government benefits might mean for his future.

# **3** Financial wellness

## Financial wellness measures the degree Australians feel they are able to meet expenses, have some money left over to save, and feel financially secure, both now and in the future.

### 3.1 Being conscious and well

Financial Wellness ('Wellness' or FW score) seeks to establish the degree to which people feel they are able to meet expenses, have some money left over to save, and feel financially secure, both now and in the future (see Appendix A for further details).

Such a definition of financial wellness, and associated concepts of financial wellbeing, are well understood and readily measured areas in Australia (see Appendix A). In line with the accepted views of what makes up financial wellness, this research specifically measures: **savings, ability to pay for living expenses, financial security and contingencies, and job security.**

But to simply measure this, would not necessarily tell us anything new or interesting in and of itself – that is why financial wellness has been researched to understand it *relative* to financial consciousness.

Exploring this relationship gives us four distinct groups:

Figure 3.1 Wellness and Consciousness


1. It's a blur, but doing okay – FCI score less than 50, FW score above 50
2. Don't know what they don't know, and they're not doing so well–FCI and FW scores less than 50
3. Rising up the ranks, but facing some pressure–FCI score above 50, FW score less 50
4. Conscious and comfortable–FCI and FW scores above 50

As you might suspect, there is a positive relationship between the two – in fact, **38% of Australians sit in the conscious and comfortable category.** These Australians are more financially conscious than most, and their financial wellbeing benefits from it – typically experiencing less cost of living pressures, feeling more financially secure and are able to put some money aside for a rainy day.

While it is good news that majority are sitting relatively comfortably, **29% of Australians sit in the don't know what you don't know, and not doing so well cohort.** The results of this survey imply **some 5.8 million[5] Australians are not financially conscious or well.** That is 5.8 million people who, on average, regularly struggle to pay their bills, are not saving money regularly, do not feel like they have job security and would feel financial pressure if they were to fall out of work.

The remainder of Australians sit somewhere in between these two categories, and their results are typically anchored to their **income**. For some, they might be more financially conscious but having a lower income holds them back from being financially well; or some Australians have the luxury of not being particularly financially conscious, but their higher income by default makes them better off.

As we take the next step into exploring the financial wellness of Australians, some of the anecdotes we are all familiar with start to become apparent – **wages are an issue, job security is a worry and cost of living pressures are hitting home.**

### 3.2 Conscious cost of living

If you are one of the 5.8 million Australians who are not doing so well financially, this section won't come as a shock. **36% of Australians concede that they struggle to pay the bills at some point**, with 10% actually struggling all, or most, of the time. What do we put this struggle down to?

Cost of living increases, low or no wage growth, and simply not earning enough to begin with are the top three reasons for struggling with bills. With CPI up 1.9% this year, mostly driven by cost increases in secondary education (+3.3%), gas and other household fuels (+6.0%), pharmaceutical products (+5.6%), vegetables (+3.7%) and medical and hospital services (+1.5%)[6] – it is no wonder over a third of Australians struggle at some point.

In fact, **70% of Australians who get the majority of income from government support struggle to pay the bills. This isn't surprising – unfortunately.**

Figure 3.2 Fairness and Wellness

Take Newstart. It is the main income support payment if you're unemployed and looking for work – when **33% of Australians say they would rely on government support if they were suddenly out of work** because they have no other choice, it is a critical safety net.

But Newstart hasn't kept up with national living standards for more than a quarter of a century, shrinking sharply as a share of average and minimum wages, and relative to the age pension. Newstart is the equivalent to living on $38.50 a day. Even adding in maximum rent assistance and the energy supplement, a single person with no kids has to live on around $48.60 a day.

And it's set to shrink even further, as it is indexed to prices rather than wages. That's why the Henry Review specifically called out the collapsing ratio between Newstart and the age pension. While the pension has doubled in real terms since 2000, Newstart has barely budged.

Source: Deloitte Access Economics

5 Estimated resident population over the age of 15 as at September 2017, ABS Cat. No. 3101.0

6 ABS Consumer Price Index, Cat. No. 6401.0

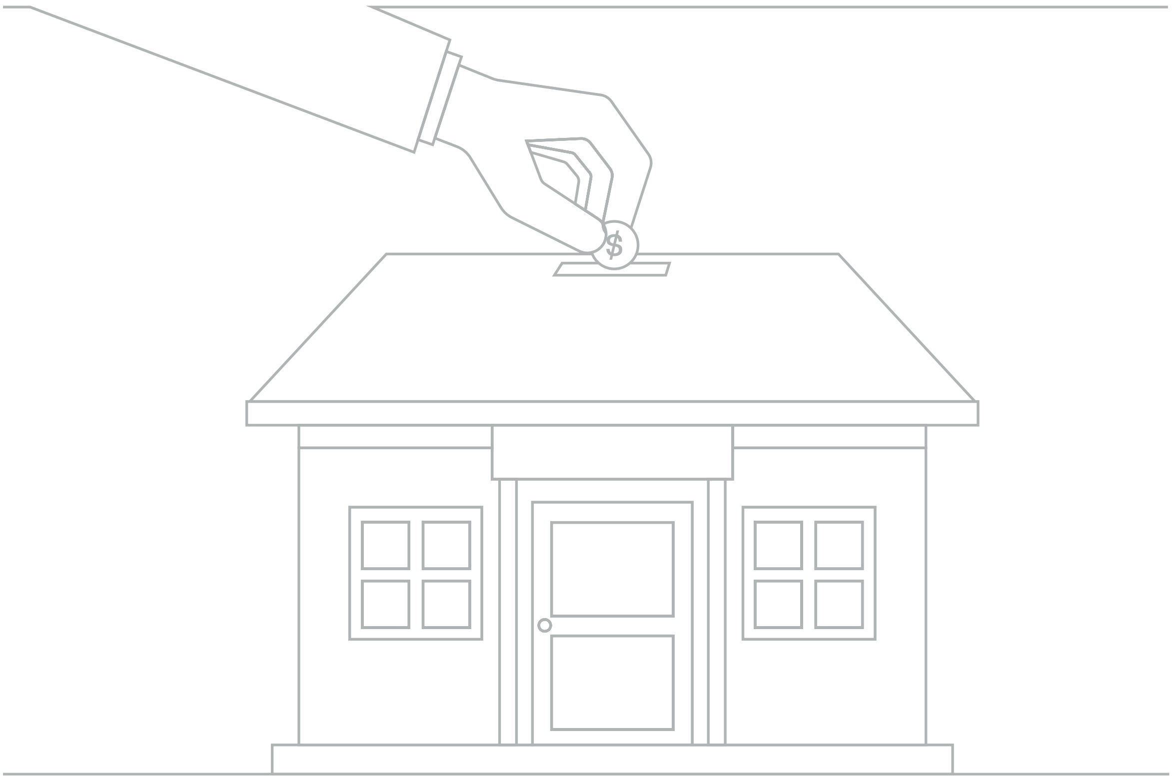
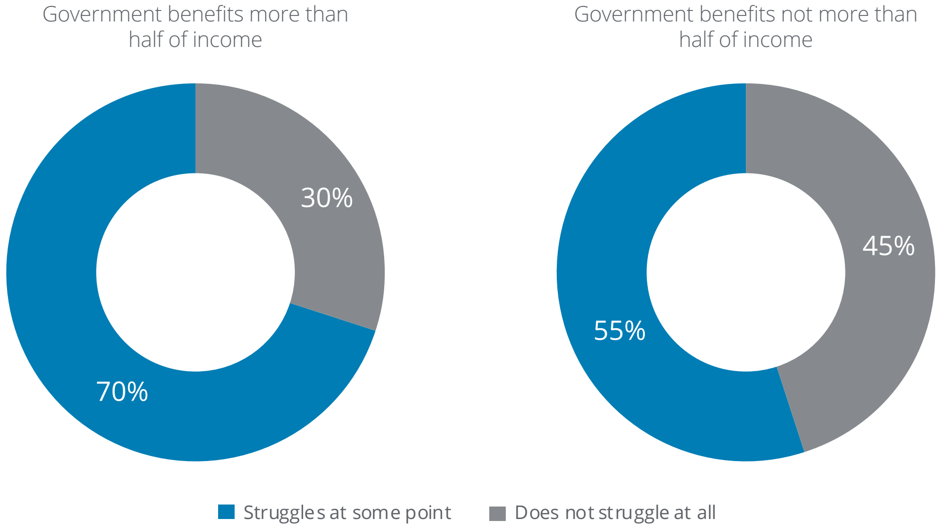


Chart 3.1 The Struggle Is Real



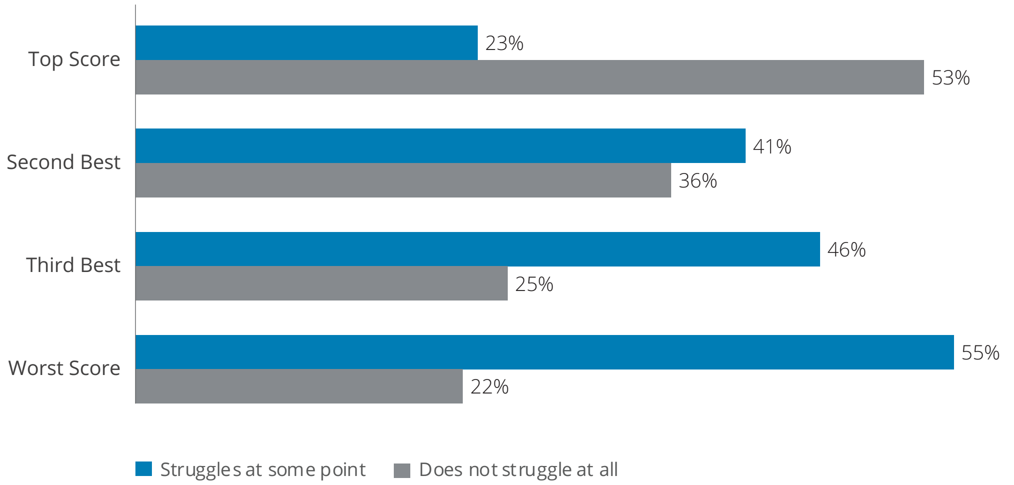

Source: Deloitte Access Economics

When you are struggling to pay bills, you aren't in a position to put money aside for that rainy day which hopefully never comes. And **24% of Australians either save nothing or spend more than they earn**. But there is a silver lining to this dim savings cloud – **42% of us manage to save more than 10% of our income at each pay cycle**. But breaking the savings habits down by age tells us two different tales – with 25% of Australians below the age of 34 either spending more than they earn, or saving nothing at all; while 28% of over 45s are saving at least between 10-20% of their income.

A person's level of financial consciousness comes to pole position when considering questions around financial wellness in some key ways. Take financial capability for example, a foundational building block to financial consciousness. Is this significant to your ability to pay the bills and meet the cost of living? **53% of people who had the top financial capability score do not struggle at all with their bills**. And the opposite is true – **55% of Australians with the worst financial capability score struggle to pay their bills at some point. See Chart 3.2 for details.**

This glimpse into the current state of financial wellness in Australia points to a bit of stress. What underpins this?

Chart 3.2 Capability Reducing the Struggle



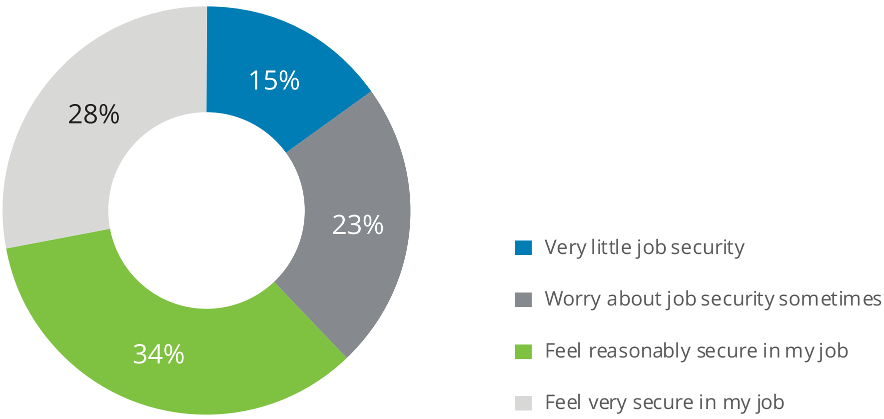

Source: Deloitte Access Economics

Source: Deloitte Access Economics

### 3.3 Secure or not secure? That is the question

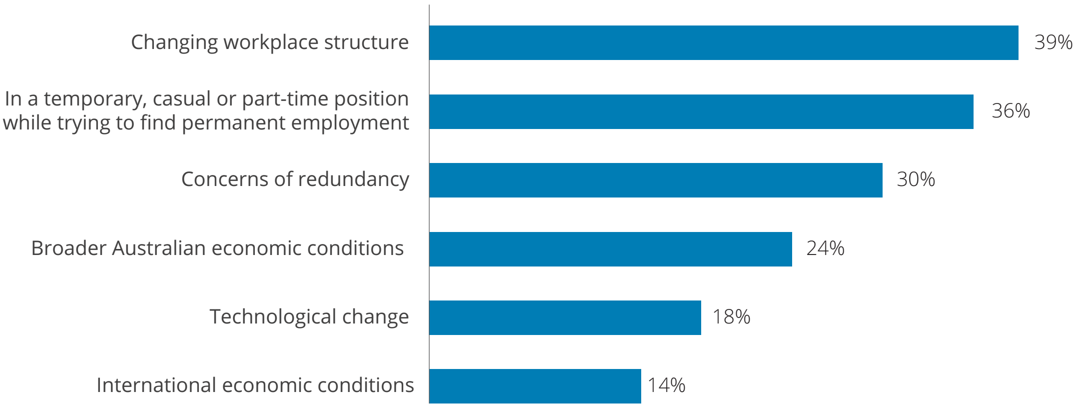
You could call it the Australian word of the decade: 'jobs'. Job security, or a lack of, can cause a lot of uncertainty and stress for people – and a lot of debate in the public domain about how to address the issue, or if the issue even exists at all. While this debate rages on, 38% of Australians feel very little job security or worry about it to some extent. These feelings of insecurity are mainly caused by concerns about change.

Chart 3.3 Secure Or Not Secure




Source: Deloitte Access Economics

Chart 3.4 Fear Of Change




Source: Deloitte Access Economics

Figure 3.3 The Future of the Workforce

External factors – including **demographic change, globalisation, digital technology, and changing social values and worker expectations, are disrupting business models and radically changing the workplace.** These are requiring both workers and businesses to adapt and change the way they work, and for governments to rethink approaches to socioeconomic policies.

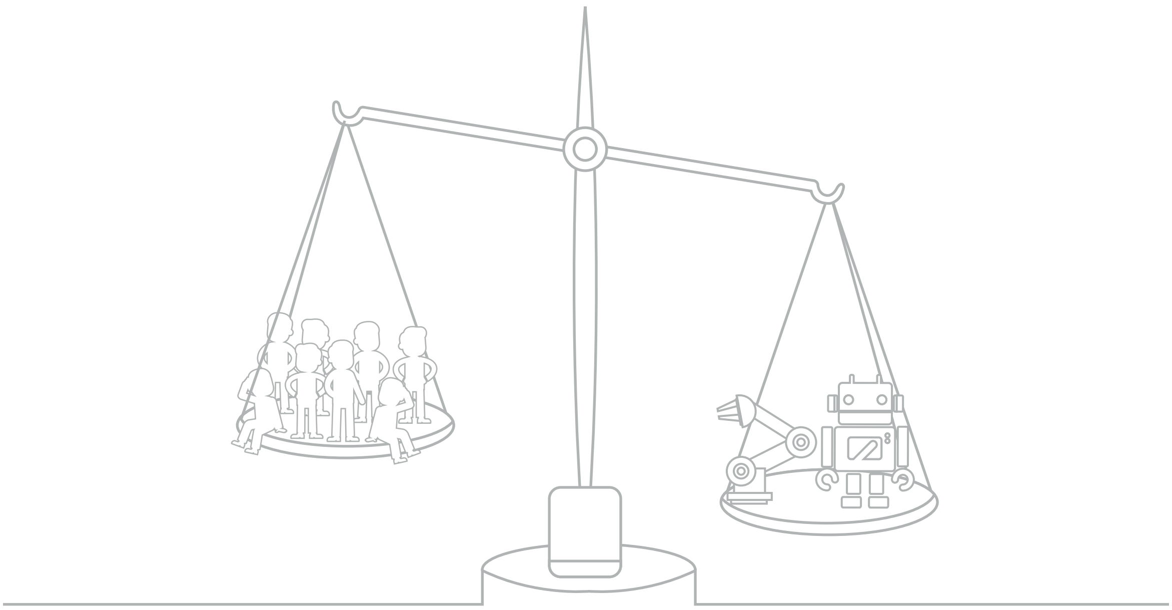
The gig economy, robotics, and cognitive technologies are impacting education, skills, and career development. Understanding these impacts are crucial to ensuring countries can manage the risks and opportunities for inclusive economic growth, and avoid fuelling greater inequality within economies.

Government, business, and society need to work together to support a dynamic workforce that is able to constantly reskill and upskill. This means developing a skills infrastructure that broadens the base of skills and abilities. It means revisiting education and career models, and approaches to life-long learning and work, regardless of geography, and innovating public-private partnerships. In many markets, academic-type learning will also need to be married with opportunities to apply new knowledge and skills.

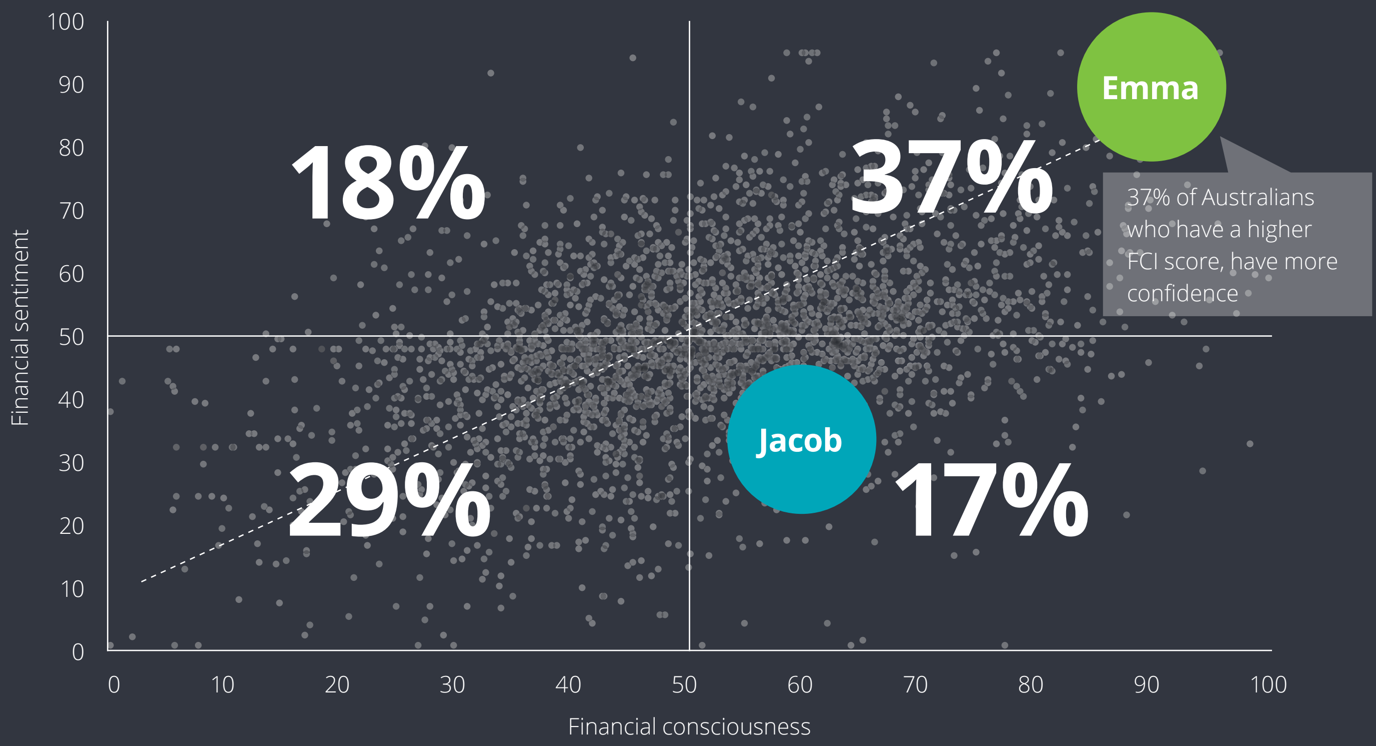
Policies that underpin the basic fundamentals of the workforce, such as regulation of the gig economy, need revising in a way that provides for inclusive growth and facilitates innovation and long-term unemployment solutions. As the gig economy strengthens, this means consideration of both the economic/business and societal elements.

Inequality will remain a stubborn phenomenon even as technology advances society and helps grow economies. This suggests other long-term policy outcome considerations such as income guarantees, wealth distribution, and re-enabling social engagement (beyond traditional employment).

Source: The Future of the Workforce: Critical drivers and challenges, Deloitte Australia



# FCI and financial sentiment




## Meet Emma

**Age:** 30
**Occupation:** Primary teacher
**Income:** $73,000 p.a.
**Education:** Bachelor
**Lives in:** Adelaide
**Wellness Score:** 72
**FCI Score:** 75

## Meet Jacob

**Age:** 33
**Occupation:** Mine worker
**Income:** In-between contracts
**Education:** High School + Trade
**Lives in:** Regional Qld
**Wellness Score:** 29
**FCI Score:** 68

Emma started teaching straight out of university. She loves her school, and is a permanent full-time teacher there. She has been saving money to buy her first house, and with interest rates so low she thinks now is the time she will do it. She's a bit dismayed about the Banking Royal Commission, but doesn't see how it will impact her financial position at the moment.

Jacob has worked hard all of his life. Having left school to get a trade and a job in the mines, Jacob managed to buy his first home a few years into his first job. He is financially conscious, having learnt some tough lessons during the GFC and mining downturn in Queensland. He is about to start a new contract in Mackay, the market is picking up and he is looking forward to working, But isn't confident it'll last – the global economy seems risky and he is uncertain what government policy positions will mean for his future work prospects.

# 4 Financial sentiment

## Financial sentiment measures an individual's feelings about their personal financial position, as well as broader economic conditions.

### 4.1 Conscious and confident

Much like wellness, financial and economic sentiment is a widely understood and readily measured topic (see Appendix A). In line with this, our research specifically measures:

- **confidence about personal finances,**
- **confidence in the domestic and global economy,**
- **attitudes about politics – both at home and abroad, and**
- **state of trust in financial institutions.**

The key for measuring sentiment is how it relates to an individual's level of financial consciousness – ultimately testing for how an individual's degree of financial consciousness can influence their confidence, and vice versa.

Exploring this relationship also gives us four distinct cohorts of Australians:

Figure 4.1 Confidence and Consciousness


1. It's a blur, but doing okay – FCI score less than 50, FW score above 50
2. Don't know what they don't know, and they're not doing so well–FCI and FW scores less than 50
3. Rising up the ranks, but facing some pressure–FCI score above 50, FW score less 50
4. Conscious and comfortable–FCI and FW scores above 50

Uncertainty and a lack of confidence is a drag – both personally and economically. For individuals, uncertainty and not feeling confident is just not a nice place to be in. And economically, if someone is uncertain about their future income then they will typically reduce spending now in order to save for the future; if you are a business and are uncertain about future government policy you might hold back on investing – these all have economic consequences.

**46% of Australians lack confidence in some form** – with **29% not knowing what they don't know, and not feeling confident**; while **17% are rising up the ranks of financial consciousness but are still not feeling very confident**. These Australians have concerns about their financial position and the broader political and economic landscape both now and into the future.

On the flipside, the majority of Australians have a general sense of confidence – though this is not always accompanied by financial consciousness. **18% find it all a bit of a blur, but are still optimistic about their finances and the world around them.**

While this optimism might be a nice feeling to have, **the majority of us probably want to be conscious and confident – and 37% of Australians are in this category**. The confidence these Australians have is backed by their higher than average FCI score, and a higher than average financial wellness score.

You might expect that a truly financially conscious person is relatively financially well and has confidence in making financial decisions – possibly stemming from both their own ability to do so, and their confidence in their financial position given the economic conditions around them.

This is quite likely - but it is hard to say for certain what actually comes first: are you financially conscious because you are confident? Or are you confident because you are financially conscious?

The Canadian experience with financial confidence sheds some light here. Research there has shown that financial confidence and financial knowledge are linked with financially desirable behaviour and positive outcomes in the area of planning and saving – in fact, when it comes to day-to-day expense and debt management, financial confidence is a key determinate to positive outcomes and is usually more likely to be linked with confidence than with financial knowledge[7].

**When you look back at the Australian experience, where 37% are both financially conscious and more confident, there is a case that confidence is playing an important role in the financial outcomes and behaviours of Australians**. But what is the core of their confidence? And what is making some Australians feel nervous?

7 The link between financial confidence and financial outcomes among working-aged Canadians, Financial Consumer Agency of Canada, 2016.

## 4.2 Confident, Or Not

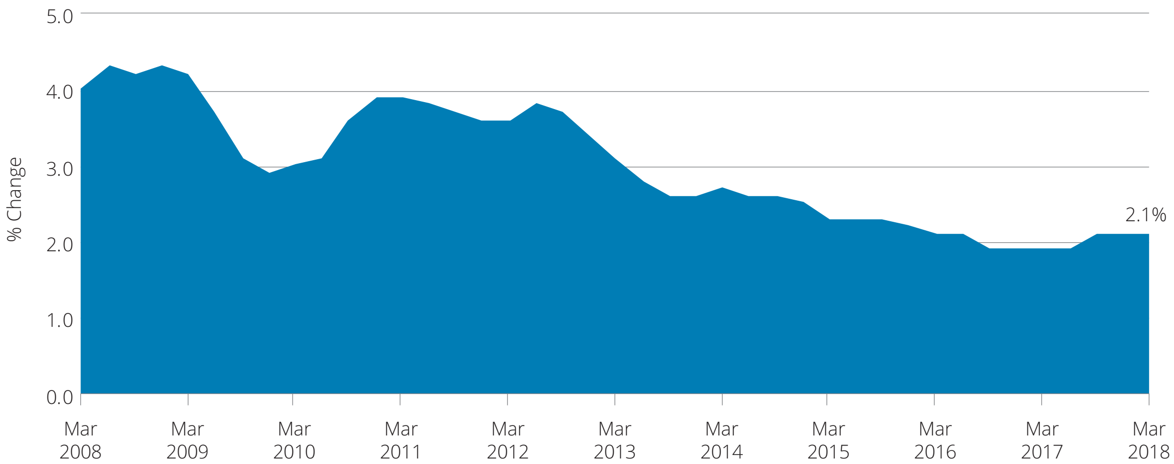
At the moment, 53% of Australians think their income is the same as last year, and will be the same next year. This hints that the majority of us have come to terms with the low/no wage growth reality in Australia – a reality facing Australians for the past several years (Chart 4.1).

And when we are not optimistic about our income prospects, we start to save. In fact, **50% of us think it is a good time to save money now.**

Throw into the melting pot of reasons that create a lack of confidence that **29% of Australians believe it is a bad time to find a new job** and **32% of us think it is a bad time to buy a new house** – income, assets and jobs round out the trifecta of issues testing Australians' confidence.

But it is not all doom and gloom, 42% of us still think it is a good time for a holiday so while there are concerns out there, it isn't going to hold us back from having that well deserved break.

Chart 4.1 Stagnant Wage Growth

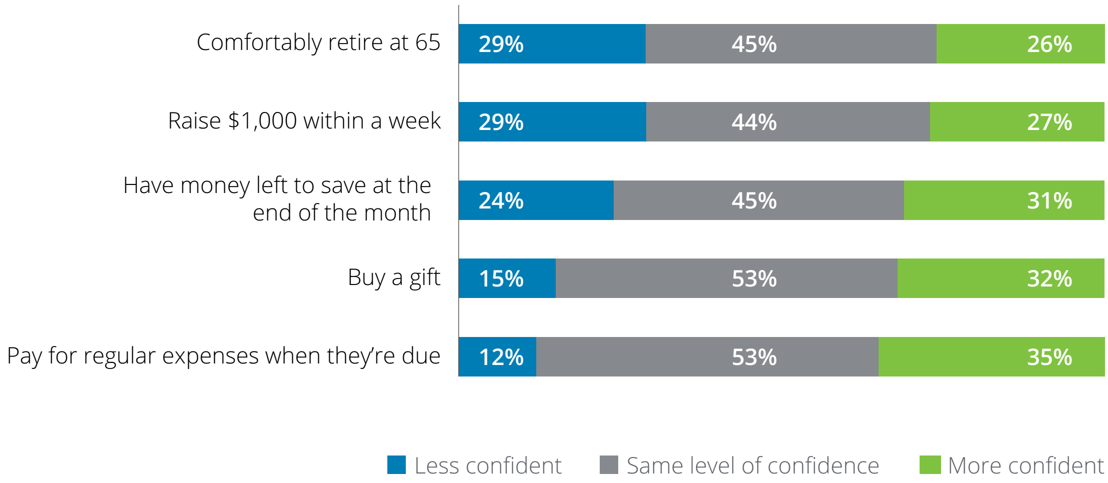



Source: ABS 6345.0 Wage Price Index, Australia

Looking backwards, when thinking about their ability to do certain things compared to now – **29% of Australians are less confident about their ability to comfortably retire at 65 or raise $1,000 in a week**. Almost a quarter of us are also feeling less confident that we will have money left to save at the end of the week. These day-to-day issues that people face can potentially have ripple effects through the economic and social fabric if left to 'run away' from policy makers.

Again, there is certainly an upside. **35% of Australians are feeling more confident about their ability to pay for regular expenses when they're due.**

Chart 4.2 Looking Backwards – Confidence compared to last year

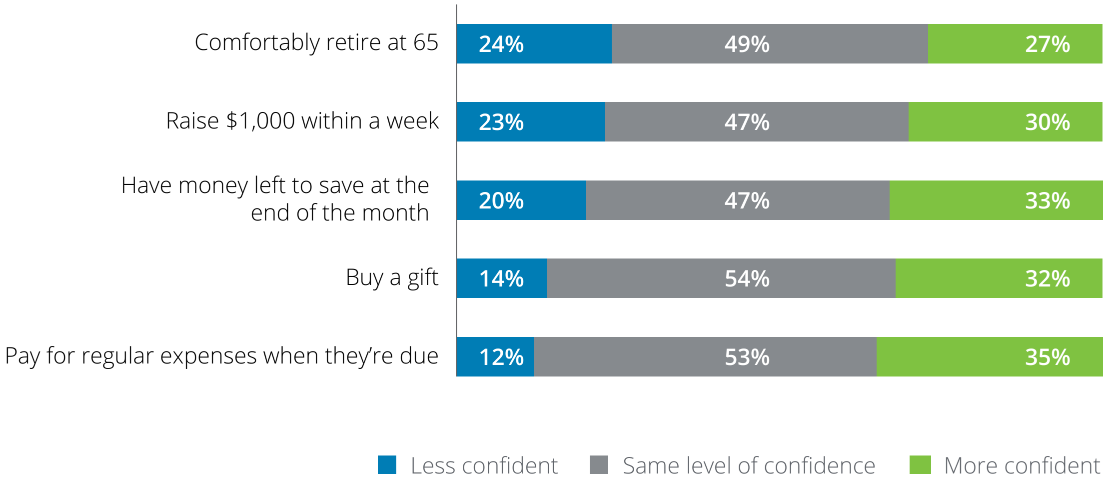



Source: Deloitte Access Economics

Looking to the future, Australians generally expect to feel the same next year. They remain concerned about an ability to retire comfortably at 65 and raise $1,000 within a week – and 35% of us are hopeful that we can pay for regular expenses when they are due.

It is important to note that these measures are all point in time, and designed to reflect an individual's personal circumstances and feelings. This makes the real test for these measures – particularly as they relate to financial consciousness – to see how they fair overtime. While a point in time study is fascinating, a view of the changes over time is invaluable.

Chart 4.3 To Look Forwards – Confidence compared to next year




Source: Deloitte Access Economics

### 4.3 A lack of trust and a mountain of concern

As the old saying goes, trust takes years to build and seconds to destroy – or in this case, a Royal Commission.

**45% of Australians do not trust insurance companies or retail banks,** a significantly higher figure compared to other financial institutions. The seemingly weekly stories highlighting the fallout from the Financial Services Royal Commission could be taking its toll on the degree of trust placed in these institutions.

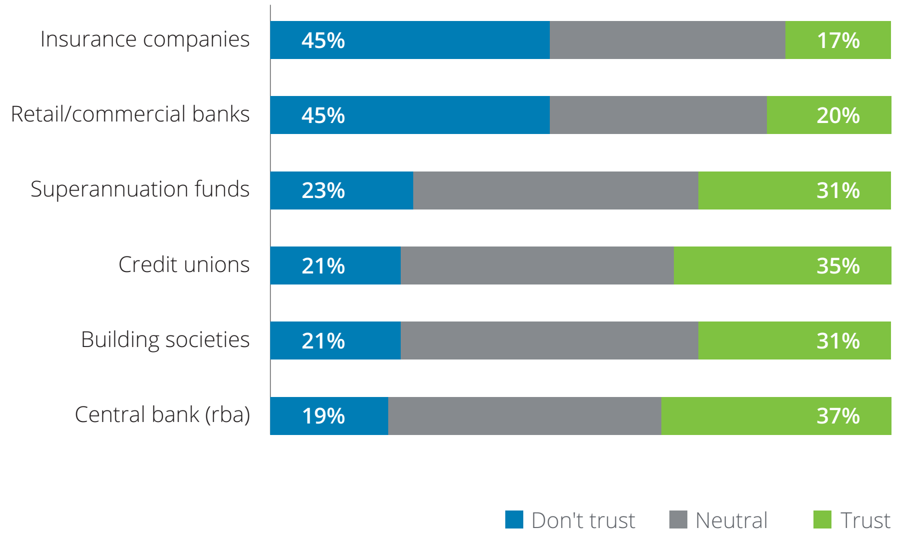
The **rate of mistrust is highest with those who earn below $70,000, with 47% of people not trusting banks on average. While the rate is marginally lower (37%) for those who earn above $100,000.**

But again, time will tell how much of an impact the Royal Commission has had on trust and if it can be restored overtime.

The Reserve Bank of Australia and credit unions come out on top in terms of the degree of trust Australians place in them – with 37% and 35% trusting them respectively.

If you are a credit union, the trust in you comes mainly from those earning over $100,000, with 36% of people trusting credit unions on average.

Chart 4.4 Years To Build, A Royal Commission To Break




Source: Deloitte Access Economics

If you asked most Australians prior to 2016 if they thought they would see Donald Trump and Kim Jong-un shaking hands in Singapore, they probably would have laughed at you. And it is such changes and international uncertainties – mixed with the ups and downs of the Australian political landscape that might be causing concern.

**80% of Australians have some degree of concern over the current state of international politics and relations**. And when we take a look at global economic conditions and trade, 76% and 71% of people have concerns, respectively.

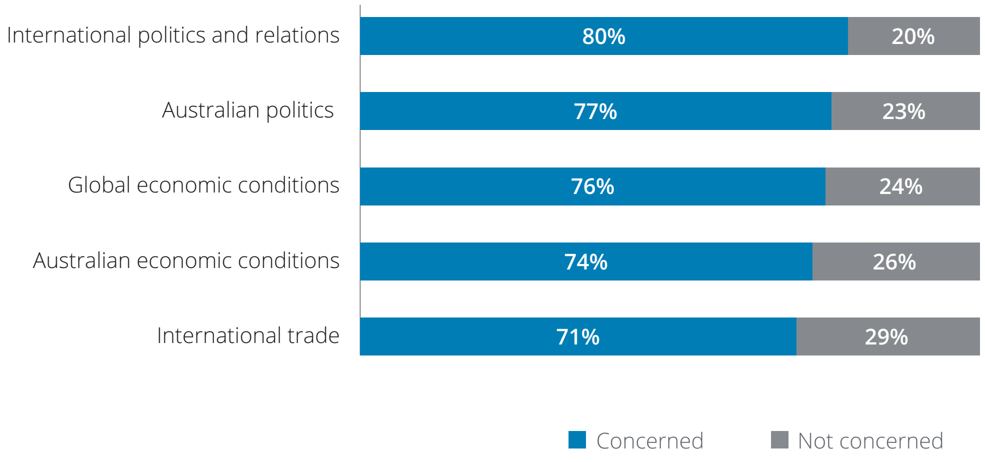
In sport and in business, we know that at the elite level it is all a confidence game. So too with the economy.

On the home front, **77% of Australians have concerns about the state of Australian politics.**

It's lucky that Australians trust the Reserve Bank, because **74% of us have some degree of concern over domestic economic conditions.**

Concern is the **highest on average for those Australians earning less than $70,000**, with 76% of people feeling apprehension over Australian economic conditions. On average, 71% of people earning over $190,000 are also concerned.

Chart 4.5 Got Some Concerns




Source: Deloitte Access Economics

# Appendix A Financial Consciousness Index method

This section presents the Financial Consciousness Index method. The Index was created in a number of steps, briefly outlined below:

- Definition of financial consciousness and its building blocks;
- Survey design and data collection; and
- Constructing the index.

## A.1. Definition of financial consciousness and its building blocks

Financial consciousness, and the way in which Compare the Market and Deloitte Access Economics have sought to define it, is a fairly distinctive concept; it moves beyond the traditional understanding of financial literacy.

A mix of national and international literature has informed the building blocks that comprise the definition of financial consciousness and, in turn, the Financial Consciousness Index.

- **Financial locus of control** describes the degree to which an individual believes that their own actions determine their financial outcomes. This is an important starting point to gauge how individuals feel about their financial control, and if individuals feel that they have more control, it would be expected that they would be more inclined to act.

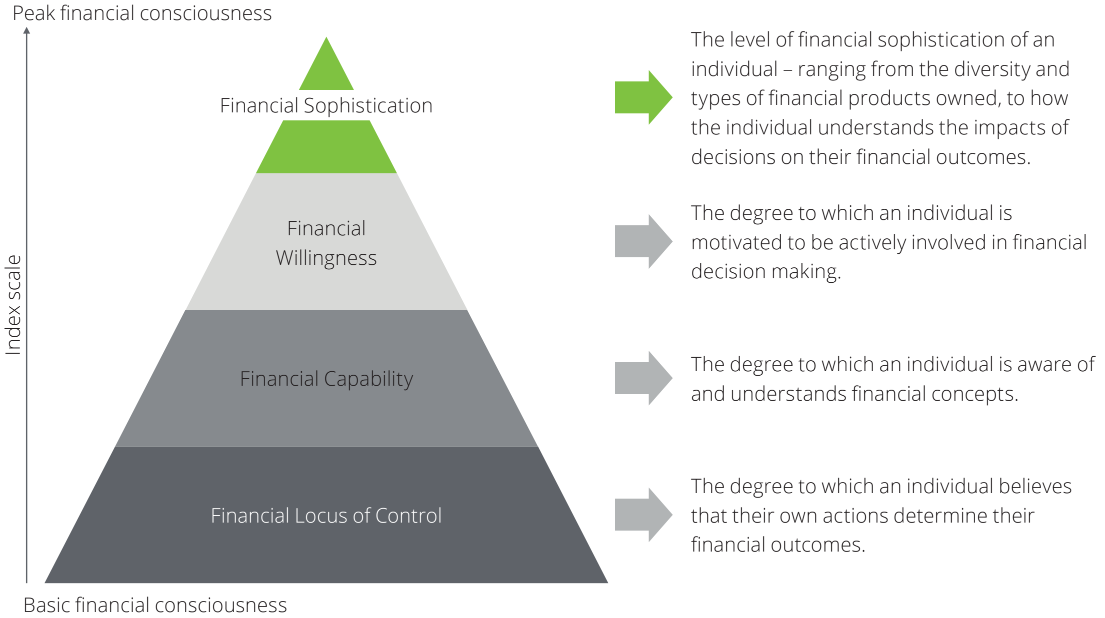
- **Financial capability** describes the degree to which an individual is aware of and understands financial concepts. Financial capability, or financial literacy, is well defined and measured within the literature[8] and forms an integral part of financial consciousness.

- **Financial willingness** describes the degree to which an individual is motivated to be actively involved in financial decision making. This building block goes one step further than how most people would think about financial literacy (i.e. knowledge) and extends to an individual's willingness to take action.

- The level of **financial sophistication** of an individual range from diversity and types of financial products owned, to how the individual understands the impacts of decisions on their financial outcomes. A financially sophisticated individual reflects peak financial consciousness; they have a deeper awareness and understanding of financial concepts as well as how external forces affect their financial position.

8 See, for example, ASIC, 2017b; Klapper, Lusardi, Oudheusden, 2015; Lusardi and Mitchell, 2014; OECD/INFE, 2017; MasterCard Intelligence, 2015.

Figure A.1 Financial Consciousness Index building blocks




Source: Deloitte Access Economics

By measuring not only how a person views their degree of control over their financial outcomes, their literacy, proactivity in making financial decisions, and their overall financial sophistication in both the short- and long-term – a more complete picture of Australian financial understanding is captured.

## A.2. Survey design and data collection

The survey was designed with a number of questions relating to each of the building blocks to financial consciousness. The survey was presented as questions covering general financial experiences and various financial topics. Respondents were made aware that responses were anonymous to encourage honesty and openness.

The survey was fielded online with a representative sample size of 3,000 Australians – cutting across all states and territories. The survey questions and results are presented in Appendix B.

## A.3. Constructing the Index

The approach for building the Index was informed by previous indices spanning various topics such as financial wellness[9], literacy[10] and sentiment[11].

Each building block was given a different weighting, reflecting the importance of the building blocks to financial consciousness.

- Financial locus of control is worth 15 out of 100 points
- Financial capability is worth 20 out of 100 points
- Financial willingness is worth 25 out of 100 points
- Financial sophistication is worth 40 out of 100 points

The questions within each of the building blocks were then given an equal weighting. For instance, the financial capability building block had four questions that formed part of the Index calculation. Since the building block was worth 20 out of 100 points, each question within this was worth a maximum of 5 points.

9 See, for example, the WSSA Financial Wellness Index and the Momentum/Unisa Household Financial Wellness Index.
10 See, for example, the MasterCard Financial Literacy Index.
11 See, for example, the ANZ-Roy M organ Consumer Sentiment Index and the Westpac and the Melbourne Institute Consumer Sentiment Index.

Points were then allocated to each of the answers, where the best answer is worth 5 points, the worst answer is worth 0 points, and other answers sit within these scores. See the example question below.

**What best describes your approach to your finances?**

| | Score |
|---|---|
| I budget, and stick to my budget | 5.0 |
| I budget, and try my best to stick to my budget | 4.5 |
| I budget, but do not stick to it | 3.0 |
| I don't budget, but watch what I spend | 2.5 |
| I don't budget, and do not typically watch what I spend | 0.0 |
| I only notice my finances when I have a significant purchase to make (e.g. a car, a house, a holiday) | 1.0 |
| I spend the same amount each week and have nothing left over | 2.5 |
| None of the above | 0.5 |

In the case where there is an objective and correct answer, 5 points are allocated to the correct answer while 0 points are allocated to incorrect answers. See the example question below.

**Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to earn interest?**

| | Score |
|---|---|
| More than $102 | 5.0 |
| Exactly $102 | 0.0 |
| Less than $102 | 0.0 |
| Do not know | 0.0 |

Some questions were designed to dig deeper into the 'why' and did not form part of the Index calculation. For example, within the financial sophistication building block, question 2.15 asks '*How often do you monitor RBA cash rate announcements?*', which is scored as part of the Index. However, question 2.15.1 and 2.15.2 follow up to ask why individuals do or don't monitor the RBA cash rate announcements, and these are not scored as part of the Index.

To calculate the Index, the scores from each question were added to form an overall score for each building block. The sum of the building blocks then gives a score out of a possible 100 points.

The same approach as described above was taken in constructing the financial wellness and sentiment measures.

# Appendix B
# Survey results

This section presents the survey results.

### B.1. Which age group do you fall into?

| | |
|---|---|
| 18-24 | 6% |
| 25-34 | 20% |
| 35-44 | 17% |
| 45-54 | 18% |
| 55-64 | 19% |
| 65-70 | 9% |
| 70+ | 10% |

### B.2. What gender do you identify as?

| | |
|---|---|
| Male | 51% |
| Female | 49% |
| Other | <1% |

### B.3. Please indicate your gross personal income. This should include superannuation, interest, dividends, and should be before taxes.

| | |
|---|---|
| Less than $10,000 | 7% |
| $10,000 - $40,000 | 32% |
| $40,001 - $70,000 | 26% |
| $70,001 - $100,000 | 18% |
| $100,001 - $130,000 | 8% |
| $130,001 - $160,000 | 4% |
| $160,001 - $190,000 | 2% |
| $190,001 - $220,000 | 1% |
| $220,001 or more | 2% |

### B.4. Which state or territory do you live in?

| | |
|---|---|
| New South Wales | 28% |
| Victoria | 21% |
| Queensland | 18% |
| South Australia | 11% |
| Western Australia | 11% |
| Tasmania | 7% |
| ACT | 3% |
| Northern Territory | 1% |

### B.5. What is your postcode?

Note: Postcodes were converted to regions

| | |
|---|---|
| Greater Sydney | 20% |
| Rest of NSW | 8% |
| Greater Melbourne | 15% |
| Rest of Vic. | 5% |
| Greater Brisbane | 9% |
| Rest of Qld | 9% |
| Greater Adelaide | 9% |
| Rest of SA | 2% |
| Greater Perth | 9% |
| Rest of WA | 2% |
| Greater Hobart | 4% |
| Rest of Tas. | 3% |
| Greater Darwin | 1% |
| Rest of NT | <1% |
| Australian Capital Territory | 3% |

### B.6. What do you think determines your ability to meet your financial commitments? Drag and drop the three that most apply to you, in order of most important to least important.

| | First | Second | Third | Did not answer |
|---|---|---|---|---|
| Luck | 2% | 2% | 6% | 89% |
| Sticking to my budget or financial plan | 27% | 17% | 14% | 42% |
| Economic conditions | 7% | 11% | 14% | 68% |
| My performance at work | 5% | 4% | 4% | 87% |
| My employer | 7% | 4% | 4% | 85% |
| Unforeseen events outside my control (like an accident or a health issue) | 5% | 8% | 10% | 77% |
| The financial advice I receive | 3% | 3% | 4% | 90% |
| My investment and savings choices | 14% | 15% | 13% | 58% |
| My understanding of financial matters | 11% | 13% | 12% | 65% |
| The needs of my family or friends | 5% | 7% | 8% | 81% |
| Housing prices | 4% | 3% | 4% | 89% |
| The financial position of my family | 11% | 11% | 9% | 70% |

### B.7. To what extent do you feel that your own actions determine your:

| | C1 My actions have no control | C2 | C3 | C4 Somewhat control | C5 | C6 | C7 My actions completely control |
|---|---|---|---|---|---|---|---|
| Income | 6% | 5% | 7% | 24% | 23% | 20% | 14% |
| Debt | 2% | 2% | 4% | 16% | 17% | 26% | 33% |
| Investment outcomes | 9% | 7% | 9% | 30% | 20% | 15% | 10% |
| Day-to-day purchases | 1% | 1% | 2% | 13% | 17% | 29% | 37% |
| Retirement outcomes | 6% | 5% | 7% | 26% | 22% | 21% | 13% |
| Ability to pay the bills | 1% | 1% | 3% | 16% | 20% | 29% | 29% |

### B.8. In a year from now, how much control do you think you will have over:

| | C1 Much less control | C2 | C3 | C4 Same amount of control | C5 | C6 | C7 Much more control |
|---|---|---|---|---|---|---|---|
| Income | 3% | 3% | 7% | 49% | 18% | 12% | 8% |
| Debt | 2% | 2% | 4% | 48% | 16% | 15% | 13% |
| Investment outcomes | 5% | 4% | 7% | 52% | 15% | 10% | 5% |
| Purchases | 1% | 1% | 3% | 49% | 17% | 16% | 13% |
| Retirement outcomes | 4% | 3% | 7% | 52% | 16% | 12% | 6% |
| Ability to pay the bills | 1% | 2% | 5% | 48% | 16% | 16% | 12% |

### B.9. What best describes your approach to your finances?

| | |
|---|---|
| I budget, and stick to my budget | 23% |
| I budget, and try my best to stick to my budget | 42% |
| I budget, but do not stick to it | 4% |
| I don't budget, but watch what I spend | 23% |
| I don't budget, and do not typically watch what I spend | 2% |
| I only notice my finances when I have a significant purchase to make (e.g. a car, a house, a holiday) | 1% |
| I spend the same amount each week and have nothing left over | 2% |
| None of the above | 1% |

### B.10. Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to earn interest?

| | |
|---|---|
| More than $102 | 80% |
| Exactly $102 | 9% |
| Less than $102 | 4% |
| Do not know | 7% |

### B.11. Suppose the interest rate on your savings account was 1% per year and inflation was 2% per year. After a year, how much would you be able to buy with the money in this account?

| | |
|---|---|
| More than today | 13% |
| Exactly the same | 12% |
| Less than today | 63% |
| Do not know | 12% |

### B.12. Is this statement true or false? "It is usually possible to reduce the risk of investing in the stock market by buying a wide range of shares."

| | |
|---|---|
| True | 58% |
| False | 14% |
| Do not know | 28% |

### B.13. Today, around what proportion of your income do you estimate you:

Note: This is on average across all respondents

| | |
|---|---|
| Spend on essentials (e.g. bills, food) | 48% |
| Spend on non-essentials (e.g. entertainment) | 13% |
| Spend on paying down debt (e.g. mortgage, credit card, loans) | 18% |
| Save | 14% |
| Donate | 2% |
| Other | 5% |

### B.14. Are you confident that you are getting the best deal on your financial products (i.e. insurance, credit card, home loan)?

| | Yes, I'm confident I'm getting the best deal | No, I know there are better deals | Not sure, I haven't checked | Not applicable to me |
|---|---|---|---|---|
| Health insurance | 34% | 19% | 16% | 32% |
| Credit card | 38% | 22% | 17% | 24% |
| Home loan | 20% | 17% | 10% | 53% |
| Superannuation | 39% | 16% | 23% | 21% |

### B.15. How often do you do each of the following?

| | Daily | Weekly | Monthly | Yearly | Every five years | Less often | Never | N/A |
|---|---|---|---|---|---|---|---|---|
| Check bank account | 28% | 49% | 14% | 2% | 2% | 2% | 1% | 2% |
| Check superannuation balance | 3% | 8% | 27% | 27% | 3% | 6% | 7% | 19% |
| Check loan balance | 5% | 16% | 22% | 7% | 1% | 3% | 6% | 41% |
| Check the stock market | 11% | 10% | 11% | 6% | 2% | 7% | 24% | 28% |
| Speak to a financial adviser | 1% | 3% | 7% | 18% | 5% | 12% | 32% | 22% |
| Look at other home loan products | 1% | 3% | 7% | 14% | 5% | 10% | 17% | 42% |
| Look at other savings products | 3% | 8% | 16% | 22% | 5% | 17% | 17% | 13% |
| Look at other insurance products | 1% | 4% | 9% | 36% | 6% | 16% | 15% | 14% |
| Buy or sell shares | 2% | 4% | 10% | 10% | 3% | 12% | 26% | 34% |
| Change insurance providers or banks | 1% | 3% | 5% | 15% | 11% | 31% | 21% | 12% |

### B.16. When making significant financial decisions, who do you typically consult with?

| | |
|---|---|
| No one, I make my own decisions | 45% |
| My partner, we make financial decisions together | 40% |
| Financial professionals (e.g. accountant, banker, financial planner) | 20% |
| Other family or friends | 11% |
| Other (specify) | 1% |

### B.17. Which of the following short or long term budgets/financial plans do you have? Select all that apply.

| | |
|---|---|
| Weekly budget | 36% |
| Monthly budget | 36% |
| Annual budget | 20% |
| Financial plan for this year (e.g. savings goals) | 19% |
| Financial plan for the next two years (e.g. savings goals) | 9% |
| Financial plan for the next five to ten years (e.g. savings goals) | 10% |
| Financial plan for a period longer than ten years (e.g. savings goals) | 5% |
| Financial goals, without a specific plan | 12% |
| I don't have any financial plans or budgets | 18% |

### B.18. Which of the following financial products do you have? Select all that apply.

| | |
|---|---|
| Health insurance | 55% |
| Car insurance | 73% |
| Home and contents insurance | 63% |
| Travel insurance (when applicable) | 31% |
| Life insurance | 21% |
| Income protection | 12% |
| Credit card(s) | 65% |
| Home loan(s) – personal home loan | 27% |
| Home loan(s) – investment property | 13% |
| General transaction bank account | 73% |
| Superannuation | 67% |
| Investments such as managed funds | 14% |
| Shares | 28% |
| Bonds | 3% |
| Options | 2% |
| None of the above/Don't know | 3% |

### B.18.1. [CODED RESPONSE] Have you ever stress tested your loans?

Stress test: To consider how a change in interest rates would affect your mortgage repayments.

| | |
|---|---|
| Yes | 32% |
| No | 63% |
| Don't know | 5% |

### B.18.2. [CODED RESPONSE] How many superfunds do you have?

| | |
|---|---|
| 1 | 82% |
| 2 or more | 16% |
| Do not know | 2% |

### B.18.2.1. [CODED RESPONSE] Why do you have one superfund?

| | |
|---|---|
| Proactively consolidated my superannuation | 37% |
| Superfund offered to consolidate my superannuation | 10% |
| Only had one employer | 20% |
| I have continued to use my original super fund when changing jobs | 26% |
| Other (specify) | 4% |
| Don't know | 2% |

### B.19. Do you subscribe to financial market reports and analysis?

| | |
|---|---|
| Yes | 12% |
| No | 88% |

### B.19.1. [CODED RESPONSE] Why do you subscribe to financial market reports and analysis? Select all that apply.

| | |
|---|---|
| General interest to me | 58% |
| Relevant to my financial investments | 51% |
| Relevant to my financial planning | 37% |
| Relevant to my profession and employment | 27% |
| Other(specify) | 1% |

### B.20. How often do you monitor RBA cash rate announcements?

| | |
|---|---|
| Never | 35% |
| Not very often | 19% |
| Sometimes | 30% |
| All the time | 16% |

### B.20.1. [CODED RESPONSE] Why don't you monitor RBA cash rate announcements?

| | |
|---|---|
| No interest | 30% |
| Don't see relevance to me | 28% |
| Forget to | 8% |
| Don't know what it is | 24% |
| Other (specify) | 2% |
| Don't know | 7% |

### B.20.1.1. [CODED RESPONSE] Why do you monitor RBA cash rate announcements? Select all that apply.

| | |
|---|---|
| General interest in financial markets | 49% |
| Relevant to my mortgage | 34% |
| Relevant to my profession and employment | 9% |
| Relevant to my financial investments | 24% |
| Relevant to my savings (including superannuation) | 32% |
| I have a keen interest in how lending institutions respond | 19% |
| Other (specify) | 2% |

### B.21. Are you an early adopter of new financial technologies (e.g. Bitcoin, Acorns application)?

| | |
|---|---|
| Yes, I typically adopt new financial technologies | 10% |
| No, I typically don't adopt new financial technologies | 63% |
| It depends, I research new financial technologies before deciding to adopt them | 20% |
| Don't know | 7% |

### B.22. Compared to this time last year, how confident are you about your ability to:

| | Less confident | | Same level of confidence | | More confident |
|---|---|---|---|---|---|
| Pay for regular expenses when they're due | 3% | 9% | 53% | 22% | 14% |
| Buy a gift | 5% | 10% | 53% | 21% | 10% |
| Raise $1,000 within a week | 17% | 13% | 44% | 15% | 11% |
| Comfortably retire at 65 | 15% | 15% | 45% | 15% | 11% |
| Have money left to save at the end of the month | 10% | 14% | 45% | 20% | 11% |

### B.23. In one year from now, how confident do you think you will be about your ability to:

| | Less confident | | Same level of confidence | | More confident |
|---|---|---|---|---|---|
| Pay for regular expenses when they're due | 4% | 8% | 53% | 21% | 14% |
| Buy a gift | 5% | 9% | 54% | 20% | 12% |
| Raise $1,000 within a week | 12% | 11% | 47% | 17% | 12% |
| Comfortably retire at 65 | 13% | 11% | 49% | 16% | 11% |
| Have money left to save at the end of the month | 8% | 11% | 47% | 21% | 12% |

### B.24. Compared to this time last year, how do you feel each of the following has changed?

| | It is worse off | | It is the same | | It is better off | Not applicable to me |
|---|---|---|---|---|---|---|
| Your income | 6% | 11% | 51% | 21% | 7% | 3% |
| Your debt | 5% | 8% | 38% | 19% | 10% | 20% |
| The value of your investments | 3% | 8% | 34% | 22% | 8% | 24% |
| The value of your home | 2% | 5% | 27% | 29% | 14% | 22% |
| The value of your superannuation | 3% | 7% | 33% | 31% | 10% | 17% |
| Ability to pay the bills | 4% | 10% | 56% | 19% | 9% | 2% |

### B.25. One year from now, how do you think each of the following would have changed?

| | It will be worse off | | Will be the same | | It will be better off | Not applicable to me |
|---|---|---|---|---|---|---|
| Your income | 4% | 8% | 51% | 24% | 9% | 3% |
| Your debt | 3% | 7% | 36% | 23% | 10% | 20% |
| The value of your investments | 3% | 6% | 34% | 25% | 8% | 24% |
| The value of your home | 2% | 4% | 31% | 30% | 12% | 22% |
| The value of your superannuation | 3% | 6% | 32% | 33% | 10% | 17% |
| Ability to pay the bills | 3% | 8% | 55% | 21% | 10% | 2% |

### B.26. Do you think it is a good time to:

| | It is a very bad time | | Neutral | | It is a very good time |
|---|---|---|---|---|---|
| Buy a property | 15% | 17% | 43% | 20% | 6% |
| Go on holiday | 8% | 9% | 40% | 29% | 13% |
| Invest in shares | 12% | 13% | 51% | 18% | 5% |
| Save more money | 4% | 7% | 39% | 35% | 15% |
| Find a new job | 14% | 15% | 48% | 16% | 7% |
| Seek financial advice | 10% | 9% | 51% | 23% | 8% |

### B.27. How do you feel about the current state of:

| | Extremely concerned | | Somewhat concerned | | Not concerned |
|---|---|---|---|---|---|
| International politics and relations | 12% | 24% | 44% | 14% | 6% |
| Global economic conditions | 9% | 21% | 47% | 18% | 6% |
| International trade | 7% | 16% | 49% | 20% | 8% |
| Australian politics | 19% | 21% | 37% | 17% | 6% |
| Australian economic conditions | 11% | 20% | 44% | 21% | 5% |

### B.28. How much do you trust the following financial institutions?

| | Do not trust them at all | | Neutral | | I trust them fully | Don't know |
|---|---|---|---|---|---|---|
| Retail/commercial banks | 20% | 22% | 34% | 15% | 3% | 5% |
| Central bank (RBA) | 8% | 10% | 40% | 26% | 8% | 9% |
| Building societies | 7% | 12% | 44% | 23% | 4% | 10% |
| Credit unions | 7% | 12% | 40% | 26% | 6% | 9% |
| Superannuation funds | 8% | 14% | 43% | 24% | 4% | 7% |
| Insurance companies | 16% | 26% | 36% | 14% | 3% | 6% |

### B.29. How much of your income would you estimate you save each pay cycle (after paying your mortgage, rent and other living expenses)?

| | |
|---|---|
| I spend more than I earn | 7% |
| Nothing | 18% |
| Less than 10% | 27% |
| 10%-20% | 26% |
| More than 20% | 16% |
| Don't know | 7% |

### B.30. Do you ever struggle to pay your bills (e.g. utilities, mortgage, rent)?

| | |
|---|---|
| Not at all | 40% |
| Not very often | 25% |
| Sometimes | 25% |
| Most of the time | 6% |
| All of the time | 4% |

### B.30.1. [CODED RESPONSE] Why do you struggle to pay your bills? Select all that apply.

| | |
|---|---|
| Cost of living increases (e.g. power prices, food) | 61% |
| Higher mortgage and rent payments | 19% |
| Not enough income | 59% |
| Low/no wage growth | 33% |
| Spend too much on non-essentials | 15% |
| Other (specify) | 3% |

### B.31. Which of the following would you rely on, if you were suddenly unemployed/unable to have income for more than 3 months?

| | |
|---|---|
| I have salary continuance insurance | 8% |
| I have emergency funds set aside | 36% |
| I would receive a payout from my employer | 11% |
| I would draw down on my mortgage or take out a loan | 11% |
| I would rely on family or friends | 16% |
| I would rely on government support or benefits | 33% |
| I would access my superannuation | 17% |
| Other (specify) | 6% |
| I'm not sure | 11% |

**B.31.1. [CODED RESPONSE] How long would you estimate you are covered for in the event you are unable to work/gain income?**

| | |
|---|---|
| Up to a month | 13% |
| Up to three months | 17% |
| Up to six months | 16% |
| Up to a year | 8% |
| Over a year | 21% |
| I'm not sure | 24% |

**B.32. How much job security do you feel you have in your current work?**

| | |
|---|---|
| Very little job security | 10% |
| I worry about job security sometimes | 15% |
| I feel reasonably secure in my job | 22% |
| I feel very secure in my job | 18% |
| Not currently employed/Don't work | 36% |

**B.32.1. [CODED RESPONSE] Why do you feel job insecurity in your current work? Select all that apply.**

| | |
|---|---|
| Broader Australian economic conditions | 24% |
| International economic conditions | 14% |
| Technological change | 18% |
| Concerns of redundancy | 30% |
| Changing workplace structure | 39% |
| In a temporary, casual or part-time position while trying to find permanent employment | 36% |
| Other (specify) | 8% |

**B.33. Are government benefits, pensions and/or allowances more than half of your personal income?**

| | |
|---|---|
| Yes | 27% |
| No | 63% |
| Don't know | 10% |

### B.34. What is your employment status?

| | |
|---|---|
| Full time employed | 41% |
| Part time or casual employed | 20% |
| Full/part time education | 3% |
| Unemployed | 7% |
| Stay at home parent | 5% |
| Retired | 24% |

### B.35. What is your highest completed level of education?

| | |
|---|---|
| Primary school | 1% |
| High school | 27% |
| Certification or trade training | 31% |
| Undergraduate | 26% |
| Postgraduate | 16% |

### B.36. Are you a homeowner?

| | |
|---|---|
| Yes, I own the home where I live outright | 34% |
| Yes, I own the home where I live with a mortgage | 30% |
| Yes, I own an investment property but live elsewhere | 4% |
| No, I rent | 26% |
| No, someone who I live with owns or rents the property I live in | 6% |
| Other (specify) | 1% |

### B.37. What is your household composition?

| | |
|---|---|
| Single – living alone or in shared accommodation | 25% |
| Single – living with parents | 6% |
| Single parent with children at home | 5% |
| Couple – children at home | 29% |
| Couple – no children at home | 33% |
| Other arrangement (specify) | 2% |

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