



ASIC

Australian Securities &
Investments Commission



Key Findings
ASIC Report 419

Australian Financial Attitudes and Behaviour Tracker

Wave 1: March – August 2014



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Introduction

Background

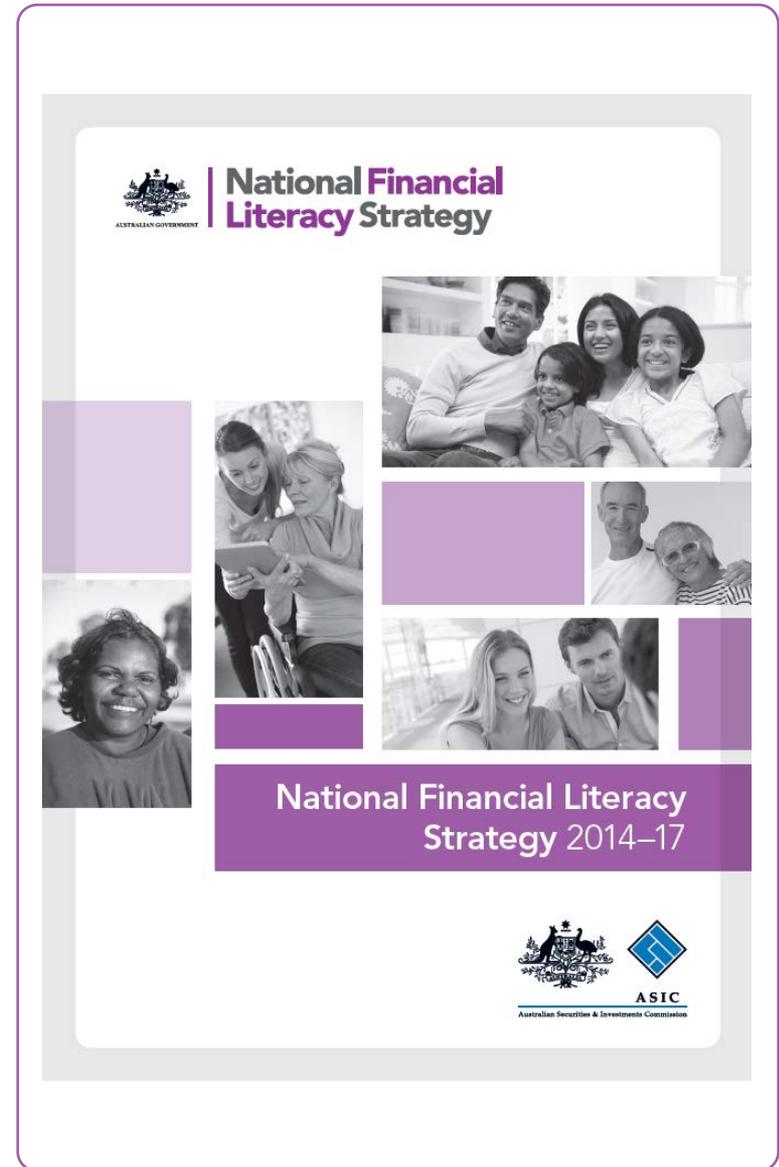


Financial decisions are a part of everyday life – whether looking for ways to save, deciding which credit card represents the best value, choosing a home loan, comparing insurance policies or planning for retirement. Whatever the decision, being confident and informed can make a difference to your financial wellbeing and peace of mind.

Helping Australians gain the knowledge, skills, attitudes and behaviours needed to make sound financial decisions is a key priority of the Australian Securities and Investments Commission (ASIC). As Australia's corporate, markets and financial services regulator, ASIC is the Australian Government agency responsible for leading and coordinating the National Financial Literacy Strategy and delivering ASIC's MoneySmart website.

Financial decision-making is complex and contextual. Prior research undertaken suggests that a wide range of shifting factors can have an impact on decisions and outcomes. ASIC has launched the *Australian Financial Attitudes and Behaviour Tracker* (the Tracker) to track a number of financial attitudes and behaviours among adult Australians and inform financial literacy programs and initiatives.

ASIC engaged Sweeney Research to conduct the Tracker in 2014/15. This report contains the benchmark findings on the financial attitudes and behaviours of Australians during the six months from March to August 2014. The Tracker will be repeated at regular intervals. It will supplement other research in the field, including the well-established *ANZ Survey of Adult Financial Literacy in Australia*, which is conducted approximately every three years and continues to be the leading reference point for measuring population-wide financial literacy levels in Australia.





Purpose

- Track changes and trends in some key financial attitudes and behaviours at regular intervals to build up a picture of changes over time
- Inform and support ASIC's efforts to promote investor and financial consumer trust and confidence
- Inform broader research, measurement and evaluation of Australians' financial literacy levels and wellbeing

Research Framework

This research is framed around the five indicative behaviours of financial literacy identified in the *2011 ANZ Survey of Adult Financial Literacy in Australia* and the *National Financial Literacy Strategy 2014-17* and shown below. In addition, it explores a number of attitudinal measures.



Keeping track of finances – approaches to managing everyday expenses



Planning ahead – planning for the medium and longer term, including retirement and beyond



Choosing financial products – shopping around, and understanding and assessing investment risk



Staying informed – use of information, tools and guidance when needed



Financial control – savings behaviour and managing debts



Methodology

Respondents

- Respondents sourced from Research Now online panel
- Aged 18+ years
- Do not work in market research
- Further details on the demographics of respondents are available in the Appendix

Survey

- 20 minute online survey
- Fieldwork was conducted between 13 – 28 August, 2014
- All survey results are based on self-reported attitudes and behaviour
- Participants were able to provide multiple responses to some questions; therefore some response categories sum to more than 100%

Analysis

- Data analysed, tabulated and significance tested using Q Research Software
- Data was weighted to be representative of ABS profile of the Australian population aged 18+

Statistical Reliability*

Sample Size	Maximum Margin of Error (95% Confidence Interval)
1,379 (Total Sample)	± 2.6%

Questionnaire Flow

Introduction/Screeners

Survey eligibility, age, gender, location of current residence



Financial Behaviour

Types of financial attitudes, behaviours (keeping track of finances, planning ahead, choosing financial products, staying informed, financial control) and a limited amount of investment knowledge



Socioeconomic Classification

Work status, relationship status, superannuation, education levels, language spoken at home, personal income and household income

- Total sample size of n=1,379 has a maximum margin of error of ±2.6% at the 95% level of confidence
- This means we can be 95% confident that survey estimates will be reflective of the real world to within ±2.6%

Economic and consumer context

Economic and consumer context during the reporting period

To give context for the Tracker, below are some of the key macro economic trends in Australia in the reporting period (March – August 2014). Overall, the broader economic environment has remained relatively stable.

Cash Rateⁱ

- The official RBA target cash rate remained at 2.5% during the reporting period.
- There were some decreases in fixed interest rates in residential mortgage products (home loans) amongst the Big Four banks.

Australian Dollarⁱ

- The Australian dollar increased in value over this period (up from 90 US cents on 20 March 2014 to 93 US cents on 20 August 2014) .
- The bulk of this increase happened towards the start of the reporting period.

Unemployment Rateⁱⁱ

- Seasonally adjusted unemployment maintained an average of 6% over the period.

GDPⁱⁱⁱ

- GDP increased by 0.7% in the three months to June; in seasonally adjusted terms this is an overall increase of 0.5%. Over the same period gross value added per hour worked in the market sector rose 0.9%.
- Terms of trade fell 1.6%; seasonally adjusted, this means a decrease of 0.3%.

i: Reserve Bank of Australia economic and financial statistics www.rba.gov.au/statistics

ii: Australian Bureau of Statistics – Labour force statistics (publication 6202.0) www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0

iii: Australian Bureau of Statistics – Australia's National Accounts (publication 5206.0) www.rba.gov.au/statistics

Economic and consumer context (continued)

Economic and consumer context during the reporting period

CPIⁱ

- The consumer price index rose by 0.5% in the three months to June (compared to an increase of 0.6% in the previous quarter).
- In seasonally adjusted terms, this represents an increase of 3.0% across the quarter (compared to a seasonally adjusted figure of 2.9% for the previous quarter). This puts the CPI at the upper end of the RBA's target bracket of 2-3%.

Consumer Confidenceⁱⁱ

- Consumer confidence dropped at the end of May (down from 113.4 points in April to 102.4 points in May), a slump which continued through to the end of June.
- However, consumer confidence increased in July (back up to 112.4 points in July).

Consumer Sentimentⁱⁱⁱ

- Similar to consumer confidence, consumer sentiment rallied between June and August to 98.5 following a 6.8 point fall in May.
- Westpac's June consumer sentiment report shows that around a quarter of consumers (28%) favoured 'bank deposits' as the wisest place for savings (down slightly from 30% in March).

i: Australian Bureau of Statistics – Consumer Price Index (publication 6401.0) www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6401.0?opendocument

ii: Roy Morgan Australia and New Zealand consumer confidence www.roymorgan.com/morganpoll/consumer-confidence/consumer-confidence

iii: Westpac – Melbourne Institute Consumer Sentiment statistics www.melbourneinstitute.com

Key Findings

Financial attitudes

A range of factors are associated with particular attitudes and behaviours, including life stage, gender, household composition, retirement and income.

General Findings

- A large proportion of surveyed Australians (43%) agreed that **dealing with money is interesting**.
- Around half (49%) of those surveyed said they **tried to stay informed about money matters and finance** in the last six months. **Retirees** were significantly more likely to report that they try to stay informed about money matters (64%) than those who were **not retired** (45%). **Under 35s** (44%) were significantly less likely to report that they try to stay informed about money matters than those **aged 35 and older** (52%).
- However, nearly a third of Australians (30%) found **dealing with money stressful and overwhelming**. **Females** (35%) were significantly more likely than **males** (24%) to report this. Personal income and degree level education had no effect on whether people found dealing with money stressful and overwhelming.
- The **under 35s** (44%) were significantly more likely to find **dealing with money stressful and overwhelming** than **those aged 35 and older** (23%). They were also more likely to **financially live for today** (23% and 16% respectively), have **difficulty understanding financial matters** (29% and 12%) and **often buy things on impulse** (40% and 24%).
- Close to one in four Australians (23%) felt that **nothing I do will make a difference to my financial situation**.



Keeping track of finances

Whether or not they find money interesting, most Australians are keeping track of their finances in some way.

Financial Behaviours: Key Findings

- Nearly all surveyed Australians stated that in the last six months they **kept track of their money in some way** (90%).
- The most **commonly used tracking methods** were checking bank account statements (59%), checking credit card statements (47%), and keeping receipts (39%).
- While nearly two thirds of those surveyed (62%) reported they **had a budget** and stuck to it 'mostly' or 'always', more than a third of the sample (38%) did not.

Demographic Characteristics

- Those **aged 55 and older** (75%) were significantly more likely to have checked bank statements than **under 35s** (46%). They were also more likely to have checked credit card statements (64% and 30% respectively) and kept receipts (52% and 31%).
- **Under 35s** (27%) were indicatively more likely to have briefly looked at their bank and credit card statements than those **aged 55 and older** (21%). However, they were significantly more likely to have kept track of their money in their head (28% and 16% respectively) and used an app to keep track of their spending (12% and 1%).
- **Single people living at home** with their parents were the least likely to say they had a budget (65%). This was indicatively lower than other single person households (77%) and couple households (73%).

Correlation with Attitudes

- People who agreed that they are **confident when it comes to managing money** were more likely to have had a budget and mostly or always stuck to in the last six months (69%), compared to those who disagreed (39%).
- Similarly, those who agreed that they **try to stay informed about money matters and finance** were more likely to have had a budget and mostly or always stuck to it (67%) compared to those who disagreed (44%).
- However, there was little difference between the proportions of those who agreed or disagreed with the statement that **nothing I do will make a difference to my financial situation**, in terms of having a budget and mostly or always sticking to it (61% and 63% respectively).



While the majority of Australians are tracking expenses, comparatively few are planning ahead.

Financial Behaviours: Key Findings

Financial planning:

- Only 38% of surveyed Australians said they had a **short-term (3-5 years)** financial plan in place. Of these, 36% had not monitored their progress over the past six months.
- Even fewer (22%) reported having a **long-term (15-20 years)** plan in place. Of these, the majority also had a short term plan (74%).

Superannuation:

- One third (36%) of surveyed Australians said they **knew their superannuation balance exactly**, a third (34%) had a rough idea and a third did not know their superannuation balance (30%).
- Around 1 in 10 reported they maintain a **self-managed superannuation fund (SMSF)**. Balances ranged from less than \$100,000 (24%) to over \$1,000,000 (17%).

Insurance:

- 9 in 10 Australians (87%) said they **held at least one insurance policy**. Of these, most reported reviewing their level of cover in the past 12 months. The most commonly reviewed products were home building insurance (84%), contents insurance (84%) and comprehensive car insurance (80%).
- Of those with **no insurance cover** (13%), only about a quarter (23%) reviewed their insurance situation in the last 12 months.

Demographic Characteristics

Financial planning:

- **Singles who live at home with their parents** (24%) were significantly less likely to have had a 3-5 year financial plan compared to **other singles** (38%) and **couples** (41%).
- **Homeowners** (42%) were significantly more likely to have had a 3-5 year financial plan compared to **renters** (31%).
- **Males** were indicatively more likely to have monitored progress on their 3-5 year plan in the past six months (69%) compared to **females** (59%) and to have made adjustments to their plan (47% and 36% respectively).
- **Married men** (94%) were more likely to have engaged with their 15-20 year plan in the last 6 months than **single men** (74%).



While the majority of Australians are tracking expenses, comparatively few are planning ahead.

Demographic Characteristics (continued)

Superannuation:

- Those who knew their exact balance were significantly more likely to be **aged 55 and older** (62%), compared to 28% of **35-54 year olds** and 18% of **under 35s**.
- **Males** (41%) were significantly more likely than **females** (30%) to have reported knowing their superannuation balance exactly.
- Those with a **personal income in excess of \$50,000 per annum** (41%) were significantly more likely to have known their superannuation balance exactly than those with a **personal income less than \$50,000 per annum** (34%).

Insurance:

- Those who had **retired** were significantly more likely to have reviewed their home building insurance cover (97%) than those who had **not retired** (78%). They were also significantly more likely to have reviewed their home contents insurance (95% and 78% respectively) and comprehensive car insurance (87% and 78% respectively).

Correlation with Attitudes

- People who agreed they **try to stay informed about money matters and finance** were more likely to have a 3-5 year financial plan in place (47%) than those who disagreed (20%). They were also more likely to have a 15-20 year financial plan in place (29%) than those who disagreed (10%).
- People who agreed that they **try to stay informed about money matters and finance** were more likely to have a self-managed superannuation fund (14%) than those who disagreed (4%). In addition, those who agreed they were **confident when it comes to managing money** were more likely to have an SMSF (12%) compared to those who disagreed with this statement (7%). Interestingly, there was little difference between the proportions of those who had an SMSF in terms of whether they agreed (10%) or disagreed (11%) that **dealing with money is stressful and overwhelming**.

Choosing financial products



People use diverse sources of information when choosing financial products and there are variations in understanding of key investing concepts.

Financial Behaviours: Key Findings

Investments outside of superannuation and home:

- Around one third (35%) of surveyed Australians said they held **investments other than their superannuation and/or their home**.
- Of these, around one third (29%) stated they **learned something in the past six months** that made them feel more confident in their investing ability. However, 10% reported they had discovered they had invested in something they **didn't fully understand**. In addition, 17% stated they lost money they **could afford to lose**, and 7% reported losing money they **couldn't afford to lose**.

Understanding of investment concepts:

- When asked about the **concept of 'risk/return trade-off'**, around two fifths (41%) of people reported not having heard of the concept, 28% of people stated they had heard of it but didn't understand it, and 30% of people said they had heard of and understood it.
- Of the 30% of people who said they had **heard and understood the concept**, 9% were unable to accurately describe the risk/return trade-off when tested.
- More than half of those surveyed either **hadn't heard of diversification** (34%), or had heard of it but felt they didn't really understand it (26%).
- When asked to assess the risk associated with various types of investments, 2 in 5 (41%) rated direct property/real estate investments as **low or very low risk investments**.

Information sources:

- Relatively few people reported **responding to an advertisement** when purchasing a financial product in the last six months. Of those who did, the most common product was credit cards (15%), while home loans (5%), investments (6%) and personal loans (6%) were the least common.
- Few people **read the product disclosure statement (PDS)** when purchasing a financial product in the last six months. The most common products for which people reported reading the PDS were investments (19%), bank accounts (17%), credit cards (14%), home loans (12%) and personal loans (11%).

Choosing financial products (continued)



People use diverse sources of information when choosing financial products and there are variations in understanding of key investing concepts.

Demographic Characteristics

Investments outside of superannuation and home:

- **Males** (40%) were more likely to have held investments other than their superannuation and/or their home than **females** (31%).
- **Males** were significantly more likely than **females** to say they had lost money they could afford to lose (22% and 9% respectively).

Understanding of investment concepts:

- **Males** (38%) were more likely to say they had heard of and understand the concept of risk/return trade-off than **females** (23%).
- **Males** (47%) were also more likely to report that they had heard of and understood the concept of diversification than **females** (34%).
- **Those aged 35 and older** (48%) were more likely to report that they had heard of and understood the concept of diversification than **under 35s** (22%).

Correlation with Attitudes

Investments outside of superannuation and home:

- People who disagreed that **dealing with money is stressful or overwhelming** were much more likely to have investments other than superannuation and/or their home (53%) than those who agreed (20%). Similarly, those who agreed that **dealing with money is interesting** were more likely to have other investments (46%) than those who disagreed (28%).

Understanding of investment concepts:

- People who disagreed that **dealing with money is stressful or overwhelming** were more likely to say they had heard of diversification and understood it (61%) than those who agreed (24%).
- Those who disagreed with this statement were also more likely to have heard of and understood the concept of risk/return trade-off (46%) than those who agreed (17%).



Family and friends are important information sources for many Australians, but 1 in 5 prefer not to talk to anyone about their household finances.

Financial Behaviours: Key Findings

- When deciding to purchase/obtain or make changes to financial products, the **sources of information** Australians consulted in the last six months varied according to product type:
 - Bank websites were commonly consulted for information about credit cards (33%), home loans (24%), personal loans (21%) and bank accounts (39%).
 - However, when purchasing or making changes to investment products, paid professional advisers (30%) and financial sections of the newspaper (28%) were the most consulted.
 - Family and/or friends were also an important source of information across all product categories: credit cards (15%), home loans (20%), investments (21%), personal loans (15%) and bank accounts (17%).
- Around 1 in 10 people **did not consult any information sources** when purchasing/obtaining or making changes to their credit cards, personal loans or bank accounts.
- The **level of comfort around openly discussing household finances** with others varies and 1 in 5 (19%) Australians said they prefer not to talk to anyone about their household finances.

Demographic Characteristics

- Most Australians **who have a partner** discussed their finances with them in the last six months (88%).
- **Females** (32%) were significantly more likely than **males** (19%) to openly discuss their household finances with their parents or family and were indicatively more likely to discuss household finances with their children (18%) than **males** (12%).
- **Couples** (16%) were significantly less likely to openly discuss their finances with their parents/family than **singles** (41%). They were also less likely to discuss this with their **friends** (9% and 19% respectively).
- **Under 35s** were significantly more likely to discuss their finances with parents/family (53%), friends (22%) and colleagues (6%) than those **aged 35 and older** (14%, 8% and 2% respectively).



Family and friends are important information sources for many Australians, but 1 in 5 prefer not to talk to anyone about their household finances.

Correlation with Attitudes

- People who agreed they **try to stay informed about money matters and finance** were significantly more likely to openly discuss household finances with their partner (63%) than those who disagreed (48%). They were also more likely to discuss money matters with their children (17%) than those who disagreed (10%).
- Those who agreed that they are **confident when it comes to managing money** were more likely to discuss household finances with their partner (62%) than those who disagreed (50%).
- Those who agreed with the statement that **nothing I do will make a difference to my financial situation** were more likely to prefer not to talk about their finances with others (23%) than those who disagreed (14%).



Most Australians reported saving some money within the last 6 months.

Financial Behaviours: Key Findings

- 4 in 5 Australians (82%) said they had **saved at least some money within the last 6 months**:
 - Most (38%) indicated that they saved their money into a **savings account not automatically linked to their pay**.
 - Around 1 in 5 (21%) made **overpayments on home loans** and 14% made **voluntary super contributions** as ways of saving money.
- When asked how they would **cover three months' living expenses if they suffered a sudden loss of income**, most people (90%) stated that they would be able to cover this in some way:
 - Around half of those surveyed (54%) indicated that they would be able to cover this **using their own savings and investments**.
 - However, one in five (21%) reported they **would not know how they would manage but would find a way**, another one in five (20%) stated they **would sell something** and 10% believed they **would not** be able to cover three months' living expenses at all.
- While nearly two thirds of surveyed Australians with a **credit card** (64%) reported paying the balance of their credit card in full each month, more than a quarter (28%) said they paid only the minimum amount or made extra payments but not the full amount.
- Of the third of Australians who said they had a **mortgage**, more than half (58%) indicated they paid more than the minimum amount required.

Demographic Characteristics

- Those **aged 35 and older** (24%) were more likely to report that they comfortably meet their expenses and can easily save or spend if they want to than **under 35s** (16%); whereas **under 35s** (32%) were significantly more likely to say they could meet their expenses but have nothing left over to save than those **aged 35 and older** (25%).
- **Couples** (28%) and **those with a university degree** (27%) were more likely to overpay on their home loans as a way of saving.
- **Homeowners** were significantly more likely to say they paid their credit card balance off in full each month (71%) than those who **rent** (42%).
- **Under 35s** (28%) indicated that they would be more likely than those **aged 35 and older** (16%) to sell something or get a loan from friends and family (27% compared to 7%) to cover three months' living expenses.



Most Australians reported saving some money within the last 6 months.

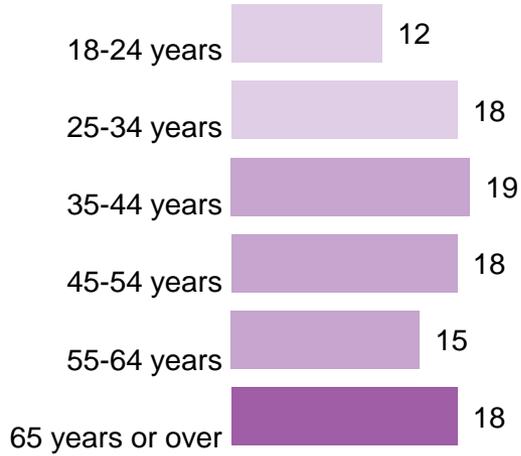
Correlation with Attitudes

- People were equally likely to say they had received an unexpectedly large bill in the last 6 months regardless of whether they agreed (40%) or disagreed (36%) that they **try to stay informed about money matters and finance** or whether they agreed (41%) or disagreed (38%) that **dealing with money is interesting**.
- However, people who agreed that **dealing with money is stressful or overwhelming** were more likely to say they'd received an unexpectedly large bill in the last six months (50%) than those who disagreed (33%).
- People who agreed that they were **confident when it comes to managing money** were more likely to have saved money over the last six months (85%) compared to those who disagreed (67%), and to state they could cover three months' living expenses if they suffered a sudden loss of income (86%) than those who disagreed (68%).
- People who disagreed that **nothing I do will make much difference my financial situation** were more likely to have saved money over the last six months (86%) than those who agreed (72%), and to state they could cover three months' living expenses if they suffered a sudden loss of income (88%) than those who agreed (68%).
- One in ten people (9%) who disagreed that **dealing with money is interesting** missed a credit card payment in the past six months. On the other hand, people who agreed that **dealing with money is interesting** were very unlikely to have missed a credit card payment (1%).

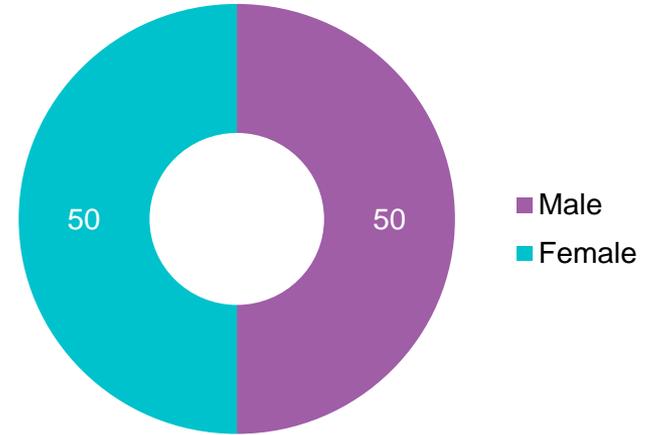
Appendix

Sample profile – demographics

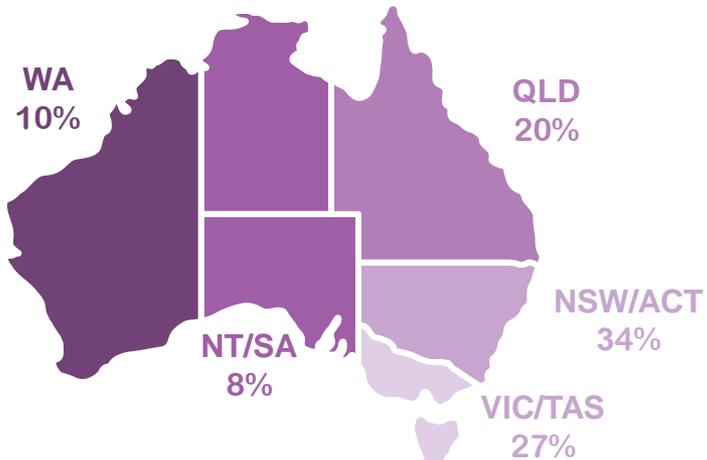
Age (%)



Gender (%)



Location (%)

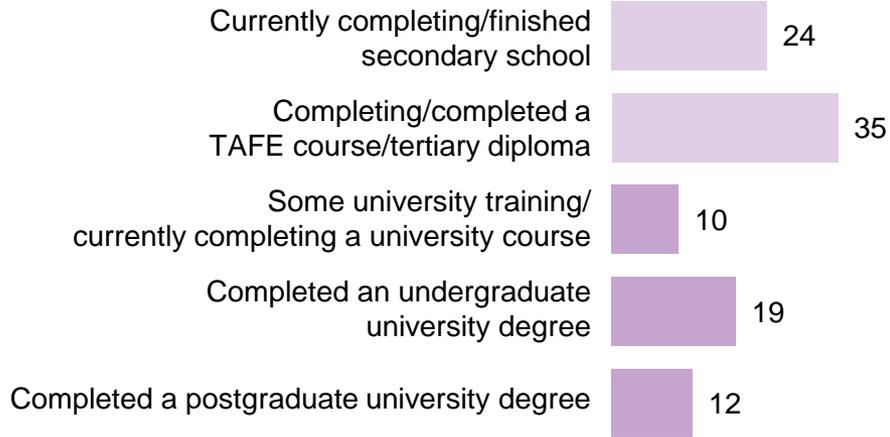


Geographic location (%)

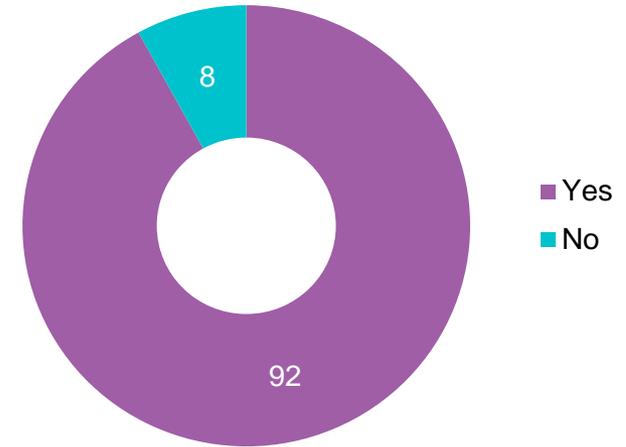


Sample profile – demographics (continued)

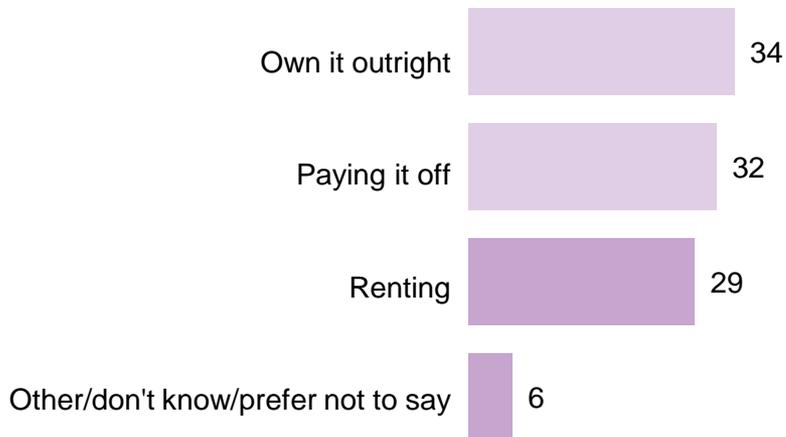
Highest education attainment (%)



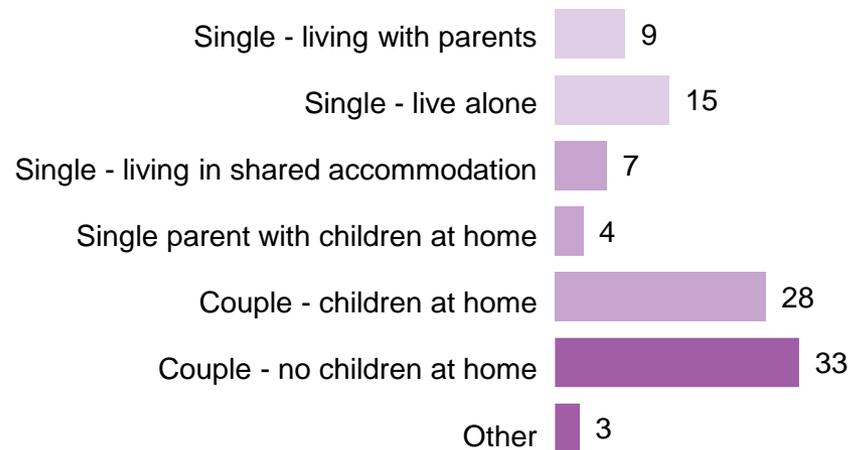
Is English is the main language spoken at home (%)



Home ownership status (%)

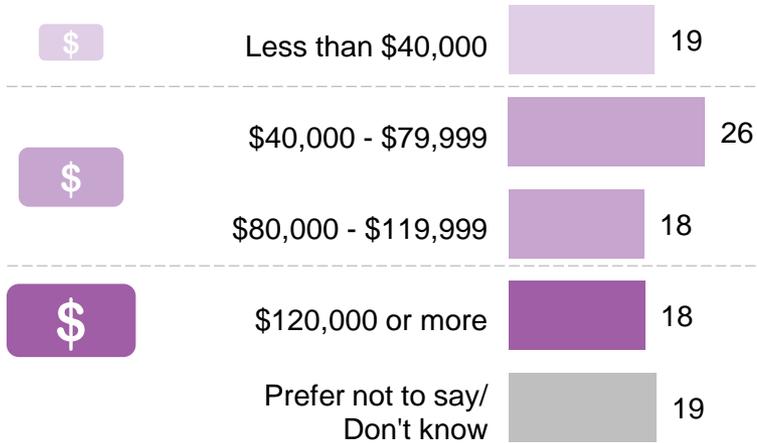


Family status (%)

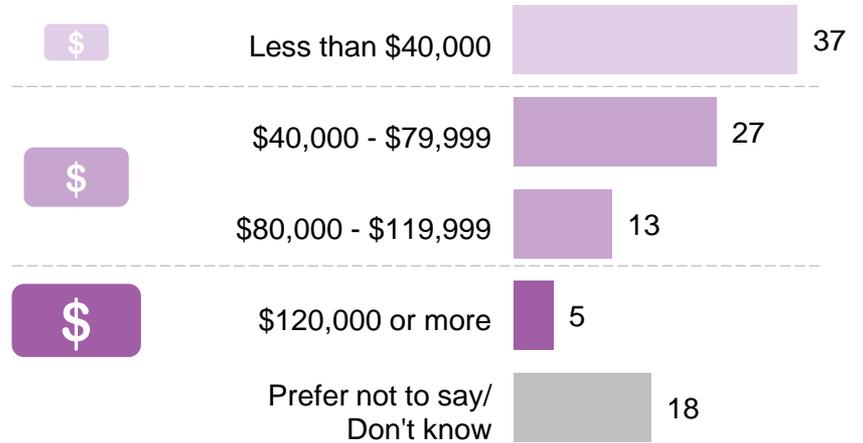


Sample profile – demographics (continued)

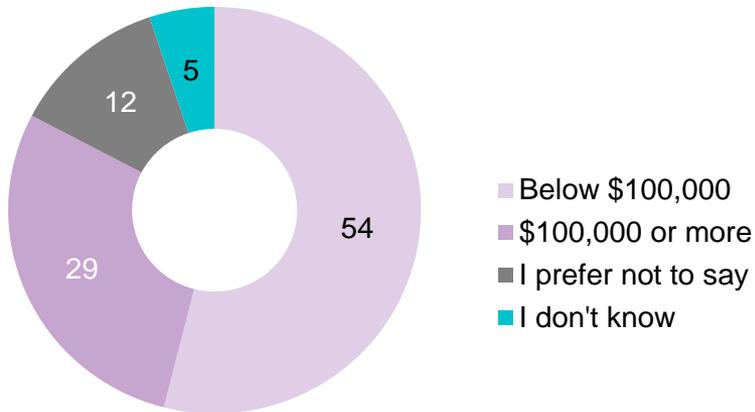
Household income (%)



Personal income (%)



Household income (%)



Personal income (%)

