

# NAB AUSTRALIAN WELLBEING SURVEY Q1 2020



## Part two: Australia's financial wellbeing - Household financial anxiety

April 2020

*NAB Behavioural & Industry Economics*

NAB's Financial Anxiety Index rose for the third straight quarter in Q1 2020 to 61.4 points, from 58.8 points in Q4 and now sits above average (60.1 points). Financial anxiety rose across most demographic groups, but remains higher for women than men. Around 4 in 10 Australians said they experienced some form of financial stress or hardship over the past 3 months. Not having enough money for an emergency continues to be the most frequently cited cause of financial stress, particularly for the unemployed and young people. Around 1 in 4 Australians spent more than they earned over the last 3 months, with the number significantly higher among lower income earners.

While timely, the survey closed on March 20, so predates some of the more recent restrictive measures to contain the coronavirus. It does however serve as an important benchmark from which to gauge how financial anxiety changes from here and whether it starts to impact a broader group of Australians. Early indications show that financial anxiety rose from 60.6 points during the first survey wave (Mar 12-16) to 62.2 points during the second survey wave (Mar 17-20).

In part 2 of the NAB Wellbeing Survey, we take a closer look at financial wellbeing and anxiety. After 29 years of uninterrupted economic growth many Australians have become accustomed to a growing level of prosperity. The coronavirus has already had a significant impact on people's concerns over the economic environment, with the level of concern increasing noticeably with age. The economic shocks occurring due to the virus are clearly going to be very large both globally and locally. NAB Economics expect a deep recession with unemployment expected to rise very sharply.

While the government has taken unprecedented action to support the economy and keep people in employment, many Australians are likely to feel financially more vulnerable, even those that may have not been directly impacted financially. That said, while people have a natural tendency to accept (and often take for granted), good things/periods in their lives quite quickly, we also have the capacity to adapt to ill-fortune. So, it will be interesting to track not just absolute but relative levels of financial wellbeing and anxiety from here - some people may even be comforted by the fact that many of us are "in the same boat".

While there is an overwhelming amount of research available on general anxiety, there is a relative scarcity concerning the emotional aspects of our finances. Some anxiety around money is very common, but if these concerns start to have a major impact on personal wellbeing, it can become a serious problem. A look at overall wellbeing (as measured by NAB's Wellbeing Index) by income, already highlights a significant gap between those on incomes over \$100,000 p.a. and those less than \$35,000 p.a.

Money and finances are frequently linked to low levels of wellbeing and mental health issues. People with mental health problems can find managing money difficult, are significantly less likely to be in employment or much more likely to be in low-paid, part-time or temporary work. Financial difficulty can also reduce recovery rates for some mental health conditions.

### NAB FINANCIAL ANXIETY INDEX (100 = extremely concerned)

	Q1 2019	Q4 2019	Q1 2020
<b>NAB Financial Anxiety Index</b>	<b>58.3</b>	<b>58.8</b>	<b>61.4</b>
- Unemployed	75.1	76.9	71.4
- Women	60.6	61.0	62.7
- Men	55.8	56.4	60.0
- Age 18-29	60.7	61.5	63.6
- Age 30-49	62.0	64.1	65.1
- Age 50-64	53.9 (50+)	58.7	60.2
- Age 65+	53.9 (50+)	47.0	54.2

Financial anxiety can manifest itself in a variety of ways including for example, hoarding cash rather than using it; struggling or avoiding to make financial decisions; feeling guilty about spending; worries about not working hard enough to earn money; or even lying to partners or family about purchases or finances. There is however no general definition of financial anxiety. NAB's measure is based around Australians' concerns over future spending and savings plans arising from their current financial position. NAB's research also sheds light on the impact of financial issues such as income and debt on our lives.

Financial anxiety rose in Q1 2020 across all key demographic groups, except the unemployed, where it declined. While unemployed Australians continue to have the highest overall levels of financial anxiety, this fall may seem counterintuitive considering the impact of the coronavirus on the labour market. It may however reflect that while many people are losing their jobs due to the virus, this was not really apparent during the survey period. Perhaps also, with so many Australians expected to become jobless (notwithstanding government efforts to support their wages), those already unemployed may be looking at their financial situation in a different light. Going forward, as more Australians lose their jobs, financial anxiety among the newly unemployed is likely to rise.

Financial anxiety remains higher for women than men. While there are likely to be a range of reasons for this disparity, the fact that women are still earning less than men, is a major factor (despite progress on the gender wage gap front). Women disproportionately are carers for children and other family members, including elderly parents. Career breaks due to maternity leave is also likely to be a factor. Put simply, women earn less so are likely to face more financial struggles. Money is often cited as a reason for conflict in a relationship. Some researchers argue that men and women fundamentally react to money, or more particularly not having enough, very differently. While women tend to worry about safety and security, men are more likely to be concerned about issues such as shame and failure.

By age, Australians aged 30-49 and 18-29 remain the most anxious age groups, however the biggest rise in financial anxiety in Q1 2020 occurred in the over 65 age group, perhaps reflecting impact of the stockmarket downturn on their superannuation and other investments and poor returns due to low interest rates.

There continues to be a strong relationship between financial anxiety and income, with a progressive step down in anxiety from the lowest income group (69.2 points) to the highest income group (55.2 points).

NAB's survey also explores the "drivers" of financial anxiety - i.e. what makes us financially anxious. While all drivers contributed more to overall stress levels in Q1 2020, financing retirement remains the single biggest cause of financial anxiety. Retirement is essentially a bet on the future and it's often the unexpected nature of change that makes it so unsettling.

MLC research shows that 29% of Australians don't think they'll have 'enough' wealth to live to their desired standard in retirement and 25% 'far from enough'. These concerns are likely being driven by a perceived savings and investment shortfall on reaching retirement. On average (net of our homes), we expect to have \$678,000 when we retire (men more than women - \$769,000 vs. \$570,000). But, we think we'll need around \$1.1 million. Outside of retirement, other top concerns include providing for our family's future and medical bills/healthcare.

More specifically, some groups are more (or less) anxious about key drivers than others. While unemployed people for example worry more about all drivers of financial anxiety than the average Australian, this is especially true for providing for their family's future, food & basic necessities, normal and other monthly household bills, and medical bills.

Women are much more worried than men about raising money for an emergency, their children's education and mortgage or rents costs. Australians over the age of 65 are the least worried about all drivers of financial anxiety, as are Australians in the highest income group.

People can feel financially anxious without experiencing financial stress or hardship. Of concern, around 4 in 10 Australians said they had experienced some form of financial stress or hardship over the past 3 months. But that number is significantly higher among the unemployed (58%), low income earners (55%) and young people (52%). The biggest spike in financial stress or hardship over the past 3 months was among 30-40 year olds.

Not having enough money for an emergency continues to be the most frequently cited cause of financial stress or hardship by almost 1 in 4 Australians, but for almost twice as many unemployed Australians. Not having enough money for an emergency was a bigger problem in the lowest income group (30%) and for young people (29%). Around 1 in 4 people in the lowest income group and aged 18-29 also said they didn't have enough for food and basic necessities. Almost 1 in 5 unemployed Australians struggled to meet the costs of their medical bills.

Finally, NAB's research on wellbeing can shed more light on the impact of financial issues such as debt on our lives. NAB's wellbeing survey shows debt is among the key detractors of wellbeing for Australians. There has been a lot of research looking at whether and how income makes people happy in life, but few studies have examined whether debt can detract from happiness. While there is a strong relationship between financial anxiety (and overall wellbeing) and income, it doesn't really matter how much money you have, people generally don't like debt. That said, significantly more women in all age groups typically believe debt has had a negative impact on their wellbeing compared to men.

While debt appears to have an impact on wellbeing, most Australians have been managing well and most of the debt remains well secured against property. Many households have built up a substantial over-payment reserve, and debt serviceability is high due to low interest rates. Moreover, it is interesting to note that among the "drivers" of financial anxiety, credit card repayments continue to cause the least stress.

That said, highly indebted households are likely to be more sensitive to the likelihood of falling house prices. Excess debt also tends to pull activity forward from the future. So, although economic growth and consumption are buoyed while households take on debt, this can reverse when "deleveraging" takes place.

Cost of living pressures can also impact financial wellbeing. NAB's Consumer Anxiety Index climbed steeply in Q1 2020 to be at above average levels for the first time since Q4 2018. Anxiety rose for all index components, with the sharpest increase around job security, but the cost of living remains the highest concern. While consumers acknowledged that cost pressures had eased over the past 3 months, particularly transport and travel/holidays. Conversely, grocery expenses were up, while utilities were also key contributors.

Around 1 in 4 consumers also said they spent more than they earned over the last 3 months, with the number significantly higher among lower income groups. On balance, Australians reported a decrease in their income and a particularly strong decline in their level of savings over the past 3 months. Expectations for the next 12 months regarding incomes, savings and debt are also much lower.

NAB's survey is based on responses from over 2,000 Australians and weighted to be representative of the Australian adult population. The first wave of 1,000 respondents was taken between March 12-16 and the second between March 17-20. As such, it predates some of the more recent restrictive measures to contain the virus and the impacts of the virus on people's finances.

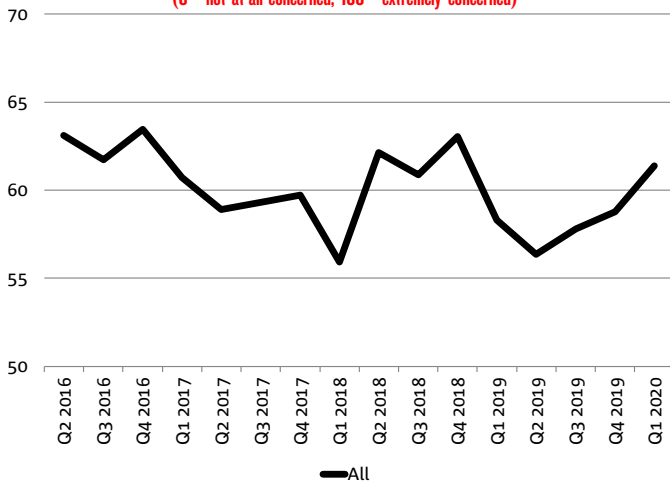
# FINANCIAL ANXIETY

NAB's Financial Anxiety Index - based on Australians' concerns over future spending and savings plans arising from their current financial position rose for the third straight quarter, and now sits above average...

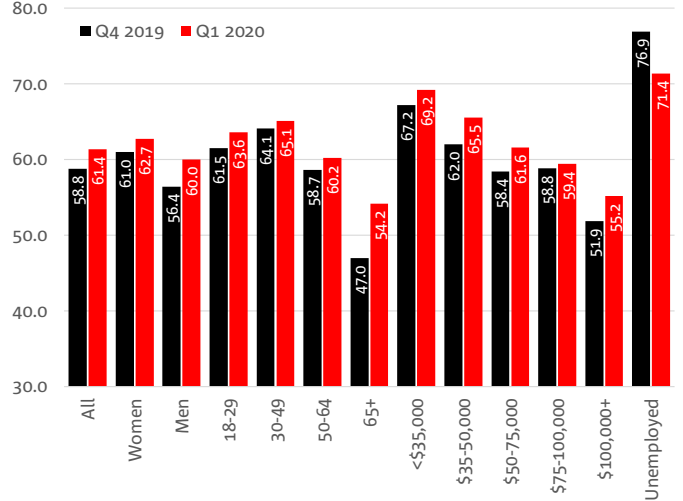
Financial anxiety up in all key groups, except the unemployed (but still highest overall). Big spike in concern among the over 65s, perhaps reflecting the impact of stockmarket downturn on their super...

## FINANCIAL ANXIETY

(0 = not at all concerned; 100 = extremely concerned)



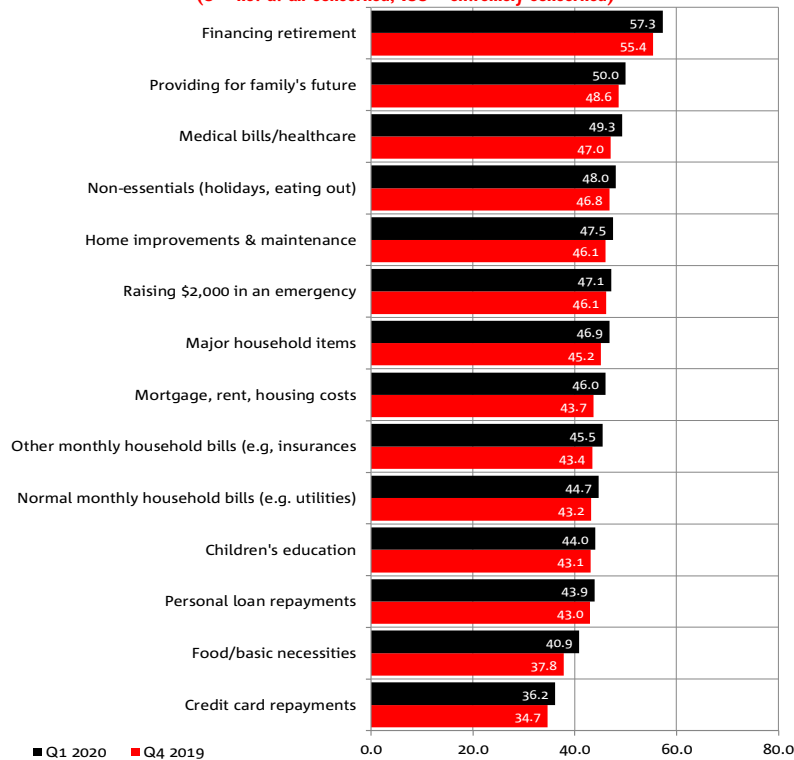
## FINANCIAL ANXIETY



- Financial anxiety remains higher for women (62.7 points) than men (60.0 points).
- Australians aged 30-49 (65.1 points) and 18-29 (63.6 points) still the most anxious age groups, but biggest increase in anxiety seen among the over 65s (up 7.2 points to 54.2).
- We continue to see a strong relationship with income, with a progressive step down in financial anxiety from the lowest to highest income group.

## KEY DRIVERS OF FINANCIAL ANXIETY

(0 = not at all concerned; 100 = extremely concerned)



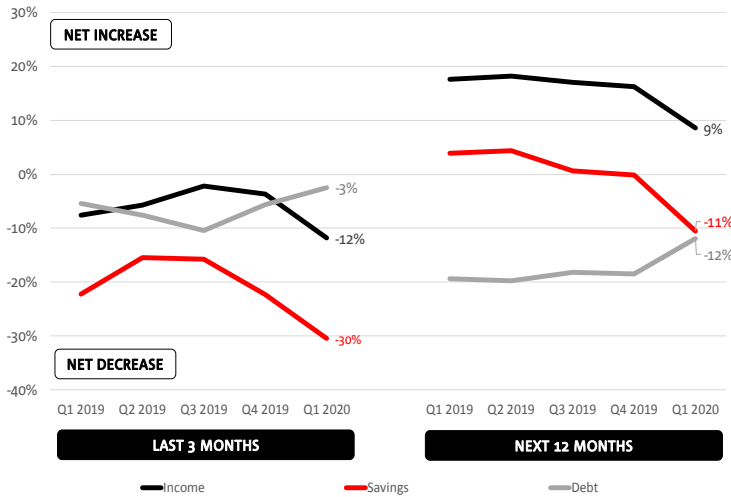
All drivers of financial anxiety contributed more to overall stress levels in Q1 2020. Financing retirement still the biggest driver of financial anxiety, with credit card repayments causing the least stress...

- Women much more worried than men about raising money for an emergency (50.3 vs. 43.8), their childrens' education (47.5 vs. 41.1) and mortgage or rents costs (49.1 vs. 43.1).
- Unemployed people worry more about all drivers of financial anxiety than the average Australian, especially providing for their family's future (66.7), food & basic necessities (56.5), normal (58.0) and other monthly household bills (59.2), and medical bills (62.7).
- Australians over the age of 65 are the least worried about all drivers of financial anxiety, as are Australians in the highest income group.

# HOUSEHOLD INCOME, SAVINGS & DEBT AND THE ECONOMY

On balance, consumers were less positive about the outlook for their incomes and savings, and fewer expect to pay down their debts...

## WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME, HOUSEHOLD SAVINGS & HOUSEHOLD DEBT (NET)



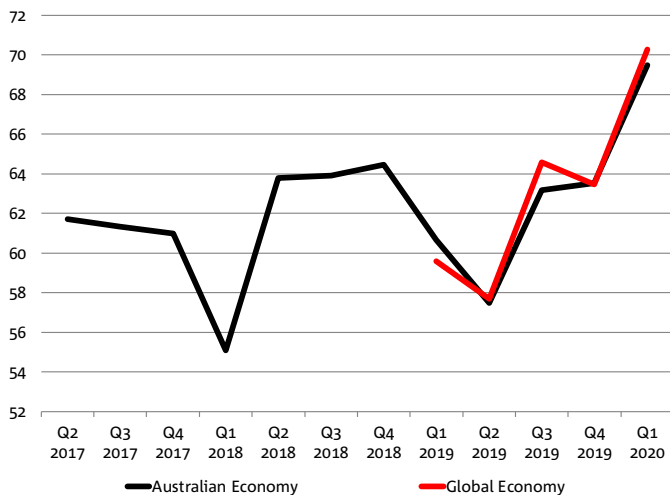
- More Australian consumers on balance reported a decrease in their income and level of savings in the last 3 months. Fewer also said their level of debt had decreased.
- Expectations for the next 12 months regarding incomes, savings and debt were also less positive than in the previous quarter.
- The table below shows expectations by gender and age. Men are more optimistic than women, and consumers under 50 than those over 50.
- Women are on balance more positive about their savings in the next 12 months.
- Noticeably more young people (18-29) on balance expect their incomes to rise in the next 12 months.

## WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME, HOUSEHOLD SAVINGS & DEBT: GENDER & AGE

	Income		Household Savings		Household Debt	
	Last 3m	Next 12m	Last 3m	Next 12m	Last 3m	Next 12m
Women	-16	+5	-38	+12	-2	-13
Men	-8	+12	-23	-9	-4	-11
18-29 years old	-8	+30	-8	+25	+2	-7
30-49 years old	-9	+14	-31	-4	0	-14
50-64 years old	-19	-7	-44	-29	-8	-16
Over 65	-13	-8	-38	-39	-6	-9

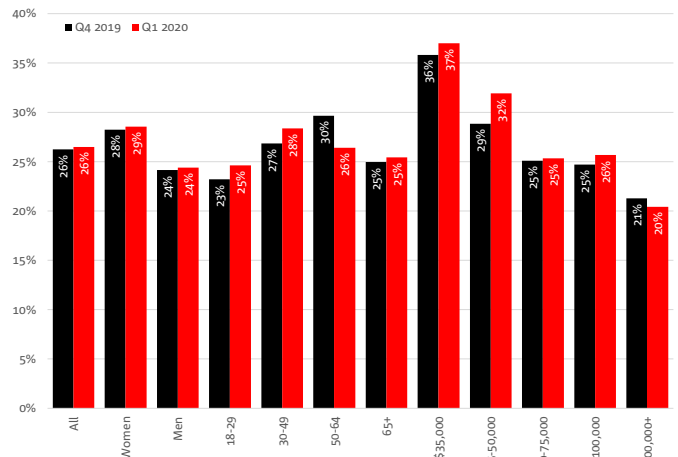
The coronavirus has also had a significant negative impact on concerns over the domestic and international economic situation...

## LEVEL OF CONCERN ABOUT ECONOMIC SITUATION (100 = extremely concerned)



Around 1 in 4 Australian consumers spent more than they earned over the last 3 months, but that number was significantly higher in low income groups and also higher than in the previous 3 months...

## NUMBER OF CONSUMERS THAT SPENT MORE THAN THEY EARNED OVER THE PAST 3 MONTHS (%)

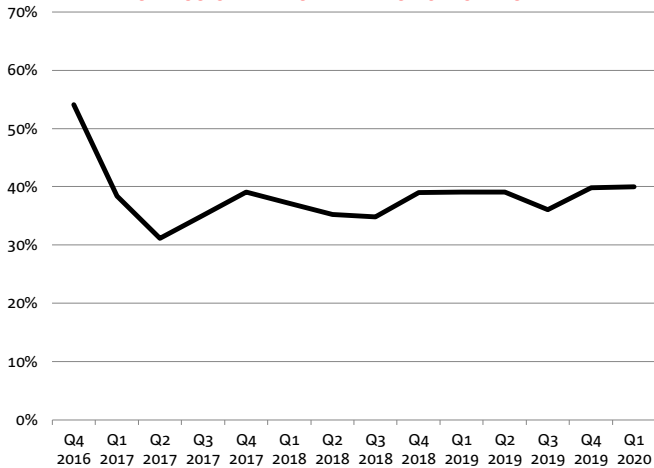


# HOUSEHOLD FINANCIAL HARDSHIP

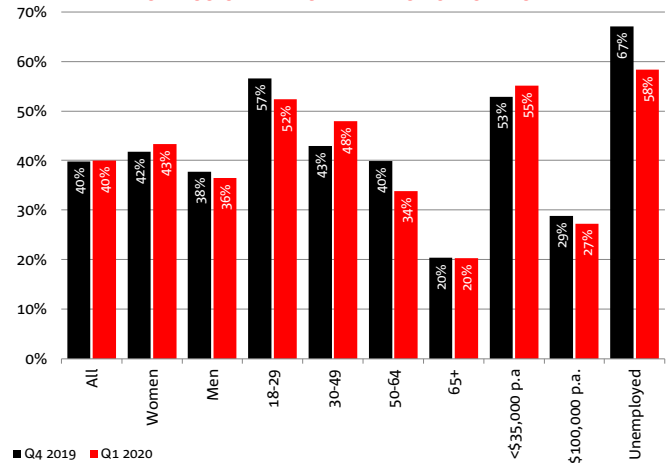
Around 4 in 10 Australians experienced some form of financial stress or hardship over the past 3 months, unchanged from the previous quarter...

But that number is significantly higher for the unemployed (58%), low income earners (55%) and young people (52%), but increased most for 30-40 year olds...

NUMBER OF CONSUMERS THAT EXPERIENCED FINANCIAL STRESS OR HARDSHIP IN LAST 3 MONTHS

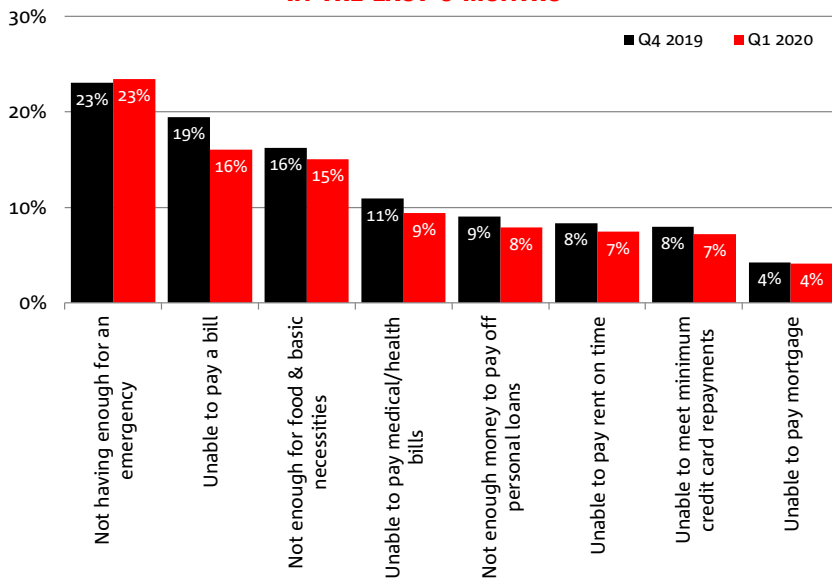


NUMBER OF CONSUMERS THAT EXPERIENCED FINANCIAL STRESS OR HARDSHIP IN LAST 3 MONTHS



Not having enough money for an emergency continues to be the most frequently cited cause of financial stress or hardship by almost 1 in 4 Australians, but for almost twice as many unemployed Australians...

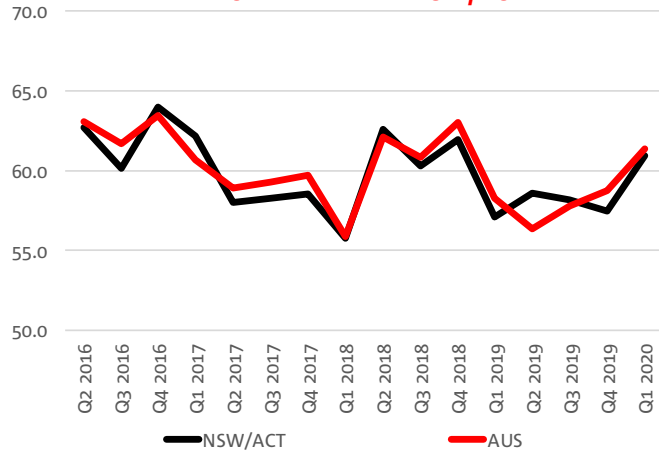
TYPE OF FINANCIAL STRESS OR HARDSHIP EXPERIENCED IN THE LAST 3 MONTHS



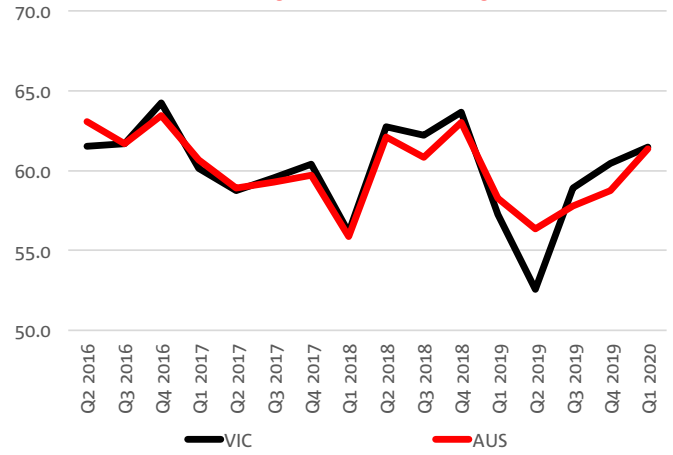
- Not having enough money for an emergency was also a bigger problem in the lowest income group (30%) and for young people (29%).
- Around 1 in 4 people in the lowest income group and aged 18-29 also said they did not have enough for food and basic necessities.
- Almost 1 in 5 unemployed Australians struggled to meet the costs of their medical bills.

# APPENDIX 1: FINANCIAL ANXIETY BY STATE

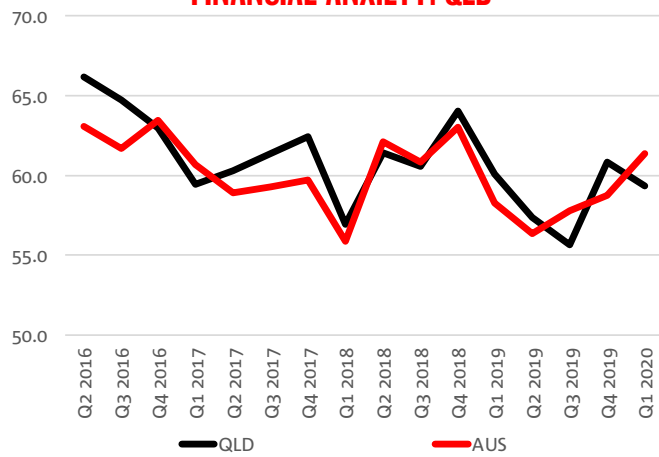
**FINANCIAL ANXIETY: NSW/ACT**



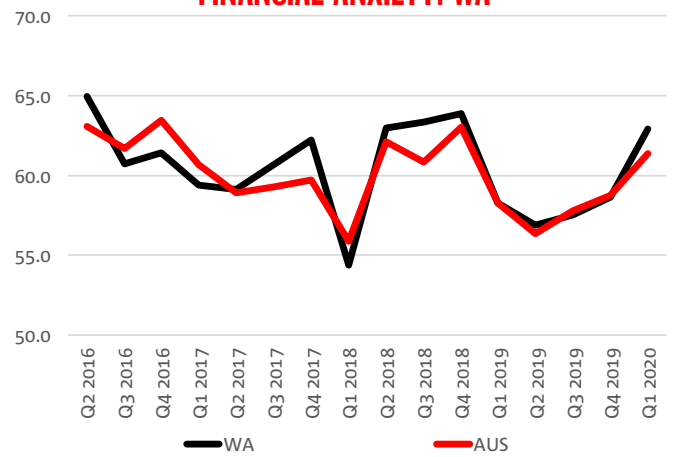
**FINANCIAL ANXIETY: VIC**



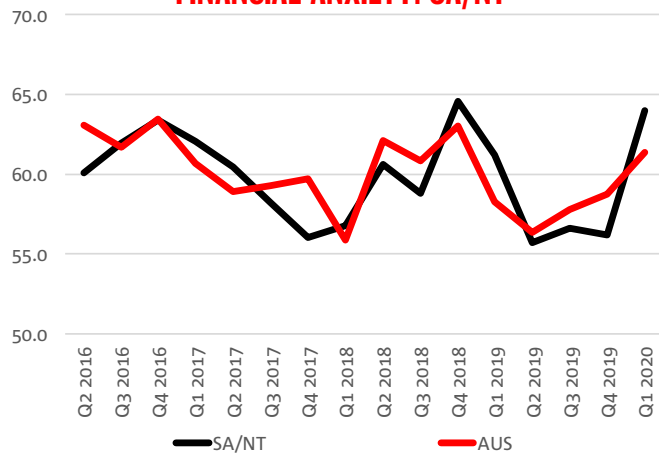
**FINANCIAL ANXIETY: QLD**



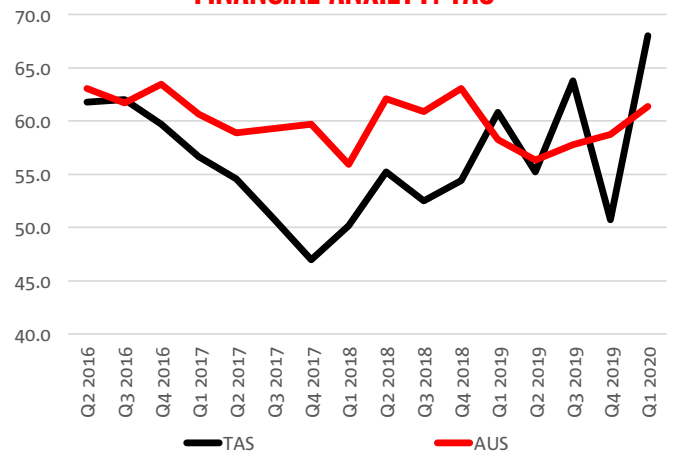
**FINANCIAL ANXIETY: WA**



**FINANCIAL ANXIETY: SA/NT**



**FINANCIAL ANXIETY: TAS**



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