ANZ SURVEY OF ADULT FINANCIAL LITERACY IN AUSTRALIA

May 2015

Full report of the results from the 2014 ANZ survey

THE SOCIAL RESEARCH CENTRE

ANZ

FOREWORD

ANZ is pleased to present the fifth Survey of Adult Financial Literacy in Australia.

The 2014 survey includes a new section which considers women's financial attitudes, financial knowledge and financial literacy. We have also added some new questions on online banking and financial management given the rapid growth that has occurred in consumers' use of digital 'channels' to do their banking, pay for goods and services and source information.

While we have updated the survey, a large number of questions remain unchanged since they were first asked in 2002 enabling us to observe changes in Australians' attitudes and behaviours over time.

Thank you to David Blackmore from the Social Research Centre and Stephen Prendergast from Prescience Research for their high quality research and analysis, as well as Miles Larbey and Clare Marlin from ASIC and Gerard Brody from the Consumer Action Law Centre for their invaluable advice and guidance.

For ANZ the survey is part of our long-term investment in research and the financial education of adults, where we focus particularly on those who are vulnerable and on lower incomes. We recognise, of course, that good financial literacy is important to all Australians both in their day-to-day lives and given that we are living significantly longer, in preparing for financial security in retirement.

We recognise as well, our responsibility to provide products and services, the costs, risks and benefits of which are easy for our customers to understand.

We trust this research will help to inform the decisions and actions of policy-makers and those active in the cross-sectoral effort to lift the financial literacy and money management capabilities of all Australians.

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Contents

List of tables

List of figures

Summary of findings

Highlights

The fifth ANZ Survey of Adult Financial Literacy in Australia shows that Australians overall remain relatively cautious compared with the pre-GFC years: three quarters try to save regularly and credit usage is lower.

Compared with the last survey in 2011, rapid growth in usage of online payments, especially through mobile phones and tablets, is striking. Take-up of online banking has been widespread across age and income groups; confidence and knowledge now appear to be more likely barriers to usage of online banking amongst non-users than physical access.

Potential for consumers to use online information to inform their financial decision-making is significant. Just under half of internet users are doing this already with a smaller group making comparisons while shopping.

Trust in recommendations of financial professionals has declined since the 2011 survey and some of the 'lessons' about investment principles that appeared to have followed losses in the years immediately after the GFC have been lost amongst some of the population.

There are many similarities between men and women on money management but also some important differences. For example, in relation to attitudes, on average women were less impulsive and found dealing with money more stressful. Financial materials and education targeting women should take account of attitudinal differences as well as structural factors and life stages. Opportunities exist for more detailed examination and interpretation of survey findings on this topic.

E1 Introduction

This report presents key findings from the 2014 ANZ Survey of Adult Financial Literacy in Australia, a telephone survey of 3,400 randomly selected Australian adults[1] and the fifth survey in a series published since 2003.

Financial literacy is *the ability to make informed judgements and to take effective decisions regarding the use and management of money*[2] and is a complex combination of a person's skills, knowledge, attitudes and ultimately their behaviours in relation to money.

For the first time in 2011, we captured this concept by identifying five behavioural indicators or components of a person's financial literacy: *keeping track of finances*, *planning ahead*, *choosing financial products*, *staying informed* and *financial control*[3]. In 2014 this approach was used again to measure people's financial literacy.

Our analysis showed characteristics such as gender, age, education, household circumstances, financial knowledge, numeracy and financial attitudes could help to explain differences in people's financial literacy. The financial attitudes identified are:

- *dealing with money is stressful* (an attitude that applies even when things are going well financially)
- *impulsivity* (acting before thinking things through)
- *financial self-efficacy* (self-belief in ability to change one's financial situation), and
- *financial aspiration* (a desire to achieve financial success associated with a strong achievement orientation).

As in 2011, the groups with lower financial literacy *on average* included:

- young people under 25 years of age,
- those with no formal post-secondary education,

[1] A survey of 3,400 randomly selected Australian adults conducted by landline and mobile phone between Sep 16 and Nov 10, 2014.
[2] Schagen, S "*The Evaluation of NatWest Face 2 Face with Finance*", NFER, 1997.
[3] This conceptualization drew on work by the Personal Finance Research Centre at the University of Bristol. (eg: *Measuring financial capability: an exploratory study* June 2005)

- those employed in lower blue collar[4] occupations, and
- people with relatively low levels of income and assets.

In considering the above list it is important to keep in mind that while *on average* a group may have relatively low scores this does not mean that *all* members of that group have low levels of financial literacy overall, or on all components of financial literacy. For example, single parents as a group had a below average score on *financial control*, nevertheless, almost one in ten single parents were in the top 20 percent of the population on this measure.

In 2014 we also undertook a comparative analysis of financial attitudes, knowledge and literacy amongst women and men. This included identification of factors from the survey that helped explain differences between the genders and an examination of the relationships between financial attitudes and aspects of people's financial behaviour including the types of financial products they hold.

Statistical note: unless otherwise noted all the changes quoted below are statistically significant. That is, the difference represents a meaningful change rather than random or chance variation.

E2 Key Findings

E2.1 Saving

- Three quarters of people said they try to save on a regular basis. This is not significantly different from the 77 percent post-GFC peak level reported in 2011 and well above the two thirds in 2002 who said they try to save regularly.

E2.2 Use and understanding of credit

- Use of loans and credit from financial institutions peaked in 2008, falling in 2011 and 2014.
- Since 2011, the number of people using credit cards to pay for goods and services has fallen from 71 percent to 64 percent. Lower usage of credit cards probably reflected continuation of a more cautious attitude towards debt identified post-GFC and increased use of debit cards (up from 49 percent in 2011 to 60 percent).
- There was also a lower incidence of owner-occupier mortgages (down from 36 percent of people in 2011 to 31 percent) particularly amongst those under 35 years of age where the proportion holding an owner-occupier mortgage fell from 34 percent in 2011 to 18 percent in 2014.
- These decreases have been accompanied by some reduction in the proportion of people who felt uncomfortable with the amount of money they currently owed (down from 18 percent in 2008 to 15 percent in 2014). However, some people continued to be uncomfortable with their current levels of debt, in particular those supporting dependent children and/or holding significant debt with relatively low incomes (see Financial control section below).
- A majority, 65 percent of people with credit and store cards reported paying the balance owed in full each month, down from 69 percent in 2011. The vast majority of credit and store card holders reported checking their transactions (93 percent) and more than 70 percent understood the responsibility of the primary card holder for repayment of the debt – similar to previous surveys.
- Though still high at 78 percent, awareness that all parties are responsible for repayment of a jointly held loan was lower than in 2011 (when it was 83 percent) and is now at the lowest of any survey. The fall in 2014 was particularly evident amongst women with a partner and a mortgage of $300,000 or more with the results suggesting that one in four women in this situation did not fully understand their potential repayment obligations in relation to a relatively substantial loan on their home.

[4] Major groups 7 (Machinery Operators and Drivers) and 8 (Labourers) in the Australian Bureau of Statistics Australian and New Zealand Standard Classification of Occupations (ANZSCO). ABS Catalogue No 1221.0.

E2.3 Financial control

- Fewer people, though still a large majority (78 percent) reported feeling in control of their finances either all of the time or most of the time. This was lower than the 81 percent feeling in control in 2011 and similar to the levels reported in 2005 and 2008. Compared with 2011, more people reported feeling out of control most of the time (3 percent) and the proportion fluctuating in and out of control was steady (16 percent).

  Those most likely to feel out of control were the same groups as in 2008 and 2011: those with household incomes of $65,000 or less with children at home and people with a mortgage of $300,000 or more and a household income of less than $100,000.

- In addition, fewer people reported keeping a close eye on their regular household and personal expenses down 3 points to 75%. That fall in tracking expenses was especially marked amongst women under 35 years of age. Of all those men and women who said they 'don't keep an eye on expenses at all' one third felt their financial situation was out of control or fluctuated.

E2.4 Investing and superannuation

- Three quarters of people reported being in a superannuation fund, steady compared with 2008 and 2011 and up from 71 percent in 2002.

  At 15 percent, up from 13 percent in 2011, self-managed superannuation is at the highest level of any of the surveys.

- Numbers of people holding managed investments other than superannuation and shares continued to decline: managed investments to 13 percent in 2014 down from 29 percent in 2002 and shares to 29 percent from 44 percent in 2002. Numbers holding high interest savings accounts were steady (47 percent) as were numbers holding investment properties (19 percent). Numbers holding retirement income stream products increased to 24 percent, returning to the 2005 level (the question was first asked in 2005).

E2.4.1 Understanding of investment principles

Some of the gains in understanding investment principles evident in the 2008 and 2011 surveys have been reduced. However, with the exception of 'diversification', understanding still appears higher than in 2002 and higher amongst those with higher levels of savings and investments.

- Awareness that a high return is likely to be associated with higher risk remained strong (86 percent).
- However, the number of people who could recognise an investment as 'too good to be true' fell to 50 percent in 2014 from 53 percent in 2011. Lower ability to recognise the right response was most evident in people aged under 40 and in lower income households. Forty percent of people responded they would' invest lightly to see how it goes before investing more heavily'.
- Sixty-seven percent of people recognised that good investments may fluctuate in value, down from 74 percent in 2011 but above the 63 percent in 2002. Amongst people with savings and investments of $20,000 or more responses were not significantly different from 2011.
- The number of people who considered diversification of funds across different types of investment over five years or more to be either 'very important' or 'quite important' fell to its lowest level across all surveys: 72 percent from 78 percent in 2011 and 79 percent in 2002. Both the number of people who considered it 'of some importance' and those who were 'unsure' increased. While there was no significant decrease amongst those with savings and investments of $20,000 or more, owners of shares and managed investments placed slightly less importance on diversification.

E2.4.2 Superannuation

- Consolidation has occurred in the number of superannuation funds of which people are members. The number of people in a single fund rose to 63 percent from 59 percent in 2011 and 2005 (when the question was first asked).

- A majority of superannuation fund members were aware that they can make superannuation payments additional to those made by their employer, though at 88 percent it is at the lowest level since surveys began (91 percent in 2002). Awareness has dropped amongst men, particularly those working in blue collar occupations.
- Sixty-eight percent of superannuation fund members said they receive superannuation fund statements and read them. As in 2011, one in five said they receive statements but do not read them.

  The main reasons for not reading superannuation statements have not changed: generally people said they 'couldn't be bothered' or found them 'too difficult to understand'.

  Across all superannuation fund members, one third said they find reading a superannuation fund statement difficult, also little changed from previous surveys.
- Among superannuation fund members, fees and costs of superannuation funds continued to be the main factor to consider when choosing a superannuation fund (mentioned by 45 percent) while returns after fees were still most often considered the best indicator of fund performance (mentioned by 63 percent). However, uncertainty about these matters continued to increase.
- When it comes to identifying the best indicator of fund performance the number of people who responded 'can't say' rose to 22 percent from 19 percent in 2011 and 8 percent in 2005 when the question was first asked.

  One in five people with superannuation could not name any factors they would consider in choosing a superannuation fund.

  These last two points suggest around one in five people are poorly equipped to make a decision about changing or choosing a superannuation fund.

E2.5 Financial information and advice

- 84 percent of people said they generally felt well informed when making financial decisions, slightly down on the 2011 survey (87 percent) and the same as in 2005 when the question was first asked.
- In informing themselves about financial matters, people have shifted away from traditional sources of information such as the financial sections of newspapers and magazines and books. Use of internet finance sites and Government finance publications, on the other hand, has remained unchanged from 2011.

  Over half of people (55 percent) did not use any of these sources – particularly 18 to 24 year olds (60 percent up from 48 percent in 2011) and women (60 percent up from 54 percent in 2011).

  The relatively low engagement of women with financial information is evident in significantly lower scores than men on *staying informed* from the age of 28 onwards (there is no difference for 18 to 27 year olds).
- Internet sites were the source of information most likely to have been used in the past 12 months. Just under half of all internet users (40 percent of the population) had used a computer or a mobile phone or tablet to compare financial products (see Use of digital section below).

<u>E2.5.1 Use of financial professionals</u>

- Around three quarters of people had consulted other people for financial advice in the last 12 months. Main sources of advice were: an accountant (39 percent), friends or family (35 percent), a bank manager or employee (30 percent) and financial planners/advisers (20 percent).
- Growth occurred in use of tax specialists (19 percent up from 14 percent), financial planners (20 percent up from 18 percent), superannuation funds (18 percent up from 5 percent) and Centrelink Financial Information Service Officers (10 percent from 7 percent). Those using advisers remained higher income people with higher levels of savings and assets. People with less than $2,000 in savings reduced their use of

accountants (28 percent to 19 percent) and it appears increased their use of the Centrelink Service (18 percent up from 8 percent).

- People making increased use of financial planners were typically men aged 50 to 64 years. The main reason for selecting a financial planner was a recommendation by a friend or family member (29 percent). Fifty nine percent of people who had used a financial planner in the past 12 months said they considered whether there are any conflicts of interest in the planner's recommendations – not significantly different from 2011.

  The most frequently considered indicator of whether there is a conflict of interest was whether the planner gets a commission from the product adviser (35 percent, not significantly different from 2011) followed by whether the planner or the company is independent (20 percent). Compared with 2011 more people considered whether the planner has a well-known brand, 11 percent up from 3 percent.

- Trust in financial professionals in general was lower than in 2011 with 48 percent of all people agreeing that they would 'trust a financial professional and accept what they recommend to me' compared with 51 percent previously. Amongst those who had used a financial planner in the last 12 months, 56 percent agreed with the statement compared with 65 percent in 2011.

E2.6 Use of digital

- Nearly three quarters of people used online banking, up from 63 percent in 2011 and 28 percent in 2002. Use of mobile phones and tablets has almost quadrupled from 14 percent in 2011 to 53 percent in 2014.
- While paying for goods and services online (computer or mobile devices) was more common amongst people aged under 40 (88 percent), since 2011 there have been significant increases in use across all age groups, including older people. Amongst people aged 70 or more, use of online payment rose from 18 percent in 2011 to 32 percent in 2014.
- Eighty-six percent of people from households with annual incomes above $65,000 paid for goods and services online and 60 percent of households with annual incomes of $65,000 or below did so. Use of online banking has increased for both groups since 2011: households above $65,000 by 8 percent and households at or below this figure by 14 percent.
- Forty six percent of internet users (which equates to 40 percent of the population) had used a website, online calculator or mobile app to compare financial products. More men did this than women (51 percent and 42 percent respectively). Other groups more likely to compare financial products online are 25 to 44 year olds (55 percent) and those from households with incomes above $65,000 a year (56 percent).
- Of internet users, 15 percent said they had made the comparisons 'while in a bank branch or shopping for something like an appliance, a car or even a new house' and 32 percent said they had made such comparisons but not while 'out of home'.
- Most comparisons were made using the websites of financial institutions (30 percent) followed by the Choice magazine website (16 percent), financial product rating agencies such as CanStar, InfoChoice or SuperRatings (15 percent) and Government bodies such as ASIC's MoneySmart site (10 percent).

E2.7 Insurance

- Around three quarters of people who own or are buying a home have both building and contents insurance, with 81 percent having contents insurance, unchanged from 2011. Amongst those who rent their home, one third had contents insurance.

  Those least likely to hold contents insurance were those under 35, particularly with household incomes of $65,000 or less.

- Private health insurance was held by 58 percent of people, down from 62 percent in 2011 and similar to the 2002 level. The fall in holding of private health insurance was most evident amongst men under 35 years of age.

- Of those who have insurance, 42 percent were aware that a claim could be refused if the policyholder had not given accurate answers to questions relevant to the loss; this was down by five points on the 2011 result and by 12 points on the 54 percent reported in 2008.
- When first taking out an insurance policy the main factors people considered were the premium (mentioned by 54 percent of people) and the level of cover (mentioned by 45 percent of people).

  When renewing an insurance policy the same two main factors were mentioned but with more emphasis on price (mentioned by 49 percent) than on level of cover (mentioned by 26 percent). When renewing policies, 8 percent of people with insurance specifically mentioned the 'level of cover to make sure you're not under-insured', unchanged from 2011 and lower than in 2008 (12 percent).

E2.8 Consumer rights and responsibilities

- In general consumers continued to exhibit high awareness of their basic rights and responsibilities in relation to financial products and services.
  - Almost all people (94 percent) agreed that financial services providers have a legal duty to provide clear information to consumers, and
  - 93 percent agreed that consumers have a duty of honest disclosure when taking out a financial service or product.
- 65 percent of people said they felt confident they would know how to make an effective complaint against a bank or other financial institution, not significantly different from the 2011 survey and up from 59 percent in 2002.

E2.9 Financial attitudes, knowledge and literacy amongst Australian women

A number of differences and similarities exist in the financial attitudes, financial knowledge and financial behaviour of women and men. There are also differences in attitudes, knowledge and behaviour between various subgroups of women, particularly subgroups identified by their socio-demographics characteristics, making for a complex picture.

E2.9.1 Attitudes

- Men and women had similar scores on average on *financial self-efficacy*. Both women and men with higher levels of *financial self-efficacy* were more likely to have investments in shares, managed investments and property and to have obtained advice from a financial planner in the last 12 months.
- Women had higher scores on average than men on *dealing with money is stressful* across all age groups. This reflected socio-demographic characteristics (such as lower savings and investments, lower incomes particularly relative to debts and lower levels of home ownership) and was consistent with more women finding dealing with money stressful even when things are going well financially and finding dealing with money less stressful when the responsibility for household money management is shared with a partner.

  Higher scores on this attitude were associated with behaviours such as not checking account statements, not keeping an eye on household/personal expenses and using payday loans.
- Women had lower scores on average than men across all age groups on *impulsivity*. Higher scores on *impulsivity* were associated with the same types of behaviours as higher scores on *dealing with money is stressful*.

  Women with high *impulsivity* scores were present across a wide range of socio-demographic subgroups (for example, unemployed, single parents, those whose main income source was a government benefit, those with personal incomes of $100,000 or more, university graduates). Approximately one in seven women had high scores on *impulsivity* (versus one in four men).

- Women aged 28 to 59 years had lower scores on average than men on *financial aspiration*. Amongst women of this age, lower scores on *financial aspiration* were associated with fewer assets, lower participation in paid work and lower levels of post-secondary education.

  Women with higher scores on this attitude were more likely to have set a target income figure for retirement and to have higher levels of investment in high interest cash accounts, term deposits and property.

E2.9.2 Financial knowledge and numeracy

- Women had lower scores on average than men on *financial knowledge and numeracy* from 28 years of age on. These lower scores were associated with less exposure to financial products (for example, holding fewer different types of loans) and less use of financial education/information materials. While unable to be quantified, women also have a higher propensity than men to give 'don't know' responses to questions about financial topics.

E2.9.3 Behavioural indicators of financial literacy

- Women aged 28 to 59 years scored more highly on average than men on *keeping track of finances*; no differences were evident for younger and older women. This is consistent with lower average incomes for women and lower *impulsivity* scores.
- There were no significant differences between women and men on *planning ahead*, except women aged 60 years or more had slightly lower scores than the corresponding group of men.

  Women aged 60 years or more were less likely than men to still be in paid employment and they had lower asset and income levels. They also made less use of financial information and advice, an important component of the *planning ahead* index.
- Women aged 45 to 59 years scored lower than men of the same age on *choosing financial products*. Women of this age were less likely to engage in comparison shopping for financial products.
- From 28 years of age onwards, women have significantly lower scores than men on the *staying informed* index. Compared to men of this age women were less likely to have identified a retirement income figure, had lower levels of household income, superannuation, savings and investments and were more likely to have dependent children living at home.
- *Financial control* was similar for women and men under 28 years and 60 years and over. Women aged 28 to 59 years had lower scores than men on *financial control*. Women of this age were more likely to have missed a loan or credit card repayment and also more likely to have been unable to save money in most weeks. Greater discomfort with comparable levels of debt appeared to contribute to women's lower scores on this index.

Other research has pointed to the value of tailoring the content and mode of delivery of financial education materials to suit the audience while noting that "*women are not necessarily a homogenous group, and it can be difficult to produce material that is appropriate for women with different circumstances and levels of knowledge.*"[5]

The findings support this proposition. In particular, they suggest that materials and approaches targeting women should take account of the importance of structural factors, life stages and attitudes such as *dealing with money is stressful*.

[5] Messy F-A. and Monticone C. *Women and Financial Literacy: OECD/INFE Evidence, Survey and Policy Responses*, Chapter 2. June 2013 (p98).

Section 1 Introduction to the Report

1.1 Background

Financial literacy is a requirement for functioning effectively in modern society with trends in retirement income policies, work patterns and demography suggesting its importance can only increase in the years ahead. For example, Steven Ciobo MP, Parliamentary Secretary to the Treasurer, comments in the Forward to the Australian Securities and Investments Commission's (ASIC's) National Financial Literacy Strategy 2014-17, "*Being able to confidently navigate the financial landscape and make good decisions about money are core life skills every Australian needs. Improved financial literacy can benefit anyone, regardless of age or income. Being able to make the most of your money, manage financial risks and avoid financial pitfalls can have a positive impact on the financial wellbeing of individuals, families and communities.*"[6]. Similarly at its 2010 Toronto Summit, the G20 emphasised the importance of financial literacy and financial capability[7] in supporting financial inclusion, thereby enhancing community wellbeing.

For the purposes of the benchmark ANZ *Adult Financial Literacy in Australia* survey conducted in 2002, financial literacy was broadly defined as *the ability to make informed judgements and to take effective decisions regarding the use and management of money*[8]*.* This was largely evaluated through an assessment of people's financial knowledge and numeracy and this provided the basis for evaluating financial literacy in the 2002, 2005 and 2008 surveys.

However, the concept of financial literacy has evolved somewhat over time to make more explicit the role played by people's financial attitudes, behaviour and experiences[9] in addition to their financial knowledge and numeracy. This broader interpretation was used as the basis for evaluating financial literacy in ANZ's 2011 survey. It led to the development of a multi-dimensional model consisting of the five components *keeping track of finances*, *planning ahead*, *choosing financial products*, *staying informed* and *financial control*. In turn, this model was used for the first time to describe financial literacy within the Australian community.

Given 2011 was the first time this multi-dimensional model of financial literacy had been used, confirming its structure and relationships with people's personal and household characteristics was an important task for the fifth (2014) ANZ *Adult Financial Literacy in Australia* survey. In addition, incorporating additional information about behavioural motivations into the model and using it to describe financial literacy amongst Australian women in greater detail were also key tasks for the 2014 analysis.

1.2 Context of the survey

When considering the findings presented in this report, it is useful to keep in mind the context in which fieldwork for the 2014 survey took place and how this compares with the situation during data collection for the previous surveys.

During the 2014 fieldwork period there was increased volatility in financial markets associated with the end of quantitative easing in the US. There was also considerable negative media coverage in Australia relating to the end of the resource development boom as well as concerns about a price 'bubble' in residential housing.

When the situation is compared to that of July/August 2011 (when fieldwork for the 2011 *Adult Financial Literacy* survey took place), 2014 saw:

- Higher levels of unemployment (up by about 1 percentage point from 5.2% to 6.3% on trend data[10]).

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[6] ASIC. Report 403 *National Financial Literacy Strategy 2014-17*, August 2014.
[7] The OECD [OECD PISA 2012 Financial Literacy Framework (Draft) Dec, 2010 (p7)] suggested the terms financial literacy and financial capability can be used interchangeably.
[8] Schagen, S "*The Evaluation of NatWest Face 2 Face with Finance*", NFER, 1997.
[9] See for example, the Australian Securities & Investments Commission *National Financial Literacy Strategy 2014-17* p6 (2014) 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 wellbeing."
[10] Australian Bureau of Statistics, 6202.0 Labour Force, Australia. Commonwealth of Australia 2014

- Continued caution in consumer sentiment, although the consumer sentiment index was slightly higher at the commencement of fieldwork in September 2014 (94.0) than in July 2011 (92.8)[11].
- The household savings ratio was lower than in 2011 (down from 10.9% in September 2011 to 9.4% in September '14); however the savings ratio in 2014 remained well above those of 2008 (6.2% in September 2008), 2005 (2.3% in September 2005) and 2002 (-0.6% in September 2002)[12].
- Interest rates were considerably lower than three years earlier (the RBA's target cash rate was 2.50% in September 2014 versus 4.75% in July '11)[13]; and
- In terms of asset prices, house prices in 2014 were up by around 18%[14] on those at the time of 2011 survey while at the end of September 2014, the All Ordinaries Index was also around 18% higher than it had been three years earlier at the end of July 2011.

Thus while some uncertainty was still evident in 2014, the overall context of the survey appeared to be more positive than the background to the 2011 and 2008 surveys, although it remained less benign than the situation prior to the Global Financial Crisis in 2002 and 2005.

1.3 Research objectives

The broad objectives of the 2014 study were similar to those of the previous surveys, specifically:

- To monitor how aspects of financial literacy have changed compared to the previous studies of 2002, 2005, 2008 and 2011;
- To continue to inform public policy, particularly as it relates to low financial literacy segments, to encourage continued focus on the area and to stimulate further debate; and
- To provide a valuable information resource that will assist with the development of strategies to improve financial literacy in the community.

In addition, the 2014 study sought to:

- Confirm the results of the 2011 analysis (that is, to confirm the relationships between financial literacy and people's attitudes, knowledge, numeracy and socio-demographic characteristics as well as the distribution of financial literacy within the population);
- To refine and improve our understanding of the relationship between financial attitudes and financial literacy by incorporating information about people's more general motivational traits; and
- To undertake an in-depth analysis of financial literacy amongst women.

1.4 Research design

The 2014 study largely repeated the measures taken in the previous surveys and, given that time-series data were required, the research methodology was kept as consistent as possible. However, a change was made to data collection in 2014 so that people could be interviewed by mobile as well as by fixed-line telephone. This change was considered essential[15] to ensure those members of the population who were only accessible via mobile phone (the "mobile phone only" segment of the population) were not excluded from participating in the survey.

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[11] RBA Statistical Tables, Monthly Activity Indicators (H3) (http://www.rba.gov.au/statistics/tables/index.html).

[12] Australian Bureau of Statistics, 5206.0 Australian National Accounts: National Income, Expenditure and Product. Commonwealth of Australia 2014

[13] RBA (http://www.rba.gov.au/statistics/cash-rate/)

[14] Australian Bureau of Statistics, 6416.0 Residential Property Price Indexes: Eight Capital Cities. Commonwealth of Australia 2014

[15] As at June 2014, 27% of the total adult population was estimated to be without a fixed-line telephone service in the home. This figure rose to 51% of those aged 25–34. Reference: *Communications report 2013-14* (Commonwealth of Australia (Australian Communications and Media Authority) 2014; p15.

Key aspects of the 2014 survey included the following:

- Data collection was by fixed-line and mobile telephone interview and took place between September 16 and November 10, 2014.
- The questionnaire was broadly similar to that used in 2011 apart from;
  - The addition of a set of standard questions[16] designed to assess aspects of respondents' behavioural motivations; these questions were used to refine the modeling of respondents' financial attitudes with the intention of providing greater insight into the relationships between these attitudes and financial literacy.
  - Also, to accommodate the above changes without excessively increasing the administration time of the questionnaire, several items from the 2011 questionnaire were deleted.

  As in previous surveys, core questions were asked of all respondents while other questions were only asked of particular subgroups. Knowledge was tested against an individual's needs and circumstances rather than the entire array of financial products and services, some of which they would neither use nor need. To make sure no individual respondent was exposed to an excessively long interview, a number of questions which would have been appropriate to ask of all eligible respondents, were asked of a randomly selected subgroup. For example, many of the questions about financial planners were asked of 33% of eligible respondents. The sample size was sufficiently large for this to occur while still obtaining statistically robust results.
- The part of the sample accessed by fixed land-line (n=2,141) was stratified by capital city/regional area in each state and territory to match the sample distribution obtained in the three previous surveys. The number of interviews conducted in each geographic stratum was proportional to the adult population resident in that location. To accommodate the mobile phone sample it was also necessary to have a separate "mobile" stratum (n=1,259) as geographic information is not available with mobile phone numbers. Despite this, the geographic distribution of all survey respondents (including those from the mobile stratum) matched well with the geographic distribution of the Australian population (see Table 1.4.a).

Table 1.4.a Sample distribution by geographic location

Location	Capital City n	Regional n	Total Interviews n	Proportion of Total Interviews %
New South Wales	614	410	**1024**	**30%**
Victoria	643	239	**882**	**26%**
Queensland	297	379	**676**	**20%**
South Australia	195	66	**261**	**8%**
Western Australia	272	100	**372**	**11%**
Tasmania	46	42	**88**	**3%**
Northern Territory	14	22	**36**	**1%**
Australian Capital Territory (ACT)	60	1	**61**	**2%**
Total interviews (n)	**2141**	**1259**	**3400**	**100%**
Proportion of total interviews (%)	**63%**	**37%**	**100%**	

[16] Kempson E, Perotti V, Scott K; *Measuring financial capability: questionnaires and implementation guidance for low- and middle-income countries*, 2013 International Bank for Reconstruction and Development / The World Bank (pp 98-99).

- The target population for the survey was all Australians aged 18 years or over who were accessible by fixed-line or mobile telephone. Where more than one eligible person lived in a household contacted by fixed-line, a random selection procedure[17] was used to select the survey respondent.

A post-weighting procedure was used to align the survey data with the Australian Bureau of Statistics Estimated Residential Population distribution by age, sex and location and also to adjust for each respondent's chance of selection from the fixed-line and mobile phone sample frames. All results presented in this report have been weighted in this way.

1.5 Steering Committee

As in the previous studies, the 2014 survey was overseen by a Steering Committee. The Committee included representatives of ANZ, the Australian Securities and Investments Commission and the Consumer Action Law Centre.

1.6 Structure of the report

The remainder of this report is divided into ten sections. Each section begins with a summary of key findings which is followed by the detailed results including data tables, graphs and associated commentary. The broad topic areas covered in these sections are as follows:

- Section 2 explains the definition of financial literacy as used in this research, analyses the relationships that exist between financial literacy and people's socio-demographics, financial attitudes, behaviour and financial situation and provides a detailed description of financial literacy amongst Australian women.
- Section 3 examines people's use and understanding of methods of paying for goods and services;
- Section 4 reports on people's money management, budgeting and financial planning behaviour;
- Sections 5, 6, 7 and 8 report on the use, understanding and acquisition of financial products and services including transaction accounts, loans and credit cards, savings accounts, investments, superannuation, retirement income products, financial planners and insurance;
- Section 9 examines consumers' understanding of their rights and responsibilities;
- Section 10 looks at consumers' use of online banking and their use of the internet to compare financial products; and
- Section 11 provides an overview of results for the questions on people's financial attitudes and numeracy as well as a socio-demographic profile of scores on the measure of financial knowledge and numeracy used in this research.

Statistical testing of results

As the results presented in this report are based on sample data rather than a census of the total population, some variation between the results from the four surveys (and between subgroups within each survey, since they too are samples of larger populations) will occur by chance. To help decide whether differences are meaningful (that is, whether they represent genuine changes or differences rather than just random variation), testing of the statistical significance of these differences has been carried out.

Results are only described as changed or different if a statistically significant[18] difference exists. Because of this, it is possible for two numbers to appear different but for the difference to be no more than random variation. For example, the proportion of people who said they use loans from financial institutions was 34% in 2011 and 32% in 2014 (see Table 3.2a). Despite these numbers not being identical, statistical testing indicates they are not significantly different from each other; that is, we would conclude there has been no significant change since 2011 in the proportion of people who use loans from financial institutions to pay for goods and services. Arrows have been used in tables and graphs to show where statistically significant differences exist.

[17] The next person in the household to have a birthday.
[18] At the 95% level of statistical confidence.

Section 2 Financial Literacy

2.1 Introduction and key findings

This chapter describes the approach used to define financial literacy in the 2014 survey. It also presents an analysis of the personal and household characteristics most strongly associated with high or low financial literacy scores and a brief profile of financial literacy scores amongst socio-demographic subgroups.

Key findings

The following key points are relevant to this section of the report:

- Financial literacy was defined in the same way as in 2011; that is, as consisting of five separate components (*keeping track of finances*; *planning ahead*; *choosing financial products*; *staying informed*; and *financial control)* with separate indices, based on behavioural indicators, calculated for each component.
- Regression analysis was again used to identify the personal (financial knowledge, socio-demographic and finance related attitudes) and household (household type, housing tenure, income, debt, assets, etc.) characteristics most strongly associated with people's scores on each component of financial literacy.

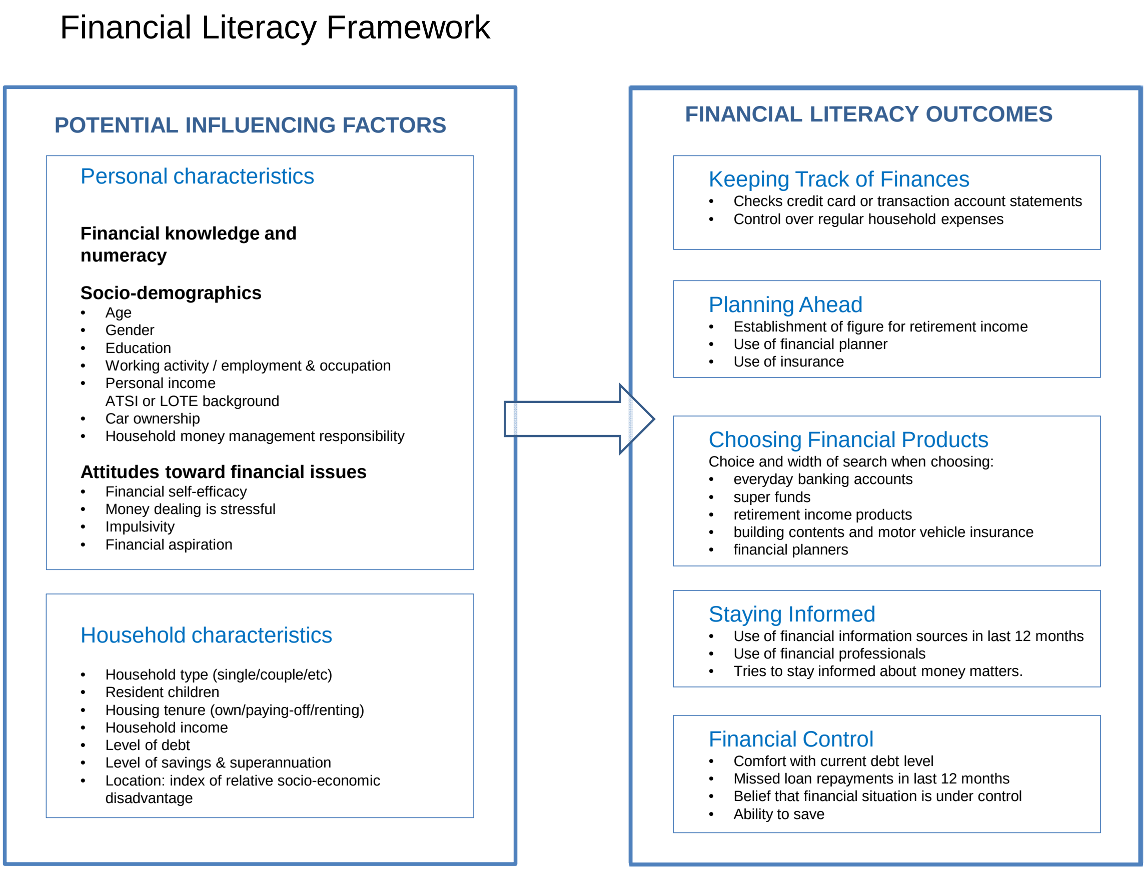
  The only notable change made to this analysis since 2011 was the inclusion of three general motivational traits in the definition of financial attitudes. This enhanced our understanding of what drives people's attitudes towards their financial affairs; it resulted in refined and improved definitions of the attitudes *financial self-efficacy*, *dealing with money is stressful* and *impulsivity* (formerly labelled as "risk taking") and also to the creation of new attitudinal variable (*financial aspiration*) which replaced the thrifty orientation used in 2011.
- The results of the 2014 regression analyses were much the same as those obtained in 2011. In general, the same characteristics were found to be most strongly associated with each component of financial literacy. Thus:
  - **Financial knowledge and numeracy** was most strongly associated with *choosing financial products*, less strongly associated with *keeping track of finances, staying informed*, and *planning ahead* and not associated at all with *financial control*.
  - **Financial attitudes** showed strong associations with most components of financial literacy, specifically;
    - High levels of *financial self-efficacy* and *financial aspiration* were strongly associated with high scores on *staying informed* and *choosing financial products*;
    - A high score on *dealing with money is stressful* was strongly associated with low scores on *financial control*; while
    - A high score on *impulsivity* was strongly associated with low scores on *keeping track of finances*
  - **Socio-demographics** played a varying role, particularly the level of assets held in such forms as home ownership (strongly associated with *planning ahead*), motor vehicle ownership (strongly associated with *choosing financial products*) and savings, investment and superannuation (strongly associated with *staying informed*) as well as total debt (strongly associated with *financial control*).
- These findings support our 2011 views that:
  - Programs designed to enhance financial literacy should seek to positively influence people's financial attitudes as well as their financial knowledge and numeracy; and
  - That the importance of attitudes also highlights the need for support in the form of advice, 'coaching' and tools amongst some groups in the community.

2.2 Defining financial literacy

Since commencing in 2002, the *Adult Financial Literacy in Australia* surveys have defined financial literacy broadly as *the ability to make informed judgements and to take effective decisions regarding the use and management of money*[19]. Over time this definition has evolved to some degree; although not in any fundamental way; rather, changes have tended to focus on making explicit the factors (such as, knowledge, skills, attitudes, behaviours and personal circumstances) that should be taken into account when measuring financial literacy. While many of these additional factors were assessed in the *Adult Financial Literacy in Australia* surveys, the operational definition of financial literacy used in 2002, 2005 and 2008 focused mainly on people's financial knowledge and numeracy.

In 2011, in keeping with international research in this area[20], the operational definition of financial literacy was modified by placing greater emphasis on people's financial behaviour. As shown by the conceptual framework presented in Figure 2.2.a, this approach described financial literacy in terms of five separate components (*keeping track of finances*, *planning ahead*, *choosing financial products, staying informed* and *financial control*) each of which is measured by several behavioural indicators. The framework also points out that these five components of financial literacy are influenced by such things as people's financial knowledge and numeracy and their financial attitudes as well as their socio-demographic and household characteristics.

Figure 2.2.a A conceptual framework for financial literacy



[19] Schagen, S "*The Evaluation of NatWest Face 2 Face with Finance*", NFER, 1997. This definition was adopted from UK research for international consistency and remains broadly appropriate for the Adult Financial Literacy research program.
[20] For example: Personal Finance Research Centre, University of Bristol. *Measuring financial capability: an exploratory study* June 2005 and CentiQ, *Summary of financial insight among the Dutch* May, 2008.

Within the context of this framework, analysis of the 2011 survey data showed that while people's financial knowledge and numeracy (used as the main indicator of financial literacy in the first three surveys) was strongly associated with *choosing financial products*, it showed less association with *keeping track of finances*, *planning ahead* and *staying informed* and none at all with *financial control*.

Thus the definition used in 2011 provided a more nuanced view of financial literacy; it allowed for the possibility that people might have below average scores in some aspects of financial literacy and yet be above average in others. For example, while people aged 65 years or more had relatively low scores on *choosing financial products*, they were well above average on *financial control*. Similarly, women had higher scores than men on *keeping track of finances* while men had higher scores than women on *staying informed* and *financial control*. Given the advantages inherent in this approach, the same behaviourally based definition of financial literacy was used again in 2014.

The 2011 analysis also showed that scores on the five components of financial literacy could be explained by such things as financial knowledge and numeracy, age, gender, education, household circumstances, occupation, income, financial assets, debts and financial attitudes. While most of these explanatory measures were repeated in 2014, recent international research[21] suggested that information about respondents' general motivations could be used to deepen our understanding of the role played by personal attitudes in financial literacy. To this end, three motivational traits ('attitude towards the future', 'impulsivity', and 'achievement orientation') were added to the 2014 survey.

Against this background, key considerations for the 2014 analysis of financial literacy were:

- To use information about people's motivational traits to refine and improve the 2011 model of the relationships between financial attitudes and financial literacy;
- To confirm the basic relationships established in 2011 between people's personal and household characteristics and their financial literacy; and
- To review the distribution of financial literacy within the Australian population.

Operationalising the model

In general we used the same approach as in 2011 to model the relationships between the five components of financial literacy and the characteristics that influence them.

As shown in Figure 2.2.a each component of financial literacy was made up from varying numbers of behavioural indicators. For analysis purposes, these indicators were combined to form a single index score for each component; for example, a score on *keeping track of finances* was created for each respondent based on their answers to questions about checking account statements and monitoring household expenses (Appendix 1, p126ff provides further details on how these scores were calculated).

It is also fairly clear how the variables on the left hand side of Figure 2.2.a might be used when investigating their association with the components of financial literacy. For example a variable such as 'gender' requires us to look at the extent to which scores on *keeping track of finances*, *planning ahead* and so on differ between males and females.

It should be noted however that 'financial knowledge and numeracy' and the four variables describing people's 'attitudes towards financial issues' are composite variables; each one of which is comprised of a number of separate questions from the survey.

The methods used to create these composite variables were similar to those used in 2011 except that the variables describing people's financial attitudes now include the three motivational traits. As a result, these financial attitudes offer an improved understanding of what drives people's attitudes towards their financial affairs.

[21] These measures were added to the 2014 survey on advice from Professor Elaine Kempson, Director of the Personal Finance Research Centre at the University of Bristol.

These four financial attitudes are:

- *Financial self-efficacy:* this reflects people's self-belief in the ability to change their financial situation and their level of association with the motivational trait of a short term 'attitude towards the future'. That is, people with low *financial self-efficacy* have little self-belief they can change their current financial situation and their outlook (financial and more generally) is focused on the immediate future[22].
- *Dealing with money is stressful:* an attitude which finds dealing with money matters stressful even when things are going well financially.
- *Impulsivity:* this attitude includes a high level of association with the motivational trait of 'impulsivity' and reflects a self-image as a risk taker.
- *Financial aspiration:* this attitude reflects the extent to which people aspire to achieve financial success and their level of association with the 'achievement orientation' motivational trait. Those with high *financial aspiration* exhibit a strong achievement orientation[23] and place considerable importance on planning their finances using financial advice from other people including financial professionals and family members.

Further details on the derivation of these measures are provided in Appendix 1, p120ff.

[22] That is they agree with the statements: "*I only focus on the short term*", "*I live more for the present day than for tomorrow*" and "*The future will take care of itself*".
[23] That is they agree with the statements: "*I always look out for opportunities for improving my situation*", "*I have many aspirations*" and "*I always work hard to be among the best at what I do*".

2.3 Characteristics associated with financial literacy indices

As in 2011, five separate regression analyses were used to identify, and establish the relative strength of relationships between the characteristics shown on the left hand side of Figure 2.2.a and the five components of financial literacy shown on the right (further details of these analyses are provided in Appendix 1, p126ff).

The results of these analyses are summarised in Table 2.3.a. Those characteristics most strongly associated with each component of financial literacy are shown by the use of '+++' (for a strong positive association) or '- - -' (for a strong negative association) in the appropriate column. Those with less association are indicated with '++' or '- -' while those with less again (although still statistically significant) are denoted as '+' or '-'. In summary:

- The characteristics most strongly associated with a person's score on ***Keeping Track of Finances*** were their age, their level of financial knowledge and numeracy, their gender and their financial attitudes. That is, older people tend to monitor their finances more closely, particularly if they have relatively high levels of financial knowledge and numeracy, *financial self-efficacy* and *financial aspiration* and if they are female.

Table 2.3.a Characteristics associated with components of Financial Literacy

Characteristics Associated with Components of Financial Literacy		Financial Literacy Components				
		Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Financial Knowledge/ Numeracy		++	++	+++	++	
Socio-demographics	18-24 yrs					
	25-34 yrs		++		+	
	35-44 yrs	++	+++	+++	++	
	45-54 yrs	+++	+++		++	
	55-64 yrs	+++	+++	+++	+++	
	65+ yrs	+++	+++	+++	+++	
	Females	++	+		-	
	Males	- -	-		+	
	Post-secondary education			+++	++	
	Dependent children at home					-
Household circumstances	Owns or paying off car		++	+++		
	Renting home		- - -			- -
Occupation & income	In paid employment	- -				
	Occupation: Lower Blue collar		-			
	Household income level		+			++
Assets & debt	Total savings/investments and superannuation		++		+++	++
	Total debt					- - -
Financial Attitudes	Financial self efficacy	++	++	+++	+++	+
	Dealing with money is stressful	-	-	- -	- -	- - -
	Impulsivity	- - -		- -		- -
	Financial aspiration	++	+	+++	+++	++

<u>Important notes concerning regression results:</u> The above table reports the results of five regression models – one for each component of Financial Literacy. The variables listed on the left are those that have a statistically significant association with one or more components of Financial Literacy. The strength of these associations is shown symbolically by the use of '+' and '-' signs; the more symbols used the stronger the association (based on scores generated from the standardised regression coefficients in each model). The sign (+ or -) shows the direction of the association; for example, as an individual's "financial self-efficacy" increases, the ++ symbol shows that their score on the *Keeping Track of Finances* Index also increases.

By contrast, relatively low scores on this aspect of financial literacy were associated with high scores on the financial attitudes *dealing with money is stressful* and *impulsivity*, of being in paid employment and of being male.

- Lower scores on ***Planning Ahead*** were associated with younger people under 25 years of age; although, as noted in 2011, this may reflect less exposure to relatively long-term financial products (such as mortgages and property investments, shares and managed funds) and the lower profile of retirement planning amongst people of this age.

  Apart from age, it is clear that financial attitudes also have a role to play with a positive relationship evident between *financial self-efficacy* and *planning ahead*. There were also positive relationships with the presence of assets in the form of savings/investments and superannuation, a motor vehicle and home ownership (in this case those who are renting their home tend to have lower scores) and with higher levels of financial knowledge and numeracy.

- Higher scores on ***Choosing Financial Products*** were strongly associated with higher levels of financial knowledge and numeracy. Completion of formal post-secondary education, financial attitudes (higher levels of *financial self-efficacy* and *financial aspiration*) and assets (motor vehicle ownership) also showed strong associations with higher scores here.

  The results for age showed that both younger people (those aged under 35 years) and those aged 45 to 54 years tended to have lower scores than other age groups on *choosing financial products*.

- Higher scores on ***Staying Informed*** were most strongly associated with being 55 years of age or older; the amount of money held in savings, investments and superannuation; and higher scores on the financial attitudes of *financial self-efficacy* and *financial aspiration*.

  More modest associations were evident with financial knowledge and numeracy, completion of formal post-secondary education and the financial attitude *dealing with money is stressful* (here low scores were evident amongst those with high scores on *dealing with money is stressful*). While the association was not strong, it was also evident that as a group women had slightly lower scores on *staying informed* than men.

- Lower scores on ***Financial Control*** were strongly associated with higher levels of debt and higher scores on the attitude *dealing with money is stressful*. Also associated with lower scores, albeit at a more moderate level, were living in rental accommodation, dependent children still living at home and a higher score on *impulsivity*.

  Higher scores on the financial attitudes of *financial self-efficacy* and *financial aspiration*, as well as higher levels of savings, investments and superannuation and household income all showed moderate levels of association with higher scores on *financial control*.

2.4 The distribution of financial literacy within the population

This section examines the extent to which financial literacy varies across socio-demographic subgroups of the Australian population (specifically subgroups based on age, gender, educational attainment, use of a language other than English (LOTE), Aboriginal and Torres Strait Islander (ATSI) background[24], household type, place of residence, occupation, income, assets and debt).

As the 2014 subgroup findings were largely consistent with those from 2011, this section has been limited to a brief overview of key subgroup differences. However, tables providing a more detailed description of the relationships between these subgroups and financial literacy are provided in Appendix 2, p142ff.

In considering these results it should be kept in mind that, while on average a group may have relatively low scores on a particular component of financial literacy this does not mean all members of that group have low scores on that component. For example, as a group single parents had a lower average score than others on *financial control*; nevertheless, almost one in ten single parents had scores that placed them in the top 20% of the population on this measure.

Financial literacy and selected population subgroups

Age

- In general, younger people under 35 years of age (whose personal experience of financial products is likely to be somewhat limited) had lower scores on most aspects of financial literacy.
- By contrast, those aged 55 years or more had above average scores in almost all areas except for below average scores amongst people aged 65 years or more on *choosing financial products*.

Gender

- Females had slightly higher scores than males on *keeping track of finances* and slightly lower scores on *staying informed* and *financial control*.

Education

- Those who have completed formal post-secondary education had higher scores on all components of financial literacy. By contrast, those whose formal education did not go beyond Year 12 had slightly below average scores on all the financial literacy components.

Cultural and linguistic diversity

- People from households using a language other than English had slightly below average scores on *planning ahead* and *financial control*. While the results should be treated with caution given the small number of Aboriginal and Torres Strait Islander people in the survey (*n=72*), those from an ATSI background did have slightly lower scores on *planning ahead*, *staying informed* and *financial control*.

Household type

- Residents of couple households had above average scores on all components; interestingly however, *financial control* was below average in those couple households where dependent children were resident while being well above average in two-person households without dependent children.

  Those living in shared households (typically younger people) had below average scores on all components except financial control.

  Residents of single person households had below average scores on *planning ahead* and *choosing financial products* and were above average on *financial control*.

[24] Results are based on a relatively small number of interviews (n=72); in addition, as the survey was conducted by fixed line and mobile phone, population diversity in those areas with limited telephone coverage may not be captured in full. Hence, these results should be treated with caution.

Single parents had slightly below average scores on all components of financial literacy except *keeping track of finances* and *choosing financial products.*

Socio-economic characteristics

- There was an association between living in those areas of least socio-economic disadvantage (SEIFA[25] Group 5) and slightly above average scores on all financial literacy components except *keeping track of finances*.
- People working in upper white[26] collar occupations had above average scores on all components except *keeping track of finances*. By contrast, people working in lower blue collar occupations exhibited below average scores on all components except *choosing financial products* and *planning ahead*.
- Those whose main source of income was a Government benefit or allowance and who had not yet retired had below average scores on all components of financial literacy.

  Those recipients of government support who had retired (ie: age pension recipients) had above average scores on *financial control* and *keeping track of finances* although their scores on *choosing financial products* and *staying informed* were below average. Self-funded retirees exhibited a different profile to age pension recipients; their scores were well above average on *planning ahead, staying informed* and *financial control* and slightly above average on *choosing financial products* and *keeping track of finances*.
- People with higher household incomes of $100,000 or more per annum had higher scores on all components except *keeping track of finances* where scores for this group were slightly below average. At the same time, below average scores were found for all financial literacy components except *keeping track of finances* when annual household incomes were $65,000 or less.
- Those with less than $2,000 in total savings and investments[27] scored well below average on *planning ahead* and *financial control* and slightly below average on all other components of financial literacy. Those with $100,000 or more had well above average scores on *planning ahead, staying informed* and *financial control* and were also above average on *choosing financial products* and *keeping track of finances*.
- By contrast, people with less than $2,000 in debt had well above average scores on *financial control* and below average scores on *planning ahead, choosing financial products* and *staying informed.* Scores for those with debt of $300,000 or more were above average on *planning ahead*, *choosing financial products* and *staying informed* and below average on *financial control*.

  Pointing to the potential for household income to mitigate the impact of higher levels of debt, amongst people with debt of $300,000 or more, those with household incomes of $65,000 or less had below average scores on *financial control* while those with household incomes of $150,000 or more were above average on this aspect of financial literacy.

While the patterns are somewhat complex, these results suggest that lower levels of financial literacy are more likely to be found amongst young people, those with less formal education and people with lower levels of income and assets. The relationship between financial literacy and gender appears somewhat complex with men doing better in some areas and women doing better in others. The issue of differences in the financial attitudes and behaviour of women and men and the implications these might have for savings and investment outcomes are explored further in the next section of this report.

[25] ABS Socio-Economic Index for Areas (SEIFA) is a set of four indexes created from Census data that shows how disadvantaged or advantaged each Census collection district is relative to all others (some cd's are not assigned an index value because of small populations or missing data). Disadvantage refers to an individual's access to material and social resources and their ability to participate in society relative to what is commonly accepted by the wider community. The Index of Relative Socio-economic Disadvantage is used here. (see Information Paper *An Introduction to Socio-Economic Indexes for Areas* (*SEIFA)* ABS Catalogue No. 2039.0 for a more detailed explanation and discussion). All postal areas have been allocated to quintiles based on their relative level of socio-economic disadvantage.

[26] ANZSCO Major groups 1 (Managers) and 2 (Professionals).

[27] Note: This excludes value of home and superannuation.

Section 3 Financial attitudes, knowledge and literacy amongst Australian women

3.1 Introduction and key findings

This section of the report reviews what the 2014 Survey data show in relation to financial attitudes, financial knowledge and numeracy and financial behaviour (measured by the five indices of financially literate behaviour) amongst Australian women and, where appropriate, how these vary from those of men.

Broadly, we address the following issues:

- What differences are there in the financial attitudes, knowledge and behaviours[28] of women and men?
- What factors available in this survey might help to explain any differences that are identified? In particular, are there relationships between people's life cycle stage[29] and their attitudes, knowledge and behaviour[30]?
- What relationships exist between financial attitudes and people's use of financial products and services?

When comparing the findings for women and men it is important to keep in mind that while *on average* women (or men) may have relatively lower scores on a particular measure of financial attitude, knowledge or financial behaviour, this does not mean all women (or men) have relatively low scores on that measure.

Key findings

- With respect to the four **financial attitudes**:
    - There were no significant differences between women and men on *financial self-efficacy*. Both women and men with higher levels of *financial self-efficacy* were more likely to have investments in shares, managed investments and property and to have obtained advice from a financial planner in the last 12 months.
    - Women had higher scores than men on *dealing with money is stressful* across all age groups. Higher scores amongst women were associated with lower savings and investments, lower incomes particularly relative to debts, lower levels of home ownership and the presence of dependent children. In addition, women were more likely than men to say they find dealing with money stressful, even when things are going well financially; they also found dealing with money less stressful when the responsibility for household money management was shared with a partner.

      Higher scores on this attitude were associated with behaviours such as not checking account statements, not keeping an eye on household/personal expenses and use of payday loans.
    - Women had lower scores than men across all age groups on *impulsivity*. Higher levels of *impulsivity* were associated with the same types of behaviours as higher scores on *dealing with money is stressful*.

      Amongst women, above average *impulsivity* scores were found amongst those with a LOTE background, women with a university degree, those with household incomes of $100,000 or more and those working in blue collar occupations; that is across a relatively diverse range of socio-demographic subgroups. Nevertheless, women had lower *impulsivity* scores than men in all of these subgroups. Overall, approximately one in seven women had high[31] scores on *impulsivity* compared with one in four men.

[28] Measured by the five indices of financially literate behaviour.
[29] We have used people's age as a broad indicator of their life cycle stage. Four different age groups have been used (18 to 27 years, 28 to 44 years, 45 to 59 years and 60 years or more) based broadly on key life-cycle stages.
[30] Measured by the five indices of financially literate behaviour.
[31] That is, in the top 20% of population scores on *impulsivity*.

Compared to those aged 28 to 44 years, both women and men aged 45 to 59 years exhibited lower *impulsivity* and were more likely to have investments in shares, property and term deposits; to have obtained advice from a superannuation fund or financial planner in the last 12 months; to have identified a target retirement income figure; and, to have made voluntary superannuation contributions.

- On average women aged 28 to 59 years had lower scores then men on *financial aspiration*. Amongst women of this age, lower scores were associated with less participation in paid work and post-secondary education and less money in savings and investments.

  For women higher scores on this attitude were associated with setting a target income figure for retirement and, possibly reflecting this, holding investments in high interest cash accounts, term deposits, property and managed investments and using advice from a financial planner. The same was true of men with higher financial aspiration scores.

  Lower *financial aspiration* scores were evident amongst 28 to 59 year old women whose financial behaviour included not checking account statements and not keeping an eye on household and personal expenses.

- From 28 years of age on women had lower scores than men on *financial knowledge and numeracy*. Lower scores were associated with less exposure to financial products such as loans and investments, a higher likelihood of having dependent children at home, less use of financial education/information materials and a higher propensity than males to give 'don't know' responses to questions about financial topics.
- On the behavioural indicators of financial literacy:
  - Women aged 28 to 59 years had higher scores than men on *keeping track of finances;* no differences were evident for younger and older women. A higher proportion of partnered women of this age were solely responsible for their household's money management compared with partnered men (who were more likely to be engaged in full-time paid work). Women aged 28 to 59 years also had lower *impulsivity* scores than men (as noted in 2.3, lower scores on this attitude were strongly associated with higher scores on *keeping track of finances*) and were more likely to have lower household incomes of $65,000 or less (39% versus 31% of men).
  - Only women aged 60 years or more had slightly lower scores than men of this age on *planning ahead*; no other differences were evident between the genders.

    Women aged 60 years or more were less likely than men to still be in paid employment. Reflecting this, they had lower household incomes and were less likely to have superannuation and to have made additional voluntary superannuation contributions. They also had less money in both superannuation and savings and investments and were less likely to have used financial information or professional financial advice in the last 12 months.
  - Women aged 45 to 59 years had lower scores than men of the same age on *choosing financial products;* that is, women of this age were less likely to engage in comparison shopping for financial products.
  - From 28 years of age onwards, women had lower scores than men on the *staying informed* index. Compared to men of this age women were less likely to have identified a retirement income figure, had lower levels of household income, superannuation, savings and investments and were more likely to have dependent children living at home.

- Women aged 28 to 59 years had lower scores than men on *financial control*. Compared to men, women of this age had less money in savings and investments, lower household incomes, were more likely to be buying their home and were more likely to be single parents; they were also more likely to have missed a loan or credit card repayment and were less likely to say they saved money in most weeks. Women also appeared to experience greater discomfort than men with comparable levels of debt.

In summary, the analysis presented in this section of the report showed a number of differences in the financial attitudes, financial knowledge and financial behaviour of women and men. It also identified differences in attitudes, knowledge and behaviour between various subgroups of women, particularly subgroups identified by their socio-demographic characteristics.

Other research has pointed to the value of tailoring the content and mode of delivery of financial education materials to suit the audience while noting that "*women are not necessarily a homogenous group, and it can be difficult to produce material that is appropriate for women with different circumstances and levels of knowledge.*"[32]

The findings presented in this chapter support this proposition. In particular, they suggest that materials and approaches targeting women should take account of the importance of structural factors, life stages and attitudes such as *dealing with money is stressful*.

[32] Messy F-A. and Monticone C. *Women and Financial Literacy: OECD/INFE Evidence, Survey and Policy Responses*, Chapter 2. June 2013 (p98).

3.2 Financial attitudes and knowledge

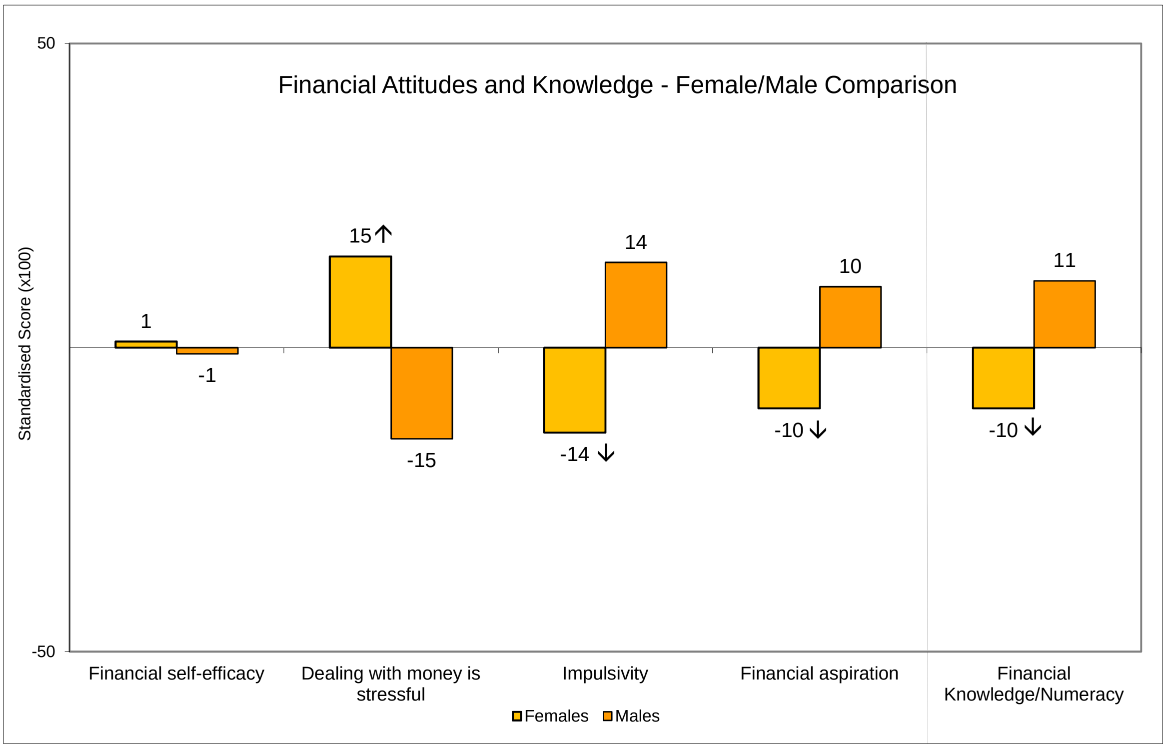
Figure 3.2.a summarises financial attitudes and financial knowledge and numeracy by gender[33]. As discussed earlier, four financial attitudes were identified in this research:

- *Financial self-efficacy* which reflects people's self-belief in the ability to change their financial situation and their level of association with the motivational trait of a short term 'attitude towards the future'.
- *Dealing with money is stressful*: an attitude which finds dealing with money matters stressful even when things are going well financially.
- *Impulsivity*: this attitude includes a high level of association with the motivational trait of 'impulsivity' and reflects a self-image as a risk taker and a willingness to use credit rather than defer consumption by saving to buy.
- *Financial aspiration*: an attitude which reflects the extent to which people aspire to achieve financial success and their level of association with the 'achievement orientation' motivational trait.

As shown in Figure 3.2.a, on average:

- There were no significant differences[34] between women's and men's scores on *financial self-efficacy*.
- On average women had higher scores than men on the attitude *dealing with money is stressful* and lower scores on *impulsivity* and *financial aspiration*.
- Figure 3.2.a also shows that on average women's scores on *financial knowledge and numeracy* were lower scores than those of men.

Figure 3.2.a Financial attitudes and knowledge by gender



Base: All respondents
Arrows show results that are significantly higher or lower than the corresponding result for males (p<0.05).

[33] Standardised scores (that is, conversion of the raw financial attitude and knowledge/numeracy scores so they form a distribution with a mean of zero and a standard deviation of one) were used to facilitate direct comparisons between each of these measures.
[34] That is, no statistically significant differences at the 0.05 level of significance.

Table 3.2.a breaks out the overall financial attitude results for women and men by the four age groups used here to represent key life cycle stages. As shown (by the use of arrows):

- There were no statistically significant differences between the *financial self-efficacy* scores of women and men across the four age groups.
- For *dealing with money is stressful*, women's scores were consistently higher than those of men in each age group, while their scores on *impulsivity* were lower than men's across the four age categories.
- Scores on *financial aspiration* however behaved slightly differently; significant differences between women and men on this measure were only evident in two age groups; those aged 28 to 44 years and those aged 45 to 59 years.

Scores on these attitudes also showed considerable variation between age groups for both women and men; in particular, people aged 60 years or more had lower scores on all four attitudes than did those aged 18 to 27 years.

Table 3.2.a Financial attitudes by age and gender

Financial attitudes (Standardised Scores)	Total	AGE GROUP			
		18-27 years	28-44 years	45-59 years	60 years or more
Financial self-efficacy					
Females	1	22	17	14	-43
Males	-1	5	15	5	-31
Dealing with money is stressful					
Females	15 ↑	54 ↑	34 ↑	12 ↑	-26 ↑
Males	-15	18	-4	-25	-52
Impulsivity					
Females	-14 ↓	19 ↓	3 ↓	-28 ↓	-38 ↓
Males	14	57	21	-6	-16
Financial aspiration					
Females	-10 ↓	29	1 ↓	-18 ↓	-35
Males	10	41	18	3	-23

Base: All respondents
Arrows show results that are significantly higher or lower than the corresponding result for males ($p<0.05$).

Financial self-efficacy

Table 3.2.a shows no significant differences between women and men on this attitude.

Amongst women, below average scores (compared to women in general) were found amongst those with no formal post-secondary education, household incomes of $65,000 or less, those with a government benefit as their main source of income, those with less than $2,000 in savings/investments and less than $2,000 in debt, those from single person households and women from an Aboriginal and Torres Strait Islander background[35].

For the most part, women with above average scores mirrored these groups (that is, higher scores were evident amongst women with formal post-secondary education, household incomes above $65,000, $20,000 or more in savings and investments, mortgages of $300,000 or above, and those living with a partner). In addition, *financial self-efficacy* was also above average amongst women working in white collar occupations.

[35] Results are based on a relatively small number of interviews (n=72); in addition, as the survey was conducted by fixed line and mobile phone, population diversity in those areas with limited telephone coverage may not be captured in full. Hence, these results should be treated with caution.

For men, *self-efficacy* was below and above average amongst these same groups. There were also no differences between the *financial self-efficacy* scores of women and men in any of these groups.

With respect to the use of financial products and services, *financial self-efficacy* scores were well above average amongst women who held investments in shares, managed investments and property, who ran their own self-managed superannuation fund, who had used a financial planner in the last 12 months and who had used financial information material to assist with financial decision-making.

Men using these products and services also had above average *financial self-efficacy* scores (in comparison to men in general). Again, there were no differences between the *financial self-efficacy* scores of women who used these types of products and services and the scores of men who did so.

Dealing with money is stressful

As shown in Table 3.2.a, women have higher scores than men on this attitude, overall and across all four age groups; that is, on average women find dealing with money more stressful than men do.

Women who found dealing with money more stressful than average included:

- Those with less than $2,000 in savings and investments, those living in rental accommodation, those with substantial mortgage debt of $300,000 or more, particularly where this level of debt was supported by an annual household income of less than $100,000, and those with dependent children (particularly single parents and couples with household incomes of $65,000 or less).

By contrast women with lower scores on *dealing with money is stressful* included:

- Those with higher levels of assets (at least $20,000 in savings and investments and those who own their home) and income (particularly those with household incomes of $150,000 or more), those with a university education and couples without dependent children.
- Those women who shared the responsibility for household money management with their partner also had lower scores on this attitude.

Thus, finding dealing with money stressful was associated quite strongly with low asset levels, high debt relative to income and the presence of dependent children.

Comparisons between women and men showed that women had less money in savings and investments (15% had $100,000 or more in savings and investments versus 23% of men), lower incomes (52% had a household income of $65,000 or less versus 43% of men) and were more likely to report the presence of dependent children (46% versus 41% of men; 8% as a single parent versus 3% of men). These socio-demographic differences between women and men may offer some explanation[36] for women's higher scores on *dealing with money is stressful*.

In addition, women were more likely than men to agree with the statement "*even when things are going well for me financially, thinking about money stresses me out*" (40% versus 33% of men).

Higher scores on *dealing with money is stressful* were evident amongst women who engaged in behaviours such as using payday loans, failing to check account statements, not keeping an eye on household or personal expenses and feeling their situation was out of control at least some of the time. This situation was very similar for men although even amongst those who engaged in the behaviours listed above, men's *dealing with money is stressful* scores were lower than those of women.

Impulsivity

This attitude includes a focus on saying and doing things without giving them much thought, a self-image of oneself as "a bit of a risk taker" on financial matters and the use of credit rather than saving up to purchase goods and services. It appeared to be an attitude manifested more amongst men than women, particularly amongst younger males, and

[36] Potentially other factors not covered by this Survey may also contribute to differences in women's and men's scores.

women had lower scores than men across all four age groups. For example, approximately one in seven women had *impulsivity* scores that placed them in highest 20% of the population compared with one in four men.

Amongst women, above average scores on *impulsivity* were found amongst those with a LOTE background, women with a university degree, those with household incomes of $100,000 or more and those working in blue collar occupations; that is across a relatively diverse range of socio-demographic subgroups. Nevertheless, men had higher *impulsivity* scores than women in all of these subgroups.

For women and men, higher levels of *impulsivity* were associated with behaviours that included not keeping a close eye on household/personal expenses, using payday loans, not taking any steps to minimise account fees, taking cash advances and/or incurring late or overdrawn fees on credit cards and not checking account statements. Those who felt their financial situation was out of control or fluctuating also had above average *impulsivity* scores.

A second point of interest in Table 3.2.a is the lower *impulsivity* scores once people reach 45 years of age. Amongst women we note that, compared to those aged 28 to 44 years, women in the 45 to 59 years age group were:

- Less likely to have dependent children still living at home (58% versus 73%); and
- More likely to own their home outright (33% versus 12%).

In addition, women aged 45 to 59 years were:

- More likely to have identified a retirement income figure (39% versus 21% of women aged 28 to 44 years); and were more likely to have obtained advice from a superannuation fund (22% versus 10%) or financial planner (23% versus 17%) in the last 12 months; and
- More likely to have made voluntary contributions to their superannuation (of those with superannuation, 41% did so versus 21% of women aged 28 to 44 years).
- They were also more likely to have investments in shares (34% versus 27%), property (26% versus 19%) and term deposits (17% versus 9%) and reflecting this, were more likely to have $100,000 or more in savings and investments (21% versus 14%).

Men aged 45 to 59 years were also more likely to be undertaking these activities than men aged 28 to 44 years.

Financial aspiration

Overall women had significantly lower scores on this attitude than men, although the differences between genders were statistically significant only amongst those aged 28 to 59 years. Before and after that, levels of *financial aspiration* are similar.

Specific subgroups of 28 to 59 year old women with below average scores on *financial aspiration* included;

- Those who were not in paid work;
- Those with no formal post-secondary education, particularly women who left school at or before the end of Year 10; and
- Those with less than $2,000 in savings and investments.

Higher scores were evident amongst:

- Women with a university degree;
- Those working in upper white collar occupations;
- Those with higher levels of assets ($20,000 or more in savings and investments; home owners); and
- Those from a LOTE background.

The subgroups of men with higher scores (compared to 28 to 59 year old men in general) were much the same as amongst women. However, these subgroups also typically had higher *financial aspiration* scores than their female counterparts. That is, the following groups of men had higher scores then the corresponding groups of high scoring women; those working in upper white collar occupations, home owners, those with $20,000 or more in savings and investments and those from a LOTE background. The only exception to this was amongst those with a university degree, where women's and men's *financial aspiration* scores were the same.

In terms of use of financial products and services, higher *financial aspiration* was associated with 28 to 59 year old women who had set a target figure for their retirement income, who held products such as term deposits and high interest savings accounts, who invested in property and who had obtained advice from a financial planner or adviser in the last 12 months.

Lower *financial aspiration* scores were evident amongst women whose financial behaviour included not checking account statements and not keeping an eye on household and personal expenses.

These same subgroups were respectively above and below average amongst 28 to 59 year old men; within these subgroups however, no significant differences were found between women's and men's *financial aspiration* scores.

<u>*Financial knowledge and numeracy*</u>

On average, women had lower scores than men on financial knowledge and numeracy (see Figure 3.2.a). More detail on this issue is provided in Table 3.2.b which shows:

- No difference on this measure between women and men aged 18 to 27 years.
- However, from 28 years of age on women have lower financial knowledge and numeracy scores than men.

On average women aged 45 years or more appeared to make less use of financial products than did men.

- For example, using the number of different types of loan[37] people hold as an indicator of their level of use of financial products:
    - Amongst those aged 45 to 59 years and those aged 60 years or more, women held fewer different types of loans than men (in the 45 to 59 years age group, 31% of women had two or more different types of loan versus 37% of men; in the 60 years or more age group 6% of women had two or more different types of loan versus 14% of men); while
    - There were no significant differences on this indicator amongst women and men aged 18 to 27 years.
- Women in these age groups were also less likely than men to hold investments such as term deposits, shares, managed investments and property; 52% of women aged 45 to 59 years held investments of this type (versus 62% of men) as did 56% of women aged 60 years or more (versus 64% of men). Again, there was no significant difference in the incidence of these products amongst women and men aged 18 to 27 years.

[37] These include owner-occupier mortgages, investment property mortgages, personal loans, home equity loans, margin loans, lines of credit or overdrafts, reverse mortgages and hire purchase.

Table 3.2.b Financial knowledge and numeracy by age and gender

		Age Group			
Financial knowledge (Standardised score)	Total	18-27 years	28-44 years	45-59 years	60 years or more
Financial knowledge and numeracy					
Women (mean standardised score)	-10 ↓	-43	10 ↓	17 ↓	-40 ↓
Men (mean standardised score).	11	-28	31	37	-2

Base: All respondents
Arrows show results that are significantly higher or lower than the corresponding result for males ($p<0.05$).

Despite 28 to 44 year old women having lower scores on financial knowledge and numeracy, there were no differences between women and men of this age in the number of types of loans and investments which they held. However, when compared with men of this age, women aged 28 to 44 years were:

- More likely to have dependent children at home (73% of women this age have dependent children versus 54% of men); men of this age were more likely to be single and living alone or in a shared household.
- Women were less likely to have used general financial information and education materials in the last 12 months to assist their financial decision-making (40% versus 52% of men).
- Finally, women were slightly more likely than men to give don't know responses to some of the questions used to create the summary financial knowledge and numeracy variable[38]. This in turn had the potential to reduce scores on those questions for which points were deducted when a don't know response was considered indicative of a lower level of financial knowledge.

[38] This is consistent with other research cited by Messy F-A. and Monticone C. (ibid p56) showing women are more likely to give don't know answers to questions about financial matters.

As well as the differences in women's and men's financial knowledge and numeracy scores outlined above, there were several specific investment principles where knowledge was slightly lower amongst women than men although, as noted above, it should be kept in mind that women are typically more likely to say they 'don't know' when responding to questions on financial topics.

As shown in Table 3.2.c:

- Women were slightly less likely than men (82% versus 86%) to say they felt well-informed when making financial decisions; although women in the 18 to 27 years and the 45 to 59 years age groups were the ones mainly responsible for this difference.
- With respect to investment principles, women were less likely than men to feel an investment with a high return is likely to have higher than average risks (81% versus 91%) and were less likely to consider diversification of investment funds to be 'very' or 'quite' important (61% versus 71%).
- In terms of knowledge of superannuation, women were more likely than men to find superannuation statements 'difficult' to understand (36% versus 28%) and more likely to say they didn't know what was the best indicator of superannuation fund performance (26% versus 18%).

Table 3.2.c Financial knowledge by age and gender

Financial knowledge	Total	Age Group			
		18-27 years %	28-44 years %	45-59 years %	60 years or more %
Informed financial decision making					
(Base: Total sample)					
You generally feel well-informed when making financial decisions					
Females (% Agree)	82 ↓	72 ↓	83	81 ↓	86
Males (% Agree)	86	86	85	87	88
Knowledge of investment principles					
(Base: Total sample)					
Investment with a high return is likely to have higher than average risks					
Females (% True)	81 ↓	74 ↓	82 ↓	83 ↓	80 ↓
Males (% True)	91	90	92	92	91
Diversification of funds is ...					
Females (% Very/Quite important)	61 ↓	55 ↓	62	65 ↓	61 ↓
Males (% Very/Quite important)	71	67	68	75	74
Knowledge of superannuation					
(Base: Have superannuation/get statements)					
% who find superannuation statements 'difficult' or 'very difficult to understand					
Females	36 ↑	**	35	36	29
Males	28	**	27	39	18
(Base: Have super/under 65 years/employed)					
Best indication of super fund performance					
Females (% don't know)	26 ↑	41 ↑	27 ↑	17	21
Males (% don't know)	18	27	15	14	8

Arrows show results for females that are significantly higher or lower than those of the corresponding males ($p<0.05$).
** Results not shown due to very small sample size.

3.3 Financial literacy

Scores[39] for women and men on the five behavioural indicators of financial literacy are shown in Figure 3.3.a.

- On average, women had higher scores than men on *keeping track of finances;* and
- Lower scores on *staying informed* and *financial control*.

It should be noted that lower scores on *staying informed* may also be associated with the amount of money people have to save and invest. For those with lower amounts of money in savings and investments, *staying informed* about financial/investment matters may be of less relevance and on average the survey results showed women to have less money in savings and investments than men (26% of women have less than $2,000 in savings and investments versus 20% of men).

Figure 3.3.a Financial literacy by gender

Base: All respondents
Arrows show results that are significantly higher or lower than the corresponding result for males ($p<0.05$).

[39] The graph shows the average standardised scores for females and males on the five components of financial literacy; the arrows show where statistically significant differences exist between genders. Standardised scores (that is, conversion of the raw financial literacy scores so they form a distribution with a mean of zero and a standard deviation of one) were used to facilitate direct comparisons between each of these measures.

Table 3.3.a presents these results by age as well as by gender.

- It was only amongst those aged 28 to 44 years and 45 to 59 years that the differences between women's and men's scores on *keeping track of finances* were statistically significant.
- Scores on the *planning ahead* index were lower amongst women aged 60 years or more than amongst men of this age.
- Women's and men's scores on *choosing financial products* were only significantly different amongst those aged 45 to 59 years.
- Women aged 28 years or more had lower scores than men on *staying informed*; and
- It was only amongst those aged 28 to 59 years that women's scores on *financial control* were significantly lower than those of men.

Table 3.3.a Financial literacy by age and gender

Financial Literacy Indices (Standardised Scores)	Total	AGE GROUP			
		18-27 years	28-44 years	45-59 years	60 years or more
Keeping track of finances					
Females	8 ↑	-19	-4 ↑	17 ↑	30
Males	-9	-39	-20	0	28
Planning ahead					
Females	3	-104	6	34	33 ↓
Males	-3	-95	-1	35	48
Choosing financial products					
Females	-3	-20	10	-3 ↓	-7
Males	3	-15	11	13	3
Staying informed					
Females	-10 ↓	-51	-8 ↓	3 ↓	-2 ↓
Males	11	-33	17	28	30
Financial control					
Females	-7 ↓	-10	-34 ↓	-19 ↓	34
Males	8	-4	-9	8	39

Base: All respondents
Arrows show results that are significantly higher or lower than the corresponding result for males (p<0.05).

We now consider each of these behavioural indices in a little more detail.

Keeping track of finances

The fact that women have higher scores than men in their middle years (28 to 44 years and 45 to 59 years) may in part reflect higher levels of involvement in their household's money management. Of women aged from 28 to 59 years and who live with a partner, 39% say they are solely responsible for money management in their household versus 29% of the corresponding group of men.

Compared to men in this age range, women aged 28 to 59 years also have lower levels of *impulsivity* (15% have *impulsivity* scores in the top 20% of the population versus 22% of men); this is strongly associated with higher scores on keeping track of finances (see Section 2.3).

Planning ahead

There was no significant difference between women and men on this index apart from older women aged 60 years or more whose scores were lower than those of the corresponding group of men.

Obtaining professional financial advice is an important component of the *planning ahead* index and with that in mind we note that women aged 60 years or more:

- Were less likely than men to still be in paid employment (20% of women aged 60 years or more were in paid employment versus 34% of men) and reflecting this, were more likely to have household incomes of $65,000 or less (81% versus 66% of men), were less likely to have superannuation (47% had a superannuation fund versus 63% of men) or to have made additional voluntary superannuation payments (6% made additional voluntary payments to superannuation versus 11% of men). They also had less money in superannuation (53% had $100,000 or more in superannuation versus 71% of men).
- In addition, women in this age group were less likely to have investments in shares, managed investments and property (56% versus 64% of men this age); they also had less money in savings and investments (19% had $100,000 or more in savings and investments versus 37% of men).
- In the last 12 months they were less likely to have used financial information/educational materials to assist with financial decision-making (37% had done so versus 50% of men) and less likely to have obtained financial advice from an accountant, tax specialist or financial planner/adviser (47% versus 55% of men).

Choosing financial products

There were no differences between women and men on this index at the overall level. However women aged 45 to 59 years had lower scores than men of the same age on *choosing financial products*; that is they were less likely to engage in comparison shopping when obtaining new financial products like bank accounts, insurance, superannuation or a financial adviser.

Staying informed

Women have significantly lower scores than men on this index from 28 years of age onwards. In considering this we note that, compared to males of this age, women aged 28 years and over:

- Were slightly less likely to have identified a retirement income figure (31% versus 38% of men); to have superannuation (72% versus 80% of men); and also to have $100,000 or more in superannuation (36% versus 51% of men).
- They also had slightly lower levels of formal education (23% left school at or before the end of Year 10 versus 16% of men);
- Were slightly more likely to have dependent children (49% versus 43% of men; 8% as single parents versus 3% of men); and

- Had somewhat less financial resources than men (36% had investments like shares/managed investments versus 41% of men; 19% had an investment property versus 26% of men; 18% had $100,000 or more in savings and investments versus 28% of men; 35% had household incomes of $100,000 or more versus 43% of men).

Financial Control

Differences in the scores of women and men were only evident amongst those aged 28 to 44 years and 45 to 59 years with women having lower scores on this index in both age groups. We note the following:

- Firstly, women aged 28 to 59 years had less money in savings and investments (26% had less than $2,000 in savings and investments versus 19% of men), were more likely to be single parents (11% versus 4% of men), were more likely to be buying their home (49% versus 42% of men) and were more likely to have household incomes of $65,000 or less (39% versus 31% of men).

  Women were also more likely than men to have been unable to make a loan or credit card repayment at least once in the last 12 months (11% versus 8% of men) and were less likely to say they were able to save money in most weeks (50% versus 62% of men), both important components of the *financial control* index.

Section 4 Use of Payment and Transacting Methods

4.1 Introduction and key findings

This section of the report examines various methods used by the community when paying for goods and services or obtaining cash. The methods used are important as people with ready access to the financial transacting system are more likely to achieve efficient and cost-effective outcomes when paying for goods and services, especially those able to use online facilities. Conversely, consumers with limited access to the system may be disadvantaged in terms of transaction costs and personal convenience.

Key findings

- Use of electronic payment methods has continued to **grow rapidly** over the last three years. In particular, use of mobile devices (ie: a mobile phone or tablet) to pay for goods and services has increased from 14% of the population in 2011 to 53% (77% of those aged under 40 years) in 2014.

  In addition, the proportion of the population who use a mobile device or a computer to pay for goods and services has increased since 2011 by nine percentage points to reach 72% in 2014. Increased use of online payment facilities via computer or mobile device appears to have occurred across most age and income groups.

  However, it remained lowest amongst older people (45% of those aged 60 years or more), those with lower incomes (60% of those with annual household incomes of $65,000 or less), those whose main source of income was a government benefit or allowance (46%), those whose formal education did not go beyond Year 10 (47%) and those living outside Australia's capital cities (65%). Further, findings from other research[40] suggested that increasing the use of relatively low cost internet banking services amongst non-users is potentially a complex task likely to require support in the form of advice and 'coaching' as well as improved physical access to online services.

- Since 2011 there has also been significantly **increased** use of direct debit (up 6 points to 76%), ATMs and EFTPOS (both up 3 points to 87% and 83% respectively), debit Visa and Debit MasterCard (up 11 points to 60%) and of payday loans (still at a low level but up from 1% to 2%).

  Use of payday loans increased slightly amongst younger women under 35 years of age (up from <1% in 2011 to 3% in 2014 compared with males of this age whose use of payday loans was steady at 2% in both surveys). There were also indications that users of payday loans may be slightly more financially vulnerable with respect to some aspects of their financial literacy (low scores on *financial control* and *planning ahead*) and financial attitudes (high scores on finding dealing with money stressful and on having an impulsive attitude towards their finances).

- Since 2011 there has been a **decrease** in the reported use of credit cards (down 7 points to 64%). This may reflect such issues as the increased use of debit cards issued by Visa and MasterCard; increasingly widespread merchant surcharges and generally more conservative attitudes towards the use of credit.

  Use of telephone banking using voice prompts has continued to decline (down 9 points to 20%); it was the only electronic service to do so and this channel appears to be losing out against payment facilities which can be accessed via computer and/or mobile device, particularly amongst younger people under 40 years of age.

  Decreases were also evident in the use of cheques (down 11 points to 22%), money orders (down 5 points to 8%) and cash. The decreased use of cash occurred amongst younger people (down 5 points to 88% amongst those under 40 years of age; down 10 points to 84% amongst 18 to 24 year olds) with no significant change evident since 2011 amongst people aged 40 years or more; in these circumstances, the proportion of the population who do not use cash is likely to continue growing in the future.

[40] Smith R. Digital Delivery of Legal Services to People on Low Incomes – Summary and Recommendations. The Legal Education Foundation. (pages 5-6) December 2014.

4.2 Use of payment/transacting methods

As in previous financial literacy surveys, all respondents were asked whether or not they used each of the methods listed in Table 4.2.a for financial transactions "*like paying for goods and services and obtaining cash*".

Current use of payment/transacting methods

In 2014, most respondents (88%) said they used cash at least some of the time, while well over half reported the use of ATMs (87%), EFTPOS (83%), direct debit (76%), credit cards (64%) and Bpay (64%).

Seventy-two percent of respondents used some form of internet or mobile banking service to pay for goods and services; specifically accessed via a desktop/laptop computer (66%), a mobile device and internet browser (37%) or a mobile device and mobile banking app (44%). It is clear from these figures that most people who use internet/mobile banking facilities to pay for goods and services are using more than one device to do this; in fact, 27% reported using all three of the methods shown here in Table 4.2.a.

In contrast to the above, relatively few respondents used payday loans (2%), money orders (8%), loans from family or friends (11%), store cards (15%) or layby (18%) as methods of paying for goods and services.

Table 4.2.a Methods of payment/transacting used by respondents

Methods of payment/transacting	**Methods currently used**					
Base: Total sample	**2002** *(n=3548)* **%**	**2005** *(n=3513)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**	
Next I'll read out some methods people use for financial transactions like paying for goods and services, obtaining cash and so on. Which of the following methods do you use for financial transactions like these?						
Cash	96	95	92	92	**88**	↓
Electronic transacting						
ATM	73	78	80	84	**87**	↑
EFTPOS	71	74	76	80	**83**	↑
Direct debit	50	60	64	70	**76**	↑
Bpay	36	46	52	61	**64**	
Online banking						
Internet banking with desktop/notebook and browser	na	na	na	na	**66**	
Mobile phone or tablet using an internet browser	na	na	na	na	**37**	
Mobile phone or tablet using a mobile banking app	na	na	na	na	**44**	
Online banking nets						
Net: mobile device (using internet browser or mobile app)	*na*	*na*	*na*	*14*	***53***	↑
Net: any online banking by computer or mobile device	*28*	*40*	*51*	*63*	***72***	↑
Telephone banking (using voice prompts - IVR)	36	36	32	29	**20**	↓
Debit card (Debit Visa or MasterCard)	na	na	na	49	**60**	↑
Credit cards and loans						
Credit card	64	68	65	71	**64**	↓
Loans from financial institutions	35	36	38	34	**32**	
Store card	15	16	13	13	**15**	
Loans from family/friends	na	na	10	11	**11**	
Payday loans	na	na	2	1	**2**	↑
Cheques, layby and money orders						
Cheque	46	44	39	33	**22**	↓
Layby	27	27	25	19	**18**	
Money order	20	21	20	13	**8**	↓

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question, multiple responses allowed.
Use of loans from family or friends and payday lenders were asked for the first time in 2008; debit cards and mobile phone banking were first asked in 2011; mobile phone and internet banking were expanded to provide greater detail in 2014.

Changes in payment/transacting methods used

The most notable change since the last survey was in the use of mobile phones and tablets to conduct financial transactions. In 2011, 14% of respondents used a mobile phone for transactions like paying for goods and services; three years later (in 2014) the proportion using a mobile device for this purpose had risen to 53%.

Financial transacting using either a desktop/laptop computer or a mobile device has also increased significantly (up from 63% in 2011 to 72% in 2014). Since 2002, the use of this approach has almost tripled from 28% at that time.

Other changes since 2011 included:

- **Increased** use of direct debit (up 6 points to 76%), ATMs (up 3 points to 87%), EFTPOS (up 3 points to 83%), debit Visa or debit MasterCard (up 11 points to 60%), and payday loans (still at a low level, but up from 1% to 2%).
- **Decreased** use of cash (down from 92% to 88%), telephone banking where the user follows automated voice prompts (down 9 points to 20%, an approach which continues to lose ground against internet and mobile app alternatives), credit cards (down 7 points to 64%, possibly reflecting more conservative attitudes towards debt, substitution of debit cards and increasingly widespread application of merchant surcharge fees) and money orders (down 5 points to 8%).

  Use of cheques has also continued to fall (down 11 points since 2011 to 22% in 2014) and is now at less than half the level seen in 2002 when it was at 46%. In 2014, almost half (49%) of those aged 65 years or more still made some use of cheques but this was true for just 7% of 18 to 34 year olds; in these circumstances, it appears inevitable that use of this payment method will continue to decline.

Changes in payment/transacting methods used amongst population subgroups

As discussed below, there were also changes in use of these methods amongst specific age and household income subgroups.

Paying for goods and services via online banking (using computer or mobile device)

Payment for goods and services via internet banking/mobile device remained more common amongst younger people under 40 years of age (88%) than it was amongst those aged 40 years or more (61%). Nevertheless, since 2011 there have been significant increases in use across all age groups, including older people (use of this payment method rose from 18% in 2011 to 32% in 2014 amongst people aged 70 years or more).

Its use was also more common amongst those from higher income households; 86% of those from households with annual incomes above $65,000 used this method of paying for goods and services compared with 60% of those whose annual household income was $65,000 or less. Nevertheless, since 2011 there has been significant growth in the use of internet/mobile banking to pay for goods and services in both of these income groups (up 8 and 14 percentage points respectively).

Paying for goods and services via mobile device

Similar patterns to the above were evident for using mobile devices to carry out payment transactions. Thus:

- Paying for goods and services via mobile device was more common amongst people aged under 40 years; 77% used a mobile device for this purpose in 2014 (up from 24% in 2011) compared with 37% of those aged 40 years or more (also up substantially however, from just 8% in 2011).
- Using mobile devices for this purpose was also more common amongst those from higher income households; 67% amongst respondents from households with annual incomes above $65,000 (up from 19% in 2011) compared with 40% amongst those with annual household incomes of $65,000 or less (up from 10% in 2011).

Clearly there has been strong growth in the use of mobile devices to carry out financial transactions like paying for goods and services; this has occurred across all age and income subgroups.

The practice continued to be more common amongst younger people and those from higher income households, at least partly reflecting the higher incidence of internet and mobile phone use amongst these groups. For example, 97% of people under 40 years of age said they used the internet compared with 55% of those aged 70 years or more; similarly internet use was higher amongst those with annual household incomes greater than $65,000 (96%) than amongst those with household incomes of $65,000 or less (79%). The corresponding estimates for mobile phone use were 95% for under 40s (versus 76% of those aged 70 years or more) and 96% for those with household incomes above $65,000 (versus 88% amongst those with household incomes of $65,000 or less).

Several subgroups were significantly below the population average of 72% in their use of online banking services. These groups included:

- Older people (45% of those aged 60 years or more used any form of online banking);
- Those living outside Australia's capital cities (65%);
- Those whose main source of income was a government benefit or allowance (46%), particularly an age pension (32%); and
- Those who had not completed any formal education beyond Year 10 (47%).

In considering these findings it is worthwhile keeping the following points in mind:

- Firstly, Australian Bureau of Statistics data[41] showed lower use of the internet amongst similar groups of people to those mentioned above[42]. For these subgroups the issue appears to be lower use of the internet in general, not just lower use of internet banking.
- Secondly, Roger Smith in discussing 'digital inequality' cites the United Kingdom's Oxford Internet Survey to suggest that limited or non-use of internet-based services is most likely to result from factors other than lack of physical access; he notes *"the issue is not physical access: almost everyone can get access via a library or a 'proxy'. Barriers relate more to cognitive abilities, skills and culture*" [43].

  It seems likely that the situation in Australia would be similar to that in the UK; if so, Smith's work suggests that increasing use of the internet (and hence increasing use of relatively low cost internet banking services) amongst current non-users is potentially a complex task that may require support in the form of advice and 'coaching' as well as improved physical access to online services.

Changes in other methods of paying for goods and services

Use of debit Visa/debit MasterCard was up across most age and household income subgroups. Apart from this, and the use of internet and mobile device banking discussed above, the following **increases** were also evident in the 2014 results:

- Older people appeared to be making greater use of;
  - **ATMs** (up from 79% to 85% amongst those aged 40 years or more while under 40's were not significantly changed at 92% in 2011 and 91% in 2014; use amongst those age 70 years or more has increased from 57% to 72% since 2011);
  - **EFTPOS** (up from 73% to 79% amongst those aged 40 years or more while use of EFTPOS by under 40s did not change significantly being 92% in 2011 and 89% in 2014; use amongst those aged 70 years plus rose from 45% to 60%); and

[41] Australian Bureau of Statistics. *Household Use of Information Technology, Australia, 2012-13* (8146.0).
[42] People aged 65 years or more, those with relatively low personal and household incomes, those with no formal post-secondary education and residents of rural areas of Australia.
[43] Smith R. Digital Delivery of Legal Services to People on Low Incomes – Summary and Recommendations. The Legal Education Foundation. (pages 5-6) December 2014.

  - **Direct debit** (up from 67% to 75% amongst those aged 40 years or more while no significant change was evident amongst under 40s - 76% in 2011 and 78% in 2014; amongst those aged 70 years or more, use of direct debit rose from 49% to 64%).

- Use of **payday loans** was up slightly amongst younger women (up from <1% to 3% amongst females under 35 years of age compared with males of this age whose use of payday loans was steady at 2% in both surveys). Amongst women under 35 years of age the highest incidence of payday loan use was amongst those whose formal education ended at Year 10, those working in lower blue collar occupations, those living in rental accommodation and those with annual household incomes of less than $100,000.

  In addition, amongst all users of payday loans scores on the *financial control* and *planning ahead* components of financial literacy were below average while scores were above average on finding dealing with money stressful and on having an impulsive attitude towards their finances. That is, there were indications that users of payday loans may be slightly more financially vulnerable with respect to some aspects of their financial literacy and financial attitudes.

Decreases were evident since 2011 in the use of:

- **Cash** amongst those under 40 years of age (down from 93% in 2011 to 88% in 2014; down from 94% to 84% amongst 18 to 24 year olds). Amongst people aged 40 years or more, the use of cash did not change significantly (91% in 2011 and 89% in 2014);

- **Credit cards** amongst younger people under 40 years of age (down from 66% to 52%) while not changing significantly amongst those aged 40 years or more (74% to 72%). It should be noted that 68% of those aged under 40 are now using Visa debit or debit MasterCard and it appears that some degree of card substitution is occurring.

- Decreased use of **cheques**, and **money orders** was evident across most age and household income groups although older people continued to make greater use of cheques (55% for those aged 70 years plus versus just 7% of those under 40 years of age).

- Finally use of **phone banking using voice prompts** fell amongst younger people (for example, it was down from 28% to 17% amongst those under 40 years of age) although no significant decrease was evident amongst those aged 70 years or more (17% in 2011 and 19% in 2014). Consistent with this, use of this type of telephone banking remained slightly higher amongst older people (used by 21% of those aged 40 years or more compared with 17% of those aged under 40).

  This channel appears to have continued to lose ground against internet and mobile app alternatives.

Section 5 Money Management, Budgeting and Planning Behaviour

5.1 Introduction and key findings

This section examines respondents' reported behaviour in terms of their money management and budgeting. Specifically, attention is given to:

- The allocation of money management responsibility within the household;
- People's management of their current financial situation including attitudes and behaviour with respect to saving, budgeting, steps taken to minimise fees on everyday banking activities as well as financial planning, control and resilience and;
- The sources of general financial information and advice that people use.

Key findings

Money management and budgeting

Responsibility for household financial management

- Of those respondents aged 25 years or more who lived with a partner, 50% lived in a household where the financial management responsibility was shared; this was up four points from 46% in 2011. Men aged 25 years or more who lived with a partner were more likely to say their household finances were managed jointly than in 2011 (up by 7 points to 53% in 2014).
- As noted in 2011, financial literacy tended to be lower amongst those living in single person households and higher amongst those people who share the household's financial management responsibilities with a partner.

Saving

- In 2014 the proportion of respondents trying to save on a regular basis was 75%. This was not significantly different from the 2011 result of 77% and it appeared to be in line with a more conservative approach to saving amongst Australian households since the GFC.
- The proportion of respondents who felt *there's no point trying to save because there's never enough money* (8%) was not significantly different from 2011. Nor were there any major changes in the types of people most likely to be in this situation (single parents, those with household incomes below $25,000, those whose main source of income was a government benefit or allowance) apart from an increased proportion of couples with dependent children and household incomes of $65,000 or less who felt this way about saving (up from 8% in 2011 to 16% in 2014).

Household Budgeting

- In 2014, 75% of respondents said they kept a close eye on their household and personal expenses; down three points on the 2011 result. The decrease appeared to have been largely driven by women under 35 years of age (the proportion keeping a close eye on their expenses fell from 78% in 2011 to 68% in 2014).
- While the proportions mentioned here were not significantly different from the 2011 results, people from an Aboriginal and Torres Strait Islander background (64%), people working in blue collar occupations (68%) and people whose partner had sole responsibility for their household's money management (69%) were all below average in saying they kept a close eye on household and personal expenses.

Planning

- In 2014, feelings about the importance of having short and long-term financial plans were as follows:
  - There continued to be substantial agreement from all respondents about the importance of having both short-term (84% 'agreed' or 'agreed strongly') and long-term (87% 'agreed' or 'agreed strongly') financial plans. At the same time there appeared to be a little less conviction about the need for these plans with decreases evident since 2011 in the level of 'strong agreement' about their importance.
  - As in 2011 and 2008, the 2014 results pointed to the perceived importance of short and long-term financial planning being influenced by people's family situation, mortgage debt and financial capacity. Having such plans was again considered more important by those with a partner and children, those with higher levels of mortgage debt ($300,000 or more) and those with higher household incomes of $100,000 or more per year.

Minimising everyday banking fees

- The majority of respondents (77%) took one or more steps to minimise the fees associated with their everyday banking activities, not significantly different from the 2011 figure of 75%. People aged 70 years or more (65%) and, at the other end of the age spectrum, those aged 18 to 24 years (69%) were the least likely to be taking any steps to minimise these fees.

Control of current financial situation

- 78% of respondents felt they were in control of their financial situation all or most of the time; 16% felt it fluctuated in and out of control; and 4% felt it was out of control all or most of the time. There has been a three point **decrease** since 2011 (from 81%) in the proportion who feel in control of their financial situation with falls particularly evident amongst people aged 25 to 44 years who either had below average household incomes of $65,000 or less per annum or whose main source of income was a government benefit or allowance.

  As in previous surveys, feeling one's financial situation fluctuated or was out of control all or most of the time (applicable to 20% of the total sample) was most common amongst families with below average household incomes of $65,000 or less (30% of single parents; 33% of couples) and people with significant mortgage commitments relative to their income (35% of those with a mortgage of $300,000 or more and an annual household income of $100,000 or less).

Financial resilience

- In 2014, 77% of respondents agreed they could manage for a period of time if they had a major loss of income, (not significantly different from 76% in 2011), while 21% disagreed this was the case. Families with household incomes of $65,000 or less (43% of single parents; 29% of couples), all people with household incomes below $25,000 (34%), those working in lower blue collar occupations (32%) and people with less than $2,000 in savings and investments (46%) remained the groups most likely to disagree with this statement.
- 57% of respondents said their household is able to save money most weeks, 34% felt their household usually just breaks even and 5% said they usually spend more money than they get.
  - Those with higher incomes were the most likely to think they can save in most weeks (78% of those with household incomes of $150,000 or more); while
  - Compared with 39% of the total sample, those with household incomes of less than $25,000 (62%), families with household incomes of $65,000 or less (67% of single parents; 54% of couples with children) and people with mortgages of $300,000 or more and household incomes of less than $100,000 (61%) were the most likely to feel they either spend more than they get or just break even.

General financial information

- In the last 12 months, 45% of respondents had used at least one of the general sources of financial information tested in this survey (27% had used an internet finance site; 25% the financial section of a newspaper or magazine). This was five points lower than the overall usage figure of 50% in 2011.
- The most notable decrease was in the use of financial sections of newspapers/magazines (down from 32% to 25%). This was particularly evident amongst 18 to 24 year olds amongst whom readership of this material fell from 27% to 13%. At the same time use of internet finance sites by people in this age group also decreased; from 40% in 2011 to 29% in 2014. The set of information sources considered in this survey was not exhaustive; for example, use of social media sites was not tested. However the decreased use of financial material from newspapers/magazines and internet websites suggests some degree of disengagement with several of the more traditional sources of financial information amongst these young people.

Financial advice

- 76% of respondents said they had obtained financial advice from other people during the last 12 months; most commonly this advice came from an accountant (39%), family member/friend (35%) or a bank manager/employee (30%).
- Since 2011 there has been increased use of advice from superannuation funds (up 13 points to 18%), employers (up 6 points to 9%), tax specialists (up 5 points to 19%), mortgage brokers (up 4 points to 11%), Centrelink Financial Information Service Officers (up 3 points to 10%), family/friends (up 3 points to 35%) and financial planners (up 2 points to 20%).
- While the total proportion of people obtaining financial advice in the last 12 months has not changed significantly since 2011 (74% in 2011; 76% in 2014), there has been a significant increase (from 47% to 53%) in the proportion of people using more than one financial adviser during this time.

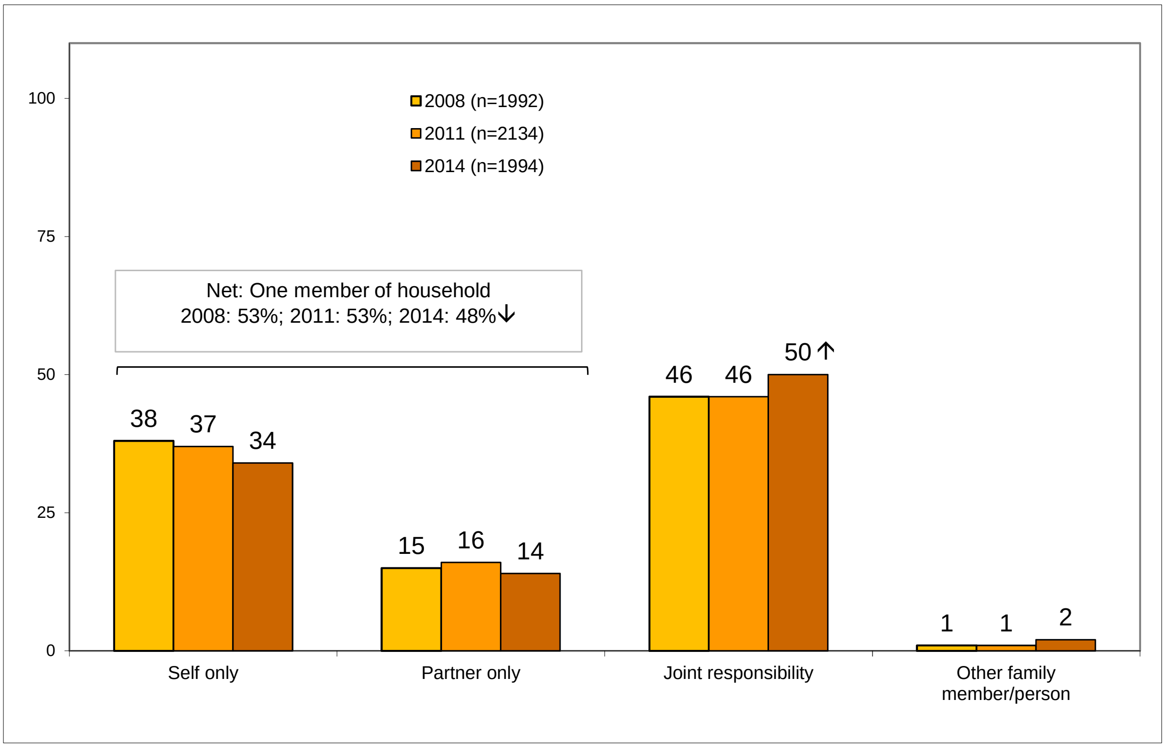
5.2 Money Management and Budgeting

5.2.1 Responsibility for money management in the household

All respondents were asked who was responsible for money management in their household. This was a prompted question where the response alternatives were read out to respondents. Compared to 2011, the 2014 results for people aged 25 years or more showed a lower proportion of households where only one person was responsible for financial management (down 5 points to 62%) and an increase in the proportion of households where financial management responsibility was shared (up 5 points to 36%).

Figure 5.2.a shows the situation for people aged 25 years or more who live with a partner. Again the results showed a significant decrease in the proportion of households where just one member of the couple was responsible for financial management (down from 53% in 2011 to 48% in 2014). This change was particularly noticeable amongst males; joint management of household finances rose from 46% in 2011 to 53% in 2014 amongst men while no significant change was evident amongst women during this time (46% in 2011 and 47% in 2014).

Figure 5.2.a Responsibility for household financial management in couple households



Base: All respondents aged 25 years or more living in couple households.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p<0.05$).
Question: Who is responsible for money management in your household? (Prompted question)

Table 5.2.a examines the financial literacy levels of those responsible for household money management. Arrows are used to show where scores are significantly above ('↑') or below ('↓') the average score for the total sample.

In couple households, it is evident that those solely responsible for their household's financial management had above average scores on *planning ahead* and *staying informed*. Those who share their household's financial management had above average scores on all five components of financial literacy.

Of those people who do not live with a partner and who are responsible for their household's financial management:

- Those living alone had below average scores on *planning ahead*, *choosing financial products* and *staying informed* while scoring above average on *financial control*.
- Single parents had below average scores on *planning ahead*, *staying informed* and *financial control*, although scores were about average on *keeping track of finances* and *choosing financial products*.

Overall these results suggest that higher financial literacy scores tend to be found amongst those responsible for financial management in couple households; however, people not living with a partner (and who are therefore usually responsible for their own financial management) have below average scores on most aspects of financial literacy.

Table 5.2.a Financial literacy and household financial management

Household financial management and financial literacy	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Couple households					
Solely responsible for financial management		↑		↑	
Jointly responsible for financial management	↑	↑	↑	↑	↑
Single person responsible for financial management					
Live alone		↓	↓	↓	↑
Single parent		↓		↓	↓
Live in a shared household	↓	↓		↓	↓

Base: All those aged 25 years or more

5.2.2 Saving and budgeting - attitudes and behaviour

This section presents results from several questions which assessed respondents' attitudes and self-reported behaviour in relation to saving, budgeting and financial planning.

Self-reported saving behaviour

Respondents were asked which of the four statements about saving shown in Table 5.2.b best applied to them.

- Most (75%) felt they were best described by the statement "*I try to save on a regular basis if I possibly can*". While this was not significantly different from the figure of 77% recorded in 2011, it remained well above the results obtained in 2002, 2005 and, to a lesser extent, 2008; it appears to represent a relatively long-term attitudinal change driven at least in part by the GFC.
- From a socio-demographic perspective:
  - As seen in previous surveys, younger people were more likely to say they were trying "*to save on a regular basis"* (80% of those under 40 years of age). This savings behaviour was also more common amongst those with formal post-secondary education (79%) and those with annual household incomes above $65,000 (80%). These were the same 'high incidence' savings groups as noted in the 2011 survey; further, no significant change has occurred in any of these figures since that time.
  - People aged 60 years or more remained those most likely to feel "*saving is not something I need to do*" (at 13% the proportion of this group who felt this way has not changed significantly over the last three surveys).
  - The subgroups most likely to feel "*there's no point trying to save because there's never enough money*" were also much the same in 2014 as in 2011; nor were there any significant changes in the proportion of subgroup members displaying this attitude. That is, in 2014 single parents (18%), people with household incomes of less than $25,000 per year (22%) and those for whom a government benefit or payment was their main source of income (19%) were the most likely to identify with this statement.

    However, there was an increase in the proportion of couples with dependent children and household incomes of $65,000 or less who felt this way about saving; up from 8% in 2011 (in line with the population average) to 16% in 2014 (which is above the population average). This change suggested that, in 2014, more families with below average household incomes were struggling to find any extra money to put away.

Table 5.2.b Self-reported savings behaviour

Self-reported savings behaviour *Base: Total Sample*	**Survey**				
	2002 *(n=3548)* **%**	**2005** *(n=1756)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
Which one of the following statements best applies to you?					
I try to save on a regular basis if I possibly can.	67	69	72	77	**75**
I save only when I want to save up for something big or special	12	10	10	9	**9**
There's no point in trying to save because there's never enough money. .	11	11	10	7	**8**
Saving is not something I need to do	8	8	7	6	**6**
Can't say.	2	2	1	1	**2**

Prompted question.
Base: A randomly selected subset of all eligible respondents in 2005, all eligible respondents in 2002, 2008, 2011 and 2014.

Budgeting behaviour

All respondents were asked which of the four descriptions shown in Table 5.2.c best described the "*extent to which you control your regular household/personal expenses*". In the 2014 survey:

- Most respondents (75%) felt they keep a close eye on expenses with 26% saying they used written records for monitoring purposes. This figure however, was slightly lower than the 78% reported in 2011, suggesting more people may be taking a less conservative approach to monitoring their household expenses than was the case three years ago.
- Subgroups least likely to be keeping a close eye on expenses in 2014 also showed some changes in comparison to 2011. Thus, people under 35 years of age (67%) were still less likely to do this than those aged 35 years or more (79%). However, while the proportion of males aged under 35 was not significantly different (69% were keeping a close eye on expenses in 2011 and 66% in 2014), the proportion of females in this age group doing so fell significantly from 78% in 2011 to 68% in 2014; it is now no different to the result for males.

  Other subgroups for whom keeping a close eye on expenses was below average in 2014 (although none of these results was significantly different from the 2011 figures) included people working in blue collar occupations (68%); people whose partner had sole responsibility for their household's money management (69%); and those from an Aboriginal and Torres Strait Islander background (64%).
- As in 2011, the proportion of females aged 45 to 69 years keeping a close eye on expenses (82%) was well above average. It was also well above average amongst people with household incomes below $25,000 (83%) and those retirees whose main source of income was a government pension (74%).

Table 5.2.c Budgeting behaviour

Attitude to budgeting *Base: Total Sample*	Survey				
	2002 *(n=1767)* %	**2005** *(n=1756)* %	**2008** *(n=3500)* %	**2011** *(n=3502)* %	**2014** *(n=3400* %
Which one of the following best describe the extent to which you control your regular household/personal expenses					
I don't keep an eye on expenses at all.	3	5	5	4	4
I keep my eye on expenses a bit	20	19	18	18	19
Net: Keep close eye on expenses	**76**	**76**	**76**	**78**	**75 ↓**
Without keeping written records I keep a fairly close eye on expenses	*47*	*44*	*46*	*51*	*49*
I use written records to keep a close eye on expenses	*29*	*32*	*30*	*27*	*26*
Can't say	1	-	1	-	2

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Base: A randomly selected subset of eligible respondents in 2002 and 2005, all eligible respondents in 2008, 2011 and 2014.

Attitudes towards the planning of finances

Results for two statements which assessed people's attitudes towards the need for planning their finances are shown in Table 5.2.d.

- As in previous surveys the great majority of respondents in 2014 agreed it is important to have both long-term (87%) and short-term (84%) financial plans.
- There has been no significant change since 2011 in overall agreement with either of these propositions. At the same time, the proportion who strongly agreed it is important to have a long-term financial plan fell from 33% to 28%. There was also a decline in the proportion who strongly agreed it is important to have a short-term plan (down from 23% to 20%).

Overall, these results suggest there may be a little less conviction amongst 2014 respondents about the need for planning their finances.

Table 5.2.d Attitudes towards planning of finances

Attitudes to planning of finances *Base: Total Sample*	Survey				
	2002 *(n=1767)* %	2005 *(n=1756)* %	2008 *(n=3500)* %	2011 *(n=3502)* %	2014 *(n=3400)* %
It is important to me to have a long-term financial plan					
Strongly agree	38	31	39	33	28 ↓
Agree	54	53	48	52	59 ↑
Net: "Agree"	**92**	**84**	**87**	**85**	**87**
Disagree	5	12	9	12	11
Strongly disagree	2	2	2	1	1
Net: "Disagree"	**7**	**14**	**11**	**13**	**12**
Can't say	1	2	2	2	1
It is important to me to have a financial plan for the short-term					
Strongly agree	25	23	26	23	20 ↓
Agree	61	60	58	60	64 ↑
Net: "Agree"	**86**	**83**	**84**	**83**	**84**
Disagree	12	14	14	14	13
Strongly disagree	1	1	1	1	1
Net: "Disagree"	**13**	**15**	**15**	**15**	**14**
Can't say	1	2	1	2	2

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Base: A randomly selected subset of eligible respondents in 2002 and 2005, all eligible respondents in 2008, 2011 and 2014.

- Socio-demographic groups identified in 2011 as having above average agreement with the importance of having a long-term financial plan remained above average in 2014. That is, in 2014 overall agreement was slightly higher amongst males (90%) than females (84%); particularly men who have a partner and children living at home (90%), men who have a mortgage of $300,000 or more (96%) and men with household incomes of $100,000 or more (93%). It was also below average amongst all people aged 70 years or more (71%). None of these results differed significantly from those obtained in the 2011 survey.
- In 2014 overall agreement with the importance of having a short-term financial plan remained higher amongst people with a mortgage of $300,000 or more (89%) and people with household incomes of $100,000 or more (88%). Like long-term planning, it was also below average amongst people aged 70 years or more (72%). Again however, these results have not changed significantly from those reported in 2011.

5.2.3 Minimising fees

All respondents were asked what steps they took to minimise the fees and charges relating to their everyday banking. As shown in Table 5.2.e:

- Avoiding the fees associated with using 'foreign' ATMs (26%) and paying off monthly credit card balances in full (15%) continued to be mentioned most often as ways in which everyday banking fees are minimised. Neither figure has changed significantly since 2011.
- Since 2011 however, there was **decreased** mention of using telephone/internet banking (down from 8% to 4%), an interesting result given the increased use of telephone/internet banking discussed in Section 3.2. It suggests that, while widely used this channel is not necessarily associated with lower banking fees. There was also slightly less mention of using EFTPOS/debit cards (down from 2% to 1%) as a method of minimising fees. At the same time, **increases** were evident in the proportion of people who mentioned strategies such as ensuring minimum monthly credit card payments are made, keeping account balances above minimum levels, using accounts with a flat monthly fee, ensuring accounts are not overdrawn and shopping around for the best deal on fees.
- Those most likely to say they took no steps to minimise fees included people aged 70 years or more (35%, down from 44% in 2011 however). At the other end of the age spectrum, 18 to 24 year olds (31%) were also more likely than average to say they didn't take any steps to minimise their everyday banking fees although this result has not changed significantly since 2011.

Table 5.2.e Steps taken to minimise fees

Steps taken to minimise fees *Base: Total sample*	Survey			
	2005 (n=1734) %	**2008** (n=1176) %	**2011** (n=3502) %	**2014** (n=3400) %
Management of transactions - number				
Minimise the number of transactions I make per month	17	17	9	**8**
Keeping the number of transactions I make to my monthly limit	15	14	7	**8**
Make fewer but larger cash withdrawals	9	12	7	**6**
Management of transactions - channel				
Only use ATM's from the same bank as my account	15	27	26	**26**
Minimise the number of branch visits	5	9	4	**5**
Use telephone/internet banking	4	12	8	**4** ↓
Withdraw cash when paying for other purchases	4	10	6	**5**
Use EFTPOS/Debit card	1	3	2	**1** ↓
Management of credit card				
Pay off monthly credit card balance in full	12	12	14	**15**
Ensure minimum monthly payments are made on my credit card	5	9	5	**7** ↑
Don't exceed limit on credit card	na	6	5	**6**
Type of transacting account				
Use no fee/fee exempt accounts	6	5	7	**8**
Keep at least the minimum balance in my account	4	9	5	**8** ↑
Pay flat account fee which caps monthly charge	3	5	3	**5** ↑
Don't overdraw account	na	3	1	**2** ↑
Other steps taken				
Shop around/negotiate	4	4	5	**8** ↑
All other steps taken	13	17	12	**14**
None/Don't take any/Don't know	22	19	25	**23**

Unprompted question, multiple responses allowed. Not asked in 2002.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Base: A randomly selected subset of eligible respondents in 2005 and 2008; all eligible respondents in 2011 and 2014.

5.2.4 Control of current financial situation

All respondents were asked which of the five statements shown in Table 5.2.f best described how they felt about their current financial situation.

- Most people (78%) felt they were in control of their financial situation either all (35%) or most (43%) of the time; 16% felt their financial situation fluctuated between being in and out of control; while 4% felt it was out of control all (1%) or most (3%) of the time.
- Most of these figures were not significantly different from those obtained in the three previous surveys. However, there was a slight decrease since 2011 (from 81% to 78%) in the proportion of respondents who felt their financial situation is in control either all or most of the time. This result is consistent with the lower proportion who say they keep a close eye on their household expenses (see Table 5.2.c); in fact, of those who said they *don't keep an eye on expenses at all*, 32% felt their financial situation was out of control all or most of the time or fluctuates in and out of control.

  Decreases in the proportion who felt their financial situation is 'in control' were particularly evident amongst respondents aged 25 to 44 years (down from 77% to 71%), particularly males in this age group (down from 83% to 72%) as well as those 25 to 44 year olds with lower household incomes (down from 67% to 56% amongst those with household incomes of $65,000 or less) and those whose main source of income was a government benefit or allowance (down from 64% to 37%).

Table 5.2.f Extent to which current financial situation is felt to be under control

Control of financial situation *Base: Total Sample*	**Survey**			
	2005 *(n=3513)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
Which one of the following statements best describes how you generally feel about your current financial situation?				
Out of control ALL of the time	1	1	1	1
Out of control MOST of the time	2	3	2	3 ↑
NET: Out of control	***3***	***4***	***3***	***4***
In control ALL of the time	34	33	37	35
In control MOST of the time	45	44	44	43
NET: In control	***79***	***77***	***81***	***78*** ↓
Fluctuates between being in and out of control	17	18	16	16
Can't say	1	1	-	1

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

- Looking at those who did **not** feel their financial situation was in control all or most of the time (that is, those whose financial situation either fluctuated in and out of control or was out of control all or most of the time – 20% of all respondents), saw a similar pattern to that encountered in both 2011 and 2008. That is, the people most likely to feel this way were:
  - Those with household incomes of $65,000 or less who had children living at home - single parents (30%) and couples (33%);
  - Those with a mortgage of $300,000 or more and an annual household income of less than $100,000 (39%; while the numbers were small (*n=44*) it is noteworthy that 50% of those with mortgages of this level and household incomes of $65,000 or less felt their financial situation was either 'out of control' or 'fluctuates').

Thus families with somewhat below average household incomes (that is, $65,000 or less per annum) and people with significant mortgage commitments relative to their income continued to be the most likely to feel their financial situation was out of control for at least some of the time. Further, there was no improvement in the situation for these groups since 2011 as none of these proportions has changed significantly since that time (nor have they changed significantly since 2008).

5.2.5 Financial resilience

To help assess households' financial resilience, all respondents were asked about their ability to manage for a period of time if they suffered a major loss of income. The results (summarised in Table 5.2.g) showed that:

- 77% of respondents agreed they could manage for a period of time if this happened, a result which is significantly above the 2008 figure of 74% suggesting some improvement in households' perceived financial resilience since the beginnings of the GFC. However, the 2014 result was not significantly different from those obtained in 2002, 2005 or 2011 and may represent a more 'normal' situation for this measure than the 2008 figure.
- As in 2011:
  - Disagreement was highest amongst single parents (43%) and couples with children (29%) whose household incomes were $65,000 or less; all people with household incomes of less than $25,000 (34%); and people currently working in lower blue collar occupations (32%).
  - Disagreement also continued to be especially high amongst those with little in the way of financial reserves; 46% of those with total savings and investments of less than $2,000 disagreed with this statement.

None of these results differed significantly from those obtained in the 2011 survey.

Table 5.2.g Coping with a major loss of income

Financial resilience *Base: Total Sample*	**Survey**				
	2002 *(n=3548)* %	**2005** *(n=1756)* %	**2008** *(n=3500)* %	**2011** *(n=3502)* %	**2014** *(n=3400)* %
If I had a major loss of income I could manage for a period of time					
Strongly agree	15	14	18	17	16
Agree	61	63	56	59	61
Net: "Agree"	**76**	**77**	**74**	**76**	**77**
Disagree	15	15	15	15	16
Strongly disagree	7	7	9	7	5 ↓
Net: "Disagree"	**22**	**22**	**24**	**22**	**21**
Can't say	2	1	2	2	2

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).
Base: A randomly selected subset of eligible respondents in 2005, all eligible respondents in 2002, 2008, 2011 and 2014.

A second question relevant to financial resilience measured people's perceived ability to save money over the last 12 months. Results are shown in Table 5.2.h.

- Some 39% of respondents felt that in most weeks their household spends more money than it gets (5%) or just breaks even (34%).

  Those with household incomes of less than $25,000 (62%), families with household incomes of $65,000 or less (67% of single parents; 54% of couples with children) and people with mortgages of $300,000 or more and household incomes of less than $100,000 (61%) were the most likely to feel this way.

- For 57%, the description "*most weeks we are able to save money*" was thought to be the most apt. Higher income households (78% of those with annual household incomes of $150,000 or more) were the most likely to feel this way about their financial situation.

Table 5.2.h Financial situation during the last 12 months

Financial resilience *Base: Total Sample*	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
Which of the following best describes your household's financial situation over the last 12 months?		
Most weeks we spend more money than we get	4	5
Most weeks we just break even	36	34
Most weeks we are able to save money	58	57
Can't say	2	4 ↑

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question; first asked in 2011.

5.2.6 Sources of general financial information and advice

Use of general financial information was addressed by asking respondents about their use of financial publications and seminars during the last 12 months and also the extent to which they had sought financial advice from finance professionals and others during this time.

Looking first at the sources of financial information used, Table 5.2.i shows the proportion of respondents who said they had read or used each of the information sources listed during the last 12 months.

- More than one in two (55%) respondents had not used any of these sources of financial information, a significantly higher percentage than the 2011 figure of 50%.

  Largely this change reflected a seven point fall (from 32% in 2011 to 25% in 2014) in the proportion of people reading the financial sections of newspapers and magazines; in particular this applied to 18 to 24 year olds (down from 27% in 2011 to 13% in 2014). In addition, use of internet finance sites was down from 40% to 29% amongst the members of this same age group. The set of information sources considered in this survey was not exhaustive (for example, use of social media sites was not tested); however the decreased use of financial material from newspapers/magazines and internet websites suggests some degree of disengagement with several of the more traditional sources of financial information amongst these young people

- Non-users of the information sources listed in this table were most likely to be found amongst:
  - 18 to 24 year olds (60%, up from 48% in 2011);
  - Females (60%, up from 54% in 2011);
  - Those with household incomes of $65,000 or less (65%, not significantly different from the 2011 result);
  - Those whose formal education did not go beyond Year 10 (69%, not significantly different from 2011); and
  - Residents of remote and very remote areas of Australia (68%, not significantly different from the 2011 result).

  These groups were also more likely to be non-users of these information sources in the 2011 survey and, as noted above, increases since that time were only evident amongst 18 to 24 year olds and females in general.

Table 5.2.i Use of financial education materials in the last 12 months

Sources of financial information (prompted) *Base: Total Sample*	**Used in last 12m** 2011 *(n=3502)* %	2014 *(n=3400)* %
Publications/Seminars used in last 12 months		
Financial sections - newspapers/magazines	32	**25** ↓
Internet finance sites	28	**27**
Books/other financial publications	15	**12** ↓
Finance industry publications	15	**14**
Government finance publications (eg: ASIC, Consumer Affairs)	15	**15**
Community organisation publications	6	**7**
Seminars	8	**7**
None of these	50	**55** ↑

Prompted question, first asked for this time-frame in 2011.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

The sources of general financial information most likely to have been used in the last 12 months were:

- o Financial sites on the internet (27%), an activity most likely to occur amongst males aged 25 to 44 years (38%) and females aged 25 to 34 years (34%).
- o The financial sections of newspapers and magazines (25%), an activity which was most commonly encountered amongst males aged 35 years or more (35%) and least often found amongst females under 35 years of age (11% versus 20% of males in this age group).

Financial advice

Use of financial advice from other people in the last 12 months is shown in Table 5.2.j. All respondents were asked if they had consulted any of the people listed in the table.

- Approximately three-quarters (76%) had consulted one or more of these people at least once in the last 12 months with financial management or planning specialists (51%; 39% mentioned an accountant), family or friends (35%) and bank staff (30%) mentioned most often.
- 24% of respondents had not consulted any of the sources mentioned, not significantly different from the figure of 26% in the 2011 survey.

Table 5.2.j Use of financial advice from other people in the last 12 months

Sources of financial advice (prompted) *Base: Total Sample*	**Used in Last 12m**	
	2011 *(n=3502)* **%**	**2014** *(n=3400)* **%**
Financial advisers/specialists used in last 12 months		
Used a financial management/planning specialist	***52***	***51***
Accountant	40	39
Taxation specialist	14	19 ↑
Financial planner or adviser	18	20 ↑
Mortgage broker	7	11 ↑
Insurance broker	8	8
Stock broker	4	4
Bank manager or employee	28	30
Financial counsellor	2	2
Centrelink Financial Information Service Officer	7	10 ↑
Family or friends	32	35 ↑
A superannuation fund	5	18 ↑
An employer	3	9 ↑
Community organisation (eg: NICRI)	<1	1
None of these	26	24

Prompted question, first asked for this time frame in 2011.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).

As in 2011, the non-users of these sources of advice were most commonly found amongst:

- o Those aged 70 years or more (38%, although this was significantly lower than the figure of 52% obtained in 2011);
- o Those with household incomes of $65,000 or less (32%, down from 36% in 2011); and
- o Those whose formal education did not go beyond Year 10 (37%, not significantly different from the 2011 result of 41%).

Thus, two of these groups were more likely to obtain some form of financial advice in 2014 than they had been in 2011.

- ▪ The sources of advice most used during the last 12 months were accountants (39%), family or friends (35%), bank managers/employees (30%) and financial planners/advisers (20%). Of these, the proportion of respondents using family or friends was the only significant increase since 2011 (up from 32% to 35%).

  At the same time there has been significant growth in the use of:

  - o Taxation specialists – this rose from 14% in 2011 to 19% in 2014 with a notable increase in use evident amongst people with higher household incomes (up from 18% to 26% amongst those with household incomes greater than $65,000; from 19% to 29% amongst those with household incomes of $150,000 or more).
  - o Financial planners – use was up from 18% to 20% overall and from 18% to 22% amongst males; amongst males aged 50 to 64 years use of financial planners and advisers rose from 26% to 33%.
  - o Superannuation funds – a marked increase (from 5% to 18%) was evident in the proportion of respondents who obtained advice from their superannuation fund. Significant increases were evident across all age groups although the largest increase (from 8% to 26%) occurred amongst those aged 50 to 64 years possibly reflecting an increased emphasis on preparation for retirement.
  - o Mortgage brokers – use was up from 7% to 11%, particularly amongst those with mortgages of $300,000 or more (up from 22% to 35%).
  - o Employers – use was up from 3% to 9%, particularly amongst young people (up from 9% to 22% amongst 18 to 24 year olds), and
  - o Centrelink Financial Information Service Officers – use rose from 7% to 10%, particularly amongst those with lower levels of savings and investments (up from 8% to 18% amongst those with less than $2,000 in savings and investments).

  These results were interesting given that the overall use of financial advisers has not changed significantly since 2011. They suggested people were more likely to be using multiple financial advisers and this appears to have been the case; in 2011, 47% of respondents had seen more than one adviser while the corresponding figure in 2014 had increased to 53%.

- ▪ Regardless of the changes outlined above, the socio-demographic profiles of those who accessed the most commonly used sources of financial advice remained consistent with the 2011 survey. That is:

  - o Those who had used an accountant were most likely to be found amongst people with a university education (48%), people working in upper white (54%) and upper blue collar[44] (53%) occupations, those with higher household incomes (57% amongst people with household incomes of $150,000 or more versus 15% of those with household incomes below $25,000) and those with higher levels of savings and investments (62% amongst those with savings and investments of $100,000 or more versus 19% of those with less than $2,000 in savings and investments).

[44] ANZSCO Major group 3 (Technicians and trades workers).

No significant changes were evident since 2011 in any of these except for people with less than $2,000 in savings and investments; their use of accountants was down from 28% to 19%, a change which may have been offset by increased use of Centrelink Financial Information Service Officers by members of this group (up from 8% in 2011 to 18% in 2014).

- Similar patterns were evident for use of financial planners. This was above average amongst those with a university education (24%), people working in upper white collar occupations (26%), those with higher household incomes (30% amongst people with household incomes of $150,000 or more) and those with substantial holdings in savings and investments (35% of those with $100,000 or more in savings and investments). People aged 50 to 64 years (30%) were also above average in their use of financial planners during the past 12 months, a group that is likely to have a high proportion of people planning seriously for their retirement.
- Younger people were again the most likely to have obtained financial advice from family or friends in the last 12 months (65% of 18 to 24 year olds; 55% of those aged 25 to 34 years); and
- Use of bank staff was more prevalent amongst those with higher incomes (42% of those with household incomes of $150,000 or more) and those with significant levels of mortgage debt (46% amongst people with mortgages of $300,000 or more).

Section 6 Transaction Products

6.1 Introduction and key findings

This section of the report examines the population incidence of everyday banking accounts, the extent to which people make product comparisons when seeking a new account of this type and their approach to checking their account statements.

Key findings

- Everyday banking accounts continued to be widely held (96% of survey respondents said they had an everyday banking account).
- There has been no change since 2011 in the extent to which people made comparisons when choosing an everyday account. In 2014, around half (53%) of those who had obtained a new everyday banking account made some comparisons when they last obtained it; 29% compared accounts from different financial institutions.

  Some 44% did not make any comparisons at all; older women, particularly those aged 70 years or more were the most likely to approach account acquisition in this way.
- 87% of everyday account holders said they checked their statements for this account. Around one in four (24%) of those who checked their statements did so by comparing against receipts and other spending records. Far more common (56% of those who check their statements) was a more cursory approach involving a check of the entries and balance "*to see if they look ok*". None of these numbers has changed since 2011.

6.2 Incidence of everyday banking accounts

All respondents were asked if they held "*an ordinary everyday account with a bank, building society or credit union*". Almost all (96%) said they did, a result which matched the incidence of this product type in the four previous surveys.

6.3 Acquiring a new everyday banking account

Those who held an ordinary everyday account[45] were asked which of the statements in Table 6.3.aTable 6.3.a best described how they had last chosen an account of this type.

- Slightly more than half (53%) of these respondents had made at least some comparisons when they last obtained an everyday banking account; 29% had looked at accounts from different financial institutions while 24% said they had only considered the accounts offered by one company. Neither of these results differed significantly from those reported in 2011.
- 44% said they did not consider any accounts other than the one they chose. Those most likely to say they did not make any other comparisons when looking for an everyday account were much the same groups as in 2011. That is:
  - Older females (56% of women aged 70 years or more);
  - People with low household incomes (63% of those with annual household incomes below $25,000); and
  - Those whose formal education ended at or before Year 10 (59%).

  None of these subgroup results differed significantly from the figures obtained in the 2011 survey.

Table 6.3.a Comparison shopping for an everyday banking account

Comparison shopping - everyday banking account	2011 %	2014 %
Which of the following best describes how you last chose an everyday banking account .... *Base: Have obtained a new everyday banking account*	*(n=1082)*	*(n=1050)*
I considered accounts from different companies	30	**29**
I considered several accounts but only from one company	24	**24**
I didn't consider any accounts apart from the one I chose	43	**44**
Can't say	3	**3**

Prompted question.
Base: A randomly selected subset of eligible respondents.

[45] Note: Those who had never needed to obtain a new everyday account were excluded from the comparison shopping analysis.

6.4 Managing everyday accounts – checking account statements

As a measure of people's approach to managing their accounts, all those who held an everyday banking account and who did not have a credit or store card[46] were asked whether they checked their account statements and, if so, about the way in which any checking was done. As shown in Table 6.4.a:

- Most (87%) said they did check their account statements, either online or when the statements were received in the mail, while 13% did not. Older people (24% of those aged 70 years or more; 29% of males in this age group) and those with household incomes below $25,000 (20%) were more likely than average to say they did not check their statements.
- More than half (56%) of those who checked their everyday account statements said they "*check the entries and balance on the statement to see if they look ok*" while just on one in four (24%) said they checked their statement against receipts and other spending records.

None of these results have changed significantly since 2011.

Table 6.4.a Checking of everyday banking account statements

Checking of everyday account transactions	**2011 %**	**2014 %**
Do you check your everyday account transactions, either online or when you receive them in the mail?		
Base: Have everyday account and not a credit or store card	*(n=873)*	*(n=923)*
Yes	86	**87**
No	14	**13**
Base: All eligible respondents; asked for the first time in 2011.		
Which of these best describes what you usually do when you check these transactions?		
Base: Check everyday account transactions	*(n=736)*	*(n=783)*
I check my receipts and spending records against the statement	28	**24**
I check the entries and balance on the statement to see if they look ok.	56	**56**
I just check the final balance	12	**14**
I don't really look at the statement at all	4	**5**
Unsure	-	**1**
Prompted question; asked for the first time in 2011		

[46] Those with credit or store cards were asked instead about checking of their card statements.

Section 7 Borrowing and Debt

7.1 Introduction and key findings

This section of the report focuses on borrowing and debt. It examines people's use of loans and credit cards including their understanding of several key rules governing their use. Consideration is also given to people's management of both the products themselves and of their current debt obligations.

Key findings

Product incidence

- Since 2011 there has been decreased use of credit cards (down 7 points to 64%) and owner occupier-mortgages (down 5 points to 31%). The decrease in mortgages was mainly evident amongst people under 35 years of age; that is, the typical age group for first home buyers. Amongst people of this age, the incidence of owner-occupier mortgages has fallen 16 points since 2011 (to 14%).

Management of credit cards

- Since 2011 there has been a slight two point decrease in the proportion of credit/store card holders who said they check their card transactions; although most (93%) still do so. Of those who do, 34% said they checked receipts and other spending records against the statement while 58% adopted a more cursory approach by "*checking the entries and balance on the statement to see if they look ok*"; neither of these figures was significantly different from those obtained in 2011. Once again, older people were more likely to engage in detailed checking of their statements (58% amongst those card holders aged 70 years or more).
- During the last 12 months, 65% of card holders said they had always paid the balance on their main credit card in full (down 4 points since 2011); 23% said they had been charged interest in at least some months; 14% made only the minimum repayment on at least one occasion; 20% had been charged a late payment fee; 7% had been charged a fee for exceeding their card limit; and 11% had used their main credit card for a cash advance.

  Families with household incomes of $65,000 or less and people with significant mortgage debt of $300,000 or more (particularly those with household incomes of less than $100,000) were more likely to be experiencing difficulty with their credit cards in terms of paying interest, being charged fees for late payment and/or exceeding their credit limit.

Management of current debt levels

In terms of comfort with current debt levels:

- 47% of respondents were either "*very comfortable*" with their current level of debt or did not owe any money at all; not significantly different from 46% in 2011 although still higher than in 2005 and 2008. This appeared likely to reflect an increased household focus on saving and debt reduction since the GFC.
- At the same time, 15% of respondents expressed some degree of discomfort with the amount of money they currently owe. This figure was considerably higher amongst the same groups as mentioned above who were experiencing some difficulties with their credit cards; that is, parents with household incomes of $65,000 or less and people holding a mortgage of $300,000 or more, especially those servicing this level of mortgage debt from an annual household income of less than $100,000.

- 8% of respondents had missed a repayment on a loan, mortgage or credit card in the last 12 months. This was not significantly different from the 2008 (8%) and 2011 (7%) results but remained higher than the 2005 figure of 5%. It appears that the incidence of missed repayments, which increased in 2008 following the GFC, has not returned to pre-GFC levels.

  Those on moderate incomes who were parents and/or who had substantial mortgage debt, as well as people whose main source of income was a government benefit or allowance, were the most likely to have missed a repayment.

  Steps taken to deal with this situation included entering a hardship arrangement with the financial institution involved (28% of those who had missed a repayment), obtaining financial counselling/advice (4%) or making a late repayment (6%).

  Other steps which, depending on personal circumstances, appeared somewhat less constructive included:

  - Increasing the outstanding debt by borrowing money from family or friends (16%), a financial institution (6%) or a pay day lender (1%); by increasing the credit limit/taking an overdraft (7%); or by taking money from another source like a mortgage/superannuation (3%); and
  - Doing nothing at all (11%), a response which was most common amongst people with low financial literacy scores on *keeping track of finances* and *financial control* and well above average scores on finding dealing with money stressful.

Understanding of repayment responsibilities

Understanding of key responsibilities relating to debt products was as follows:

- 72% of credit card holders understood that the primary card holder is entirely responsible for debt incurred by a secondary card holder, not significantly different from 74% in 2011 although down by 5 points from 77% in 2008.
- 78% of those with a loan understood that both parties are responsible for the full repayment of a jointly held loan, down 5 points on the 2011 result.

  Incorrect responses to this question increased notably (from 17% to 33%) amongst women under 35 years of age. There was also an increase in incorrect responses (from 12% to 25%) amongst women with a partner and an owner occupier mortgage of $300,000 or more; this result suggested that one in four women in this situation did not clearly understand their obligations in relation to what was likely to be a jointly held, and relatively substantial, loan on their home.

7.2 Incidence of loan products

Incidence of loan products

To provide some context for the rest of this chapter, Table 7.2.a shows the incidence of various loan products amongst Australian adults.

- Decreases are evident since 2011 in the proportion holding credit cards (down 7 points to 64%) and owner-occupier mortgages (down 5 points to 31%).

Changes in credit card incidence

- As noted earlier in Section 3.2, the decreased incidence of credit cards use was particularly evident amongst those under 40 years of age and seemed likely to reflect substitution of debit cards (debit Visa and debit MasterCard), possible reactions to merchant surcharge fees and more conservative attitudes towards debt.

Table 7.2.a Incidence of loan products

Loan products held *Base: Total sample*	**Survey**				
	2002 *(n=3548)* **%**	**2005** *(n=3513)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
Credit Cards					
Credit card	64	68	65	71	**64 ↓**
Store card	15	16	13	13	**15**
Loans					
Mortgage on own home	32	29	34	36	**31 ↓**
Mortgage on investment property	10	11	11	12	**12**
Personal loan	18	14	17	12	**14**
Line of credit or overdraft	14	12	14	12	**10**
Lease or hire purchase agreement	11	9	9	7	**7**
Home equity loan	8	9	7	7	**6**
Margin loan	2	2	2	1	**1**
Equity release product	na	na	2	1	**1**

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

Changes in home loan incidence

- In 2014, 31% of respondents held an **owner-occupier mortgage**, down 5 points from 36% in 2011. This decrease was particularly evident amongst younger people under 35 years of age (that is, typical first home buyers); within this group the proportion holding a mortgage of this type fell by 16 points from 34% to 18%. By contrast, amongst people aged 35 years or more, the proportion holding an owner-occupier mortgage in 2014 (36%) was not significantly different from the 2011 figure (37%).

7.3 Understanding of debt repayment responsibility

Understanding of borrowers' obligations was assessed via people's awareness of the responsibility for repayment of debt on jointly held credit cards and loans (see Table 7.3.a).

- Seventy-two percent of those with a credit or store card correctly said that the primary credit card-holder is solely responsible for the debt on that card; this was not significantly different from the 2011 result of 74%. Overall, 28% were not aware of this allocation of responsibility; lack of awareness was highest amongst card holders aged 18 to 24 years as well as amongst those aged 70 years or more (51% and 42% respectively from these groups chose an incorrect response).
- Seventy-eight percent of those who held loans of any type were aware that both holders of a joint loan are responsible for repayment of the entire debt. This was significantly lower than in 2011 (when it was 83%) and also significantly lower than the results obtained in 2008 and 2002. Twenty-two percent of loan holders were not aware of this responsibility, with lack of awareness above average amongst those aged 70 years or more (32%), females aged 18 to 24 years (39%) and those whose annual household income is $65,000 or less (26%).

  Since 2011, notable increases in incorrect responses have occurred amongst females (incorrect responses rose from 17% in 2011 to 24% in 2014 while results for men did not change significantly during this time); this applied particularly to women under 35 years of age (incorrect answers were up from 17% to 33% in this age group) and women with a partner and a household mortgage of $300,000 or more (up from 12% to 25%). This last result suggests one in four women in this situation did not clearly understand their repayment obligations in relation to what appeared to be a jointly held, and relatively substantial, loan on their home.

Table 7.3.a Understanding of loan repayment responsibility

Understanding of loan products	Survey 2002 %	2005 %	2008 %	2011 %	2014 %
If you, as primary holder of a credit card, arrange for a second person to be provided with a card in your name, which one of the following most accurately describes your responsibility for debt incurred by that person on the card?					
Base: Have credit or store card	*(n=2224)*	*(n=2567)*	*(n=2379)*	*(n=2576)*	*(n=2433)*
You are entirely responsible for any debt the other person incurs on the card.	74	72	77	74	**72**
You and the other person are each responsible for half the total debt on the card.	9	11	8	10	**10**
You are only responsible for debt incurred on the card by the other person if they are under 18.	6	5	5	6	**7**
You are not responsible for any debt the other person incurs on the card.	5	8	5	6	**6**
Unsure	6	4	5	4	**5**
If two people jointly take out a loan, which one of the following most accurately describes the responsibility for repayment of the loan?					
Base: Have loan	*(n=1862)*	*(n=1763)*	*(n=1885)*	*(n=1661)*	*(n=1630)*
Both persons are responsible for repayment of the entire loan	87	80	83	83	**78 ↓**
Each person is responsible for repayment of half the loan	9	15	12	12	**16 ↑**
Only one person must be responsible for repayment of the entire loan	2	3	3	3	**3**
The older of the two persons is responsible for repayment of the entire loan	<1	1	<1	1	**1**
Unsure	2	1	2	1	**2 ↑**

Prompted question.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).

7.4 Credit card management

Checking of transactions

All those with a credit or store card were asked if they checked their credit or store card transactions. Those who said they did were asked how they usually went about this. Results presented in Table 7.4.a show that:

- While most credit and store card holders (93%) said they checked their credit and store card transactions, this was slightly lower than the figure of 95% recorded in 2011. Those aged 70 years or more (97%) and people with a university degree (95%) were slightly more likely than average to say they checked these transactions while young women aged 18 to 24 years (85%) were less likely to do so.
- Around one in three (34%) of those who checked their statements said they did this by checking receipts and other spending records against their credit card statement; for 58% the checking process was a more cursory examination to make sure things "*look ok*". None of these figures differed significantly from the 2011 results.

  Older people were more likely to undertake detailed checking of their statements (58% of those aged 70 years or more said they checked against receipts and spending records compared with 21% of those under 35 years of age); those aged under 35 years were more likely to say they just checked the entries and balance "*to see if they look ok*" (65%).

Table 7.4.a Checking of credit or store card transactions

Checking of credit/store card transactions	**Survey**		
	2008 %	**2011 %**	**2014 %**
Do you check your credit or store card transactions, either online or when you receive them in the mail?			
Base: Have credit or store card	*(n=802)*	*(n=2576)*	*(n=2433)*
Yes	93	95	**93 ↓**
No	7	5	**7 ↑**
Base: A randomly selected subset of eligible respondents in 2008; all eligible respondents in 2011 and 2014. Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).			
Which of these best describes what you usually do when you check these transactions?			
Base: Check credit/store card transactions	*(na)*	*(n=2447)*	*(n=2285)*
I check my receipts and spending records against the statement	na	36	**34**
I check the entries and balance on the statement to see if they look ok	na	56	**58**
I just check the final balance	na	6	**6**
I don't really look at the statement at all	na	2	**2**
Unsure	na	<1	**<1**
Prompted question; asked for the first time in 2011			

Card repayments

All those holding a credit or store card were asked about their repayment behaviour and use of cash advances on their main credit card. Results are shown in Table 7.4.b:

- Just on two-thirds of card holders (65%) claimed they had always paid their main card balance in full during the last 12 months. This was 4 points lower than the 2011 result and largely reflected an increase (from 3% in 2011 to 6% in 2014) in the proportion of card holders who gave an 'unsure' response to this question.

  The incidence of this behaviour was well above average (at 82%) amongst older people aged 70 years or more. It was also higher amongst males (69%) than females (61%), with females under 55 years of age being notably less likely to say they always pay their cards off in full; specifically 49% of women aged 18 to 24 years; 52% of women aged 25 to 34 years; and 54% of women aged 35 to 54 years said they do this.

- Twenty-three percent of card holders had been charged interest on their card balance in some months. This was most common amongst single parents with household incomes of $65,000 or less (34%) and amongst those people with mortgages of $300,000 or more and household incomes below $100,000 (43%).
- Fourteen percent of card holders had made only the minimum repayment on at least one occasion.
- Twenty percent had been charged a late payment fee at least once. Late payment fees were particularly common amongst those parents with below average household incomes of $65,000 or less (single parents 39%; couples 33%) and, to a lesser extent, those with mortgages of $300,000 or more and household incomes below $100,000 (33%).
- Seven percent had been charged a fee for exceeding their credit limit, particularly couples with dependent children and household incomes of $65,000 or less (17%); and
- Eleven percent had sometimes used their card to take a cash advance; this behaviour was more common amongst males (13% versus 8% of females), particularly males aged 18 to 24 years (18%), males working in lower blue collar occupations (23%) and males whose main source of income was a government benefit or allowance (19%).

Apart from the lower proportion saying they always pay their cards in full these results were not significantly different from those obtained in 2011.

Table 7.4.b Credit/Store card repayment patterns

Credit/Store Card Repayment Experiences	**2011 %**	**2014 %**
Which of the following describes your experience with your main credit card during the last 12 months?		
Base: Have credit or store card	*(n=2576)*	*(n=2433)*
I always paid my credit card balance in full	69	**65** ↓
In some months I carried over the balance and was charged interest	*23*	***23***
In some months I only made the minimum payment	*13*	***14***
In some months I was charged a fee for late payment	18	**20**
In some months I was charged a fee for exceeding the credit limit	8	**7**
In some months I used the card for a cash advance	12	**11**

Prompted question; asked for the first time in 2011
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).

7.5 Management of current debt levels

Management of debt was evaluated by asking all respondents to rate their level of comfort with current debt and if they had missed any repayments on their loans or credit cards in the last 12 months.

7.5.1 Comfort with current level of debt

All respondents were asked how comfortable they were with the total amount of money they currently owed. Results are presented in Table 7.5.a.

- The majority (75%) were at least "*fairly comfortable*" with their current debt, a result which has not changed significantly since 2011 (or indeed 2005). At the same time, the proportion of respondents who said they felt "*very comfortable*" or who "*don't owe any money*" (47%) was higher than in 2005 (39%) and 2008 (42%) and may reflect an increased focus on savings and debt repayment since the GFC.
- Fifteen percent of respondents expressed some degree of discomfort with the amount of money they currently owed, not significantly different from the 2011 result although there has been a slight decrease since then (from 12% to 9%) in the proportion saying they felt "*somewhat uncomfortable*".

  Those most likely to have felt uncomfortable with their current debt included parents with household incomes of $65,000 or less (single parents 22%; couples with children 20%), unemployed people (23%) and those with $300,000 or more currently outstanding on a mortgage (25%), particularly those servicing this level of mortgage outstandings from an annual household income of less than $100,000 (35%). None of these figures showed any improvement on the 2011 results suggesting that, within certain population subgroups (particularly those with dependents, relatively low incomes and/or relatively high debt), some discomfort with current levels of debt continued to be relatively common.

Table 7.5.a Comfort with current level of debt

Comfort with current debt level *Base: Total Sample*	**Survey**			
	2005 *(n=3513)* %	**2008** *(n=3500)* %	**2011** *(n=3502)* %	**2014** *(n=3400)* %
How comfortable are you with the total amount of money you owe? Would you say you are				
Very comfortable/Don't owe any money	39	42	46	47
Fairly comfortable	33	30	29	28
NET: Comfortable	***72***	***72***	***74***	***75***
Very uncomfortable	6	7	5	6
Somewhat uncomfortable	11	11	12	9 ↓
NET: Uncomfortable	***17***	***18***	***17***	***15***
Neither comfortable nor uncomfortable	10	9	8	8
Can't say	1	1	1	1

Prompted question. Due to rounding the proportion 'comfortable' is not always an exact sum of the two components.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).

7.5.2 Missed loan repayments

A further measure of people's control over their debt situation was obtained by asking all respondents if they had missed any repayments on products like loans, mortgages or credit cards in the last 12 months. As shown in Table 7.5.b:

- In the 2014 survey, 8% of respondents said they had missed at least one repayment of this type. This was not significantly different from the 2011 and 2008 results but was higher than the figure of 5% recorded in 2005; it appears that the incidence of missed repayments, which increased in 2008 following the GFC, has not returned to pre-GFC levels.

  Those most likely to have missed a repayment included parents with household incomes of $65,000 or less (21% of single parents and 14% of couples with children), those with a mortgage of $300,000 or more and a household income of less than $100,000 (22%) and those whose main source of income is a government benefit or allowance other than the age pension (19%).

Table 7.5.b Missed debt repayments in the last 12 months

Missed repayments	**Survey**			
	2005	**2008**	**2011**	**2014**
	%	**%**	**%**	**%**
At any time in the last 12 months have you NOT been able to make a repayment on any loans, mortgages, credit cards or any other types of repayments that you have?				
Base: Total sample	*(n=3513)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Yes	5	8	7	**8**
No	95	92	93	**92**

For the first time in 2014, those who had missed a repayment were asked what they had done to deal with that situation. The steps taken most often are presented in Table 7.5.c.

- More constructive responses included entering a hardship arrangement with a financial institution (28%) and obtaining financial counselling or advice (4%).
- 6% said they had made a late repayment; while
- Other steps which, depending on personal circumstances, appeared somewhat less constructive included:
  - Increasing the outstanding debt by borrowing money from family or friends (16%), a financial institution (6%) or a pay day lender (1%); by increasing the credit limit/taking an overdraft (7%); or by taking money from another source like a mortgage/superannuation (3%); and
  - Doing 'nothing' to deal with the 'missed repayment' situation (11%). People giving this response also had well below average scores on two aspects of financial literacy (*keeping track of finances* and *financial control*[47]) and were well above average with respect to finding dealing with money stressful.

Table 7.5.c Dealing with repayments missed in the last 12 months

Dealing with missed repayments	**2014 %**
Would you mind telling me what you did to deal with that situation? *Base: Have missed repayment*	*(n=208)*
Entered hardship arrangement with bank/building society/credit union .	**28**
Borrowed money	**23**
Borrowed from friends/family	16
Borrowed from bank/building society/credit union	6
Borrowed from payday lender	1
Increased credit limit/Took overdraft	7
Paid late/delayed payment	6
Sought information/advice	**4**
Sought financial counselling	2
Sought paid financial counselling/advice	1
Sought free financial counselling/advice/on-line information	1
Did without something else	4
Took money out of mortgage/super/etc	3
Looked for/got another job	2
Closed the account	**2**
All other	**9**
Can't say	**2**
Nothing	**11**
Unprompted question first asked in 2014; multiple responses allowed.	

[47] It should be noted that being unable to make a repayment is one of the variables used to define financial control. Hence, a relatively strong association is to be expected here.

Section 8 Savings, Investment and Superannuation

8.1 Introduction and key findings

This section of the report examines people's understanding of and behaviour in relation to investments and superannuation. It considers the incidence of different types of savings accounts and investments, people's understanding of fundamental investment principles and the incidence and basic rules governing superannuation. It also looks at retirement planning, retirement income and the use and choice of financial planners.

Financial literacy is of importance here as poorly informed investment and superannuation decisions are likely to make it more difficult for consumers to plan and save effectively for their retirement as well as placing them at greater risk of suffering financial loss.

Key findings

Product incidence

Since 2011 there have been several changes in the incidence of savings accounts and investments. These appear to reflect prevailing low interest rates and concerns about share market volatility that have been present since the GFC. Thus:

- 18% of respondents held a term deposit. In line with the lower interest rates now offered on these products, this is down three points on the 2011 incidence of 21%. Marked decreases were evident amongst those operating an SMSF (down from 37% to 28%), people with moderate levels of savings and investments (down from 31% to 23% amongst those with $20,000 to $99,999) including those whose main source of income is a government benefit or allowance (down from 22% to 17%).
- There was a further decline in the proportion of people holding shares (down from 35% in 2011 to 29% in 2014), managed investments other than superannuation (down from 16% to 13%) and other investments such as debentures, bonds and derivatives (down from 3% to 2%).

  Decreased ownership of shares and managed investments was particularly evident amongst those with below average household incomes of $65,000 or less (shares down from 28% to 20%, managed investments from 13% to 9%), while no significant change occurred in either category amongst those with household incomes above $65,000. Given the growth in share prices during the last three years, it appears that a number of those with below average incomes may have missed an opportunity to enhance their household wealth.
- 24% of those aged 55 years or over said they held a retirement income stream product, most often an allocated pension (39%) or a lifetime pension or annuity (21%). This represented a three point increase on the incidence recorded in 2011 (21%), a result in keeping with the reported growth of annuity products over the last few years.

There were no significant changes in the incidence of any of the other types of investment considered. Thus, as at 2014:

- 47% of respondents had a high interest savings account;
- 19% owned an investment property; and
- 75% were members of a superannuation fund.

Understanding of investment principles

Since 2011 there have been decreases on several of these measures, specifically:

- A decrease (from 53% to 50%) in the proportion who said they would not put money in an investment that "*offered a return well above the market rate with no risk*". Falls were most evident amongst people under 40 years of age (down from 42% to 36%) and those with household incomes of $65,000 or less (down from 53% to 47%). There appeared to be a slightly less cautious attitude towards potential investment scams than in 2011, although the proportion considering such an offer "*too good to be true*" remained higher than it was in 2002 and 2005.
- There was a decrease in the proportion of respondents who agreed that short term fluctuations in market value can be expected even with good investments (from 74% to 67%). Stable results were evident amongst those with at least $20,000 in savings and investments and those who held shares and/or managed investments; it appeared that people with personal exposure to the performance of market investments may have a greater understanding of this issue. Further to this point, the fact that fewer respondents held shares and managed investments in 2014 versus 2011 seems likely to be contributing to the lower percentage selecting the most appropriate response for this item.
- There was also a decrease in the proportion of respondents who considered diversification of investments to be 'very' or 'quite important' (down 6 points to 72%); although no significant decline was evident amongst those with $20,000 or more in savings and investments.

Issues that would be considered when choosing an investment included:

- Those related to the investment return (32%, down slightly from 37% in 2011); and
- Those related to the investment's characteristics (49%), up by 10 points on the 2011 figure. This increase was particularly evident in relation to the specific types of investment people said they would consider (up from 9% to 15%) with mention of property investment increasing from 6% to 12%.
- While mention of any risk related issue (28%) was not significantly different from 2011, mention of such issues was more common amongst those holding investment property, shares or managed investments, a SMSF, self-funded retirees and those with $100,000 or more in savings and investments. That is, risk related issues appeared to have a higher profile amongst those people with the greatest exposure to market linked investments. It should also be noted that these figures may under-estimate the extent to which people take risk into account when choosing an investment as it seems likely many respondents would consider the level of risk associated with various types of investment before deciding to include them in their consideration set.

Superannuation

- In 2014, 75% of respondents said they belonged to a superannuation fund, not significantly different from the 2011 figure of 76%. Of all superannuation fund members:
  - 63% belonged to just one fund (up from 59% in 2011), an encouraging result that indicates consolidation of multiple funds (and hence savings on the costs associated with fund management) is continuing to occur.
  - 15% of fund members (11% of the adult population) said they had a self-managed superannuation fund (SMSF), up from 13% in 2011. This appears to be an over-estimate[48]; it may reflect changes to industry and retail funds which provide members greater flexibility and control over their accounts and how their money is invested; it may also indicate some confusion as to what constitutes a SMSF.

[48] ATO figures suggest approximately 6% of adults have a SMSF.

Typically those with an SMSF were older people aged 55 years or more (20%), retired (26%), with personal incomes in excess of $100,000 (19%) and with $100,000 or more in savings and investments (24%). They also exhibited higher levels of financial literacy having above average scores on all five financial literacy indices, above average financial knowledge and numeracy and from an attitudinal perspective, relatively high levels of *financial self-efficacy*, *financial aspiration* and *impulsivity*.

- Understanding of basic rules relating to superannuation remained high in 2014:
  - 97% understood that employers are required by law to make superannuation payments on behalf of their employees (not significantly different from 98% in 2011); and
  - 88% understood employees can make superannuation payments additional to any payments made by their employer. However this was down from 92% in 2011).
- There was no change in members' understanding of superannuation fund statements; 32% of those who received such statements considered them 'difficult' or 'very difficult' to understand, not significantly different from 33% in 2011.
- 22% of fund members were unable to identify the best indicator of a superannuation fund's performance, up three points since 2011 and 14 points since 2002. Given there has been no significant change since 2011 in the proportion of respondents who say they read their superannuation fund statements (69% in 2011, 68% in 2014), this latest increase may suggest less engagement with statements by some fund members over the last three years.

  The biggest increases in this uncertainty about indicators of fund performance were amongst women under 35 years of age (up 14 points to 36%) and women whose formal education did not go beyond Year 10 (up 20 points to 47%).
- Of those who said they had chosen a superannuation fund (46% of fund members), 44% did not compare their chosen fund with any others before selecting it while 42% had compared it to funds offered by other organisations. Neither result differed significantly from those obtained in 2011.

  Fees and performance related issues remained the most commonly mentioned things that would be considered when choosing a superannuation fund.

Retirement planning and expectations

- 28% of fund members[49] had identified a target income for retirement, a figure which increased to 54% amongst those aged 55 to 64 years. The majority (65%) of those who had identified a target income nominated a figure in the range $25,000 to $74,999, a range that aligns reasonably well with the ASFA standards[50] of $23,489 for a modest retirement for a single person to $58,326 to fund a comfortable retirement for a couple.
- The proportion of superannuation fund members under 65 years of age making additional voluntary contributions to superannuation fell from 35% in 2011 to 27% in 2014. This is consistent with the lower proportion of fund members of this age aware that employees are able to do this.
- As in the previous surveys, factors considered when establishing the adequacy of current retirement funding arrangements focused on fund members' expected standard of living in retirement and on expectations of their future financial situation.

[49] To maintain consistency with previous surveys this was reported for those fund members aged less than 65 years, who were in paid work and not self-employed.
[50] September 2014.

Retirement income products

- 24% of people aged 55 years or more held a retirement income stream product, most often an allocated pension (39% of holders) or lifetime pension/annuity (21% of holders). This was up three points from 21% in 2011.
- When looking for a retirement income stream product, 45% of those aged 55 years or more who had arranged a product of this type had considered more than one; 28% had compared products from different companies.
- The criteria considered most often when choosing a product of this type included those to do with the income (23%) or return (18%) offered and those to do with the product's security (16% security; 17% reputable brand).

Financial Planners

- Of all respondents, 20% had consulted a financial planner in the last 12 months, up two points since 2011. Increased use of planners was particularly evident amongst males (up from 18% to 22%), especially those males aged 45 to 69 years (that is, those either approaching retirement or recently retired), with household incomes above $65,000, who owned shares or managed investments, who had at least $2,000 in savings and investments and who had at least $20,000 in debt.

  Use of financial planners was below average amongst young people aged 18 to 24 years, people with household incomes below $25,000, those with less than $2,000 in savings and investments and people from a non-English speaking or Aboriginal and Torres Strait Islander background.
- Amongst those who had consulted a financial planner in the last 12 months:
  - 39% had compared the financial planner they used with planners from other companies (26%) or from the same company (13%) as their chosen planner when making the decision about which one to use.
  - Choice criteria used when selecting a planner were most likely to include the planner's reputation; particularly recommendation by a friend or family member (29%) or financial expert (10%) or having a reputable brand (12%). In addition, the quality of service provided and the perceived knowledge and professionalism of the planner were commonly mentioned as reasons for the choice that was made.

    The importance placed on reputation suggests online sites which provide comparative information about financial advisers (for example, adviserratings.com.au) have the potential to be of some value here.
  - 59% of those who had consulted a financial planner in the last 12 months said they considered conflicts of interest in any investment recommendations they received while 34% said they don't do this. Those who considered the possibility of conflicts were most likely to look for the payment of commissions by product providers as the indicator of this; consideration was also given to the perceived independence of the planning company, the planner's reputation and whether or not the brand is well-known.
- Of all respondents, 48% agreed with the statement "*I would trust a financial professional and accept what they recommend to me*"; this was three points lower than the level of agreement with a comparable statement in 2011. Amongst those who had used a financial planner in the last 12 months, agreement was down nine points from 65% in 2011 to 56% in 2014.

  This question was not designed to specifically assess trust of financial planners, but rather to gauge the community's trust of financial professionals in general. Hence, extrapolating these results to the financial planning industry requires caution. At the same time, the results suggest some erosion of trust in financial professionals since 2011, particularly amongst those who have had recent exposure to financial planners or advisers.

8.2 Incidence of savings products and investments

Table 8.2.a summarises the population incidence of various savings accounts and investments. There have been a number of changes since 2011 for each of these products, changes which seem likely to reflect lower interest rates and ongoing concerns about share market volatility which appear to have been present since the Global Financial Crisis.

Savings deposit accounts

- In 2014, **high interest savings accounts** (including bonus savings accounts, online savings accounts and cash management accounts) were held by 47% of respondents. This was not significantly different from the incidence of these products reported in 2011 (45%) or 2008 (46%). These accounts continue to be held most often by younger people aged less than 35 years (54%) and people with higher household incomes (56% of those with annual household incomes above $65,000; 62% of those with annual household incomes of $150,000 or more).
- Probably reflecting the lower interest rates now available, there has been a decline (from 21% in 2011 to 18% in 2014) in the proportion of respondents holding one or more **term deposits**. Marked decreases were evident amongst those operating a self-managed superannuation fund (down from 37% to 28%), people with moderate levels of savings and investments (down from 31% to 23% amongst those with $20,000 to $99,999) as well as those whose main source of income was a government benefit or allowance (down from 22% to 17%).

  Nevertheless, as in 2011 the incidence of these accounts remained above average amongst older people (40% of those aged 70 years or more), those operating a self-managed superannuation fund (28%) and those with $100,000 or more in savings and investments (36%).

Table 8.2.a Types of investment held

Investment products held	Survey				
	2002 %	2005 %	2008 %	2011 %	2014 %
Base: Total respondents	*(n=3548)*	*(n=3513)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Deposit accounts					
High interest savings account	na	na	46	45	**47**
Term deposit	24	22	20	21	**18** ↓
Other Investments					
Superannuation fund	71	74	76	76	**75**
Shares	44	40	38	35	**29** ↓
Managed investments other than superannuation	29	27	20	16	**13** ↓
Investment property	18	19	19	19	**19**
Other investments (eg: debentures, bonds, etc)	na	na	4	3	**2** ↓
Derivatives like options, warrants or CFDs	*na*	*na*	*na*	*1*	***1***
Bonds or notes	*na*	*na*	*na*	*1*	***1***
Debentures	*na*	*na*	*na*	*1*	***1***
Base: All respondents aged 55 years or more	*na*	*(n=1096)*	*(n=1303)*	*(n=1835)*	*(n=1619)*
Retirement income stream product	na	24	20	21	**24** ↑

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

Other investments

- Three out of four respondents (75%) were members of a **superannuation** fund, not significantly different from the 2011 figure of 76%.

  At 90%, membership of superannuation funds was highest amongst those working for an employer. Thus, 10% of this group did not work sufficient hours to qualify for superannuation, were unaware that superannuation was being paid on their behalf or were not receiving their superannuation entitlements; the proportion of people in this situation has increased slightly over the last 3 years (up from 7% in 2011).

- Of all respondents, 29% said they owned **shares**. This is down from 35% in 2011 and by 15 points from 44% in 2002. **Managed investments** other than superannuation were held by 13% of respondents (down from 16% in 2011 and from 29% in 2002). The continuing decline in ownership of shares and managed investments is of interest, particularly as the biggest declines have occurred amongst those with below average household incomes of $65,000 or less (shares were down from 28% to 20% and managed investments from 13% to 9% amongst members of this group) while no significant change occurred in either category amongst those with household incomes above $65,000. As noted in the 2011 report, this decline seems most likely to be a consequence of decreased confidence in equity markets following the GFC; it has however, occurred during a period of relatively strong share price growth (for example, the all ordinaries index was up around 50% during the three years to the end of September 2014) and points to the possibility that a number of Australians with below average household incomes are missing an opportunity to enhance their household's financial position.

  Both shares and managed investments were still held most often by people aged 45 years or more (38% of this age group held shares, down from 43% in 2011; 17% held managed investments, down from 21% in 2011) compared with those aged under 45 years (20% held shares, down from 26% in 2011; 9% held managed investments not significantly different from 10% in 2011) and those who operate self-managed superannuation funds (49% and 27% not significantly different from the corresponding 2011 figures of 57% and 34%). These investments were also much more likely to be held by people with high household incomes (46% and 20% amongst those with household incomes of $150,000 or more) although there has been no change since 2011 in the proportion of this group holding either shares or managed investments.

- Approximately one in five (19%) respondents reported owning an **investment property**, unchanged since 2011 and, in fact, not significantly changed since 2002.

- **Other investments**, including debentures, bonds, notes or derivatives were held by 2% of respondents, down marginally on the 2011 (3%) and 2008 (4%) results.

- Twenty-four percent of respondents aged 55 years or more said they had a **retirement income stream** product, up 3 points on the incidence recorded in 2011 (21%), a result in keeping with the reported growth of annuity products over the last few years.

8.3 Investing principles and process

This section reports on awareness of several important investment principles and of the factors that should be taken into account when investing money.

8.3.1 Understanding of investment principles

All respondents[51] were asked four questions about fundamental investment principles. As shown in Table 8.3.a:

- 86% of respondents said it was true that investments with high returns are likely to have higher than average risks while 14% did not choose this response.

  There have been no significant changes in these figures across the five surveys.

Table 8.3.a Understanding of investment principles

Understanding of investment principles	Survey 2002 %	2005 %	2008 %	2011 %	2014 %
An investment with a high return is likely to have higher than average risks?					
Base: Total Sample	(n=3293)	(n=3513)	(n=3500)	(n=3502)	(n=3400)
True	85	87	86	87	**86**
False	8	8	7	8	**8**
Unsure	7	5	7	5	**6**
Which of the following would you recommend for an investment advertised as having a return well above market rates and no risk?					
Base: Total Sample	(n=3293)	(n=3513)	(n=3500)	(n=3502)	(n=3400)
Consider it "too good to be true" and not invest	46	47	52	53	**50 ↓**
Invest lightly to see how it goes before investing more heavily	44	44	39	38	**40**
Invest heavily to maximise your return	3	4	3	3	**3**
Unsure	7	6	6	6	**7**
Which ONE of the following is the most accurate statement about fluctuations in market values?					
Base: Total Sample	(n=3293)	(n=3513)	(n=3500)	(n=3502)	(n=3400)
Short-term fluctuations in market value can be expected, even with good investments	63	64	67	74	**67 ↓**
Good investments are always increasing in value	19	21	16	12	**15 ↑**
Investments that fluctuate in value are not good in the long term	6	5	5	5	**6**
Unsure	13	10	12	9	**12 ↑**
Thinking about investing over 5 years or more, how Important do you consider diversification of your funds across different types of investments?					
Base: Have investments	(n=2187)	(n=2058)	(n=1987)	(n=2060)	(n=1758)
Very important	51	49	50	46	**43**
Quite important	28	30	28	32	**29**
Net: Very/Quite important	*79*	*79*	*78*	*78*	***72 ↓***
Of some importance	12	14	14	14	**17 ↑**
Not at all important	5	4	5	5	**6**
Unsure	5	3	3	3	**5 ↑**

Prompted questions.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

- Respondents were asked what they would recommend for an investment advertised as having "a return well above market rates and no risk", an offer which forms the basis of many financial scams. One in two (50%) selected the most appropriate response; that is they said they would consider it "*too good to be true*" and not invest in it, a figure which was down slightly from 53% in 2011.

  Decreases were most evident amongst people under 40 years of age (down from 42% to 36%) and those with household incomes of $65,000 or less (down from 53% to 47%).

[51] For consistency with previous surveys, the question on diversification is only reported for those who held investments.

These results suggest a slightly less cautious attitude towards potential investment scams than was the case in 2008 and 2011, although the proportion considering such an offer "too good to be true" is still higher than it was in 2002 and 2005.

Responses to the questions on investment market fluctuations and investment diversification showed:

- A decrease (from 74% in 2011 to 67% in 2014) in the proportion of respondents who agreed that even with good investments, short term fluctuations in market values can be expected; this figure of 67% is now back to the level of 2008 although it remains slightly higher than in 2002 and 2005. Growth in asset values over the last three years may be at least partly responsible for the change since 2011 and may also have contributed to the increased proportion who thought good investments always increase in value (up from 12% in 2011 to 15% in 2014).

  The decreased acceptance of short term fluctuations in the market value of good investments since 2011 occurred across most of the population subgroups based on age, education, occupation and income. Notable exceptions were those people with at least $20,000 in savings and investments (79% in 2014, not significantly different from 80% in 2011) and those who owned shares or managed investments (also 79% in 2014 and 80% in 2011); suggesting those with more exposure to the performance of market investments may have a greater understanding of this issue. Consequently, the fact that fewer respondents held shares and managed investments in 2014 (see Table 7.2.1a), seems likely to be contributing to the lower percentage selecting the most appropriate response on this item.

- The proportion of investors (72%) who considered diversification of funds across different types of investments to be very (43%) or quite (29%) important was lower than in all previous surveys and was down by six points on the 2011 figure of 78%. There was no significant decrease amongst those with more than $20,000 in savings and investments although owners of shares or managed investments did place a little less importance on diversification in the 2014 survey (the proportion giving a 'very' or 'quite important' response was down slightly from 80% in 2011 to 75% in 2014 amongst these people).

Overall these results suggest a somewhat less cautious attitude towards investment market fluctuations and investment diversification than was evident in the 2011 survey; although this was less evident amongst those with more exposure to market-based investments.

8.3.2 Considerations when choosing an investment

A randomly selected subset of all respondents was asked what things they would consider when choosing an investment "*if they had some money to invest*". As shown in Table 8.3.b, issues mentioned most often were those related to:

- The type of investment (49%) including mention of specific investments such as shares, property and term deposits;
- The return (32%); and
- Specific mention of issues relating to the investment risk (28%)[52].

Table 8.3.b Considerations when choosing an investment

Considerations when choosing an investment	2011 %	2014 %
Imagine you had some money to invest. What things would you consider in choosing an investment? *Base: Total sample*	*(n=1177)*	*(n=1133)*
Net: Investment characteristics	***39***	***49*** ↑
Type of investment	27	31
Specific investment (eg: property, shares, term deposits)	9	15 ↑
Time investment will be held	3	3
Accessibility	1	1
Net: Issues related to return	***37***	***32*** ↓
Return on the investment	24	18 ↓
Interest rates	4	3
Cost of the investment/Capital invested	3	3
Growth/profit	1	1
Risk and return	9	11
Net: Issues related to risk	***32***	***28***
The investment risk	17	12 ↓
Security	4	4
Investment diversification	3	4
Market volatility	1	1
Risk and return	9	11
Net: Information and advice	***10***	***10***
Background information about the investment	9	7
Advice from financial planner/adviser	1	3
All other reasons	11	10
Unsure/Can't recall	16	17

Base: Randomly selected subgroup of all respondents.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question; multiple responses allowed. First asked in 2011.

[52] It should be noted that those respondents who mentioned both "risk and return" as something to be considered when choosing an investment have been included twice in the table – once in relation to return issues and a second time in relation to risk.

- Compared to 2011 mention of issues related to the investment return (down from 37% to 32%) was less common in 2014 while responses about investment characteristics (up from 39% to 49%) increased; this increase was particularly evident in relation to the specific types of investment people said they would consider (up from 9% to 15%) with mention of property investment increasing from 6% to 12%.

- There was a significant decrease in specific mention of investment risk (down from 17% to 12%) although the total mention of all risk related issues (28%) was not significantly lower than in 2011.

  Mention of any risk related issue was more common amongst those holding investment property (42%), shares or managed investments (37%), those with a SMSF (36%), people with $100,000 or more in savings and investments (35%) and self-funded retirees (34%); none of these figures differed significantly from those obtained in 2011.

  By contrast mentions of risk were below average amongst people who did not have shares, managed investments or investment property (22%), age pensioners (18%), those with less than $2,000 in savings/investments and those with household incomes below $65,000 (both 21%); again, none of these results was significantly different from the corresponding 2011 figures.

  These findings suggest that, when choosing an investment, the profile of risk related issues is higher amongst those with greater exposure to market linked investments such as shares, managed funds and investment property, particularly amongst those with higher value investments in these areas.

  It should also be noted that these figures may under-estimate the extent to which people take risk into account when choosing an investment. It seems likely that many respondents would consider the level of risk associated with various types of investment before deciding to include them in their consideration set without spelling it out as clearly as the potential property investor who commented "*I would think very carefully about where I put my money because I have lost it in the past; I prefer to put my money into property*".

8.4 Superannuation

This section reports on membership of superannuation funds. It also examines members' understanding of the regulatory requirements, statements and factors influencing the performance of superannuation funds as well as the extent to which comparison shopping is undertaken when choosing a superannuation fund.

8.4.1 Number and types of superannuation fund held

Table 8.4.a reports on the number of superannuation funds to which respondents said they belonged and the incidence of self-managed superannuation funds (SMSFs). In 2014:

- 63% of respondents belonged to just one superannuation fund, up from 59% in 2011 and now at the highest level seen since the survey began. Another 23% belonged to two funds, 7% to three and 4% to four or more. Males (36%) were more likely than females (31%) to belong to more than one superannuation fund; particularly males aged 35 to 54 years (42%) and males with personal incomes of $80,000 or more (40%).
- 15% of superannuation fund members (11% of the total adult population) said they had a SMSF, up from 13% in 2011. Given that Australian Tax Office figures[53] show that approximately 6% of adults are members of an SMSF, the survey results appear to be something of an over-estimate. This discrepancy may reflect changes to industry and retail fund accounts which provide members with greater flexibility and control over their accounts and how their money is invested. Nevertheless, there still appears to be some confusion amongst consumers about what constitutes a SMSF.

  As seen in 2011, members of SMSFs were most likely to be found amongst older people aged 55 years or more (20%; 26% amongst retirees), those with higher incomes (19% amongst people with annual personal incomes of $100,000 or more) and those with significant levels of savings and investments (24% amongst those with $100,000 or more in savings and investments). In terms of their financial literacy, members of an SMSF have above average scores on all five financial literacy indices; they also exhibit above average scores on financial knowledge and numeracy and on the attitudes of *financial self-efficacy*, *financial aspiration* and *impulsivity*.

Table 8.4.a Number and type of superannuation fund held

Incidence and Number of Superannuation Funds	Survey 2002 %	2005 %	2008 %	2011 %	2014 %
Fund membership					
Base: Total Sample	*(n=3548)*	*(n=3513)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Member of one or more superannuation funds	71	74	76	76	**75**
Does not have superannuation/Unsure	29	26	24	24	**25**
Approximately how many superannuation or roll-over funds do you have?					
Base: Have superannuation	*na*	*(n=2629)*	*(n=2612)*	*(n=2443)*	*(n=2481)*
One fund only	na	59	54	59	**63 ↑**
Two funds	na	26	28	25	**23**
Three funds	na	8	9	9	**7 ↓**
Four or more funds	na	6	6	5	**4**
Unsure	na	2	3	2	**3**
Do you have a self-managed superannuation fund?					
Base: Have superannuation	*na*	*(n=2629)*	*(n=2612)*	*(n=2443)*	*(n=2481)*
Have self-managed superannuation fund	na	14	14	13	**15 ↑**
Don't have self-managed superannuation fund/Unsure	na	86	86	87	**85**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question. Question on type of funds changed in 2014 to ask about self-managed superannuation only.

[53] September 2014.

8.4.2 Understanding of superannuation

To test their understanding of superannuation, fund members were asked about some of its regulatory requirements, their own use and understanding of fund statements and the ways in which the performance of a superannuation fund might be assessed.

Regulatory requirements of superannuation

Regulatory requirements were addressed through the questions shown in Table 8.4.b.

- As has been the case in each survey since 2002, virtually all those asked (97% in 2014) were aware that employers are required to make superannuation payments on behalf of their employees.
- Similarly, most (88%) were also aware that employees can make superannuation contributions in addition to the payments made by employers. However, this figure was slightly lower than in 2011 when it was 92%.

  Since 2011 awareness of this issue has fallen amongst males (down from 93% to 85%), particularly males from lower income households (down from 90% to 74% amongst males from household with annual incomes of $65,000 or less) and males working in lower blue collar occupations (down from 88% to 69%).

Table 8.4.b Understanding of regulatory requirements of superannuation

Understanding of superannuation	Survey				
	2002 %	2005 %	2008 %	2011 %	2014 %
Employers are required by law to make superannuation payments on behalf of their employees					
Base: Have superannuation, employed and under 65	*(n=1616)*	*(n=1897)*	*(n=1684)*	*(n=1381)*	*(n=1427)*
True	97	97	96	98	**97**
False	3	2	3	1	**2**
Unsure	-	1	1	1	**1**
Employees cannot make superannuation payments additional to any payments made by their employer					
Base: Have superannuation, employed and under 65	*(n=1616)*	*(n=1897)*	*(n=1684)*	*(n=1381)*	*(n=1427)*
True	5	6	6	5	**9 ↑**
False	91	92	90	92	**88 ↓**
Unsure	4	2	4	3	**3**

Base: All eligible respondents for each survey
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

Superannuation fund statements

Information was again sought on members' understanding of superannuation fund statements. As shown in Table 8.4.c:

- The proportion of respondents who said they received superannuation statements and read them was 68%, not significantly different from the 2011 result of 69% but lower than the figures of 76% and 75% recorded in 2005 and 2008 respectively. Those least likely to be reading their statements were young people aged 18 to 24 years (39%).
- Thirteen percent of superannuation fund members said they did not personally receive statements from their fund while a further 19% said they received statements but did not read them. Neither of these results differed significantly from the 2011 figures.

Table 8.4.c Reading and understanding superannuation fund statements

Reading superannuation statements	Survey 2005 %	2008 %	2011 %	2014 %
Do you receive superannuation fund statements? IF YES: Do you read these?				
Base: Have superannuation	*(n= 2629)*	*(n=845)*	*(n=826)*	*(n=840)*
Don't recall receiving fund statements	9	8	11	**13**
Receive fund statements but don't read them	15	17	20	**19**
Receive fund statements and read them	76	75	69	**68**

Base: A randomly selected subset of eligible respondents in 2008, 2011 and 2014; all eligible respondents in 2005.

All those who received superannuation fund statements but did not read them were asked why that was the case. Reasons mentioned most often in 2014 were (see Table 8.4.d):

- Those relating to a lack of interest/time – 26% "*couldn't be bothered*", 9% "*don't have the time*", 17% feel that "*other priorities are more important*", 7% "*just assume they're correct*" and 7% felt their contributions were "*too small to worry about*".
- A further 25% of these respondents said they didn't read their superannuation statements because they were "too difficult to understand".

None of these results differed significantly from the 2011 figures.

Table 8.4.d Reasons for not reading superannuation fund statements

Reasons for not reading superannuation statements *Base: Did not read superannuation fund statement*	Survey **2008** *(n=131)* %	 **2011** *(n=113)* %	 **2014** *(n=126)* %
Why don't you read your superannuation or rollover fund statements?			
Lack of time/interest			
Couldn't be bothered	36	23	**26**
Don't have time	14	10	**9**
Other priorities more important	13	15	**17**
Just assume they're correct/ok	4	12	**7**
Contributions too small to worry about	-	3	**7**
Other reasons			
Too difficult to understand	23	15	**25**
Someone else reads them	8	7	**6**
Too depressing	-	4	**4**
All other reasons	12	11	**11**
Unsure/Can't recall	4	8	**4**

Unprompted question, multiple responses allowed.

As a final measure of the accessibility of superannuation fund statements, all those who received them were asked whether they found the annual statements from a superannuation fund 'difficult' or 'easy' to understand. Results are shown in Table 8.4.e.

- In 2014, 63% of those who received a superannuation fund statement said they found them 'easy' to understand; 9% 'very easy' and 54% 'easy'.
- Conversely, 32% said they found it 'difficult' (4% 'very difficult', 28% 'difficult') to understand these statements.
- The only change evident in these results since 2011 was a slight increase (from 2% to 5%) in the proportion of recipients who were unable to say whether they find their superannuation fund statements 'easy' to understand or not.

Thus, around one in three of those who receive superannuation statement find them difficult to understand, a situation which has not changed significantly since 2002.

Table 8.4.e Ease of understanding an annual superannuation fund statement

Ease of understanding superannuation statements	Survey **2002** %	 **2005** %	 **2008** %	 **2011** %	 **2014** %
Do you find understanding an annual statement for a superannuation fund .... *Base: Receive superannuation fund statements*	*(n=1132)*	*(n=1192)*	*(n=777)*	*(n=733)*	*(n=744)*
Very difficult	5	6	4	5	4
Difficult	31	28	27	28	28
Net: "Difficult"	***36***	***34***	***31***	***33***	***32***
Easy	48	52	53	54	54
Very easy	13	12	12	11	9
Net: "Easy"	***61***	***64***	***65***	***65***	***63***
Can't say	3	3	4	2	5 ↑

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question
Base: A randomly selected subset of eligible respondents in each survey

Superannuation fund performance

To better understand how people assess the performance of their fund, respondents were asked to select the best indicator of this from the list shown in Table 8.4.f.

In 2014, 63% of those asked this question selected *"the amount of return left after the fees and taxes are taken out".* This was lower than the 2011 result of 66% and appears to continue a trend that has been in place since 2005 when 77% chose this alternative. Women under 35 years of age showed the biggest fall on this measure (down from 63% who chose this alternative in 2011 to 52% in 2014).

In the 2014 survey, 22% of respondents felt they couldn't say which option provided the best indication of fund performance; a figure which has been increasing steadily from a low of 8% in 2005. Given there has been no significant change since 2011 in the proportion of respondents who say they read their superannuation fund statements (see Table 7.4.2b), this increase may suggest a lower level of engagement with these statements by some fund members.

As might be expected, given the situation described above, the greatest increase on this measure was amongst women under 35 years of age (up from 22% to 36%). There was also a substantial increase amongst women whose formal education did not go beyond Year 10 (up from 27% to 47%).

Table 8.4.f Indicators of superannuation fund performance

Superannuation fund performance	**Survey**			
	2005 %	**2008** %	**2011** %	**2014** %
Which one of the following gives the best indication of how your superannuation fund or managed investment is performing? *Base: Have superannuation, employed and under 65*	*(n= 1897)*	*(n=550)*	*(n=1381)*	*(n=1427)*
The amount of return left after the fees and taxes are taken out	77	68	66	**63 ↓**
The return	8	12	10	**9**
The per-unit cost	4	5	3	**3**
The fees	3	2	2	**3**
Can't say	8	13	19	**22 ↑**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p < 0.05).
Prompted question.
Base: A randomly selected subset of all eligible respondents in 2008, all eligible respondents in 2005, 2011 and 2014.

8.4.3 Joining a new superannuation fund

A randomly selected subset of superannuation fund members was asked if they had ever chosen a superannuation fund[54]. Those who had done so were asked how they had gone about doing this. Results in Table 8.4.g show that:

- In 2014, 46% of these superannuation fund members said they had chosen a superannuation fund at some time, a result which is not significantly different from the results obtained in 2011 and 2008.

Table 8.4.g Choice of a superannuation fund

Comparison shopping - superannuation fund	Survey 2008 %	2011 %	2014 %
Have you ever chosen a superannuation fund? *Base: Have superannuation*	*(n=1296)*	*(n=710)*	*(n=672)*
Yes have chosen superannuation fund	42	**43**	**46**
No, have not chosen superannuation fund	58	**57**	**54**
Base: Randomly selected subset of eligible respondents in each survey.			

Of those who had chosen a fund (see Table 8.4.h);

- 42% had considered funds from different companies while 12% had considered different funds offered by the same company. That is, 54% had made some comparisons before making their final choice of fund.
- Just over four in ten (44%) said they did not consider any funds other than the one they had chosen; that is they made no comparisons at all. Older people aged 45 years or more (55%) were the group most likely to say they had not made any such comparisons.

Table 8.4.h Comparison shopping when choosing a superannuation fund

Comparison shopping - superannuation fund	2011 %	2014 %
When you last chose a new superannuation fund, which of the following best describes what you did? *Base: Have chosen super fund*	*(n=310)*	*(n=311)*
I considered several funds offered by different companies	**44**	**42**
I considered several funds but only from one company	**11**	**12**
I didn't consider any funds apart from the one I chose	**42**	**44**
Can't say	**3**	**2**
Prompted question; first asked in 2011.		

[54] This was not directly comparable with the question used in 2005 which asked fund members if they had ever had the ability to choose a superannuation fund. Hence 2005 results are not shown here.

In addition to questions about comparison shopping, all fund members who were under 65 years of age and in paid employment were asked what factors they would consider when choosing a superannuation fund. As shown in Table 8.4.i, the things mentioned most often were:

- The fees, charges and costs (45%);
- The performance of the fund (21% long-term performance and 13% recent level of performance) and the returns achieved (12%); and
- The nature of the fund and its investment strategy - that is, the overall risk level (19%) and whether high and low risk investment options are available to fund members (8%).

None of these results were significantly different from those obtained in the 2011 survey apart from slight increases in the proportion of respondents who mentioned the fund's recent performance (up by 5 points) and investment returns (up 5 points).

Table 8.4.i Considerations when choosing a superannuation fund

Considerations when choosing a super fund *Base: Have superannuation, employed and under 65*	**Survey**		
	2008 *(n=550)* **%**	**2011** *(n=466)* **%**	**2014** *(n=470)* **%**
What things would you consider when choosing a superannuation fund?			
Performance			
Long-term level of performance	25	**22**	**21**
Recent level of performance	16	**8**	**13** ↑
Investment returns achieved by the fund	9	**6**	**12** ↑
Costs			
Fees/charges/costs	41	**39**	**45**
Nature of fund/investments			
How risky the fund is	18	**15**	**19**
Investment options offered/High risk and low risk	8	**8**	**8**
Diversity/types of investments	6	**7**	**7**
Reputation/Recommendation			
Recommendation by people you trust	7	**7**	**8**
Reputable/trustworthy	9	**9**	**11**
Comparative ratings by rating organisations	4	**1**	**2**
Additional services/benefits			
Availability of expert advice	5	**4**	**3**
Extra benefits like life insurance	1	**3**	**3**
Whether they pay commissions	-	**3**	**2**
Other considerations	13	**13**	**10**
Can't say	18	**19**	**19**

Unprompted question, multiple responses allowed.
Base: Randomly selected subset of eligible respondents

8.5 Retirement Planning and Expectations

This section examines respondents' views on retirement income requirements and whether or not additional superannuation fund contributions are being made.

Income required for retirement

In order to understand the income levels people think they might require in retirement, fund members who were under 65 years of age and still in paid employment were asked if they had identified a figure for how much they would need to live on when they retired. Those who had done this were asked what annual income they thought they would need. As shown in Table 8.5.a:

- 28% had identified a figure, not significantly different from the 2011 result of 26%. Once again, older people (54% of those aged 55 to 64 years compared with just 8% of those aged 18 to 24 years), those with higher personal (44% of those with a personal income of $80,000 or more) and household incomes (41% of those with household incomes of $150,000 or more) and those with higher levels of savings and investments (47% of those with savings and investments of $100,000 or more) were the most likely to have identified such a figure.

  It is evident from these results that most superannuation fund members had not identified an income target for their retirement; even amongst those aged 55 to 64 years (ie: those within a few years of retirement) 46% had not done so.

- Those who had identified a figure were most likely to nominate an annual income of between $25,000 and $75,000, figures which align quite well with the ASFA standards[55] that range from $23,489 for a modest retirement for a single person to $58,326 for a comfortable retirement for a couple.

Table 8.5.a Expected retirement income requirement

Expectations of required retirement income	Survey 2005 %	2008 %	2011 %	2014 %
Have you identified a figure for how much per year you will need to live on when you retire? *Base: Have superannuation, under 65 and employed*	*(n=1897)*	*(n=550)*	*(n=1381)*	*(n=1427)*
Yes have identified a figure	35	27	26	**28**
No, have not identified a figure	64	73	73	**70**
Can't say	1	1	1	**2**
Base: All eligible respondents in 2005, 2011 and 2014, randomly selected subset of eligible respondents in 2008				
Approximately how much per year do you think you will need? *Base: Have identified an amount*	*na*	*(n=155)*	*(n=440)*	*(n=488)*
Less than $15,000	na	1	-	**<1**
$15,000 to $24,999	na	4	3	**2**
$25,000 to $49,999	na	34	29	**26**
$50,000 to $74,999	na	32	41	**39**
$75,000 to $99,999	na	10	9	**11**
$100,000 or more	na	15	10	**13**
Unsure	na	4	8	**9**
Unprompted question. Not asked in 2005.				

[55] September 2014.

To provide further understanding of the preparations people are making for retirement, all superannuation fund members under 65 years of age were asked if they were making any additional voluntary contributions, either as direct payments or through salary sacrifice. As shown in Table 8.5.b, 27% of fund members were making additional contributions to their superannuation fund (down from 35% in 2011) while 72% were not (up from 64% in 2011). Decreases were evident across more or less all age, gender, income, household type and educational attainment groups.

Those most likely to be making additional contributions were older (40% of those aged 45 to 64 years versus 18% of 18 to 44 year olds) and those with higher incomes (32% of people with household incomes of $100,000 or more; 37% of those earning personal incomes of $80,000 or more) and those with higher levels of savings and investments (43% of those with savings and investments of $100,000 or more). It is also noteworthy that 46% of those who had identified a retirement income figure had made additional contributions to their superannuation; it seems that having a specific target is associated with a greater likelihood of taking concrete steps to achieve it.

Table 8.5.b Voluntary additional contributions to superannuation

Voluntary Superannuation Contributions	**2011 %**	**2014 %**
Do you make any additional voluntary payments to your superannuation, either as direct payments or through salary sacrifice ?		
Base: Have superannuation/ Aged under 65 years	*(n=2021)*	*(n=2038)*
Yes make voluntary additional contributions to superannuation	35	**27** ↓
No, do not do so	64	**72** ↑
Unsure	1	**1**

First asked in 2011.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

<u>Factors to consider when calculating retirement funding</u>

Superannuation fund members who were under 65 years of age and employed were asked what factors should be taken into account when calculating the adequacy of current retirement funding arrangements. From Table 8.5.c it is evident that 2014 respondents were most likely to mention:

- Their expected living standards in retirement including their desired standard of living in retirement (33%), the costs that might have to be met (30%) and their current cost of living (30%);
- Their expected future financial situation including current level of savings (16%), home ownership (13%), the value of assets on retirement (11%) and their current level of debt (11%); and
- Their expected life-span (12%).

Compared to the 2011 results, 2014 saw increased mention of current savings and intentions with respect to engaging in paid work post-retirement. Overall however, the results were broadly similar to those in the previous surveys.

Table 8.5.c Factors to consider when calculating adequacy of retirement funding

Factors influencing perceived adequacy of retirement funding	Survey 2008 %	Survey 2011 %	Survey 2014 %
What factors would someone need to take into account if they were trying to calculate whether their current arrangements were enough for future retirement?			
Base: Have superannuation, under 65 and employed	*(n=550)*	*(n=445)*	*(n=470)*
Expected future living standards/requirements			
Costs might need to meet during retirement	37	25	**30**
Current cost of living	32	32	**30**
Desired standard of living in retirement	24	30	**33**
Inflation/Expected inflation	10	16	**16**
State of health	5	10	**13**
Family dependencies	3	4	**6**
Need for supported living arrangements in the future	-	4	**5**
Expected future financial situation			
Length of time before retirement	14	11	**7**
Expected earnings from investments	11	8	**8**
Whether own home or not	11	10	**13**
Current savings	11	9	**16** ↑
Value of assets on retirement	10	12	**11**
Expected superannuation benefits	10	5	**8**
Eligibility for pension/government benefits	6	2	**4**
Current level of debt and ability to rerepay	6	7	**11**
Whether or not will do some paid work after retiring	5	1	**4** ↑
Tax levels and eligibility for tax rebates	-	1	**-**
Other factors			
Expected life span	14	14	**12**
All other factors mentioned	7	5	**7**
Unsure	16	16	**18**

Base: Randomly selected subset of eligible respondents in each survey.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed.

8.6 Retirement income

This section looks at retirement income stream products including the incidence and type of products held and the process people went through when acquiring them.

8.6.1 Incidence and types of retirement income stream products

Table 8.6.a shows the proportion of respondents aged 55 years or more who owned retirement income stream products as well as the types of product they held[56]. As shown, 24% of people in this age range held a product of this type, more than the product incidence of 21% recorded in 2011. Increases since 2011 were evident amongst males (up from 24% to 30%), people who have a SMSF (up from 28% to 37%) and those with annual household incomes greater than $65,000 (up from 22% to 28%).

Amongst those holding retirement income stream products:

- The types most likely to be held were allocated pensions (39%), lifetime pensions or annuities (21%), life expectancy and fixed term pensions or annuities (both 13%) and market-linked pensions or annuities (12%). None of these figures was significantly different from the corresponding 2011 result.
- The only change since 2011 was an increase (from 6% to 10%) in the proportion of respondents unable to say what type of product they held.

Table 8.6.a Incidence and types of retirement income products

Incidence and type of retirement income stream products	Survey 2005 %	2008 %	2011 %	2014 %
Incidence of retirement income stream products				
Base: All aged 55 years or over	*(n=1096)*	*(n=1303)*	*(n=1835)*	*(n=1619)*
Yes have a retirement income stream product	24	20	21	**24 ↑**
No don't have this type of product	76	80	79	**76 ↓**
Which of the following best matches the features of the retirement income stream product you have?				
Base: Have retirement income stream product and aged 55 years or over	*(n=261)*	*(n=255)*	*(n=375)*	*(n=403)*
Lifetime pension/annuity *A set income that you receive for the rest of your life*	45	24	25	**21**
Allocated pension *A regular income you receive until the money runs out that can adjust from year to year and that is linked to the investment market*	16	37	40	**39**
Life expectancy pension/annuity *A set income that you receive for a term based on your life expectancy*	12	15	12	**13**
Market linked pension/annuity *A set income that you receive for a term based on your life expectancy that is linked to the investment market*	8	15	11	**12**
Fixed term pension/annuity *A set income that you receive for a specified term (eg: 10 years)*	10	10	12	**13**
Other type	14	8	9	**9**
Unsure	5	7	6	**10 ↑**

Prompted question, multiple responses allowed.

[56] The descriptions used in the survey for each product type are shown in italics

8.6.2 Acquisition of retirement income stream products

Those who held a retirement income stream product[57] were asked how they went about choosing a new product of this type. Responses are summarised in Table 8.6.b.

- In all, 45% of these respondents had considered more than one retirement income product; 28% looking at products from different companies and 17% comparing two or more products from the same company. Some 51% did not consider any other products.
- These figures do not differ significantly from the 2011 results.

Table 8.6.b Comparison shopping for retirement income products

Comparison shopping - retirement income products	**2011 %**	**2014 %**
When you last chose a new retirement income stream product, which of the following best describes what you did? *Base: Have arranged a new retirement income stream product/55 yrs +*	*(n=336)*	*(n=369)*
I considered several retirement income products offered by different companies	27	**28**
I considered several retirement income products but only from one company	17	**17**
I didn't consider any retirement income products apart from the one I chose	50	**51**
Can't say	6	**4**

Prompted question; first asked in 2011.
Base: All eligible respondents.

[57] Those who had no role in arranging the retirement income stream were excluded from this table.

All holders of retirement income stream products were also asked what criteria they felt were important when choosing a product of this type. Results are presented in Table 8.6.c where, as in previous surveys, the criteria mentioned most often were:

- Those relating to the product's performance - the income (23%) and return (18%) provided, how long the income will last (15%) and the product manager's past performance (8%);
- The security of the product (16%) and having a reputable brand (17%); and
- The product's accessibility and flexibility (6%).

The only significant change since 2011 was a decrease in mentions of access/flexibility (down 5 points to 6%).

Table 8.6.c Criteria considered important when choosing a retirement income product

Important criteria when choosing retirement income stream product *Base: Have retirement income stream product/55 years or over*	Survey			
	2005 *(n=244)* **%**	**2008** *(n=255)* **%**	**2011** *(n=375)* **%**	**2014** *(n=403)* **%**
When choosing a retirement income stream product, what criteria do you think are important?				
Income/Return				
Level of income it provides	17	24	20	**23**
Rate of return	17	21	18	**18**
Past performance of product manager	13	12	11	**8**
How long income will last	13	19	14	**15**
Security/Reputation				
Security of product/Balance of risk/Diversification	18	20	15	**16**
Reputable brand	13	19	16	**17**
Recommended by others	2	5	2	**2**
Other criteria mentioned				
Access/Flexibility	4	12	11	**6** ↓
Fees	2	13	7	**11**
Offers expert advice	2	8	5	**4**
Tax effectiveness	2	7	3	**3**
Amount of control/ability to self-manage	1	6	3	**4**
No choice, in defined benefits scheme	-	-	4	**2**
All other criteria	9	8	8	**8**
Can't say	37	13	17	**15**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed.

8.7 Financial planners

One way of making informed investment decisions is by obtaining input from a professional financial planner or adviser. This section reports on the community's use of financial planners and advisers; how widely they are used, how they are chosen and how any potential conflicts of interest in their recommendations are identified.

8.7.1 Use of financial planners

As shown in Table 8.7.a:

- 39% of respondents had ever consulted a financial planner or adviser about their finances while 20% had done so in the last 12 months; this latter figure was up slightly from 18% in 2011.
- Increased use of financial planners or advisers during the last 12 months was evident amongst males (up from 18% in 2011 to 22% in 2014), particularly the following groups of males; those aged 45 to 69 years (up from 23% to 31%), those with household incomes greater than $65,000 (up from 19% to 26%), those with any investments in shares or managed investments (up from 27% to 39%), those holding at least $2,000 in savings and investments (up from 21% to 26%) and those with $20,000 or more in debt (up from 21% to 29%).

  At the same time, those least likely to have consulted a financial planner in the last 12 months were much the same groups as in 2011; that is, young people aged 18 to 24 years (5%), those with annual household incomes of less than $25,000 (10%), those with less than $2,000 in savings and investments (10%) and those whose main source of income was a government benefit or allowance (14%). In 2014, use of financial planners was also below average amongst people from a non-English speaking or Aboriginal and Torres Strait Islander background (14% and 10% respectively).

Table 8.7.a Use of financial planners

Use of financial planners/advisers	Survey			
	2005 %	2008 %	2011 %	2014 %
And have you (ever) consulted any of the following people regarding your finances? *Base: Total sample*	*(n=3513)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Have ever consulted a financial planner or adviser	34	34	38	**39**
Have consulted a financial planner or adviser in last 12 months	na	na	18	**20** ↑
No, have never done so	66	66	62	**61**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question where a list of financial service providers (including financial planners/advisers) was read out to respondents.

8.7.2 Choosing a financial adviser

All those who had consulted a financial planner or adviser in the last 12 months were asked how they had gone about deciding which one to use. As shown in Table 8.7.b:

- 39% of these respondents had compared the financial adviser they currently use with others; either from different companies (26%) or from the same company (13%); while 57% did not consider any financial adviser other than the one they currently use.
- Reasons given for not considering any other financial advisers (see Table 8.7.b) included being willing to accept the advice of friends and family (37%) or a financial expert (15%) or already having an existing satisfactory relationship with the provider of financial advice (28%, up from 15% in 2011).

Table 8.7.b Comparison shopping when choosing a financial planner/adviser

Comparison shopping for financial planners/advisers	**2011 %**	**2014 %**
Which of the following best describes how you last chose a financial planner or adviser?		
Base: Have chosen a financial planner/adviser (used in last 12m)	*(n=231)*	*(n=251)*
I considered planners/advisers from several different companies	**30**	**26**
I considered several planners/advisers from the same company	**16**	**13**
I didn't consider any other planners/advisers at all	**52**	**57**
Can't say	**2**	**4**
Prompted question. *Base: Randomly selected subgroup of eligible respondents.*		
What is the main reason you didn't consider any other financial planners?		
Base: Did not consider any other financial planner/adviser	*(n=121)*	*(n=139)*
Already had relationship with/happy with a provider	**15**	**28 ↑**
Take someone else's advice		
Go with what is recommended by friend/family member	**40**	**37**
Go with recommendation of financial expert	**21**	**15**
Spouse/partner does shopping around	**3**	**<1**
Go with recommendation of employer/union	**2**	**8**
Lack of time/interest		
Couldn't be bothered	**5**	**2**
Don't have the time	**2**	**<1**
"They're all the same"	**2**	**1**
Too difficult to make comparisons/get information	**2**	**2**
All other reasons	**14**	**9**
Unsure/Can't recall	**1**	**3**
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$). *Unprompted question, multiple responses allowed*		

All those who had chosen a financial planner or adviser were asked what their main reasons were for selecting the financial planner they used. As shown in Table 8.7.c:

- A positive reputation, either by word of mouth (29% mentioned the recommendation of a friend or family member), by recommendation from a financial expert (10%) or the general reputation of the brand (12%), was the reason given most often for choosing a financial planner. The importance placed on reputation by a considerable number of these respondents suggests online sites which provide comparative information about financial advisers (for example, adviserratings.com.au) have the potential to be of some value here.
- This was followed by the quality of service provided (13% mentioned "*friendly, good people skills*", 4% "*reliable, efficient service*" and 6% "*attentive, personal service*") and the perceived competence of the planner (20% mentioned their planner's "*knowledge/ professionalism*").

The only significant changes evident since 2011 were decreased mention of "*reliable, efficient service*" (down from 12% to 4%) and increased mention of the planner's ability to "*get good results*" (up from 1% to 5%).

Table 8.7.c Reasons for selecting a financial planner

Reasons for choosing a financial planner	**2011 %**	**2014 %**
What were the main reasons for selecting the financial planner you finally chose? *Base: Have chosen a financial planner/adviser (used in last 12m)*	*(n=226)*	*(n=241)*
Recommendation/Reputation		
Recommended by friend of family member	26	**29**
Reputable brand	11	**12**
Recommended by financial expert	16	**10**
It's someone I know personally/through work	5	**9**
Past experience	3	**3**
Endorsements/Testimonials	1	**<1**
Service		
Friendly, good people skills	10	**13**
Reliable, efficient service	12	**4** ↓
Attentive, personal service	7	**6**
Perceived Competence		
Knowledge/professionalism	20	**20**
Gets good results	1	**5** ↑
Other reasons		
Fees	7	**8**
Convenience	8	**6**
Independence	3	**2**
All other reasons	8	**5**
No particular reason	2	**1**
Don't know	2	**1**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed
Base is a randomly selected subset of all eligible respondents.

8.7.3 Financial planners and conflicts of interest

Those who had used a financial planner or adviser in the last 12 months were asked whether they considered the possibility their chosen planner might have conflicts of interest in their investment recommendations. Those who said they did consider this were asked what they looked at to see if a conflict existed. Results are shown in Table 8.7.d:

- 59% of these respondents said they do consider whether there are any conflicts of interest in their planner's investment recommendations while 34% said they do not. Neither of these results is significantly different from the situation in 2011 although there has been a slight increase (from 1% to 5%) in the proportion unable to say whether they looked for conflicts or not.
- To help decide if a conflict exists, those who considered the possibility were most likely to check if the planner receives a commission from the product provider (35%). Other indicators considered included:
  - Checking the planning company's independence (20%), reputation (15%) and considering how well known the brand is (11%, up from 3% in 2011).
  - Looking at the planner's fee structure to see if it's based on the amount invested (7%) or a flat fee (5%), and
  - Checking whether or not the planner recommends products from more than one provider (9%).

Table 8.7.d Financial planners and conflict of interest

Financial planners and conflicts of interest	Survey 2011 %	Survey 2014 %
When your financial planner makes investment recommendations, do you consider whether they have any conflicts of interest? *Base: Have chosen a financial planner/adviser*	*(n=226)*	*(n=241)*
Yes consider whether there are conflicts of interest	54	**59**
No don't do this	42	**34**
Have never needed to do this	3	**2**
Can't say	1	**5** ↑
Base is a randomly selected subset of all respondents.		
What specific things do you look at to see if there is a conflict? *Base: Consider whether there is a conflict*	*(n=124)*	*(n=139)*
Net: Fee structure	*42*	***40***
Whether planner gets a commission from the product provider	34	**35**
Planner's fee is based on the amount you have invested	9	**7**
Planner charges a flat fee unrelated to products sold or amount invested	5	**5**
Net: Recommendation of product from one or more providers	*8*	***9***
Planner only recommends products from one provider	3	**5**
Planner recommends products from different providers	6	**4**
Planner/Planning company is independent	13	**20**
Reputation/trustworthiness of company/planner	8	**15**
Planner has a well-known brand	3	**11** ↑
All other responses	21	**20**
Nothing in particular	4	**5**
Don't know	12	**7**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed

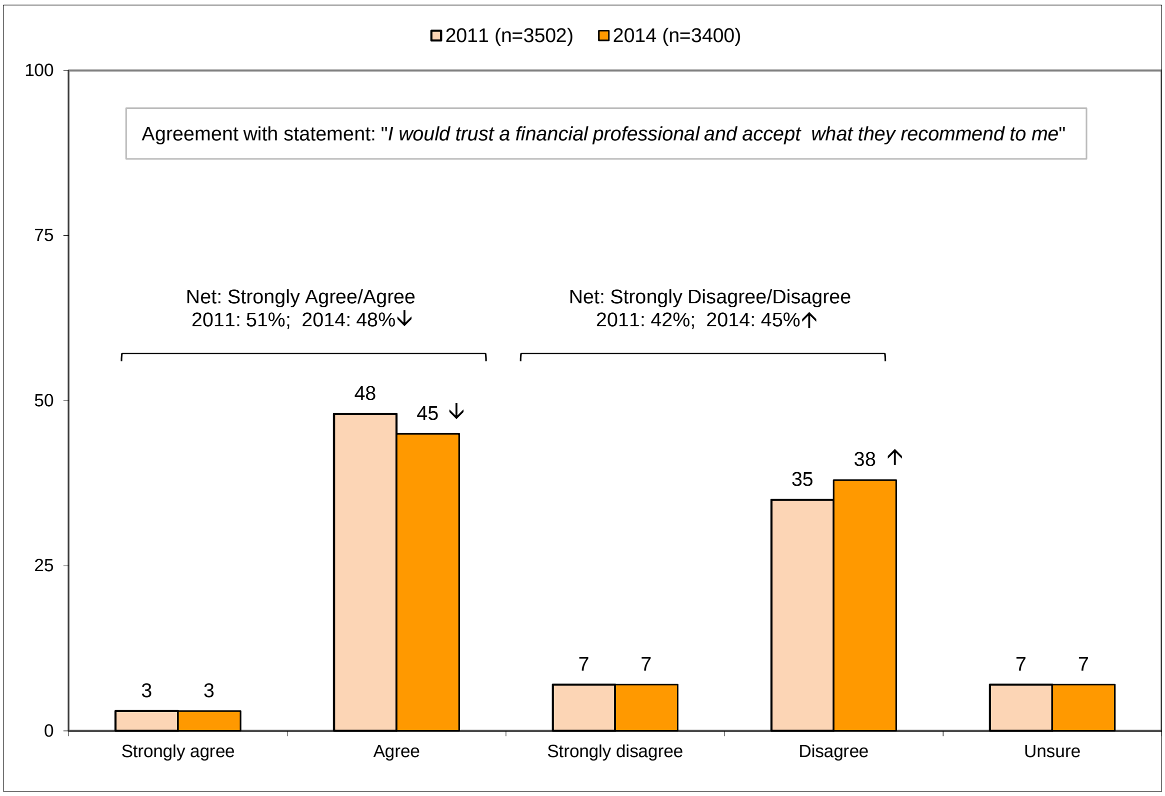
8.7.4 Trust of financial professionals

As part of the investigation of people's financial attitudes, all respondents were asked about their trust of financial professionals[58]. As shown in Figure 8.7.a:

- Overall in 2014, some 48% of respondents agreed with the statement *"I would trust a financial professional and accept what they recommend to me"*; 3% agreed strongly with this. Compared to the 2011 result there has been a 3 point decrease in agreement with the statement (and a corresponding 3 point increase in overall disagreement from 42% to 45%).
- When these results are considered only for those people who had consulted a financial planner or adviser in the last 12 months, the fall in overall agreement appears more marked (down 9 points from 65% in 2011 to 56% in 2014).

As this question was not designed to specifically assess trust of financial planners, (but rather to gauge the community's trust of financial professionals in general), extrapolating these results to the financial planning industry requires caution. At the same time, the results do point to some erosion of trust in financial professionals since 2011, particularly amongst those who have had recent exposure to financial planners or advisers.

Figure 8.7.a Trust of financial professionals



Base: All respondents.
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey (p<0.05).
Question: I would trust financial professionals and accept what they recommend (2011) / I would trust a financial professional and accept what they recommend to me (2014) [Agree/Disagree].

[58] Note: the question was asked about financial professionals, not specifically about financial planners.

Section 9 Insurance

9.1 Introduction and key findings

Those who behave in a financially literate fashion might be expected to protect their financial situation through the use of insurance. Hence, this section examines the community's use, understanding and acquisition of insurance products.

Key findings

Incidence of insurance products

- The main change since 2011 was a decreased incidence of **private health insurance** (down from 62% to 58%).
- For other insurance products:
  - Of those who either owned their home or were purchasing it, 76% (not significantly different from 79% in 2011) had **building insurance** and 81% (not significantly different from 82% in 2011) had **contents insurance**. Both types of insurance were less likely to be held by home owners/buyers who were under 35 years of age, particularly those under 35's with household incomes of no more than $65,000 per annum; people from a non-English speaking or Aboriginal and Torres Strait Islander background, people with no formal post-secondary education, those with less than $2,000 in savings and investments, unemployed people, casual workers and those employed in blue collar occupations and males.
  - 33% (the same as in 2011) of all respondents said they had **life insurance**[59]. This product remained most often held by males aged 35 to 59 years with higher personal incomes (at least $80,000 per year), who had significant debt (eg: a mortgage of $300,000 or more) and who had a partner and children living at home with them. That is, people for whom life insurance appeared to be playing an important role in providing family protection.
  - 35% of those in full-time work held **income protection insurance** (unchanged from 2011); those most likely to hold this product were much the same subgroups as for life insurance, although without the bias to males.
  - 88% of motor vehicle owners/buyer had **comprehensive motor vehicle insurance** and another 8% had **third party** insurance. Neither figure differed significantly from the 2011 results.

Understanding of insurance

- In terms of awareness of consumers' rights and responsibilities in relation to insurance:
  - Of those who have insurance, 42% were aware that a claim could be refused if the policyholder had not given accurate answers to questions relevant to the loss; this was down five points on the 2011 result and down 12 points on the 54% reported in 2008. Fifty-eight percent (45% "no", 13% "don't know") were not aware of this obligation.
  - By contrast, 73% of respondents were aware of the 'cooling off' period for those taking out a new insurance policy, not significantly different from the 2011 result of 72%, while 27% were not (12% "no", 15% "don't know").

[59] This is likely to be an under-estimate as many respondents would have life insurance as part of their superannuation.

Acquiring insurance

- When they last took out building, contents or motor vehicle insurance, 33% did not compare that policy with others offered by the same or by different insurance companies. The presence of a satisfactory relationship with the insurer was the main reason for not making comparisons (34%). There were no significant changes since 2011 in either of these figures.
- When arranging a new policy (other than life insurance), 45% (unchanged from the 2011 result) mentioned the level of cover as a factor they take into consideration while 26% (not significantly different from 27% in 2011) mentioned this as something they consider when renewing an insurance policy.

  So despite ongoing concerns about Australians being under-insured and despite the regular occurrence of disasters during the last three years (particularly bushfires and floods) there does not appear to have been any increase in the community's consideration of the level of cover when commencing or renewing an insurance policy.

9.2 Incidence of insurance products

As the need for different types of insurance is influenced by individual circumstances, Table 9.2.a shows the incidence of insurance products amongst the people most likely to need them. For example, it shows the incidence of building insurance amongst those who own or who are purchasing their home, motor vehicle insurance amongst those who own or who are purchasing a motor vehicle and income protection insurance amongst those in full-time paid employment. Incidence figures for private health insurance and life insurance are shown for the total sample.

From Table 9.2.a it is evident that in 2014:

- **Private health insurance** was held by 58% of all respondents, down four points from 62% in 2011 with decreased incidence particularly evident amongst younger males (down from 64% to 50% amongst males under 35 years of age).

  Apart from that, the population subgroups least likely to have private health insurance included young people (47% amongst 18 to 24 year olds), people from non-English speaking (54%) or Aboriginal and Torres Strait Islander (34%) backgrounds, people with no formal post-secondary education qualification (50%) and those with lower household incomes (46% amongst those with household incomes of $65,000 or less; 34% amongst those with household incomes below $25,000), particularly people with dependent children and household incomes of $65,000 or less (36% amongst single parents and 46% amongst couples).

Table 9.2.a Incidence of insurance products amongst relevant population groups[60]

Insurance products held	Survey 2002 %	2008 %	2011 %	2014 %
Insurance				
Base: Total sample	*(n=3548)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Private health insurance	57	55	62	58 ↓
Life insurance	33	34	33	33
Base: Own/Buying/Renting a home	*na*	*(n=3413)*	*(n=3433)*	*(n=3313)*
Contents insurance	na	74	75	67 ↓
Base: Own/Buying a home	*(n=2688)*	*(n=2579)*	*(n=2902)*	*(n=2526)*
Building insurance	na	80	79	76
Contents insurance	na	85	82	81
Net: Building and contents insurance	na	77	76	73
Base: Own/Buying a motor vehicle	*na*	*(n=2804)*	*(n=2854)*	*(n=2742)*
Comprehensive motor vehicle insurance	na	87	90	88
Third party motor vehicle insurance only	na	10	8	8
Base: Working full-time	*na*	*(n=1434)*	*(n=1140)*	*(n=1206)*
Income protection insurance	na	30	35	35

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).

[60] Note: these questions were not asked in the 2005 survey.

- One in three (33%) respondents said they have **life insurance**, a figure which has not changed significantly since 2002[61]. As in 2011, holders of life insurance were still most likely to be males aged 35 to 59 years (49%), particularly males in this age group who earned personal incomes of $80,000 or more per year (63%), who held a mortgage of $300,000 or more (68%) and who lived with a partner and dependent children (59%).

- Of those respondents who owned their home, were buying it or who were renting, 67% had **contents insurance**, down from the figure of 75% recorded in 2011. This decrease was particularly evident amongst people under 35 years of age who live in rental accommodation (down from 40% in 2011 to 22% in 2014 amongst this group) and appears to largely reflect the inclusion of members of the 'mobile phone only' population in the 2014 sample[62]. Further, amongst those who owned their home or who were paying it off (that is when renters are excluded), the incidence of home contents insurance (81%) was not significantly different from the 2011 figure (82%).

  Amongst those who rent their home (28% of the total sample), only 33% had contents insurance. Those renters least likely to have contents insurance were younger people (22% of those renters aged under 35 years), particularly those under 35s with lower household incomes (15% of those with household incomes of $65,000 or less); males (28% versus 38% of females), people living in shared households (13%), those from a non-English speaking background (17%), unemployed people (19%) and those with high scores on *impulsivity* (24%).

- Amongst those respondents who owned their home or who were paying it off, 76% had **building insurance,** not significantly different from the 2011 result of 79% although slightly lower than the 80% recorded in 2008. The incidence of building insurance was below average amongst younger people (35% amongst those under 35 years of age), particularly those under 35s with household incomes of $65,000 or less (24%); also amongst people from a non-English speaking (66%) or Aboriginal and Torres Strait Islander (60%) background, those with no formal post-secondary education (69%), those with less than $2,000 in savings and investments (61%), unemployed people (50%), casual workers (53%), those employed in blue collar occupations (68%) and males (74% versus 78% of females).

  Amongst this same group of home owners and home buyers, 81% had contents insurance (not significantly different from 82% in 2011 but down slightly from 85% in 2008). Below average incidence of contents insurance was evident amongst much the same groups as mentioned in the previous paragraph. That is, under 35s (40%), particularly those with household incomes of $65,000 or less (28%); also those from a non-English speaking (67%) or Aboriginal and Torres Strait Islander (59%) background, those with no formal post-secondary education (76%), those with less than $2,000 in savings and investments (67%), unemployed people (57%), casual workers (56%), those employed in blue collar (72%) as well as those working in middle/lower white collar[63] occupations (73%) and males (78% versus 84% of females).

  Some 73% had both building and contents insurance (not significantly different from the 2011 result but again, down on the figure of 77% recorded in the 2008 survey).

- Amongst those respondents who either owned or who were buying a motor vehicle, 98% have **motor vehicle insurance** – 88% had comprehensive motor vehicle insurance and 8% had third party insurance. Neither result was significantly different from those obtained in 2011 or 2008.

[61] These figures most likely under-estimate the true incidence of life insurance as many respondents will have life insurance cover included in their superannuation.

[62] Amongst respondents under 35 years of age, 68% of the 'mobile phone only' group were renting compared with 34% of those under 35s who were also accessible via a fixed landline. As only 22% of renters aged under 35 held contents insurance, the inclusion of the 'mobile phone only' group will have lowered the estimated incidence of contents insurance for the total group of home "owners, buyers and renters".

[63] ANZSCO Major groups 4 (community and personal service workers), 5 (clerical and administrative workers) and 6 (sales workers).

- Thirty-five percent of those working full-time said they had **income protection insurance**, the same figure as in 2011 and slightly above the result obtained in 2008. Those most likely to have this type of insurance included people aged 35 to 59 years (41%), particularly people in this age group who had personal incomes of $80,000 or more per annum (51%), who held a mortgage of $300,000 or more (50%) and who were living with a partner and dependent children (47%); that is the same subgroups as those more likely to have life insurance but without the male bias evident for that product.

9.3 Understanding of insurance products

All those who held insurance were asked if they were aware of their responsibility to accurately answer questions relevant to a potential loss; and a randomly selected subset of all respondents was also asked if they were aware of the cooling off period during which a new house and contents policy can be cancelled. The descriptions used for each of these issues, and the responses obtained in 2014, are shown in Table 9.3.a.

- Less than half of those who held insurance (42%) said they were aware that an insurance company could refuse a claim if the policy holder had not accurately answered questions that were relevant to the loss. This result was five points lower than in 2011 (when it was 47%) and 12 points below the 2008 result of 54%. The decrease since 2011 appears to have occurred across most population subgroups although not amongst people aged 60 years or more (but awareness of this issue was already at a low level of 29% in 2011 in this age group and was not significantly changed at 27% in 2014) and those from a non-English speaking background (39% in 2011 and 37% in 2014).

  As in 2011, groups with the lowest awareness in 2014 were still people aged 60 years or more (27%) and those with household incomes of $65,000 or less (33%).

- At 73%, awareness of the cooling off period applicable to house and contents insurance policies did not change significantly from the 2011 result of 74% although it remained higher than the figures obtained in 2008 (68%) and 2005 (65%).

  Young people aged 18 to 24 years (45% not aware versus 27% of the total sample) were the group most likely to have no knowledge of the cooling off period.

Table 9.3.a Awareness of important requirements of insurance products

Insurance rights and responsibilities	**Survey**			
	2005 %	**2008 %**	**2011 %**	**2014 %**
As far as you are aware, can your insurance company refuse your claim because when you took out or renewed the policy you did not accurately answer some specific questions asked by the insurer that were relevant to the loss?				
Base: Have insurance	*(n=2892)*	*(n=3289)*	*(n=3327)*	*(n=3126)*
Yes - claim can be refused	51	54	47	**42 ↓**
No	37	34	41	**45 ↑**
Can't say	12	12	12	**13**
As far as you are aware, is there a cooling off period after taking out a new house and contents insurance policy during which time you can cancel the policy and have your premium fully refunded?				
Base: Total sample	*(n=1756)*	*(n=1162)*	*(n=1163)*	*(n=1132)*
Yes - aware of cooling off period	65	68	74	**73**
No	13	14	10	**12**
Can't say	22	18	16	**15**

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
In each survey, the base is a randomly selected subset of all respondents.

9.4 Acquisition of insurance products

A randomly selected subset of those who had arranged a new building, contents or motor vehicle insurance policy was asked which of the options shown in Table 9.4.a best described their approach when they last chose a new policy. As shown:

- 57% of these respondents said they compared policies offered by different companies, 7% looked at different policies offered by the same company and 33% did not make any comparisons at all; none of these figures differed significantly from the results obtained in 2011.

  As noted in 2011, there continues to be a higher rate of comparison shopping for insurance than for other financial products such as transaction accounts, superannuation funds, retirement income products and financial planning advice. This probably reflects greater price sensitivity and/or lower switching costs when purchasing insurance products.

- Those less likely than average to engage in comparison shopping when buying insurance were females aged 45 years or more (39%; 44% amongst females aged 70 years or more).

Table 9.4.a Comparison shopping for insurance products

Comparison shopping around for building/contents or motor vehicle insurance	**2011 %**	**2014 %**
When you last chose a new building or contents/motor vehicle insurance policy, which of the following best describes what you did? *Base: Have arranged a new building/contents/motor vehicle insurance policy*	*(n=1041)*	*(n=936)*
I considered several policies offered by different companies	55	57
I considered several policies but only from one company	9	7
I didn't consider any other policies apart from the one I chose	34	33
Can't say	2	3
Prompted question. Base: randomly selected subset of eligible respondents.		
What is the main reason you didn't consider any other insurance policies? *Base: Didn't consider any other insurance policies*	*(n=384)*	*(n=307)*
Already have relationship with/happy with provider	37	34
Just renewed existing policy	23	22
Take someone else's advice		
Go with what is recommended by friend/family member	9	8
Go with what is recommended by financial expert	7	7
Lack of time/interest		
Couldn't be bothered	10	13
Don't have the time	8	5
"They're all the same"	3	2
Too difficult to make comparisons	4	4
All other reasons	3	5
Unsure/Can't recall	3	5
Unprompted question, multiple responses allowed.		

- Reasons for not considering any policies other than the one selected are also shown in Table 9.4.a. Again, no significant changes were evident in comparison to the 2011 results with the reasons mentioned most often in 2014 being:
  - Already having a satisfactory relationship with an insurance provider (34%);
  - Just renewing the existing policy without considering any alternatives (22%);
  - Lack of time or interest (13% couldn't be bothered; 5% didn't have the time); and
  - Accepting the recommendation of a financial expert (7%), friend or family member (8%).

All those with insurance were asked what factors they took into account when **first** taking out an insurance policy other than life insurance and secondly, what factors they considered when **renewing** an insurance policy other than life insurance.

Of interest here, given that under-insurance continues to be regarded as a problem in the Australian community[64], was the extent to which "*level of cover*" was mentioned as a consideration and whether any changes have occurred in the profile of this issue in people's purchase decisions for insurance products. As shown in Table 9.4.b, the factors people were most likely to consider when **first** taking out a policy were:

- The level of cover needed; 45% (not significantly different from the 2011 or 2008 figures of 45% and 47% respectively) of those with insurance mentioned this as a consideration.

  Least likely to mention the level of cover as a consideration were people aged 70 years or more (38%, up from 32% in 2011), 18 to 24 year olds (38%) and people with household incomes of less than $25,000 (35%); neither of the last two results differed significantly from those obtained in 2011.

Table 9.4.b Considerations when first taking out an insurance policy

Considerations when opening a new insurance policy	Survey 2008 %	Survey 2011 %	Survey 2014 %
What factors do you take into consideration when FIRST taking out or setting up an insurance policy other than life insurance? *Base: Have insurance other than life insurance*	*(n=3304)*	*(n=3350)*	*(n=3168)*
Net: Level of cover	***47***	***45***	***45***
The level of cover - general	41	38	41
The level of cover to make sure you're not under-insured	15	12	12
Pricing/Deal			
The premium / Fee	56	56	54
Value for money/best deal	3	2	3
Bonus/rewards for staying with company	1	1	1
Nature of the policy			
The excess	15	21	19
Benefits included	14	11	12
Offers replacement value or market value	1	1	1
Provider's reputation			
Brand or reputation of the supplier	20	15	13 ↓
Trustworthy, stable company	1	2	1
Recommendation of family, friends	1	1	1
Experience of dealing with the company	1	<1	1
Service quality			
Easy to make premium payments (direct debit, monthly, etc)	2	2	1
Standard of customer service	2	5	5
Easy to make claims	2	<1	1
Other considerations			
Current level of income and/or debt	-	1	3 ↑
Is the policy needed/necessary	2	1	3 ↑
All other considerations	5	6	7
None, don't consider any	4	4	5
Unsure/Can't recall	8	7	9

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed.

[64] See for example, discussion in the *Financial System Inquiry Final Report*, pp227-232, November 2014.

- Apart from the level of cover, other frequently mentioned considerations were the premium/fee (54%), the nature of the policy including the benefits offered (12%), the size of any excess (19%) and the reputation of the insurer (13%, down slightly from 15% in 2011).
- Slight increases were also noted in mentions of the current level of income or debt (up from 1% to 3%), probably in relation to income protection insurance, and consideration as to whether or not the policy was really needed (up from 1% to 3%).

When asked about the factors taken into account when **renewing** an insurance policy:

- Mention of the level of cover was 26%; 23% making a general comment about this and 8% specifically mentioning "*making sure you're not under-insured*" (see Table 9.4.c); neither result differed significantly from those obtained in 2011 with mention of level of cover remaining below the 30% figure obtained in 2008.

  Once again, young people (16% of 18 to 24 year olds), older people (24% of those aged 70 years plus) and those with household incomes of $25,000 or less (19%) as well as people working in lower blue collar occupations (16%) were the least likely to consider the level of cover when renewing an insurance policy. All of these figures were consistent with the results obtained in 2011.
- Other considerations included the premium/fee which was the factor mentioned most often (49%) and the size of the excess (at 13% it was slightly below the 2011 result of 16%). There also appeared to be slightly more focus on value for money in 2014 (up from 4% in 2011 to 8%) while slight increases since 2011 were also evident in mentions of benefits included in the policy (up from 7% to 9%), changes to what the policy covers (up from 2% to 4%) and the current level of income and/or debt (up from 1% to 3%).

Table 9.4.c Considerations when renewing an insurance policy

Considerations when renewing an insurance policy	Survey 2008 %	2011 %	2014 %
And what factors do you take into consideration when RENEWING an insurance policy other than life insurance? *Base: Have insurance other than life insurance*	*(n=3304)*	*(n=3350)*	*(n=3168)*
Level of cover	***30***	***27***	***26***
The level of cover - general	24	22	23
The level of cover to make sure you're not under-insured	12	8	8
Pricing/Deal			
The premium / Fee	49	51	49
Value for money/best deal	6	4	8 ↑
Bonus/rewards for staying with company	1	1	1
Nature of the policy			
Benefits included	11	7	9 ↑
The excess	11	16	13 ↓
Any changes to what the policy covers	2	2	4 ↑
Whether policy offers replacement value or market value	<1	<1	1
Provider's reputation			
Brand or reputation of the supplier	11	9	8
Trustworthy, stable company	1	<1	1
Recommendation of family, friends	-	-	-
Experience of dealing with the company	3	2	2
Service quality			
Standard of customer service	11	8	7
Easy to make premium payments (direct debit, monthly, etc)	1	1	<1
Easy to make claims	1	1	<1
Ease of renewal process	1	<1	1
Other considerations			
Date for policy renewal	2	1	2
Current level of income and/or debt	-	1	3 ↑
Is the policy needed/necessary	2	1	2
All other considerations	3	4	3
None, don't consider any	13	11	12
Unsure/Can't recall	7	8	9

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed.

Section 10 Consumer Rights and Responsibilities

10.1 Introduction and key findings

Awareness of one's rights and responsibilities as a consumer of financial products and services is an important aspect of financial literacy. This section of the report examines consumers' knowledge of their rights and responsibilities in several different areas and looks at how people said they would handle complaints against a provider of financial services.

Key findings

Awareness of rights and responsibilities

In general consumers continued to exhibit high awareness of their basic rights and responsibilities in relation to financial products and services. Since 2011 however there has been no improvement (and in some cases a slight decline) for a number of the more vulnerable subgroups on most of these measures. Thus:

- Almost all respondents (94%) agreed that providers of financial products and services have a legal duty to provide clear information to consumers, although agreement was slightly lower amongst those from non-English speaking (90%) or Aboriginal and Torres Strait Islander (85%) backgrounds.
- Similarly, most (93%) agreed that consumers have a duty of honest disclosure when taking out a financial service or product.
- Awareness was lower when it came to the issue of liability for any lost money if card and PIN had been kept together in a stolen wallet:
    - 78% were aware that the card holder is solely responsible in this situation, down by three points since 2011 and by 11 points since 2002.
    - Since 2011 decreased awareness of the correct response has been particularly noticeable amongst 18 to 24 years olds (down from 85% to 77%) and those people with household incomes of $65,000 or less (down from 80% to 75%). The correct response also remained below average amongst those aged 70 years or more (72%).

Complaints

- 65% of respondents said they were confident or very confident they would know how to make an effective complaint against a bank or other financial institution; not significantly different from 68% who felt this way in 2011.
- Although still the most common response, mention of an industry ombudsman as someone they would contact if they were unable to resolve financial product difficulties with the provider fell significantly from 46% in 2011 to 38% in 2014. This decrease was particularly evident amongst those "confident" they knew how to make an effective complaint (down by 10 points to 44%) with members of this group now more likely to turn to family and friends for advice (up 5 points to 15% in 2014).

  Hence, while consumers' confidence in dealing with bank or financial institution problems has remained relatively stable over the last 3 years, the profile of the industry ombudsman as a source of assistance has declined amongst those who feel they know how to complain effectively about such issues.

Informed decision making

- Most respondents (84%) agreed they felt well informed when making financial decisions. However, a notable decrease was evident amongst those with substantial debts of $300,000 or more (down from 91% to 85%) although, as in 2011, the lowest levels of agreement were still to be found amongst young women aged 18 to 24 years, single parents, people with low household incomes below $25,000 and those with less than $2,000 in savings and investments.

10.2 Knowledge of consumer rights and responsibilities

This section looks at consumers' awareness of their rights, responsibilities and protections as they relate to financial services.

10.2.1 Awareness of providers' responsibilities

Table 10.2.a summarises consumers' awareness of the duty of providers of financial services to provide them with clear information. As shown:

- In 2014 most respondents (94%) agreed that "*providers of financial products and services have a legal duty to provide clear information to consumers*".

  Compared to 2011, overall agreement was slightly lower although it remained at a very high level. Respondents were however, less likely to express strong agreement (34% versus 44%) with this statement in 2014.

- While relatively slight in absolute terms, statistically significant decreases in overall agreement were present amongst younger females (down from 97% to 92% amongst women aged under 35 years) and those with lower household incomes of $65,000 per annum or less (down from 95% to 93%). Overall agreement also remained at below average levels amongst people from non-English speaking (90%) or Aboriginal and Torres Strait Islander (85%) backgrounds.

Table 10.2.a Providers' responsibilities and consumer protection

Awareness of providers' responsibilities and consumer protections	Survey			
	2005 %	2008 %	2011 %	2014 %
Providers of financial products and services have a legal duty to provide clear information to consumers				
Base: Total sample	*(n=1756)*	*(n=3500)*	*(n=3502)*	*(n=3400)*
Strongly agree	47	55	44	34 ↓
Agree	47	40	52	60 ↑
Net: "Agree"	**94**	**95**	**96**	**94** ↓
Strongly disagree	2	1	1	1
Disagree	3	2	2	4 ↑
Net: "Disagree"	**5**	**3**	**3**	**5** ↑
Can't say	1	2	1	1

Prompted question
Base: Randomly selected subset of respondents for 2005, all respondents for 2008, 2011 and 2014.

10.2.2 Awareness of consumers' responsibilities

Awareness of consumers' responsibilities

Consumers' awareness of their responsibilities as users of financial products and services was tested by asking all respondents:

- If they agreed or disagreed with the statement "*consumers have a duty of honest disclosure when taking out a financial service or product and may face penalties for not doing so*"; and
- Who they thought was liable for the lost money in a scenario where both debit card and PIN had been kept together in a stolen wallet.

Results for each of these statements are shown in Table 10.2.b.

- Most (93%) agreed they have a duty of honest disclosure when taking out financial products or services (27% strongly agree, 66% agree). This result was not significantly different from 2011 when 94% of respondents agreed with this statement. However, there has been a decrease in the proportion who agreed strongly with the statement (down from 33% to 27%).
- 78% were aware the card holder is solely responsible for lost money if PIN and card have been kept together. This was lower than in 2011 (81%) and was down 11 points on the 2002 figure of 89%. Decreased awareness since 2011 was particularly evident amongst young people (down from 85% to 77% amongst 18 to 24 year olds) and people with lower household incomes of (down from 80% to 75% amongst those with household incomes of $65,000 or less).

  In addition, awareness of the correct response remained at a low level amongst older people (72% amongst those aged 70 years or more in 2014).

Table 10.2.b Awareness of consumers' responsibilities

Awareness of consumers' responsibilities *Base: Total sample*	**Survey**				
	2002 *(n=1767)* **%**	**2005** *(n=1756)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
Consumers have a duty of honest disclosure when taking out a financial service or product and may face penalties for not doing so					
Strongly agree	na	32	37	33	27 ↓
Agree	na	62	56	61	66 ↑
Net: "Agree"	**na**	**94**	**93**	**94**	**93**
Strongly disagree	na	1	1	1	<1
Disagree	na	3	3	3	3
Net: "Disagree"	**na**	**4**	**4**	**4**	**4**
Can't say	na	2	3	2	3
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$). Prompted question. Question not asked in 2002. Base: Randomly selected subset of respondents for 2005, all respondents for 2008, 2011 and 2014.					
A person keeps their PIN number on a piece of paper in their wallet, along with their ATM or bank card. If the wallet is stolen and the card and PIN number are used to take money from an account, who is liable for the lost money?					
Card holder only	89	88	87	81	78 ↓
Both the bank and the card holder in equal part	5	6	6	11	12
The bank only	2	3	3	4	5
Can't say	4	3	4	4	5
Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$). Prompted question. Base: Randomly selected subset of respondents for 2002 and 2005, all respondents for 2008, 2011 and 2014.					

10.2.3 Complaints

When problems are experienced with a bank or other financial institution, it is important that consumers feel they are able to make an effective complaint. As shown in Table 10.2.c:

- Two-thirds of respondents (65%) were confident they would know how to make an effective complaint against a bank or financial institution.

  This is not significantly different from the 2011 result of 68%, nor from the 2008 figure of 63%. It does however, remain above the results obtained in 2005 (58%) and 2002 (59%).

Table 10.2.c Confidence in making an effective complaint against a bank or other financial institution.

Problems when dealing with a bank or financial institution	Survey				
	2002 %	2005 %	2008 %	2011 %	2014 %
How confident are you that you would know how to make an effective complaint against a bank or financial institution? *Base: Total sample*	*(n=1767)*	*(n=1756)*	*(n=1205)*	*(n=1163)*	*(n=1132)*
Very confident	19	21	22	26	25
Fairly confident	40	37	41	42	40
Net: "Confident"	**59**	**58**	**63**	**68**	**65**
Not very confident	29	27	24	24	22
Not at all confident	11	12	12	8	10
Net: "Not confident"	**40**	**39**	**36**	**32**	**32**
Can't say	2	2	1	-	3

Prompted question
Base: Randomly selected subset of respondents.

Respondents was also asked who they would contact if they experienced difficulties with a financial product which they were unable to resolve with the provider. As shown in Table 10.2.e:

- As in previous years, the most common response was still to contact an industry ombudsman (38%), although this was down from 46% in 2011 and is now back to the 2008 level; followed by a Government organisation like Consumer Affairs or ASIC (20%).

  In addition, at least one in 10 of these respondents mentioned professional advisers such as a solicitor (11%) or a financial adviser or accountant (13%); while 17% percent said they would seek assistance from family or friends (up from 12% in 2011).

- Those "confident" they knew how to make an effective complaint (65% of the sample) were more likely to mention contacting an industry ombudsman (44%, although this was down from 54% in 2011) or a government organisation like Consumer Affairs or ASIC (23%, unchanged from 23% in 2011).

- By contrast, amongst those who were "not at all confident" about making such a complaint, 30% said they didn't know who they would complain to (down from 46% in 2011) while 36% said they would turn to family or friends (up from 10% in 2011). At the same time, the proportion of this group who mentioned an industry ombudsman has not changed significantly since the previous survey (23% in 2014 and 21% in 2011).

Hence, while consumers' confidence in dealing with bank or financial institution problems has remained relatively stable over the last 3 years, the profile of the industry ombudsman as a source of assistance has declined amongst those who feel they know how to complain effectively about such issues.

Table 10.2.d Who would be contacted if difficulties could not be resolved with the provider of the financial product or service

Complaint resolution	Survey		
	2008 %	2011 %	2014 %
If you experienced difficulty with a financial product like a credit card, loan, insurance policy, superannuation or financial planner that you were unable to resolve with the provider of that service, who would you contact or talk to? *Base: Total sample*	*(n=1205)*	*(n=1163)*	*(n=1132)*
Industry ombudsman/ombudsman	36	46	38 ↓
Government organisation like Consumer Affairs, ASIC	26	20	20
Solicitor or lawyer	14	10	11
Financial adviser/accountant	13	13	13
Family or friends	13	12	17 ↑
Industry/professional association	5	3	3
Bank manager	5	3	4
Dept of fair trading	1	2	1
Provider	1	2	4 ↑
Local MP	1	1	1
Unsure	17	15	16

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Unprompted question, multiple responses allowed.
Base: Randomly selected subset of respondents.

10.2.4 Informed financial decision making

To assess the extent to which people feel they make informed financial decisions, all respondents were asked if they agreed or disagreed with the statement "*you generally feel well informed when making financial decisions*". As shown in Table 10.2.e:

- The great majority (84%) agreed with this proposition although there has been a slight decrease on the 2011 result (when agreement was at 87%).
- Decreases since 2011 were most evident amongst those with higher levels of debt (down from 91% in 2011 to 85% in 2014 amongst those with total debts of $300,000 or more). At the same time, feeling well informed about financial decisions continued to be higher amongst males (86% versus 82% amongst females), older people (87% of those aged 60 years or over), those with a university education (88%), those with higher levels of savings and investments (90% amongst those with $100,000 or more in savings and investments) and those with higher household incomes (88% amongst those with annual household incomes of $150,000 or more).

  Confidence in making informed financial decisions was notably below average amongst females aged 18 to 24 years (71%), single parents (78%), people with less than $2,000 in savings and investments (79%) and those with relatively low household incomes below $25,000 (76%).

Table 10.2.e How well informed consumers feel when making financial decisions

Informed Consumer *Base: Total sample*	**Survey**			
	2005 *(n=1756)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**	**2014** *(n=3400)* **%**
You generally feel well informed when making financial decisions				
Strongly agree	18	20	16	12 ↓
Agree	66	65	71	72
Net: "Agree"	**84**	**85**	**87**	**84 ↓**
Strongly disagree	2	2	1	1
Disagree	12	11	11	13 ↑
Net: "Disagree"	**14**	**13**	**12**	**14 ↑**
Can't say	2	2	1	2

Arrows show results that are significantly higher or lower than those obtained in the 2011 survey ($p < 0.05$).
Prompted question
Base: Randomly selected subset of respondents for 2005, all respondents for 2008, 2011 and 2014.

Section 11 Online banking and financial management

11.1 Introduction and key findings

The past few years have not only seen rapid growth in use of the internet for such financial services as online banking and obtaining information about financial products but also rapidly increasing use of mobile devices such as mobile phones and tablets to carry out these tasks. Hence, this section of the report examines the use of the internet and mobile devices for online banking and to compare financial products.

Key findings

Use of online banking

- 86% of internet users (75% of the total sample) used online banking. This was done most often via a desktop or notebook computer (78% of internet users) followed by using a mobile banking app on a mobile device (50% of internet users) and then via the internet browser on a mobile device (42% of internet users). One in three (33%) internet users had used all three methods to access online banking.

  Use of online banking was relatively low amongst older people; 69% of internet users aged 60 years or more availed themselves of this service, a figure which fell to 57% amongst female internet users aged 70 years or more.

- 94% of 18 to 54 year olds used the internet and, of these only 9% (8% of the entire age group) did not use online banking. Over-represented in this non-user group were those living outside Australia's capital cities, those whose main source of income was a government benefit or allowance, those whose formal education did not go beyond Year 10 and those from an Aboriginal and Torres Strait Islander background.

Use of the internet for comparing financial products

- 46% of internet users (40% of all respondents) had used a website, online calculator or mobile app to compare financial products. This was particularly the case amongst males, 25 to 44 year olds, people with formal post-secondary education and those with higher household incomes.
- In addition:
  - 15% of internet users had made online comparisons of financial products while 'out of home', particularly 25 to 44 year olds, people with a university degree and those with high household incomes.
  - In terms of specific websites used to make comparisons of financial products, 30% of internet users had used a financial institution website; 16% the ACA website; 15% a product rating agency like CanStar; and 10% had used a government website like ASIC's Money Smart.

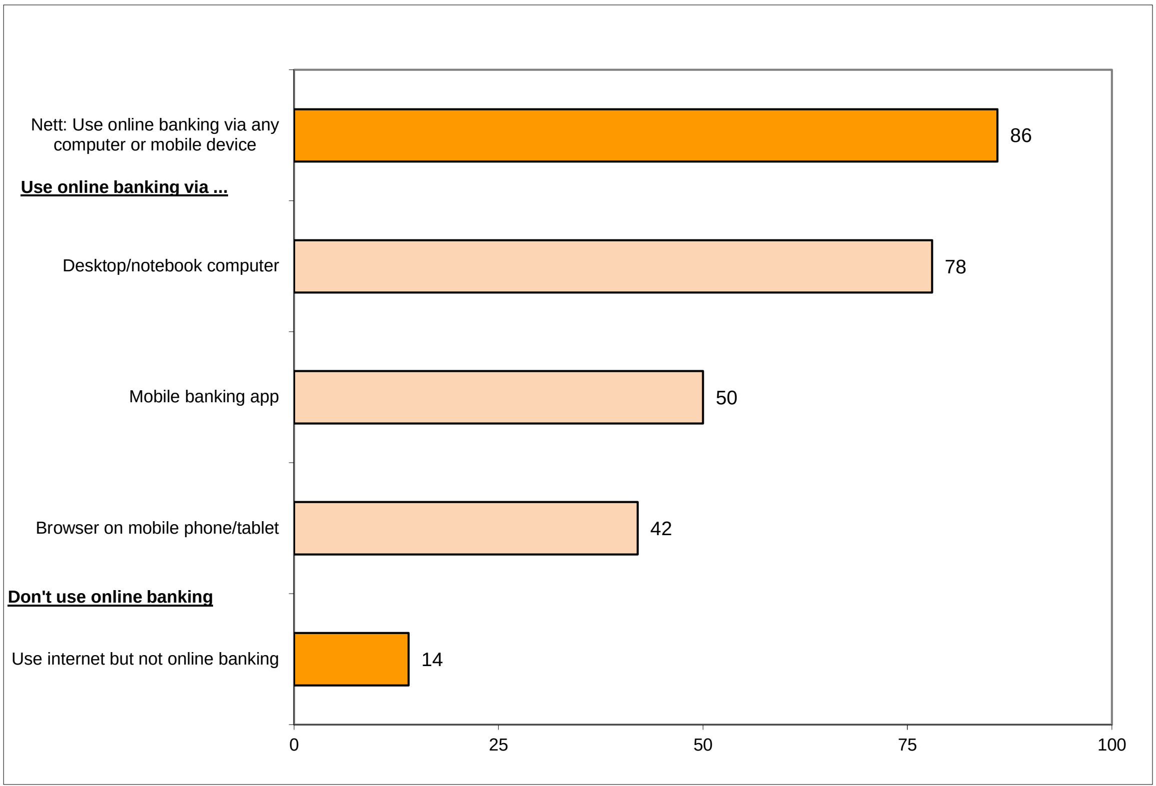
11.2 Online banking

All respondents were asked if they ever used the internet at all for any purpose. Eighty-seven percent said they did so with levels of internet use below average amongst older people (55% amongst those aged 70 years or more) and those with relatively low household incomes (64% amongst those with household incomes below $25,000).

Those who made any use of the internet were asked if they ever did any of their banking using the methods listed in Figure 11.2.a. It is evident that:

- 14% of internet users did not use any online banking services; thus, 86% of internet users (75% of the total sample[65]) conducted some of their banking online using a computer or mobile device.
- The most common method of gaining access to online banking was by using the internet through a browser on a desktop or mobile computer (78% of all internet users; 85% of those internet users under 35 years of age). This was followed by using a mobile banking app (50%; 73% of under 35s) and then by using the internet browser on a mobile device (42%; 58% of under 35s).
- It is apparent from these results that a number of respondents are using more than one of these methods to access online banking; in fact, 33% of internet users (47% of internet users aged under 35 years) were using all three methods to do this. Use of all three methods was also higher amongst those with relatively high personal incomes of $80,000 or more and amongst those employed in upper white collar occupations (42% for internet users in both of these groups).

Figure 11.2.a Use of online banking



Base: All internet users (2014: n=2,863).
Question: [IF use the internet at all for any purpose] And do you ever do any of your banking … [Read out internet banking methods shown in graph]

[65] Some use internet banking without using it to pay for goods and services (eg: it might be only used for checking account balances). Consequently, the results shown here do not necessarily match exactly with those shown earlier in Table 3.2a.

Given that online banking is relatively cost-effective compared to other channels, particularly in-branch banking, those who do not use it may be at something of a disadvantage insofar as their financial transacting behaviour is concerned. Hence, the subgroups where use is at a low level are of interest here.

However, older people are comparatively light users of both the internet in general (69% of all respondents aged 60 years or more used the internet for any purpose) and of online banking in particular (69% of internet users in this age group make some use of online banking). Consequently, we have analysed online banking behaviour in this age group separately from younger people; otherwise, the characteristics of older people tend to dominate the profile of non-users of online banking services.

Non-users of online banking aged 60 years or more

With that in mind, of all internet users aged 60 years or more:

- 69% used online banking (63% via desktop/notebook computer; 19% via an internet browser on a mobile device; 15% via a mobile banking app) and 31% did not.
- Amongst internet users in this age group, non-use of online banking was higher amongst females (34% versus males 27%), particularly women aged 70 years or more (43% compared with 35% of males in this age group). Non-use was also higher amongst those whose formal education did not go beyond Year 10 (44%) and those with relatively low household incomes (39% amongst those with annual household incomes below $25,000).

Non-users of online banking aged 18 to 54 years

Most people (94%) aged 18 to 54 years made some use of the internet. Of these 18 to 54 year old internet users, 91% used online banking services (83% via desktop/notebook computer; 50% via an internet browser on a mobile device; 62% via a mobile banking app) and 9% did not.

Of all internet users in this age group, non-users of online banking were over-represented amongst:

- People aged 45 to 54 years (14%)
- People living outside Australia's capital cities (12%)
- People from an Aboriginal and Torres Strait Islander background (20%)
- People whose formal education did not go beyond Year 10 (23%)
- Those with household incomes of $65,000 or less (11%) and those whose main source of income was a Government benefit or allowance (18%).

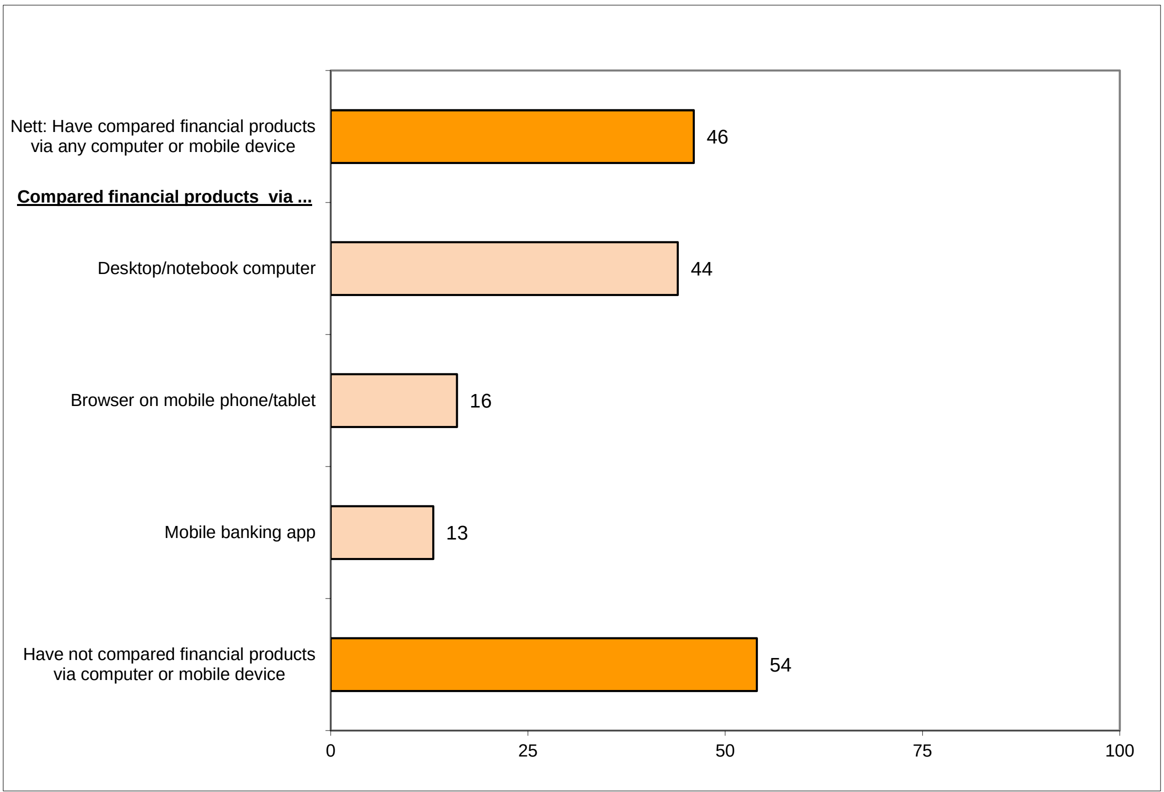
Thus, groups experiencing some level of disadvantage in such areas as educational attainment, dependence on Government financial support and living outside the capital cities are over-represented amongst those who do not use online banking facilities.

11.3 Use of the internet for comparing financial products

A randomly selected subset of internet users was asked if they had ever used a website, online calculator or mobile app to compare financial products. Those who had done so were asked what methods they had used to make these comparisons. As shown in Figure 11.3.a:

- 46% of internet users (40% of the total population) had compared financial products in this way.
- Males (51%) were more likely to have done this than females (42%) as were people aged from 25 to 44 years (55% versus 42% of those aged 45 years or more and 40% of 18 to 24 year olds), those with formal post-secondary education (52%) and those with higher levels of household income (56% amongst those with household incomes above $65,000; 67% for those with household incomes of $150,000 or more).

Figure 11.3.a Use of the internet to compare financial products



Base: Randomly selected subset of internet users(2014: n=965).
Questions:
Have you ever used a web-site, online calculator or mobile app to compare financial products like loans, savings accounts, term deposits, credit cards or insurance?
[IF YES] Which of these methods have you used to make these comparisons? … [Read out methods shown in graph]

Table 11.3.a provides further detail on how online comparisons of financial products were being made. Two issues were considered:

- The extent to which internet users made 'out of home' comparisons of financial products, and
- Secondly, the extent to which specific types of websites were used to compare financial products.

Looking at the first of these issues, it is evident from Table 11.3.a that 15% of internet users said they had compared financial products over the internet while in an 'out of home' situation like a "*bank branch or while shopping for something like an appliance, car or new house*". This behaviour was encountered most often amongst people aged 25 to 44 years (21%), those with a university degree (21%) and people with higher household incomes (27% amongst those with household incomes of $150,000 or more).

Insofar as accessing particular types of website to compare financial products; 30% of internet users had made comparisons on a financial institution website; 16% on the ACA website; 15% had used a financial products rating agency site; and 10% had used a website run by "*a government body like ASIC*".

Table 11.3.a Comparison of financial products 'out of home' and on specific sites

Financial product comparisons 'out of home' and using specific web-sites	**2014 %**
And have you ever compared financial products in any of these ways while you were in a bank branch, or while you were actually shopping for something like an appliance, a car or even a new house?	
Base: Internet users	*(n=688)*
Have made comparisons 'out of home'	15
Have made comparisons but not 'out of home'	32
Unsure/Can't recall	<1
Base: Randomly selected subset of all respondents *Note: this question was modified during fieldwork and as a result was not asked of all eligible respondents.*	
Have you ever compared financial products using websites run by…?	
Base: Internet users	*(n=965)*
A financial product rating agency like CanStar, InfoChoice, RateCity or SuperRatings	15
The Australian Consumers' Association – that is, the Choice magazine or website	16
A government body like ASIC (eg: MoneySmart)	10
A financial institution like a bank, credit union, insurance or superannuation company	30
Unsure/Can't recall	8
Base: Randomly selected subset of all respondents *Prompted question, multiple responses allowed*	

Section 12 Financial Attitudes and Financial Knowledge and Numeracy

12.1 Introduction and key findings

This section provides an overview of the results for the measures of financial knowledge and numeracy and financial attitudes used in the 2014 survey. It should be noted that several of these measures (that is, the importance of short and long-term financial planning and the ability to manage despite a loss of income) have been reported earlier in this document and are included here for completeness. The attitude statements have been grouped into the four broad financial attitudinal themes mentioned in Section 2.

Key findings

Financial Knowledge and Numeracy

- Below average scores on the summary measure of *financial knowledge and numeracy* were evident amongst several socio-demographic subgroups including females; under 25's and people aged 65 years or more; those with no formal education beyond Year 10; and those from non-English speaking or Aboriginal and Torres Strait Islander backgrounds.
- Socio-economic subgroups where below average scores were evident included residents of areas of greatest relative socio-economic disadvantage (SEIFA group 1), those working in lower blue collar occupations, unemployed people, those whose main source of income was a Government benefit or payment, people from households with relatively low incomes of less than $25,000 per annum, people with less than $2,000 in savings and investments and people with less than $2,000 in debt.

Financial Attitudes

- There was widespread disagreement with the measures that make up ***financial self-efficacy***; that is with the views that financial planning is only important for those with a lot of money and that personal activity won't make much difference to one's financial future. A majority also disagreed with the motivational statements associated with a short term focus on the future. That is, most people expressed points of view on these issues that were consistent with relatively high perceived *financial self-efficacy*.

  High scores on this attitude were most often found amongst those with higher household and/or personal incomes, those working in upper white collar occupations, people with a university education, those with a mortgage of $300,000 or more, those with $100,000 or more in savings and investments and people managing their own superannuation fund.
- The measures used to define the attitude ***dealing with money is stressful*** were those associated with general perceptions that this was the case, even when things were going well financially; limited confidence in the ability to manage for very long in the event of a major loss of income; and hesitation in spending money other than on necessities.

  This attitude was most often found amongst females under 45 years of age, people working in lower blue or middle/lower white collar occupations, unemployed workers, those with no formal post-secondary education and people from Aboriginal and Torres Strait Islander backgrounds. Other subgroups with higher levels of this attitude included people with total savings and investments of less than $2,000 and people with household incomes of $65,000 or less who had dependent children (both couples and single parents) and/or a mortgage of $300,000 or more.

- ***Impulsivity*** was associated with a high scores on the *impulsivity* motivational trait; a propensity for risk-taking in financial matters; a preference for use of credit; and an interest in impressing others with purchases. Based on agreement with these statements slightly less than one in five respondents exhibited a relatively level of *impulsivity*.

  Higher levels of *impulsivity* were found most often amongst males under 45 years of age, people from households using a language other than English, people working in blue collar occupations, students, people with annual household incomes of $100,000 or more, those with $300,000 or more in total debt and those managing their own superannuation fund.

- ***Financial aspiration*** was associated with an achievement orientation; and acknowledgement of the importance of long and short term financial planning, staying informed about financial matters and being open to financial advice from parents and financial professionals.

  Higher scores on this attitudinal measure were most likely to be found amongst younger people under 35 years of age, particularly males in this age group. Other groups with above average scores included those from a non-English speaking background, people with a university degree, people employed in white collar occupations, those with household incomes of $150,000 or more, $100,000 or more in savings and investments, those with $300,000 or more in outstanding debt and those managing their own superannuation fund.

12.2 Financial Knowledge and Numeracy

As discussed in Section 2 a number of variables were combined into a single summary measure of people's ***financial knowledge and numeracy*** (Appendix 1, p117 lists the variables used and provides more detail on how they were combined). This summary measure was similar to the concept of Financial Literacy as it was defined in the 2002, 2005 and 2008 surveys. Tables 11.3a and 11.3b provide an overview of the average scores on this measure for the total sample and for key socio-demographic subgroups.

It should be noted that the scores shown in the following tables are not percentages; they are the means from a distribution of financial knowledge and numeracy scores that range from a low score of -41 to a high score of +157.

Key points from Table 12.2.a include the following:

- The lowest scores on this measure were found amongst young adults aged 18-24 years (mean score of 75.1) and older people aged 65 years or more (mean score of 75.3).
- Females (86.0) have lower scores than males (93.6) and, on an age/gender basis the lowest scores on financial knowledge/numeracy are to be found amongst females aged 65 years or over (69.5).

Table 12.2.a Financial Knowledge/Numeracy and selected demographic characteristics

Financial Knowledge/Numeracy and demographic/ geographic subgroups	2014 Subgroup Mean	Financial Knowledge/Numeracy and demographic/ geographic subgroups	2014 Subgroup Mean
Total Sample	89.8	Total Sample	89.8
Age group		***Highest level of education completed***	
18-24 years	75.1 ↓	Year 10 or less	75.2 ↓
25-34 years	92.9	Year 11/12	81.8 ↓
35-44 years	97.8 ↑	Trade/TAFE/Diploma	96.0 ↑
45-54 years	100.4 ↑	University	103.2 ↑
55-64 years	96.6 ↑	***Language spoken at home***	
65 years or over	75.3 ↓	English	92.3 ↑
Age by Gender		Other language	79.1 ↓
Males	**93.6 ↑**	***ATSI background***	
18-24 years	76.7 ↓	Yes	72.8 ↓
25-34 years	96.4 ↑	No	90.3
35-44 years	102.1 ↑	***Geographic - place of residence***	
45-54 years	106.2 ↑	Capital city	90.1
55-64 years	100.8 ↑	Non-capital city	89.1
65 years or over	82.3 ↓	***ARIA classification***	
Females	**86.0 ↓**	Major cities	89.9
18-24 years	72.9 ↓	Inner regional	89.6
25-34 years	88.0	Outer regional	90.8
35-44 years	94.5 ↑	Remote/Very remote areas	81.9
45-54 years	96.0 ↑		
55-64 years	92.6		
65 years or over	69.5 ↓		

Arrows show scores which are significantly higher or lower than the total sample score (p<0.05)

- Other groups where low scores on financial knowledge/numeracy were found included those without formal post-secondary education especially people whose formal education did not go beyond Year 10 (mean score of 75.2), those from households which use a language other than English (79.1) and those from Aboriginal and Torres Strait Islander backgrounds (72.8).

Amongst the socio-economic subgroups shown in Table 12.2.b, relatively low financial knowledge/numeracy scores were evident amongst:

- Residents of areas with the greatest relative socio-economic disadvantage (SEIFA group 1; 82.0), those working in lower blue collar occupations (79.6), unemployed people (77.3), those whose main source of income is a Government benefit or payment (69.7); and

  From a financial perspective, amongst people from households with relatively low incomes of less than $25,000 per annum (74.5), people with less than $2,000 in savings and investments (77.9) and people with less than $2,000 in debt (83.0).

Table 12.2.b Financial Knowledge/Numeracy and selected socio-economic characteristics

Financial Knowledge/Numeracy and socio-economic subgroups	2014 Subgroup Mean	Financial Knowledge/Numeracy and socio-economic subgroups	2014 Subgroup Mean
Total Sample	89.8	Total Sample	89.8
SEIFA classificaton (Index of Relative Socio-economic Disadvantage)		***Gross annual household income***	
SEIFA group 1 (greatest disadvantage)	82.0 ↓	Less than $25,000	74.5 ↓
SEIFA group 2	87.2	$25,000-$65,000	79.2 ↓
SEIFA group 3	88.9	$65,001-$99,999	97.6 ↑
SEIFA group 4	90.2	$100,000 or more	104.5 ↑
SEIFA group 5 (least disadvantage)	97.0 ↑	***Estimated value of all savings and investments***	
Current occupation type		Less than $2,000	77.9 ↓
Upper white collar	106.5 ↑	$2,000-$19,999	91.8
Middle/lower white collar	93.6 ↑	$20,000-$99,999	98.8 ↑
Upper blue collar	91.4	$100,000 or more	107.4 ↑
Lower blue collar	79.6 ↓	***Estimated value of total debt***	
Current main activity		Less than $2,000	83.0 ↓
Paid work	98.0 ↑	$2,000-$19,999	88.5
Home duties	78.9 ↓	$20,000-$99,999	97.7 ↑
Student	79.8 ↓	$100,000-$299,999	103.3 ↑
Retired	81.0 ↓	$300,000 or more	107.7 ↑
Unemployed	77.3 ↓		
Main source of income			
Salary, wages or business income	95.8 ↑		
Goverment benefit or payment	69.7 ↓		
Retired, government benefit	*68.6* ↓		
Retired, other source of income	*92.0*		

Arrows show scores which are significantly higher or lower than the total sample score (p<0.05)

Separate tables for females and males are provided in Appendix 1 (see Table 13.1.b and Table 13.1.c). The same patterns are evident for both genders although at a lower level for women than for men.

12.3 Financial attitudes

Table 12.3.a, Table 12.3.b and Table 12.3.c show the results for the 14 financial attitude and 9 general motivational trait statements used in the 2014 survey. Statements are grouped into the four broad attitudinal themes discussed in Section 2 and have been ordered within each group from those with the highest level of agreement (or disagreement) to those with the least.

- There was widespread disagreement with the measures that make up *financial self-efficacy*; that is with the views that financial planning is only important for those with a lot of money and that personal activity won't make much difference to one's financial future. A majority also disagreed with the motivational statements associated with a short term focus on the future.

  Using the overall *financial self-efficacy* measure as a convenient summary, people most likely to have higher scores in this area included those with higher household incomes and/or personal incomes of $100,000 or more, those working in upper white collar occupations, people with a mortgage of $300,000 or more, those with $100,000 or more in savings and investments, people managing their own superannuation fund and those with a university education.

  Lower levels of *financial self-efficacy* were evident amongst older people, particularly those aged 65 years or more, unemployed people, those with household incomes of $65,000 or less (especially those with household incomes below $25,000), those whose main source of income was a Government payment or benefit, people from a non-English speaking or Aboriginal and Torres Strait Islander background, those whose formal education did not go beyond Year 10, single women and single parents.

Table 12.3.a Financial attitudes – *Financial Self-efficacy* and *Dealing with Money is Stressful*

Financial Attitudes	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Financial self-efficacy							
Financial planning is only important for those who have a lot of money							
2011	3	11	**14**	33	52	**85**	1
2014	3	11	**14**	27	58	**85**	1
Nothing I do will make a big difference to my financial situation							
2011	4	13	**17**	34	47	**81**	2
2014	3	15	**18**	28	51	**79**	3
Short term attitude towards the future (2014 only)							
I only focus on the short term	2	18	**20**	13	66	**79**	1
The future will take care of itself	2	19	**21**	17	60	**77**	2
I live more for the present day than for tomorrow	3	28	**31**	9	58	**67**	2
Dealing with money is stressful							
If I had a major loss of income I could manage for a period of time							
2011	17	59	**76**	7	15	**22**	2
2014	16	61	**77**	5	16	**21**	2
Dealing with money is stressful and overwhelming							
2011	6	27	**33**	10	55	**65**	2
2014	5	29	**34**	9	55	**64**	2
Even when things are going well for me financially, thinking about money stresses me out							
2011	6	30	**36**	10	52	**62**	2
2014	6	31	**37**	8	54	**62**	1
I hesitate to spend money, except on absolute necessities							
2011	11	38	**49**	7	43	**50**	1
2014	9	41	**50**	6	42	**48**	2

Prompted questions. Base: Total Sample (2011: n=3502; 2014: n=3400)

- The measures used to assess the attitude *dealing with money is stressful* were:
  - Those associated with general perceptions that this is the case, even when things are going well financially;
  - Limited confidence in the ability to manage for very long in the event of a major loss of income; and
  - Hesitation in spending money other than on necessities.

  Looking at the overall measure, women were more likely than men to find dealing with money stressful, particularly women under 45 years of age. Other groups more likely than average to find dealing with money stressful included people working in lower blue or middle/lower white collar occupations, people who had not completed formal post-secondary education, those from an Aboriginal and Torres Strait Islander background, those with less than $2,000 in savings and investments, unemployed workers and people with household incomes of $65,000 or less who had children (both single parents and couples) and/or a mortgage of $300,000 or more.

- *Impulsivity* was associated with a high scores on the *impulsivity* motivational trait; a propensity for risk-taking in financial matters; a preference for use of credit; and an interest in impressing others with purchases. Based on agreement with these statements slightly less than one in five respondents exhibited a relatively high level of *impulsivity*.

  Those more likely to have high scores on *impulsivity* included males under 45 years of age, people from households using a language other than English, people working in blue collar occupations, students, people with household incomes of $100,000 or more, people with $300,000 or more in total debt and those who have a SMSF.

Table 12.3.b Financial attitudes – *Impulsivity*

Financial Attitudes	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Impulsivity							
I must admit that I purchase things because I know they will impress others							
2011	1	7	**8**	44	47	**91**	1
2014	1	9	**10**	35	54	**89**	1
Impulsivity (2014 only)							
I do things without giving them much thought	2	14	**16**	16	68	**84**	0
I am impulsive	2	23	**25**	12	60	**72**	3
I say things before I have thought them through	4	28	**32**	9	57	**66**	2
I prefer to buy things on credit than wait and save up							
2011	2	13	**15**	35	47	**82**	3
2014	2	14	**16**	29	52	**81**	3
When it comes to financial matters I think of myself as a bit of a risk taker							
2011	2	16	**18**	19	62	**81**	1
2014	2	19	**21**	13	64	**77**	2

Prompted questions. Base: Total Sample (2011: n=3502; 2014: n=3400)

- *Financial aspiration* was associated with an achievement orientation; acknowledgement of the importance of long and short term financial planning, staying informed about financial matters and being open to financial advice from parents and financial professionals.

  Higher scores on this attitudinal measure were most likely to be found amongst younger people under 35 years of age, particularly males in this age group. Other groups with above average scores included those from a non-English speaking background, people with a university degree, people employed in white collar occupations, those with household incomes of $150,000 or more, those with $100,000 or more in savings and investments, those with $300,000 or more in outstanding debt and those managing their own superannuation fund.

Table 12.3.c Financial attitudes – *Financial aspiration*

Financial Attitudes	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Financial Aspiration							
Achievement Orientation (2014 only)							
I always look out for opportunities for improving my situation	14	71	**85**	1	13	**14**	1
I have many aspirations	11	62	**73**	1	23	**24**	3
I always work hard to be among the best at what I do	23	68	**91**	1	7	**8**	1
It is important to me to have a long-term financial plan							
2011	33	52	**85**	1	12	**13**	2
2014	28	59	**87**	1	11	**12**	1
It is important to me to have a financial plan for the short-term							
2011	23	60	**83**	1	14	**15**	2
2014	20	64	**84**	1	13	**14**	2
I try to stay informed about money matters and finances							
2011	13	64	**77**	2	20	**22**	1
2014	10	63	**73**	2	23	**25**	2
My parents discussed with me how to manage financial matters when I was growing up							
2011	17	42	**59**	12	28	**40**	1
2014	15	43	**58**	10	31	**41**	1
I would trust financial professionals and accept what they recommend / (2014) I would trust a financial professional and accept what they recommend to me.							
2011	3	48	**51**	7	35	**42**	7
2014	3	45	**48**	7	38	**45**	7

Prompted questions. Wording change in 2014 for statement about trust of financial professionals. Base: Total Sample (2011: n=3502; 2014: n=3400)

Details of women's and men's responses to the individual items making up each of the four financial attitudes for 2014 Survey data are provided at Appendix 1 (see Table 13.2.e, Table 13.2.f and Table 13.2.g). Significant differences were most often found amongst the items making up *dealing with money is stressful*, *impulsivity* and *financial aspiration*; that is, the three attitudes that were significantly different between women and men at the overall level (see Figure 3.2.a).

Section 13 Technical details of financial literacy analysis (Appendix 1)

This appendix provides technical details concerning the analysis of the financial literacy model; specifically the calculation of summary measures of financial knowledge/numeracy and financial attitudes as well as a discussion of the development of the financial literacy indices and the regression analyses used to identify the characteristics most useful in explaining high or low scores on them.

13.1 Summary of financial knowledge/numeracy

Composition of the summary measure of financial knowledge and numeracy

A summary measure of people's financial knowledge and numeracy was developed in much the same way as financial literacy was established in the previous surveys. A financial knowledge score was calculated for each respondent based on responses to 21 of the survey questions (shown in Table 13.1.a). Points were allocated (or deducted) according to the responses given and a total financial knowledge/numeracy score was created for each respondent.

To ensure relevance, several of the 21 questions were asked only of subgroups of survey respondents. For example, only those people who had insurance were asked what factors they considered when renewing an insurance policy. Consequently, some respondents could have received a lower total score than others simply because they had answered fewer questions. To overcome this difficulty an average financial knowledge/numeracy score was produced for each respondent. This was calculated by dividing each respondent's total financial knowledge/numeracy score by the number of questions (out of the 21) they were asked.

Table 13.1.a Variables used in creating summary financial knowledge/numeracy scores

Variables used to create summary financial knowledge/numeracy score
NUMERACY
Six questions used to test the basic mathematical operations of addition, subtraction, multiplication and division and understanding of percentage
FINANCIAL UNDERSTANDING AND COMPETENCE
Understanding of risk and the relationship between risk and return
Reaction to investment offering "*a return well above market rates with no risk* "
Is the statement "*an investment with a high return is likely to have higher than average risks"* true or false?
Understanding the importance of diversification when investing over a timeframe of 5 years or more
Understanding that fluctuations in market value occur even with good investments
Understanding the main features of basic financial services
Factors considered when FIRST taking out an insurance policy
Factors considered when RENEWING an insurance policy
Awareness of the responsibility for debt incurred on a credit card by a secondary card holder
Awareness of the responsibility for repayment of a jointly held loan
Understanding of superannuation
Awareness that employers are legally required to make super payments for their employees
Awareness that employees can make additional super payments to those of their employer
Awareness of the best indication of superannuation fund performance
AWARENESS OF FINANCIAL RESPONSIBILITIES
Understanding consumer rights and responsibilities
Awareness providers of financial products and services have a legal duty to provide clear information to consumers
Awareness that an insurer can refuse a claim if relevant questions are not answered accurately
Awareness that consumers have a duty of honest disclosure when obtaining financial products or services
Awareness of responsibility for loss of money if PIN is kept with ATM/Bank card

Financial knowledge and numeracy – females/males

The following tables provide details of financial literacy and numeracy amongst females and male subgroups. Arrows indicate results which are above or below the figures for all females (86.0)/all males (93.6).

Table 13.1.b Financial knowledge/numeracy by selected characteristics – females/males

Financial Knowledge/Numeracy and demographic/ geographic subgroups	2014 Subgroup Means		Financial Knowledge/Numeracy and socio-economic subgroups	2014 Subgroup Means	
	Females	Males		Females	Males
Total Sample	86.0	93.6	Total Sample	86.0	93.6
Age group			***SEIFA classificaton (Index of Relative Socio-economic Disadvantage)***		
18-24 years	72.9 ↓	76.7 ↓	SEIFA group 1 (greatest disadvantage)	79.0 ↓	85.5 ↓
25-34 years	88.0	96.4	SEIFA group 2	84.1	90.5
35-44 years	94.5 ↑	102.1 ↑	SEIFA group 3	83.1	94.9
45-54 years	96.0 ↑	106.2 ↑	SEIFA group 4	87.1	93.4
55-64 years	92.6 ↑	100.8 ↑	SEIFA group 5 (least disadvantage)	94.3 ↑	99.5 ↑
65 years or over	69.5 ↓	82.3 ↓	***Current occupation type***		
Highest level of education completed			Upper white collar	102.0 ↑	110.4 ↑
Year 10 or less	71.9 ↓	79.6 ↓	Middle/lower white collar	93.0 ↑	94.8
Year 11/12	78.9 ↓	84.3 ↓	Upper blue collar	80.8	93.0
Trade/TAFE/Diploma	92.3 ↑	99.9 ↑	Lower blue collar	71.5 ↓	81.8 ↓
University	99.8 ↑	106.3 ↑	***Current main activity***		
Language spoken at home			Paid work	96.3 ↑	99.5 ↑
English	88.8 ↑	96.1 ↑	Home duties	77.8 ↓	88.5
Other language	72.8 ↓	84.4 ↓	Student	81.0	78.7 ↓
ATSI background			Retired	75.2 ↓	87.7 ↓
Yes	72.4 ↓	73.1 ↓	Unemployed	70.6 ↓	81.5 ↓
No	86.4	94.2	***Main source of income***		
Geographic - place of residence			Salary, wages or business income	93.1 ↑	98.3 ↑
Capital city	86.2	94.2	Goverment benefit or payment	68.5 ↓	71.6 ↓
Non-capital city	85.8	92.6	*Retired, government benefit*	*66.1* ↓	*72.7* ↓
ARIA classification			*Retired, other source of income*	*85.7*	*97.8*
Major cities	85.7	94.2			
Inner regional	85.5	94.4			
Outer regional	90.1	91.5			
Remote/Very remote areas	84.3	80.4 ↓			

Arrows show scores which are significantly higher or lower than the score for all females/males ($p<0.05$)

Table 13.1.c Financial knowledge/numeracy by selected characteristics – females/males (cont.)

Financial Knowledge/Numeracy and socio-economic subgroups	2014 Subgroup Means	
	Females	Males
Total Sample	86.0	93.6
Gross annual household income		
Less than $25,000	76.2 ↓	77.8 ↓
$25,000-$65,000	78.0 ↓	78.9 ↓
$65,001-$99,999	93.3 ↑	100.9 ↑
$100,000 or more	101.0 ↑	107.1 ↑
Estimated value of all savings and investments		
Less than $2,000	77.5 ↓	78.3 ↓
$2,000-$19,999	89.0	94.6
$20,000-$99,999	95.7 ↑	101.6 ↑
$100,000 or more	104.6 ↑	109.1 ↑
Estimated value of total debt		
Less than $2,000	78.3 ↓	88.0 ↓
$2,000-$19,999	89.1	88.0 ↓
$20,000-$99,999	97.7 ↑	97.6
$100,000-$299,999	98.6 ↑	108.1 ↑
$300,000 or more	103.1 ↑	111.5 ↑

Arrows show scores which are significantly higher or lower than the score for all females/males (p<0.05)

13.2 Summarising financial attitudes

Due to the inclusion of a new set of questions assessing three motivational traits, developing an attitudinal model for the 2014 survey was a somewhat more complex process than in 2011. This section outlines the approach we followed in describing people's attitudes as they relate to financial literacy.

Financial attitudes

The 2014 questionnaire included a number of items designed to capture different aspects of people's attitudes towards financial issues (these items are shown in Table 13.2.a below). Some of these items were used in earlier surveys, but 2011 was the first time the full set was asked of all survey respondents.

Table 13.2.a Variables used to measure attitudes towards financial issues in 2014

Attitudes to Financial Issues
I prefer to buy things on credit than wait and save up (Q81(RX3), 4 point agree scale)
Financial planning is only important for those who have a lot of money (Q81(RX2), 4 point agree scale)
It is important to me to have a long-term financial plan (Q81(R1), 4 point agree scale)
It is important to me to have a financial plan for the short-term (Q81(R2), 4 point agree scale)
I try to stay informed about money matters and finances (Q81(RX9), 4 point agree scale)
I would trust a financial professional and accept what they recommend to me (Q81(RX10), 4 point agree scale)
If I had a major loss of income I could manage for a period of time (Q81(R5), 4 point agree scale)
My parents discussed with me how to manage financial matters when I was growing up (Q81(RX7), 4 point agree scale)
When it comes to financial matters I think of myself as a bit of a risk taker (Q81(RX11), 4 point agree scale)
Nothing I do will make a big difference to my financial situation (Q81(RX4), 4 point agree scale)
Dealing with money is stressful and overwhelming (Q81(RX8), 4 point agree scale)
Even when things are going well for me financially, thinking about money stresses me out (Q81(RX13), 4 point agree scale)
I must admit that I purchase things because I know they will impress others (Q81(RX5), 4 point agree scale)
I hesitate to spend money except on absolute necessities (Q81(RX6), 4 point agree scale)

In 2011, factor analysis identified four underlying attitudes that could be used to summarise these items:

- financial self-efficacy
- dealing with money is stressful
- risk taking, and
- thrifty.

These four general attitudes and the items that made up each one of them, are shown in Table 13.2.b. It should be noted that several of these items were not used in the 2014 survey (those shown in red) and that the "tries to save" item (Q79) was removed from the 2014 model as it did not appear to offer an independent or objective measure of people's saving orientation. It should also be noted that two of the statements in Table 13.2.a ("I try to stay informed about money matters and finance" and "trust in financial professionals") were not part of the final four factor attitudinal model used in 2011.

Table 13.2.b The model of financial attitudes used in 2011

Financial Issues Attitude Factors (2011)
Factor 1: Financial Self Efficacy
It is important to me to have a long-term financial plan (agrees)
Financial planning is only important for those who have a lot of money (disagrees)
Nothing I do will make a big difference to my financial situation (disagrees)
It is important to me to have a financial plan for the short-term (agrees)
I dont think it really matters much about superannuation or planning and saving for retirement because the government will make up the gap (disagrees)
Factor 2: Dealing with money is stressful
Dealing with money is stressful and overwhelming (agrees)
Even when things are going well for me financially, thinking about money stresses me out (agrees)
If I had a major loss of income I could manage for a period of time (disagrees)
Self rated financial literacy (low self evaluation)
Factor 3: Risk taking
When it comes to financial matters I think of myself as a bit of a risk taker (agrees)
I must admit that I purchase things because I know they will impress others (agrees)
I prefer to buy things on credit than wait and save up (agrees)
I tend to live for today and let tomorrow take care of itself (agrees)
Factor 4: Thrifty
My parents discussed with me how to manage financial matters when I was growing up (agrees)
I hesitate to spend money except on absolute necessities (agrees)
Tries to save (agrees)

Motivational traits

The 2014 survey saw, for the first time, the addition of 9 items designed to measure three general motivational traits (“attitude towards the future”, “achievement orientation” and “impulsivity”); they were included in the survey to obtain a broader understanding of the relationships between people’s financial attitudes and other more general motivators of behaviour.

As a first step, factor analysis was carried out on these 9 items. As expected this process grouped them into three broad categories with the “factor scores” on each of these categories able to be used in further analysis (rather than the 9 individual items). The motivational trait categories (“attitude towards the future”, “impulsivity”, and “achievement orientation”) are shown in Table 13.2.c along with the individual items that made up each of these traits.

Table 13.2.c Motivational traits and the items used to measure them

Motivational Traits
Attitude towards the future
I only focus on the short term (Q81(ATT1), 4 point agree scale)
I live more for the present day than for tomorrow (Q81(ATT2), 4 point agree scale)
The future will take care of itself (Q81(ATT3), 4 point agree scale)
Impulsivity
I do things without giving them much thought (Q81(ATT4), 4 point agree scale)
I am impulsive (Q81(ATT5), 4 point agree scale)
I say things before I have thought them through (Q81(ATT6), 4 point agree scale)
Achievement orientation
I always look out for opportunities for improving my situation (Q81(ATT7), 4 point agree scale)
I have many aspirations (Q81(ATT8), 4 point agree scale)
I always work hard to be among the best at what I do (Q81(ATT9), 4 point agree scale)

The relationships between the attitudinal items listed in Table 13.2.a and the three motivational traits shown in Table 13.2.c were then examined using correlation analysis; it showed many of these items to be strongly correlated with one another, suggesting that the individual financial attitude items and the summary motivational traits were all potential indicators of a smaller set of underlying attitudes. These correlations also indicated that the motivational traits were not independent of the financial attitudes identified in 2011.

Consequently, our next step was to put three summary motivational traits plus the individual attitude variables used to build the 2011 financial attitude model into a factor analysis. The results of this analysis are summarised in Table 13.2.d. It suggested the existence of four underlying financial attitudes;

- *Financial self-efficacy* (associated with self-belief in the ability to change/improve one's financial situation and a general short term focus);
- The extent to which people find *dealing with money stressful*;
- An *impulsive* attitude towards finances (which includes the risk taking element from 2011 but was felt to be better named *impulsivity)*; and
- The extent to which people have *financial aspiration* (that is, aspire to financial success).

Three of these are more or less the same as the factors identified in 2011; the fourth (*financial aspiration*) describes a more comprehensive aspect of financial attitude than was the "thrifty" orientation used in the 2011 analysis. Also, the additional information provided by the "achievement orientation" trait has led to a somewhat different, cleaner measure of *financial self-efficacy* than was the case in 2011 – in 2014, it is clearly about people's confidence in their ability to influence their financial situation; the "planning" aspect that was present in 2011 has now moved to *financial aspiration* where it appears to sit well with "achievement orientation" and informed financial decision-making.

Apart from the above, several other issues should also be noted, specifically:

- None of the motivational traits was strongly associated with *dealing with money is stressful*. That is, the analysis suggested the extent to which people find it stressful to deal with their finances is not strongly related to their attitude towards the future, whether or not they are impulsive and whether or not they have an achievement oriented mindset.

- Each of the motivational traits associated most strongly with one of the three other attitudinal factors. That is:
  - Attitude towards the future (on which high scores indicate a "short term focus") was associated with *financial self-efficacy*, something which does not seem to be out of place alongside this dimension's emphasis on the inability to do anything much about improving one's current financial situation.
  - Impulsivity was a key component of the *impulsivity* attitude; again, it does not seem unreasonable that a willingness to take on higher risk in financial decision-making ("*I think of myself as a bit of a risk taker*") is associated with a more impulsive outlook in general.
  - Achievement orientation was associated with *financial aspiration*. A general motivation to succeed appears to sit well with an approach to one's finances that seeks information and that sees long term and short term planning as important in order to achieve its goals.

Overall, we feel the inclusion of the general motivation traits has enabled us to refine and improve our understanding of people's financial attitudes and the factors that make them up. We believe this additional insight more than makes up for the (relatively minor) changes their inclusion has caused to the structure of financial attitudes reported in 2011.

Table 13.2.d A model of financial attitudes including general motivations (2014)

Financial Attitude Factors
Factor 1: Financial self-efficacy
Nothing I do will make a big difference to my financial situation (agrees)
Financial planning is only important for those who have a lot of money (agrees)
Short-term attitude towards the future (high score on this trait)
Factor 2: Dealing with money is stressful
Dealing with money is stressful and overwhelming (agrees)
Even when things are going well for me financially, thinking about money stresses me out (agrees)
Able to save most weeks (disagrees)
If I had a major loss of income I could manage for a period of time (disagrees)
I hesitate to spend money except on absolute necessities (agrees)
Factor 3: Impulsivity
When it comes to financial matters I think of myself as a bit of a risk taker (agrees)
Impulsivity (high score on this trait)
I must admit that I purchase things because I know they will impress others (agrees)
I prefer to buy things on credit than wait and save up (agrees)
Factor 4: Financial aspiration
It is important to me to have a long-term financial plan (agrees)
My parents discussed with me how to manage financial matters when I was growing up (agrees)
Achievement orientation (high score on this trait)
It is important to me to have a financial plan for the short-term (agrees)
I try to stay informed about money matters and finances (agrees)
I would trust a financial professional and accept what they recommend to me (agrees)

As a result of these analyses, we were able to use people's scores on each of these four broad attitudes (rather than their responses to each of the 23 separate data items) in seeking to explain their financial literacy. Similarly, people's average financial knowledge/numeracy score (rather than responses to the 21 separate data items that underpin this score) was used in modelling financial literacy.

The modelling process, including the construction of summary measures for each component of financial literacy, is discussed in the next section.

Comparison of financial attitudes amongst females and males

The following three tables provide details of women's and men's responses to the individual items making up each of the four financial attitudes. Significant differences were most often found amongst the items making up *dealing with money is stressful*, *impulsivity* and *financial aspiration*.

Table 13.2.e *Financial Self-efficacy* and *Dealing with Money is Stressful* (Females/Males)

Financial Attitudes (2014)	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Financial self-efficacy							
Financial planning is only important for those who have a lot of money							
Females	3	12	**15**	26	58	**84**	1
Males	3	11	**14**	28	57	**85**	1
Nothing I do will make a big difference to my financial situation							
Females	3	17	**20** ↑	25	52	**77** ↓	3
Males	3	14	**17**	31	51	**82**	1
Short term attitude towards the future							
I only focus on the short term							
Females	2	18	**20**	13	66	**79**	1
Males	3	17	**20**	13	65	**78**	2
The future will take care of itself							
Females	2	20	**22**	17	60	**77**	1
Males	3	19	**22**	17	60	**77**	1
I live more for the present day than for tomorrow							
Females	3	26	**29** ↓	9	60	**69** ↑	2
Males	3	30	**33**	9	56	**65**	2
Dealing with money is stressful							
If I had a major loss of income I could manage for a period of time							
Females	13	60	**73** ↓	6	18	**24** ↑	3
Males	18	62	**80**	4	14	**18**	2
Dealing with money is stressful and overwhelming							
Females	7	33	**40** ↑	7	53	**60** ↓	0
Males	4	25	**29**	12	58	**70**	1
Even when things are going well for me financially, thinking about money stresses me out							
Females	7	33	**40** ↑	6	52	**58** ↓	2
Males	5	28	**33**	9	57	**66**	1
I hesitate to spend money, except on absolute necessities							
Females	10	41	**51**	5	41	**46**	3
Males	7	41	**48**	6	43	**49**	3

Prompted questions. Base: Total Sample (Females: n=1811; Males: n=1589)

Table 13.2.f *Impulsivity* (Females/Males)

Financial Attitudes (2014)	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Risk taking							
I must admit that I purchase things because I know they will impress others							
Females	1	7	**8** ↓	37	54	**91** ↑	1
Males	1	10	**11**	34	54	**88**	1
Impulsivity							
I do things without giving them much thought							
Females	2	12	**14** ↓	16	70	**86** ↑	0
Males	2	16	**18**	16	66	**82**	0
I am impulsive							
Females	1	20	**21** ↓	13	63	**76** ↑	3
Males	2	26	**28**	12	58	**70**	2
I say things before I have thought them through							
Females	5	30	**35** ↑	9	55	**64** ↓	1
Males	3	27	**30**	10	59	**69**	1
I prefer to buy things on credit than wait and save up							
Females	1	13	**14** ↓	32	51	**83** ↑	3
Males	2	16	**18**	25	54	**79**	3
When it comes to financial matters I think of myself as a bit of a risk taker							
Females	1	13	**14** ↓	17	68	**85** ↑	1
Males	4	25	**29**	10	59	**69**	2

Prompted questions. Base: Total Sample (Females: n=1811; Males: n=1589)

Table 13.2.g *Financial aspiration* (Females/Males)

Financial Attitudes (2014)	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Financial Aspiration							
Achievement Orientation							
I always look out for opportunities for improving my situation							
Females	11	72	**83** ↓	1	15	**16** ↑	1
Males	16	71	**87**	1	11	**12**	1
I have many aspirations							
Females	11	61	**72**	1	24	**25**	3
Males	12	62	**74**	1	22	**23**	3
I always work hard to be among the best at what I do							
Females	24	68	**92**	1	6	**7**	1
Males	23	68	**91**	1	7	**8**	1
It is important to me to have a long-term financial plan							
Females	26	58	**84** ↓	1	12	**13** ↑	3
Males	30	58	**88**	1	9	**10**	2
It is important to me to have a financial plan for the short-term							
Females	20	63	**83**	1	13	**14**	3
Males	20	65	**85**	1	13	**14**	1
I try to stay informed about money matters and finances							
Females	9	60	**69** ↓	2	27	**29** ↑	2
Males	11	66	**77**	2	19	**21**	2
My parents discussed with me how to manage financial matters when I was growing up							
Females	15	40	**55**	11	31	**42** ↑	3
Males	15	45	**60**	8	31	**39**	1
I would trust financial professionals and accept what they recommend / (2014) I would trust a financial professional and accept what they recommend to me.							
Females	3	43	**46**	6	39	**45**	9
Males	2	46	**48**	8	37	**45**	7

Prompted questions. Wording change in 2014 for statement about trust of financial professionals. Base: Total Sample (Females: n=1811; Males: n=1589)

13.3 Keeping Track of Finances Index

Keeping track of finances was identified earlier (see Figure 2.2a) as one of the five components of financial literacy measured in this study. This section outlines how this index was developed and describes the findings from a regression analysis designed to identify the factors associated with it.

Developing a keeping track of finances index

Table 13.3.a shows the survey questions that were used to establish the keeping track of finances index. Each of these questions captures a behaviour related to keeping track of finances and respondents received an index point allocation for each of the indicator behaviours they exhibited.

Table 13.3.a Variables used to create Keeping Track of Finances Index

Variables used to create Keeping Track of Finances Index
Whether checks and extent of checking of credit card or transaction statements
Whether checks credit card statements (Q38, yes / no scale)
Extent of checking of credit card statements (X38, 4 point scale)
Whether checks transaction account statements (Q35, yes / no scale)
Extent of checking of transaction account statements (X35, 4 point scale)
Extent of control over regular household expenses
(Q80 - 4 point scale)
NB. Maximum of 6 index points per person.

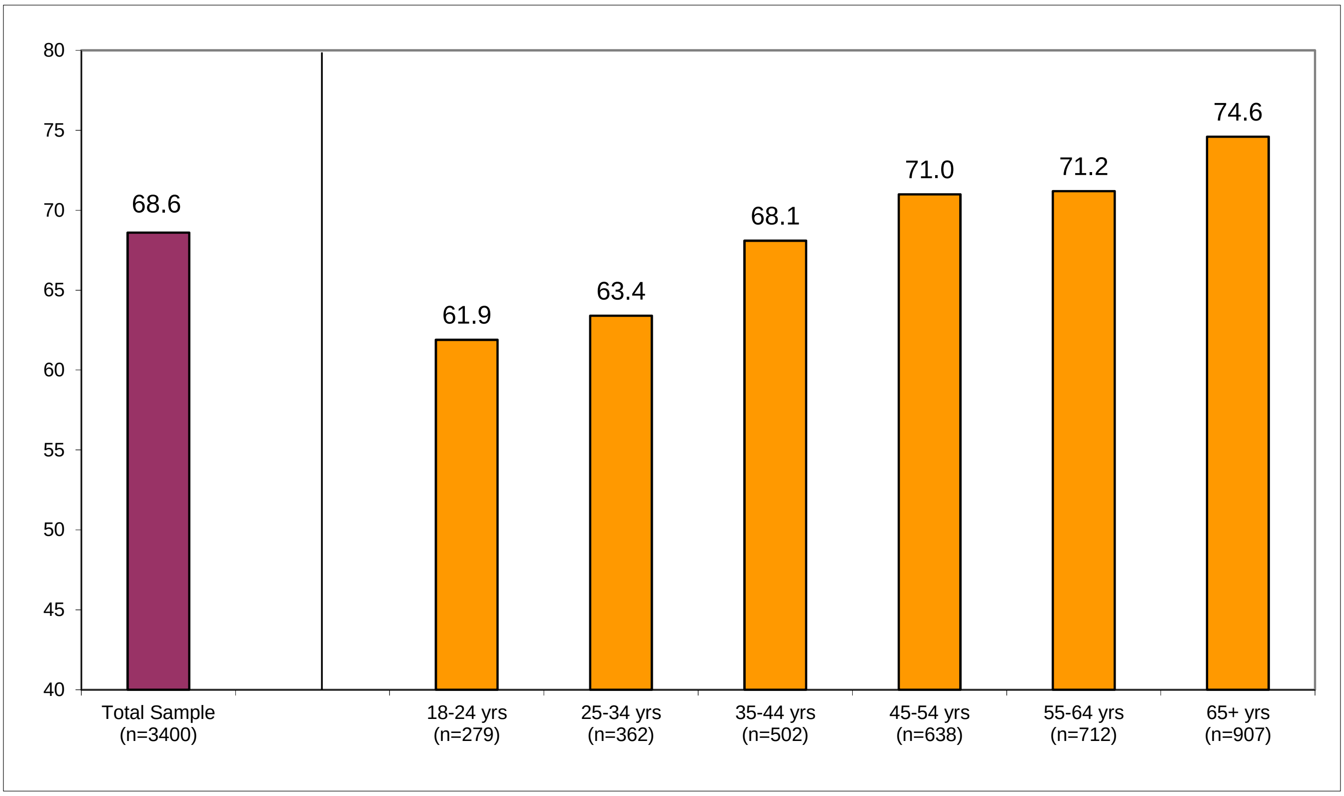
As noted earlier, survey questions were only asked when they were relevant to a respondent's situation; therefore some of these index questions are not asked of every respondent. The following general method was used to allow for this when establishing each of the financial literacy index scores in this study. If a respondent was asked a question, a count was registered on the denominator of their index score. Conversely if they were <u>not</u> asked a question the denominator score was <u>not</u> incremented. Each respondent's index score was then calculated as a percentage of the total possible index score they could achieve given the questions they were actually asked, as per the following formula:

$$\text{Index score} = \frac{\text{(Sum of all index points resulting from exhibiting particular behaviours) X 100}}{\text{(Sum of the maximum number of index points for index questions that were asked)}}$$

In the case of the keeping track of finances index a maximum of 6 index points was possible for a respondent.

Using this approach, the average keeping track of finances index score across all survey respondents in 2014 was found to be 68.6%; however the absolute value of this score is not of any great relevance. Rather, the main purpose of the index score is to allow us to compare groups of respondents and to identify the personal and household characteristics that are most strongly associated with the score. As an example, Figure 13.3.a shows how keeping track of finances scores vary between age groups. A relatively steady increase is evident across age groups from a low of 61.9% amongst 18-24 year olds to a high of 74.6% amongst those aged 65 years or more. That is people are more likely to exhibit "financially literate" behaviour in keeping track of their finances as they get older. However, as subsequent analysis indicates, there are other variables that also have a significant association with keeping track of finances.

Figure 13.3.a Distribution of mean Keeping Track of Finances Index scores by age group



Characteristics associated with Keeping Track of Finances

Regression analysis was used to identify, from the range of potential influences (shown earlier in Figure 2.2.a), the comparative association of each one with the *Keeping Track of Finances* Index score. This procedure was used because of its ability to partition total association across a relatively large number of potentially important variables. It should be noted that a large number of such variables (over 200 data items) were screened via cross-tabulation analysis before a shortlist of some thirteen potential influences were included in the final regression analysis.

The key results from the regression analysis are shown in Table 13.3.b. They show that being 65 years of age or older is the variable associated most strongly with a person's *keeping track of finances* score. However, after taking this into consideration, keeping track of finances is also associated with the following variables within the broad categories shown:

Financial Attitudes

- Higher levels of *financial aspiration* and *financial self-efficacy* are associated with higher scores on this index; while
- Lower *keeping track of finances scores* are associated with a higher presence of *impulsivity* towards financial matters and of the attitude *dealing with money is stressful*.

Other characteristics

- Financial knowledge/numeracy – the higher the score on this variable, the higher the score on keeping track of finances;
- Being female (rather than male) - females typically obtained higher keeping track of finances scores than did males; and
- Paid employment – being in paid employment was associated with lower scores on *keeping track of finances*.

Overall, it is noted that *keeping track of finances* clearly has its strongest relationships with a person's age and their financial attitudes, especially the extent to which they display an *impulsive* orientation and *financial aspiration*.

Table 13.3.b Keeping Track of Finances Index Regression Results

Characteristics Associated with Keeping Track of Finances Index			
		Relative association with Keeping Track of Finances Index Value	Symbol
Financial Knowledge/ Numeracy		29	++
Socio-demographics	25-34 yrs		
	35-44 yrs	37	++
	45-54 yrs	55	+++
	55-64 yrs	65	+++
	65+ yrs	100	+++
	Female	27	++
Household circumstances	*None in this model*		
Occupation & income	Paid employment	-22	- -
Assets & debt	*None in this model*		
Financial attitudes	Financial self efficacy	27	++
	Dealing with money is stressful	-20	-
	Impulsivity	-51	- - -
	Financial aspiration	64	+++

Important notes concerning regression results: The regression result in this model is significant at a 95% level of confidence. The variables noted above are those that displayed significant association at a 95% level of confidence. Non-significant variables have generally not been reported unless specifically noted in the table. The "Value" reported under Relative Association with Keeping Track of Finances Index refers to a modified version of the Standardised Regression Coefficient which is a relative measure of the degree of association of the relevant variable on the Index. The Standardised Regression Coefficient was re-scaled by assigning the variable with the highest standardised regression result a value of "100". The remaining variables were re-scaled by the ratio of their individual regression coefficients to that of the variable with the highest regression coefficient, thus preserving the precise relative association across the variables. The sign of Value (+ or -) shows the direction of the association. For example, as an individual's *financial aspiration* decreases, the Keeping Track of Finances Index declines. The association "Symbol" was assigned depending on whether the level of association surpassed these arbitrarily chosen ranges: <20% (+/-), 20% to 49% (++/--) and 50% to 100% (+++/---).

13.4 Planning Ahead Index

This section outlines how the Planning Ahead index (see Figure 2.2.a) was developed and also provides an analysis of the characteristics that are most strongly associated with it.

Planning Ahead Index development

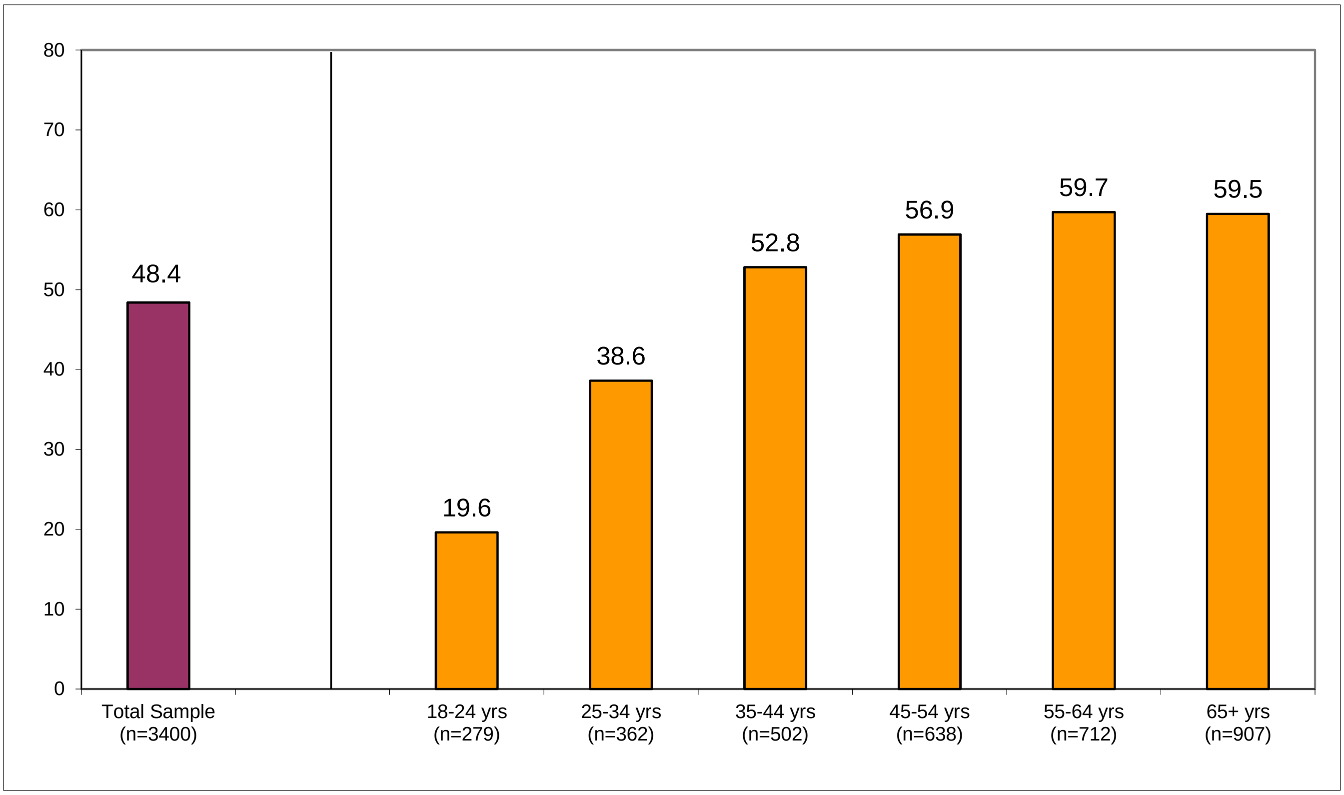
Table 13.4.a shows the survey questions used to establish the Planning Ahead Index. Each question captures a behaviour related to planning ahead and respondents received an index point allocation for each of the behaviours they exhibited. The same calculation method as used for generating the Keeping Track of Finances Index was used here; that is, the index score reflects the percent of all possible points an individual could gain, given the questions they were exposed to. In the case of the Planning Ahead Index a maximum of 10 index points was possible for a respondent.

Table 13.4.a Variables used to create Planning Ahead Index

Variables used to create Planning Ahead Index
Identified income for post retirement living
Identified figure to live on post retirement (Q53, yes / no scale)
Identified more than $25K for post retirement living? (Q53b, 2 point scale)
Makes additional voluntary payments to super
(Q59b - 2 point scale)
Has insurances…
Home building insurance (Q7 item 17, yes/no scale)
Home contents insurance (Q7 item 18, yes/no scale)
Comprehensive vehicle insurance (Q7 item 19, yes/no scale)
Private health insurance (Q7 item 21, yes/no scale)
Life insurance (Q7 item 22, yes/no scale)
Income protection insurance (Q7 item 24, yes/no scale)
Consulted a financial planner
(Q10 item 8, yes/no scale)
NB. Maximum of 10 index points per person.

On average survey respondents had a Planning Ahead Index score of 48.4%. Figure 13.4.a shows that age is strongly associated with planning ahead; notably, those under 35 years of age displayed significantly lower planning ahead scores.

Figure 13.4.a Distribution of mean Planning Ahead Index scores by age group



Characteristics associated with Planning Ahead

The results from the regression analysis are shown in Table 13.4.b where age again emerges as an important factor. After this the things most strongly associated with planning ahead are:

- Whether one rents their home or owns it (ie: those who rent have considerably lower scores on the planning ahead index);
- The total value of savings/investments and superannuation that a household has (the greater the value of savings/investments and superannuation, the higher the score on planning ahead);
- Attitudinally, the extent of an individual's *financial self-efficacy*; the higher the level of self-efficacy, the higher the planning ahead score.
- Motor vehicle ownership and financial knowledge/numeracy also show relatively strong associations with this index.

Table 13.4.b Planning Ahead Index Regression Results

Characteristics Associated with Planning Ahead Index		Relative Association with Planning Ahead Index: Value	Symbol
Financial Knowledge/ Numeracy		22	++
Socio-demographics	25-34 yrs	31	++
	35-44 yrs	55	+++
	45-54 yrs	68	+++
	55-64 yrs	77	+++
	65+ yrs	100	+++
	Female	8	+
Household circumstances	Renting home	-56	- - -
	Owns or paying off car	39	++
Occupation & income	Occupation: Lower Blue collar	-7	-
	Household income level	12	+
Assets & debt	Total savings/investments and super	34	++
Financial attitudes	Financial self efficacy	24	++
	Dealing with money is stressful	-8	-
	Financial aspiration	20	+

Important notes concerning regression results: The regression result in this model is significant at a 95% level of confidence. The variables noted above are those that displayed significant association at a 95% level of confidence. Non-significant variables have generally not been reported unless specifically noted in the table. The "Value" reported under Relative Association with Planning Ahead Index refers to a modified version of the Standardised Regression Coefficient which is a relative measure of the degree of association of the relevant variable on the Index. The Standardised Regression Coefficient was re-scaled by assigning the variable with the highest standardised regression result a value of "100". The remaining variables were re-scaled by the ratio of their individual regression coefficients to that of the variable with the highest regression coefficient, thus preserving the precise relative association across the variables. The sign of Value (+ or -) shows the direction of the association. The association "Symbol" was assigned depending on whether the level of association surpassed these arbitrarily chosen ranges: <20% (+/-), 20% to 49% (++/--) and 50% to 100% (+++/---).

13.5 Choosing Financial Products Index

Choosing Financial Products was the third financial literacy component identified in Figure 2.2.a. This section describes how the index was developed and the factors associated with it.

Choosing Financial Products Index development

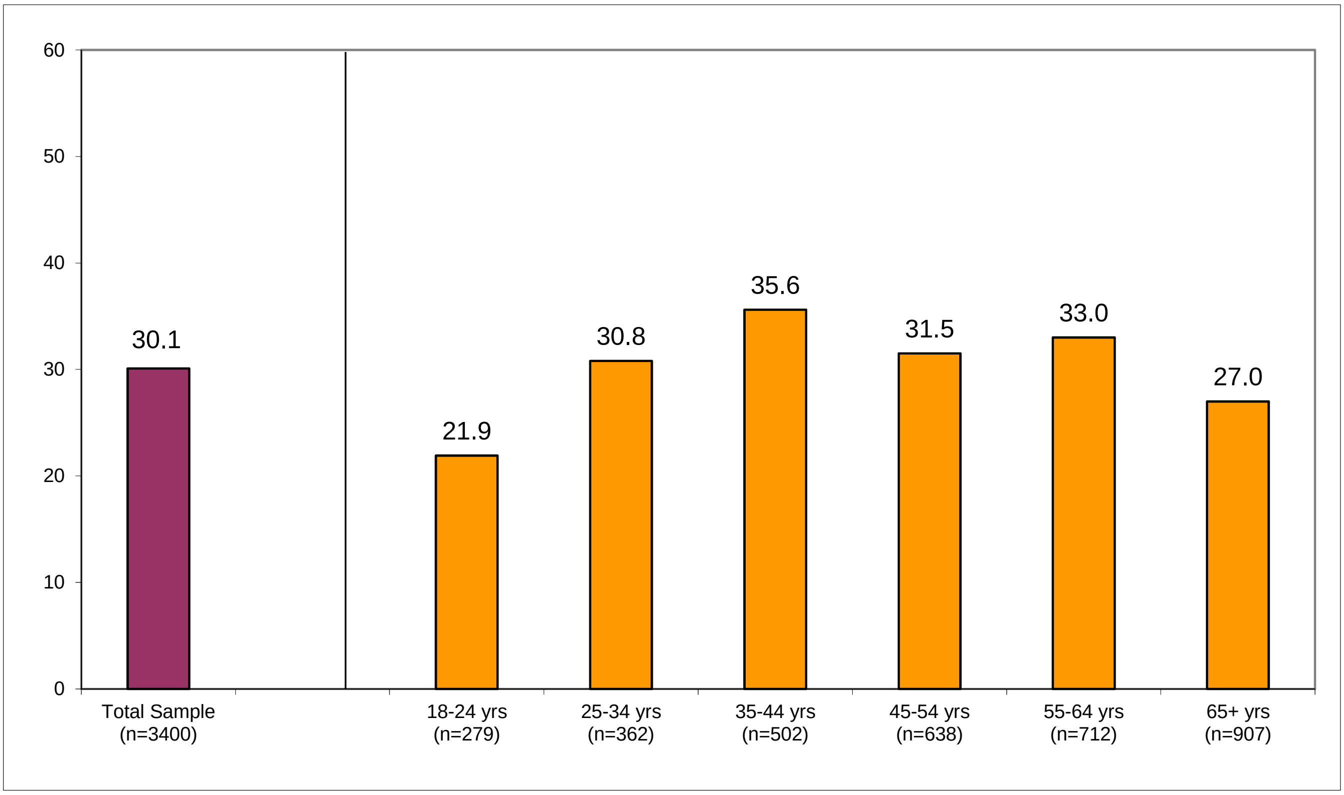
Table 13.5.a shows the survey questions used to establish the Choosing Financial Products Index. Each question captures a behaviour related to choosing financial products and respondents received an index point allocation for each of the behaviours they exhibited. The same score calculation method as used for the Keeping Track of Finances Index was used here, that is, the index score reflects the percent of all possible points an individual could gain given the questions they were exposed to. In the case of the Choosing Financial Products Index a maximum of 13 index points was possible for a respondent.

Table 13.5.a Variables used to create Choosing Financial Products Index

Variables used to create Choosing Financial Products Index
Width of search when last chose an everyday banking account (X15, 3 point scale)
Choice of super funds Ever chosen a superannuation fund (Q17, yes/no scale) Width of search when chose superannuation fund (X18, 3 point scale)
Width of search when last chose a retirement product (X20, 3 point scale)
Width of search when last chose a building contents insurance (X28, 3 point scale)
Width of search when last chose comprehensive motor vehicle insurance (X28b, 3 point scale)
Width of search when last chose financial planner (X30, 3 point scale)
NB. Maximum of 13 index points per person.

On average, survey respondents had a Choosing Financial Products Index score of 30.1%. As Figure 13.5.a indicates, the results do not vary consistently among those aged 25-64 years. In contrast however, those aged 18-24 years display a much lower mean index score. Scores also tail off for those aged 65 years or more.

Figure 13.5.a Distribution of mean Choosing Financial Products Index scores by age group



Characteristics associated with Choosing Financial Products

Once again, regression analysis was used to identify the variables exhibiting the strongest association with the Choosing Financial Products Index with the results shown in Table 13.5.b.

This table shows that while age is a strongly associated factor, financial knowledge/numeracy is also very important as are the attitudinal variables *financial aspiration* and *financial self-efficacy*. It also shows that:

- Undertaking formal post-secondary education and motor vehicle ownership also have strong associations with this index; while
- Two other financial attitudes (*dealing with money is stressful* and *impulsivity*) display a moderate level of association.

Table 13.5.b Choosing Financial Products Index Regression Results

Characteristics Associated with Choosing Financial Products Index		Relative Association with Choosing Products Index	
		Value	Symbol
Financial Knowledge/ Numeracy		94	+++
Socio-demographics	35-44 yrs	66	+++
	55-64 yrs	53	+++
	65+ yrs	59	+++
	Post-secondary education	53	+++
Household circumstances	Owns or paying off car	55	+++
Occupation & income	*None in this model*		
Assets & debt	*None in this model*		
Financial attiudes	Financial self efficacy	64	+++
	Dealing with money is stressful	-45	- -
	Impulsivity	-45	- -
	Financial aspiration	100	+++

<u>Important notes concerning regression results:</u> The regression result in this model is significant at a 95% level of confidence. The variables noted above are those that displayed significant association at a 95% level of confidence. Non-significant variables have generally not been reported unless specifically noted in the table. The “Value” reported under Relative Association with Choosing Financial Products Index refers to a modified version of the Standardised Regression Coefficient which is a relative measure of the degree of association of the relevant variable on the Index. The Standardised Regression Coefficient was re-scaled by assigning the variable with the highest standardised regression result a value of “100”. The remaining variables were re-scaled by the ratio of their individual regression coefficients to that of the variable with the highest regression coefficient, thus preserving the precise relative association across the variables. The sign of Value (+ or -) shows the direction of the association. The association “Symbol” was assigned depending on whether the level of association surpassed these arbitrarily chosen ranges: <20% (+/-), 20% to 49% (++/--) and 50% to 100% (+++/---).

13.6 Staying Informed Index

Staying Informed is the fourth component of Financial Literacy shown in Figure 2.2.a. This section outlines the development of the index and the results of the regression analysis that showed which factors are most strongly associated with it.

Staying Informed Index development

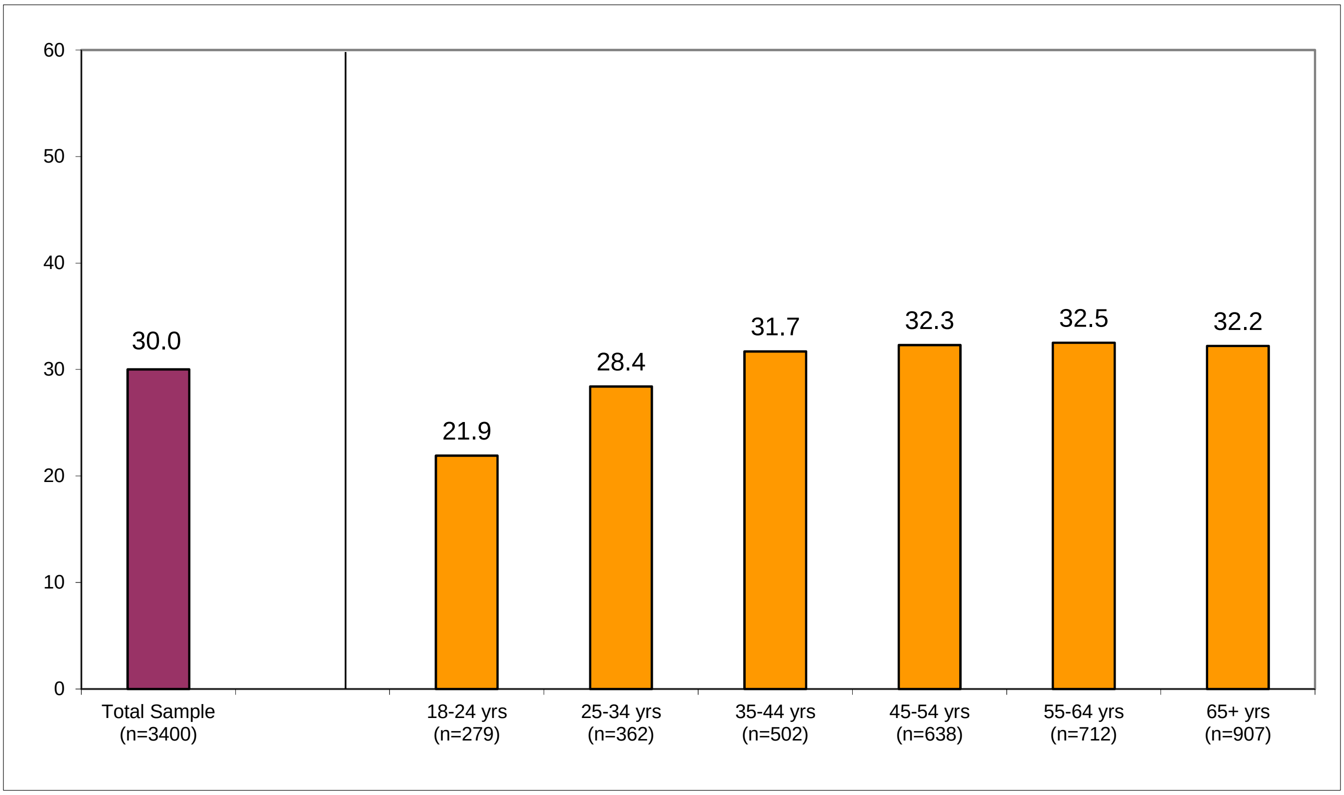
Table 13.6.a shows the survey questions used to establish the Staying Informed Index. Each question captures a behaviour related to staying informed and respondents received an index point allocation for each of the behaviours they exhibited. The same method of score calculation as used for the Keeping Track of Finances Index was used here; that is, the index score reflects the percent of all possible points an individual could gain given the questions they were exposed to which in this case was a maximum of 15 index points per respondent.

Table 13.6.a Variables used to create Staying Informed Index

Variables used to create Staying Informed Index
Read / used sources of information last 12 months
Financial sections of newspapers or magazines (Q9 item 1, yes / no scale)
Printed books or other financial publications (Q9 item 2, yes / no scale)
Finance-related sites on the Internet (Q9 item 3, yes / no scale)
Seminars (Q9 item 4, yes / no scale)
Publications from the finance industry (Q9 item 5, yes / no scale)
Publications from Government (eg. ASIC, FaHCSiA, Fair Trading, Consumer Affairs) (Q9 item 6, yes / no scale)
Publications from community organisations (eg. financial counselling) (Q9 item 7, yes / no scale)
Consulted with professionals / people
An Accountant (Q10 item 1, yes / no scale)
A Taxation Specialist (Q10 item 5, yes / no scale)
A Financial Counsellor (Q10 item 6, yes / no scale)
A Financial Planner or Advisor (Q10 item 8, yes / no scale)
Centrelink Financial Information Service Officers (Q10 item 10, yes / no scale)
I try to stay informed about money matters and finances
(Q81(RX9), 4 point scale)
NB. Maximum of 15 index points per person.

On average survey respondents had a Staying Informed Index score of 30.0%. As Figure 13.6.a shows, index scores tend to increase with age until people reach 35 when they appear to stabilise.

Figure 13.6.a Distribution of mean Staying Informed Index scores by age group



Characteristics associated with Staying Informed

The results of the regression analysis used to here are shown in Table 13.6.b; they suggest a strong association between:

- Attitudes and staying informed, in particular *financial self-efficacy* and *financial aspiration* where high scores on these attitudes are associated with a high score on this index;
- Age, where increased age is associated with higher scores on staying informed; and
- The value of savings/investments and superannuation where higher values are associated with higher scores on this index.

While financial knowledge/numeracy has some association with staying informed it is a second tier association and no stronger than that seen for variables such as:

- Completing formal post-secondary education; and
- Finding dealing with money stressful.

Table 13.6.b Staying Informed Index Regression Results

Characteristics Associated with Staying Informed Index		Relative Association with Staying Informed Index: Value	Symbol
Financial Knowledge/ Numeracy		44	++
Socio-demographics	25-34 yrs	16	+
	35-44 yrs	43	++
	45-54 yrs	49	++
	55-64 yrs	64	+++
	65+ yrs	100	+++
	Post-secondary education	25	++
	Female	-20	-
Household circumstances	*None in this model*		
Occupation & income	*None in this model*		
Assets & debt	Total savings/investments and super	64	+++
Attitudes to financial issues	Financial self efficacy	54	+++
	Dealing with money is stressful	-30	- -
	Financial aspiration	99	+++

Important notes concerning regression results: The regression result in this model is significant at a 95% level of confidence. The variables noted above are those that displayed significant association at a 95% level of confidence. Non-significant variables have generally not been reported unless specifically noted in the table. The "Value" reported under Relative Association with Staying Informed Index refers to a modified version of the Standardised Regression Coefficient which is a relative measure of the degree of association of the relevant variable on the Index. The Standardised Regression Coefficient was re-scaled by assigning the variable with the highest standardised regression result a value of "100". The remaining variables were re-scaled by the ratio of their individual regression coefficients to that of the variable with the highest regression coefficient, thus preserving the precise relative association across the variables. The sign of Value (+ or -) shows the direction of the association. The association "Symbol" was assigned depending on whether the level of association surpassed these arbitrarily chosen ranges: <20% (+/-), 20% to 49% (++/--) and 50% to 100% (+++/---).

13.7 Financial Control Index

The final financial literacy index ("Financial Control") was derived in a somewhat different way to the first four indices. The questionnaire included a small set of more general measures of financial outcomes/financial well-being as shown in Table 13.7.a.

Table 13.7.a Broader Financial Outcome Measures used in Financial Control Index

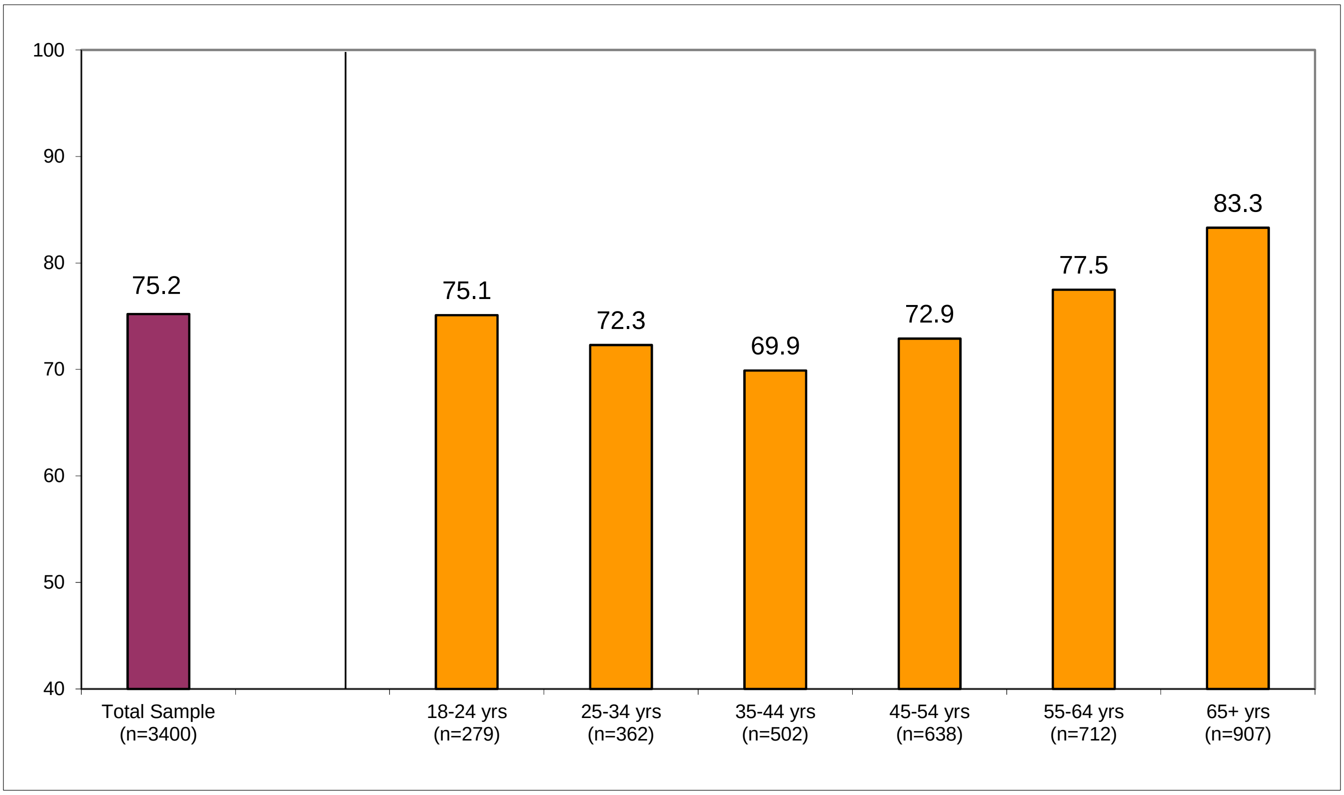
Financial Control Index
Pay bills on time / Financial surplus
Missed loan repayments in last 12 months (Q65, yes/no scale)
Ability to save money in most weeks (Q80c, 3 point scale)
Perception of financial situation
Comfort with current debt (Q62, 5 point agree scale)
Financial situation under control (Q63, 5 point agree scale)

Since the extent to which these measures belonged together as indicators of a single underlying financial behaviour was not entirely clear, a confirmatory factor analysis was used to test this. The analysis showed that the four variables could be used in this way. The underlying financial outcome is termed "*financial control*".

Scores for this factor were estimated for each survey respondent and then re-scaled to the 0-100 range to create an index. Note that this re-scaling preserved the relative factor score of each individual with respect to all other respondents in the survey and was applied to maintain a consistent format with the other index scores reported in this document.

On average survey respondents had a score of 75.2% on this component of financial literacy. Figure 13.7.a indicates that the index score dips to a minimum for 35-44 year olds suggesting that this group experiences the most difficulty in controlling their finances. The highest scorers in terms of this index are people aged 65 years or more, that is those who typically have low to no debt.

Figure 13.7.a Distribution of mean scores on the Financial Control Index by age group



Characteristics associated with Financial Control

In the same way as for the indices discussed earlier, regression analysis was again used to identify the extent to which a range of potential influences (shown in Figure 2.2.a) were associated with the Financial Control Index. The results of this regression analysis are shown in Table 13.7.b. Two key variables stand out as the most strongly associated:

- The belief that *dealing with money is stressful* where a high score on this attitude is associated with a low index score; and
- The total value of the debt that an individual has - the higher the debt, the lower the score on the financial control index.

Some other (less) strongly associated but significant variables were:

- Renting a home, which is associated with a lower score;
- Higher levels of savings/investments and superannuation which is associated with higher scores on this index;
- Higher *financial self-efficacy* and *financial aspiration* attitude scores which are both associated with a higher financial control score;
- Higher household income which is associated with a higher score;
- Dependent children living at home - associated with a lower score on financial control; and
- Having an 'impulsive' attitude which is associated with a lower index score.

It should be noted that financial knowledge did not show any association at all with this component. Further, since regression allows us to see the incremental effect of age if debt level is 'held constant' it is interesting to note that age does not have any strong bearing on the result for financial control that was independent of debt level and the other characteristics that feature in this model.

Table 13.7.b Financial Control Index Regression Results

Characteristics Associated with Financial Control Index			
		Relative Association with Financial Control Index	
		Value	Symbol
Financial Knowledge/ Numeracy		-	
Socio-demographics	*None in this model*		
Household circumstances	Dependent children at home	-15	-
	Renting home	-33	- -
Occupation & income	Household Income	27	++
Assets & debt	Total savings/investments and super	29	++
	Total debt	-67	- - -
Financial attitudes	Financial self efficacy	13	+
	Dealing with money is stressful	-100	- - -
	Impulsivity	-21	- -
	Financial aspiration	22	++

Important notes concerning regression results: The regression result in this model is significant at a 95% level of confidence. The variables noted above are those that displayed significant association at a 95% level of confidence. Non-significant variables have generally not been reported unless specifically noted in the table. The "Value" reported under Relative Association with Financial Control Index refers to a modified version of the Standardised Regression Coefficient which is a relative measure of the degree of association of the relevant variable on the Index. The Standardised Regression Coefficient was re-scaled by assigning the variable with the highest standardised regression result a value of "100". The remaining variables were re-scaled by the ratio of their individual regression coefficients to that of the variable with the highest regression coefficient, thus preserving the precise relative association across the variables. The sign of Value (+ or -) shows the direction of the association. The association "Symbol" was assigned depending on whether the level of association surpassed these arbitrarily chosen ranges: <20% (+/-), 20% to 49% (++/--) and 50% to 100% (+++/---).

Section 14 Population distribution of financial literacy (Appendix 2)

14.1 Population distribution tables

This appendix provides a set of tables showing the extent to which financial literacy varies between socio-demographic subgroups of the Australian population. Attention is given to subgroups based on age, gender, educational attainment, use of a language other than English (LOTE), Aboriginal and Torres Strait Islander (ATSI) background[66], household type, place of residence, occupation, main activity, income, assets and debt.

Relatively strong or weak performance on each component of financial literacy is shown by the use of '↑' and '↓' symbols. These symbols are used where scores show a statistically significant difference from the population average. Where scores are well above or below the population average the symbols '↑↑' and '↓↓' have been used[67].

Table 14.1.a Financial Literacy and age/gender subgroups

Financial Literacy and demographic/ geographic subgroups	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Age group					
18-24 years	↓	↓↓	↓	↓	
25-34 years	↓	↓	↑		
35-44 years		↑	↑		↓
45-54 years		↑	↑	↑	↓
55-64 years	↑	↑↑		↑	↑
65 years or over	↑	↑	↓		↑↑
Age by Gender					
Males	↓			↑	↑
18-24 years	↓	↓↓	↓		
25-34 years		↓	↑		
35-44 years		↑	↑		
45-54 years		↑	↑	↑	
55-64 years	↑	↑		↑	↑
65 years or over	↑	↑	↓	↑	↑
Females	↑			↓	↓
18-24 years	↓	↓↓	↓	↓	
25-34 years		↓		↓	↓
35-44 years			↑		↓
45-54 years		↑	↑		↓
55-64 years	↑	↑		↑	↑
65 years or over	↑	↑	↓	↓	↑

[66] Results are based on a relatively small number of interviews (n=72) and should be treated with caution.
[67] Arbitrarily two arrows have been used where the difference between the subgroup and total sample means is at least 10 times the standard error of the subgroup mean.

Table 14.1.b Financial Literacy and education, cultural background, geography and household

Financial Literacy and demographic/ geographic subgroups	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Highest level of education completed					
Year 10 or less		↓	↓	↓	↓
Year 11/12	↓	↓	↓	↓	↓
Trade/TAFE/Diploma	↑	↑	↑		
University		↑	↑	↑↑	↑
Cultural background					
Speak language other than English at home		↓			
ATSI background		↓	↓		↓
Geographic - place of residence					
Capital city	↓				↑
Non-capital city	↑			↓	↓
ARIA classification					
Major cities			↑	↑	↑
Inner regional				↓	↓
Outer regional	↑				
Remote/Very remote areas				↓	
Household Type					
Single live alone		↓	↓	↓	↑
Couple, no resident children	↑	↑↑		↑	↑
Single parent		↓		↓	↓
Couple, with resident children		↑	↑	↑	↓
Single, shared household	↓	↓↓	↓	↓	

Table 14.1.c Financial Literacy, disadvantage, employment, participation and income source

Financial Literacy and socio-economic subgroups	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
SEIFA classificaton (Index of Relative Socio-economic Disadvantage)					
SEIFA group 1 (greatest disadvantage)		↓	↓		
SEIFA group 2	↑			↓	
SEIFA group 3		↓	↓		↓
SEIFA group 4					
SEIFA group 5 (least disadvantage)		↑	↑	↑	↑
Current occupation type					
Upper white collar		↑	↑	↑	↑
Middle/lower white collar		↓			↓
Net: Blue Collar	↓	↓			↓
Upper blue collar					
Lower blue collar	↓	↓		↓	↓
Current main activity					
Paid work	↓	↑	↑	↑	
Home duties		↓	↓	↓	↓
Student	↓	↓↓	↓	↓	
Retired	↑	↑↑	↓		↑↑
Unemployed		↓	↓		↓
Main source of income					
Salary, wages or business income	↓	↑	↑	↑	↓
Goverment benefit or payment	↑	↓↓	↓↓	↓↓	
Retired, government benefit	↑		↓	↓	↑
Retired, other source of income	↑	↑↑		↑	↑↑
NOT Retired, government benefit		↓↓	↓	↓	↓

Table 14.1.d Financial Literacy, income, asset and debt position

Financial Literacy and socio-economic subgroups	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Gross annual household income					
Less than $25,000		↓	↓	↓	↓
$25,000-$65,000	↑	↓	↓	↓	↓
$65,001 -$99,999		↑			
$100,000 or more	↓	↑	↑	↑	↑
Estimated value of all savings and investments					
Less than $2,000	↓	↓↓	↓	↓	↓↓
$2,000-$19,999		↓		↓	
$20,000-$99,999		↑		↑	↑
$100,000 or more		↑↑	↑	↑↑	↑↑
Estimated value of debt					
Less than $2,000		↓	↓	↓	↑↑
$2,000-$19,999		↓			↓
$20,000-$99,999			↑		↓
$100,000-$299,999		↑	↑		↓
$300,000 or more		↑↑	↑	↑	↓

Section 15 Australian Geographic Classification Remoteness Areas (Appendix 3)

REMOTENESS STRUCTURE - AUSTRALIAN STANDARD GEOGRAPHICAL CLASSIFICATION		
Remoteness area	**Description**	**Examples**
Major cities	Geographic distance imposes minimal restriction upon accessibility to the widest range of goods, services and opportunities for social interaction.	Sydney, Newcastle, Wollongong, Melbourne, Geelong, Brisbane, Gold Coast, Adelaide, Perth and Canberra.
Inner regional	Geographic distance imposes some restriction upon accessibility to the widest range of goods, services and opportunities for social interaction.	Tamworth, Wagga Wagga (New South Wales), Ballarat, Bendigo (Victoria), Rockhampton, Bundaberg, Gladstone (Queensland), the Adelaide Hills (South Australia), Bunbury (Western Australia), Hobart and Launceston (Tasmania).
Outer regional	Geographic distance imposes a moderate restriction upon accessibility to the widest range of goods, services and opportunities for social interaction.	Broken Hill, Griffith, Gunnedah (New South Wales), Horsham, Swan Hill, Traralgon (Victoria), Roma, Cairns (Queensland), Port Augusta, Mount Gambier (South Australia), Albany (Western Australia), Burnie (Tasmania), and Darwin (Northern Territory).
Remote	Geographic distance imposes a high restriction upon accessibility to the widest range of goods, services and opportunities for social interaction.	Cobar (New South Wales), the northern Wimmera district (Victoria), Charters Towers and Cooktown (Queensland), Port Lincoln (South Australia), the Kalgoorlie gold-fields (Western Australia), parts of the West Coast (Tasmania), Alice Springs, Katherine (Northern Territory).
Very remote	Geographic distance imposes the highest restriction upon accessibility to the widest range of goods, services and opportunities for social interaction.	The far west parts of New South Wales and Queensland, northern South Australia and Western Australia, most of the Northern Territory and Flinders and King Islands in Bass Strait (Tasmania).

Remoteness is calculated using the road distance to the nearest Urban Centre in each of five classes based on population size. The Remoteness classification divides Australia into six Remoteness Areas: Major Cities of Australia; Inner Regional Australia; Outer Regional Australia; Remote Australia; Very Remote Australia; and Migratory. The glossary accompanying this publication provides definitions of RAs used. For further information see Statistical Geography: Volume 1 - **Australian Standard Geographical Classification (ASGC), 2006 (cat. no. 1216.0).**

The key element in producing the structure is the preparation of the Accessibility/Remoteness Index of Australia (ARIA+) grid. ARIA+ scores are first calculated for each Urban Centre and are then interpolated to create a 1 km grid covering the whole of Australia. Each grid square carries a score of remoteness from an index of scores ranging from 0 (zero) through to 15. The data custodian of the grid remains the National Key Centre for Social Applications of Geographic Information System (GISCA), Adelaide University, South Australia. ABS Remoteness Areas are created by averaging the ARIA+ scores within Census Collection Districts (CDs), then aggregating the CDs up into the 6 ABS Remoteness Area categories based on the averaged ARIA+ score.

Remoteness Area categories are defined in the ASGC Remoteness Classification as follows:

* Major Cities of Australia: CDs with an average Accessibility/Remoteness Index of Australia (ARIA) index value of 0 to 0.2
* Inner Regional Australia: CDs with an average ARIA index value greater than 0.2 and less than or equal to 2.4
* Outer Regional Australia: CDs with an average ARIA index value greater than 2.4 and less than or equal to 5.92
* Remote Australia: CDs with an average ARIA index value greater than 5.92 and less than or equal to 10.53
* Very Remote Australia: CDs with an average ARIA index value greater than 10.53

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