# THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR REPORT

—

DECEMBER 2019

ROY MORGAN

ANZ

Further information on ANZ's research into financial wellbeing can be found at **www.bluenotes.anz.com/financialwellbeing**

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# INTRODUCTION

This report introduces the ANZ Roy Morgan Financial Wellbeing Indicator, a statistically robust snapshot of the personal financial wellbeing of Australians, reported as a 12-month rolling average every quarter.

The indicator is derived from data gathered through the weekly Roy Morgan Single Source interview and survey, which canvasses approximately 50,000 Australians annually. ANZ partnered with Roy Morgan Research to develop the indicator based on previous research conducted by ANZ on personal financial wellbeing in 2017. The result is an ongoing time-series measure of how Australians are faring financially.

The breadth of data gathered through Roy Morgan Single Source enables examination of Australians' financial wellbeing at a more granular level than was possible with previously available data. It surveys larger samples of people at more frequent intervals than ANZ's previous surveys, determining financial wellbeing in greater detail across different local geographies and demographics.

This first report on the indicator sets out the context of ANZ's previous financial wellbeing research, the methodology for the development of the indicator, and insights arising from the time-series data.

In addition to publishing this measure quarterly, ANZ commits to deepening the understanding of financial wellbeing in Australia by producing an academic survey every three years, informed by the latest international research.

ANZ is also working with organisations that have a shared interest in financial wellbeing to use insights from the indicator to assist policymakers, business and civil organisations to develop appropriate actions to improve the financial wellbeing of individuals and the nation.

# EXECUTIVE SUMMARY

The ANZ Roy Morgan Financial Wellbeing Indicator is the first comprehensive, robust time-series measure of the financial wellbeing of Australians. This first report reveals that Australians' financial wellbeing has improved over the past five years.

As a nation, our financial wellbeing increased from 57.4 (as a score out of 100) in December 2014 to 59.7 in June 2019.[1] While this might look like a small increase, a 4 per cent rise in financial wellbeing is notable, particularly amid challenging economic conditions, such as Australia's recent period of low wage growth.

But not all Australians are improving at the same rate. Of the four broad financial wellbeing segments – 'struggling', 'getting by', 'doing OK' and 'no worries' – those with strong financial health improved the most, and the more insecure segments the least. The segment with the highest level of financial wellbeing, 'no worries', increased in size by 3.7 percentage points, while the lowest segment, 'struggling', shrank by 1.2 percentage points as people graduated to higher levels of financial wellbeing.

Australians' overall increase in financial wellbeing was driven by their improved financial behaviour, including:

- **active saving** – as measured in increased amounts held in deposit and transaction accounts
- **spending restraint** – with households moderating spending in a low-wage-growth environment
- **not borrowing for everyday expenses** – seen in increased ownership of debit cards, and decreased possession of credit cards and take up of other forms of personal finance
- **keeping track of money** – by checking bank accounts more regularly.

There has also been a change in attitude towards using credit, with Australians becoming less likely to agree with the statement "Credit enables me to buy the things I want". This may partially explain the shift away from the use of personal finance (which is finance provided to individuals for their personal use, such as fixed loans and revolving credit).

In the financial wellbeing conceptual model developed by Elaine Kempson et al., social and economic factors are among five key drivers identified as affecting an individual's financial wellbeing.[2] For example, older Australians generally have higher financial wellbeing, with a higher proportion of older Australians having achieved outright home ownership compared with younger Australians (though the proportion of older Australians still paying off their home loans has increased threefold since 2001).

Some economic factors, such as the decline in wages growth, can make financial wellbeing more difficult to achieve. Australians have adapted to this by restraining their spending and living in larger households: younger people are staying at home longer and there are more people living in share households. Further, more people are working full time for longer, and there has been a decline in the proportion of people devoted full time to home duties.

So while Australians are taking action to improve their financial wellbeing, trends such as working for longer and taking longer to pay off a home loan indicate that there may be social costs to the financial security they seek.

The ANZ Roy Morgan Financial Wellbeing Indicator highlights not only Australia's aggregate financial wellbeing and trends relating to it, but will, over time, offer greater insight into the differences between the various segments on the financial wellbeing spectrum.

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1. Difference in overall financial wellbeing and individual dimensions of financial wellbeing (as scores out of 100) were measured from the 12 months to December 2014 to the 12 months to June 2019.
2. Kempson, E., Finney, A. & Poppe, C., *Financial Well-Being: A Conceptual Model and Preliminary Analysis*, final edition, Project Note no. 3 – 2017, Consumption Research Norway, Oslo and Akershus University College of Applied Sciences, Oslo, 2017, p. 25.

# FINANCIAL WELLBEING IN AUSTRALIA OVER THE PAST FIVE YEARS – AT A GLANCE

## Financial knowledge and experience

- Dec-14
- Dec-18

**9.4%** **10.4%**
Property investments or holiday home

**17.8%** **17.6%**
Direct shares

**2.8%** **3.0%**
Own self-managed/ DIY superannuation fund

## Psychological factors

### Locus of control

"I get a raw deal out of life" (disagree)

**80.7%**
**80.5%**

DEC-18
DEC-14

### Attitude to credit

**30.0%**
**28.6%**

"Credit enables me to buy the things I want"

DEC-18
DEC-14

## Social environment

| | Population 65+ | Own home outright | Paying off home | Share household | Living with parents |
|---|---|---|---|---|---|
| | 17.9% | 28.2% | 26.3% | 8.1% | 10.3% |
| | 19.2% | 28.3% | 25.0% | 8.7% | 11.9% |

- Dec-14
- Dec-18

## Financially capable behaviour

### Active savings

**$4110** **$5640**
DEC-14 DEC-18

| | Dec-14 | Dec-18 |
|---|---|---|
| **Spending restraint** | | |
| Percentage of income spent on living expenses | 62% | 58% |
| **Not borrowing for everyday expenses** | | |
| Ownership of credit cards | 38.6% | 34.4% |
| Ownership of debit cards | 47.9% | 61.2% |
| Average amount carried forward on credit card each month | $1402 | $1321 |
| Keeping track of money | 51% | 58.4% |
| **Advice and guidance*** | | |
| Mortgage brokers | 32.6% | 46.6% |
| Financial planners – super advice | 14.4% | 11.4% |
| Financial planners – insurance advice | 32.1% | 23.3% |

## Economic environment

**38.1%** **37.9%**
Working full time

**20.4%** **21.8%**
Working part time

**5.3%** **4.7%**
Home duties

- Dec-14
- Dec-18

## Financial wellbeing

### Indicator

**57.4** **59.6**
DEC-14 DEC-18

### Meeting everyday commitments

**67.5** **69.6**
DEC-14 DEC-18

### Feeling comfortable

**54.1** **55.3**
DEC-14 DEC-18

### Resilience for the future

**50.4** **53.7**
DEC-14 DEC-18

Source: ANZ Financial Wellbeing Indicator data set.

*Note: All percentages are on a base of population except 'Advice and guidance' where the base are people who have made relevant product changes in the past 12 months.
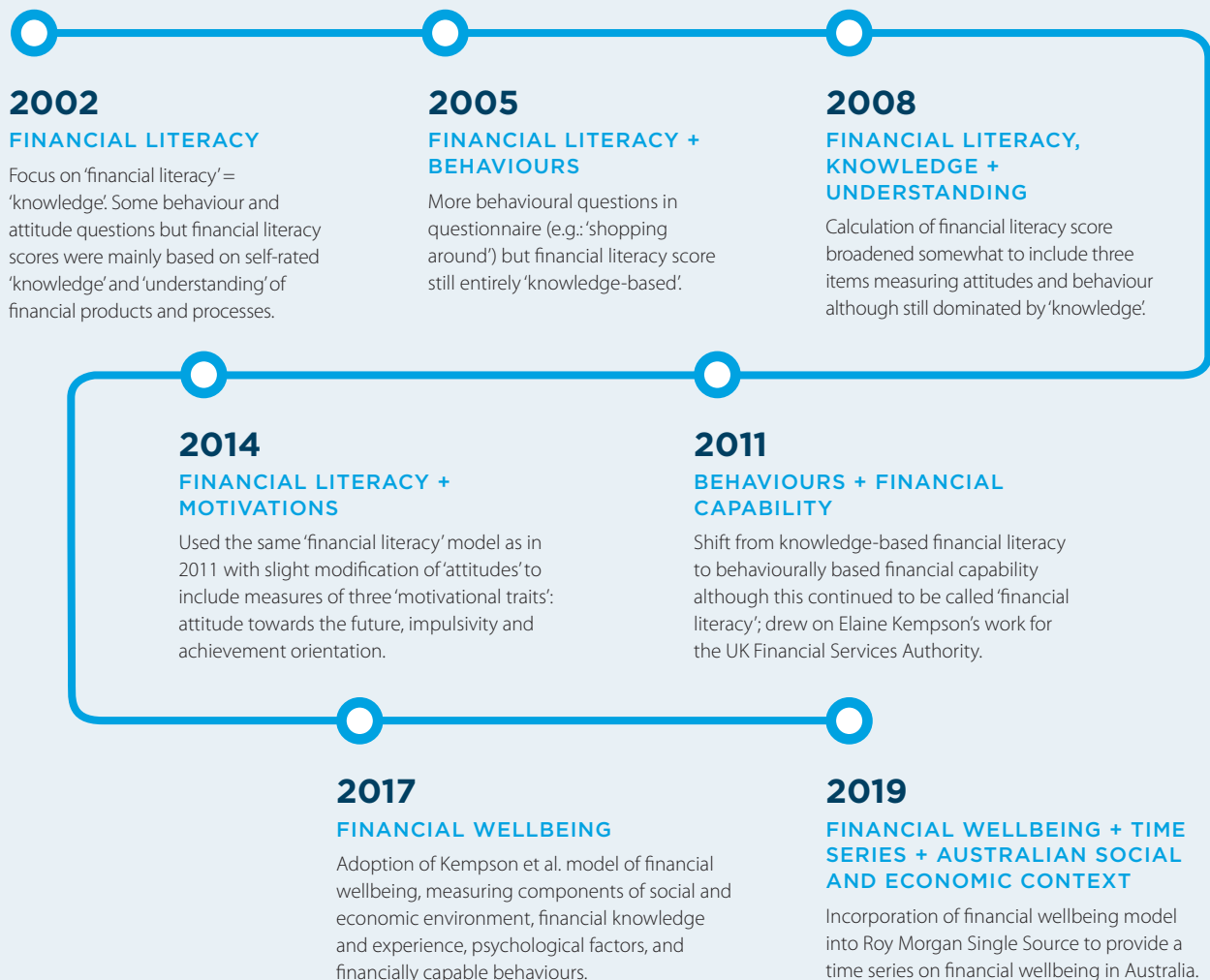
# BACKGROUND

The ANZ Roy Morgan Financial Wellbeing Indicator is an ongoing time-series measure of personal financial wellbeing in Australia. It is based on a conceptual model of financial wellbeing that was tested by ANZ in its 2017 financial wellbeing survey.

## HISTORY OF ANZ FINANCIAL WELLBEING SURVEYS

The time line below shows how the ANZ surveys of financial literacy and wellbeing have evolved, becoming more sophisticated and broadly based over time.

### FIGURE 1: TIMELINE OF ANZ FINANCIAL WELLBEING SURVEYS

**2002**
**FINANCIAL LITERACY**

Focus on 'financial literacy' = 'knowledge'. Some behaviour and attitude questions but financial literacy scores were mainly based on self-rated 'knowledge' and 'understanding' of financial products and processes.

**2005**
**FINANCIAL LITERACY + BEHAVIOURS**

More behavioural questions in questionnaire (e.g.: 'shopping around') but financial literacy score still entirely 'knowledge-based'.

**2008**
**FINANCIAL LITERACY, KNOWLEDGE + UNDERSTANDING**

Calculation of financial literacy score broadened somewhat to include three items measuring attitudes and behaviour although still dominated by 'knowledge'.

**2014**
**FINANCIAL LITERACY + MOTIVATIONS**

Used the same 'financial literacy' model as in 2011 with slight modification of 'attitudes' to include measures of three 'motivational traits': attitude towards the future, impulsivity and achievement orientation.

**2011**
**BEHAVIOURS + FINANCIAL CAPABILITY**

Shift from knowledge-based financial literacy to behaviourally based financial capability although this continued to be called 'financial literacy'; drew on Elaine Kempson's work for the UK Financial Services Authority.

**2017**
**FINANCIAL WELLBEING**

Adoption of Kempson et al. model of financial wellbeing, measuring components of social and economic environment, financial knowledge and experience, psychological factors, and financially capable behaviours.

**2019**
**FINANCIAL WELLBEING + TIME SERIES + AUSTRALIAN SOCIAL AND ECONOMIC CONTEXT**

Incorporation of financial wellbeing model into Roy Morgan Single Source to provide a time series on financial wellbeing in Australia.

The Kempson model acknowledges five drivers that affect personal financial wellbeing:

- social environment
- economic environment
- financial knowledge and experience
- psychological factors (attitudes, motivations and biases)
- financially capable behaviours.

The 2017 ANZ Financial Wellbeing Survey allowed estimation and reporting on the proportionate impact of each of these five drivers on Australians' financial wellbeing (Figure 2).[4] This understanding of the drivers of financial wellbeing provided the context to explain movements in the ANZ Roy Morgan Financial Wellbeing Indicator over time.

## FIGURE 2: THE FINANCIAL-WELLBEING CONCEPTUAL MODEL



Financial knowledge and experience (9%)

Psychological factors (16%)

Social environment (16%)

Financially capable behaviour (45%)

Economic environment (14%)

Personal financial wellbeing
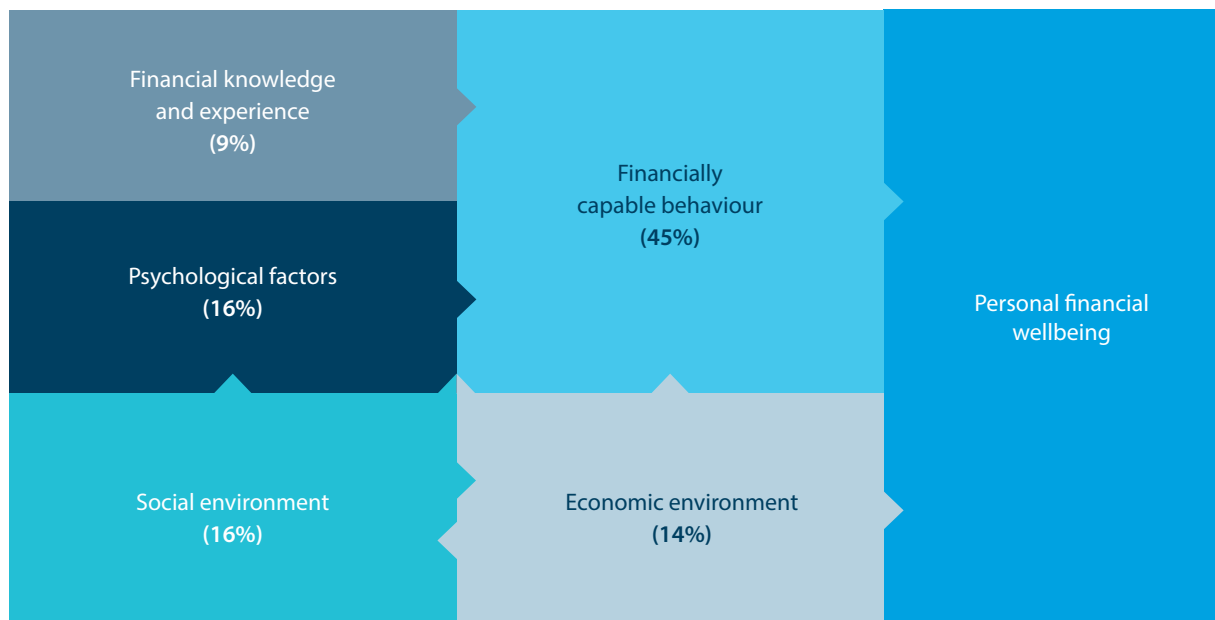
Source: Adapted from Kempson et al., 2017, with additional data from the 2017 ANZ Financial Wellbeing Survey.

4. Driver percentages were estimated using principle component regression analysis.

The 2017 ANZ Financial Wellbeing Survey included 11 questions measuring financial wellbeing. Participants' responses were converted into scores (out of 100) against each of three dimensions considered to make up overall personal financial wellbeing. These dimensions are:

**Meeting everyday commitments**

How well people meet their current expenses.

**Feeling comfortable**

How comfortable people feel about their current and future financial situation.

**Resilience for the future**

Resilience to cope with financial setbacks.

Scores for each dimension were calculated and an overall financial wellbeing score was created as an average of the dimensions.

## ROY MORGAN SINGLE SOURCE SURVEY

In order to create an ongoing, continuously reported financial wellbeing indicator based on the 2017 ANZ Financial Wellbeing Survey, an ongoing large-scale collection of robust national data was required. Roy Morgan Single Source was selected as the preferred means of data collection because it:

- collects a broad data set relating to financial services, product use and behaviours
- includes data on how people feel about their financial situation, along with relevant attitudes and lifestyle preferences
- is one of the few large-scale, random-sample research programs in Australia.

The survey uses extensive face-to-face weekly interviews to canvass approximately 50,000 Australians annually. Each weekend an Australia-wide random sample is selected, using strict sampling protocol, from 550 predesignated sampling areas of approximately equal population size. Researchers interview people in their homes using computer-assisted personal interviewing techniques, and enter the resulting data directly into tablets.

## ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

The ANZ Roy Morgan Financial Wellbeing Indicator is based on calculations from a sub-sample of approximately 16,000 respondents per annum who have completed the Roy Morgan Single Source interview and an additional survey about their financial behaviours, attitudes, knowledge and product holdings, and personal attitudes and demographics.

To develop the indicator, a sub-set of Single Source respondents were administered the 11 financial-wellbeing questions from the 2017 ANZ Financial Wellbeing Survey. Each respondent was assigned a score (out of 100) for their answers to the questions. An average from the scores was used to determine the respondent's overall financial wellbeing score (also out of 100).

A data modelling exercise was then undertaken to develop proxies within the Roy Morgan Single Source data set that best predicted the results of the 11 questions.

The overall financial wellbeing score provided by the ANZ Roy Morgan Financial Wellbeing Indicator is an average score for all respondents at a given time. In order to smooth out any short-term fluctuations due to sampling and non-sampling errors that may exist in all survey data, and to highlight any long-term trends or cycles, all indicator scores and associated measures are reported as rolling 12-month averages.

More detail on the three-step process of developing the indicator is outlined in Figure 3.

## FIGURE 3: DEVELOPMENT OF THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

## 1.

### REVIEW AND VALIDATION

The **initial stage** reviewed the face validity of Single Source questions, data items and their relevance to understanding financial wellbeing using the 2017 ANZ Financial Wellbeing Survey as a guide.

An online survey incorporating the 11 core questions from the ANZ questionnaire and a comparative set of 23 financial behavior and attitude questions in Single Source was conducted in June 2018 to determine the capacity to reliably replicate the 2017 ANZ Financial Wellbeing Survey results in Single Source.

## 2.

### CALCULATION OF FINANCIAL WELLBEING

Financial wellbeing scores were calculated based on the original 11 questions to form a base to test and align the equivalent Single Source questions that were potential predictors of financial wellbeing.

This **second stage** involved a qualitative assessment to confirm that the Single Source proxies and questions from the 2017 ANZ Financial Wellbeing Survey had a common meaning and intent and were aligned with the three financial wellbeing dimensions of 'meeting everyday commitments', 'feeling comfortable' and 'resilience for the future'.

Regression analysis was used to assess the strength of the calibration between the original ANZ questions and the Single Source metrics and to calculate the size of any weighting factors required to maximise the alignment between the original and new questions.

## 3.

### APPLICATION OF THE NEW FINANCIAL WELLBEING INDICATOR MODEL

The **final stage** was to apply the newly derived model to the existing Single Source database to enable calculation of financial wellbeing from future survey data and to apply the model to historical data.

# KEY BENEFITS OF THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

The use of Roy Morgan Single Source data allowed for the development of a back series to December 2014, meaning the financial wellbeing of Australians can be traced from then to now, and into the future.

This report explains changes to Australians' financial wellbeing over time. To validate the ANZ Roy Morgan Financial Wellbeing Indicator, measures in the indicator data set were compared with data from the Australian Bureau of Statistics (ABS), the Australian Prudential Regulation Authority (APRA) and the Australian Taxation Office (ATO), to determine consistency of the results.

The drivers of financial wellbeing highlighted in the 2017 ANZ Financial Wellbeing Survey were used to test the validity of movements in the indicator over the past five years.

In future releases, the scale of the Roy Morgan Single Source data will allow financial wellbeing to be analysed in much more detail across a wide range of socioeconomic and demographic categories, enabling comparisons within these categories over time.

The indicator data set also provides insights into the four 2017 ANZ Financial Wellbeing Survey segments into which respondents were divided according to their overall financial wellbeing score (see Figure 7). These are:

- **struggling:** 0–30
- **getting by:** >30–50
- **doing OK:** >50–80
- **no worries:** >80–100.

# FINANCIAL WELLBEING IN AUSTRALIA OVER TIME

The ANZ Roy Morgan Financial Wellbeing Indicator shows the financial wellbeing of Australians increased over the past five years from 57.4 (as a score out of 100) in December 2014 to 59.7 in June 2019 (Figure 4).

This is despite challenging economic forces, including declining income growth (with the wage price index growing at an annual average of only 2.2 per cent in the five years to December 2018).[5]

## FIGURE 4: FINANCIAL WELLBEING OF AUSTRALIANS OVER TIME
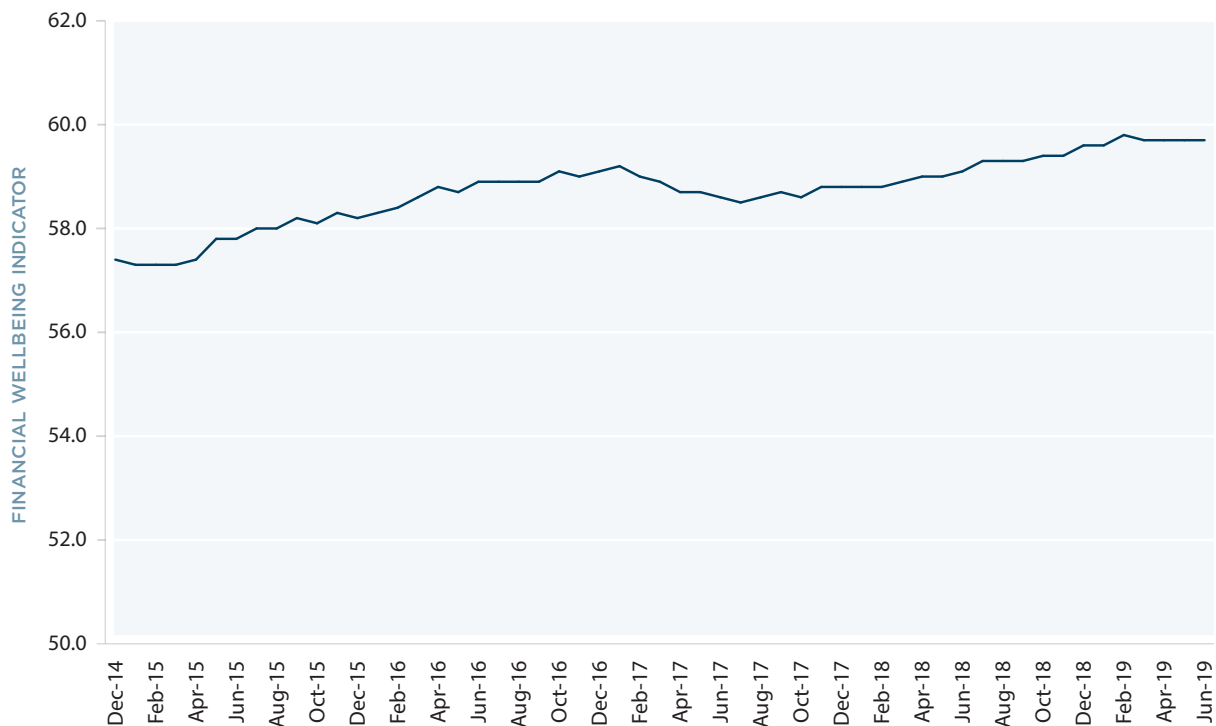


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

5. Gilfillan, Geoff, *The extent and causes of the wage growth slowdown in Australia*, Research Paper Series, 2018-19, Parliamentary Library, April 9, 2019, p. 1.

From 2014 to mid-2019 the indicator reveals Australians' improvement across all dimensions of financial wellbeing (all as scores out of 100), which were:
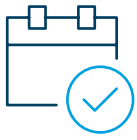
**'meeting everyday commitments'**
increasing from
**67.5** to **70.7**

**'feeling comfortable'**
increasing from
**54.1** to **55.3**
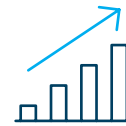
**'resilience for the future'** increasing from
**50.4** to **53.0**

Due to the comprehensive nature of the data set and the continuous nature of measurement, quarterly updates to the ANZ Roy Morgan Financial Wellbeing Indicator will be published. Figure 5 shows the quarterly percentage change to the indicator in chart format.

As future data is gathered, more will be known about the way the indicator changes over time and an understanding of the influences of other time-related factors will increase.

**FIGURE 5: QUARTERLY PERCENTAGE CHANGES IN THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR**
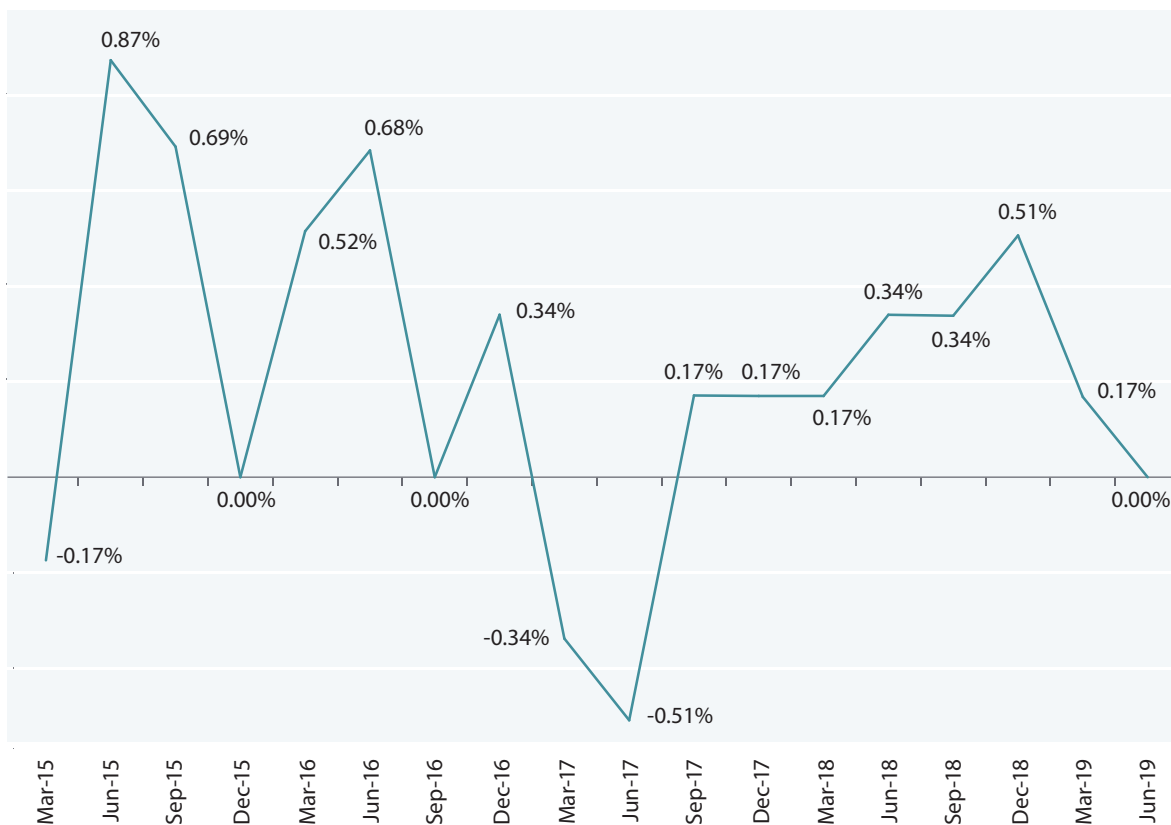


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

The 2.3-point increase in overall financial wellbeing from December 2014 to June 2019 can be attributed to improvements in the three dimensions of personal financial wellbeing (see Figure 6). The dimensions and what they contributed to the 2.3-point increase in the ANZ Roy Morgan Financial Wellbeing Indicator over the five years are as follows: 'meeting everyday commitments' (1.0 point increase); 'feeling comfortable' (0.4 point increase); and 'resilience for the future' (0.9 point increase). It is interesting to note the magnitude of changes in 'meeting everyday commitments' and 'resilience for the future', but the smaller increase in 'feeling comfortable'.

**FIGURE 6: CONTRIBUTIONS OF EACH OF THE THREE DIMENSIONS OF FINANCIAL WELLBEING TO CHANGES IN THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR FROM 2014 TO 2019**
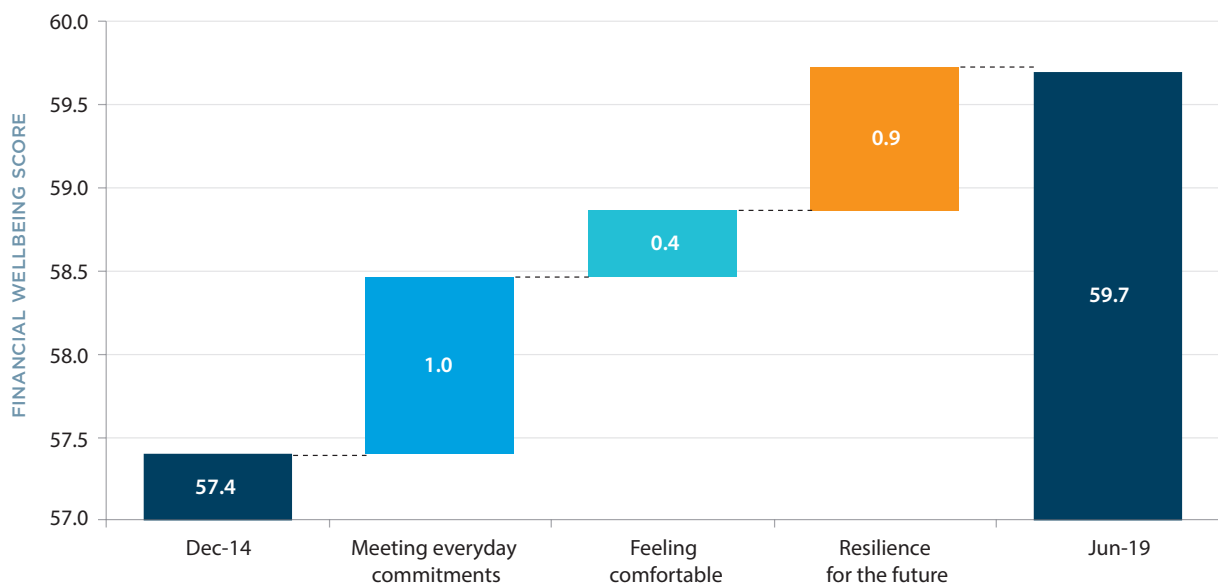


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

In the past five years the improvement in Australians' financial wellbeing has not been even across the four financial wellbeing segments, which respondents are categorised into depending on their overall financial wellbeing score (out of 100), as follows:

- struggling: 0–30
- getting by: >30–50
- doing OK: >50–80
- no worries: >80–100.

Figure 7 shows the percentages of the Australian population that fell into each segment in December 2014 and in June 2019. 'No worries', the segment reflecting the highest level of financial wellbeing, swelled from 17.5 per cent of the population to 21.2 per cent, representing a 3.7 percentage point increase over that time. 'Struggling', the group with the lowest level of financial wellbeing, shrank from 12.3 per cent to 11.1 per cent of the population, representing a 1.2 percentage point drop.

## FIGURE 7: CHANGES IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS BETWEEN DECEMBER 2014 AND JUNE 2019
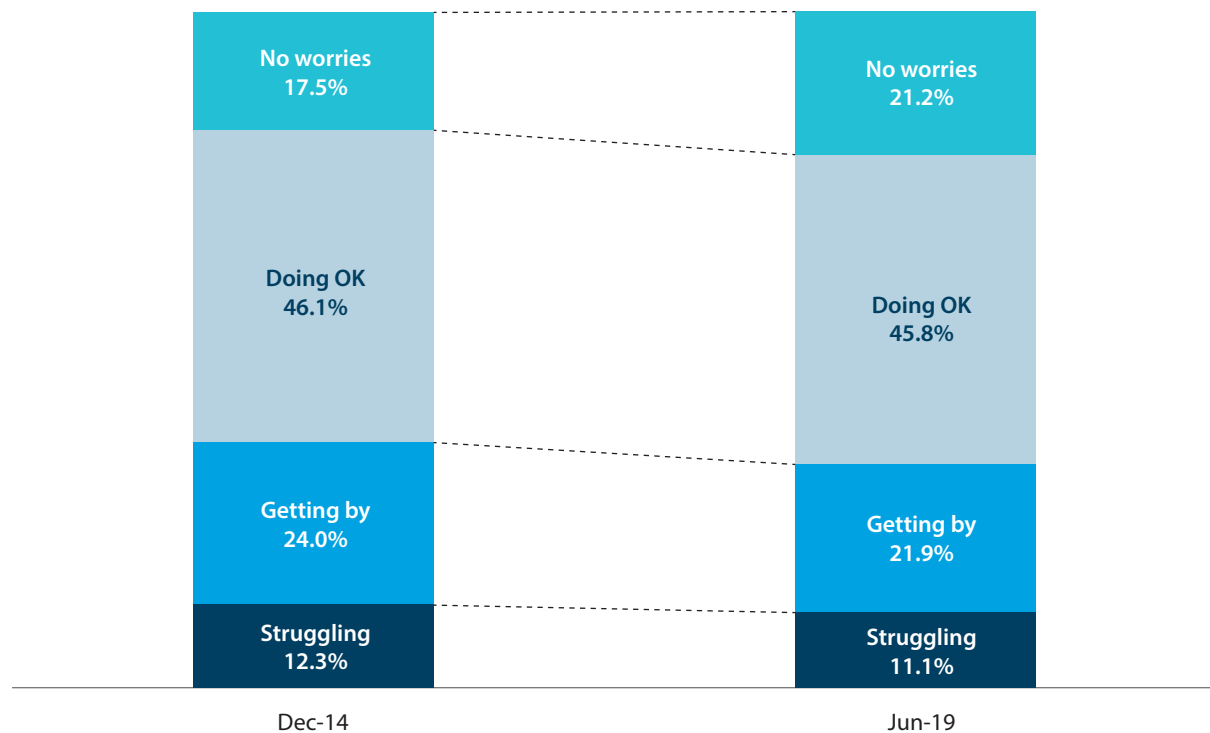


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

# DRIVERS OF FINANCIAL WELLBEING: THE CHANGE OVER FIVE YEARS

The ANZ Roy Morgan Financial Wellbeing Indicator data set shows Australians are meeting more of their everyday financial commitments, are feeling more comfortable and are more financially resilient for the future, leading to better overall financial wellbeing.

ANZ has substantiated these changes revealed by the indicator with relevant statistics from official data sources such as the ABS, APRA and the ATO.

ANZ found in its 2017 financial wellbeing survey that the key drivers – social environment, economic environment, financial knowledge and experience, psychological factors and financially capable behaviour – account for 69 per cent of an individual's personal financial wellbeing in Australia.[6]

Results further highlighted that two specific financial behaviours – active saving and not borrowing for everyday expenses – make the biggest contribution to an individual's financial wellbeing. Insights into the most important drivers of financial wellbeing over the five years to June 2019 follow.

In this section, because a range of external data sources with inconsistent cycles were used for validation, ANZ Roy Morgan Financial Wellbeing Indicator data set to the end of December 2018 is used (despite data available up to the end of June 2019).

6. ANZ, survey conducted December 2017, report published April 2018, 'Financial wellbeing: A survey of adults in Australia', <www.bluenotes.anz.com/financialwellbeing>, p. 20.

# FINANCIAL BEHAVIOURS

## ACTIVE SAVING

Active saving is when an individual regularly saves money to ensure they have enough to fall back on and is an important behavioural driver of financial wellbeing.[7] Figure 8 shows that the amount of savings Australians hold in deposit and transaction accounts has increased, with mean savings rising from $29,430 in December 2014 to $41,262 in December 2018, and median savings increasing from $4110 in December 2014 to $5640 in December 2018.

## FIGURE 8: MEAN AND MEDIAN SAVINGS IN DEPOSIT AND TRANSACTION ACCOUNTS
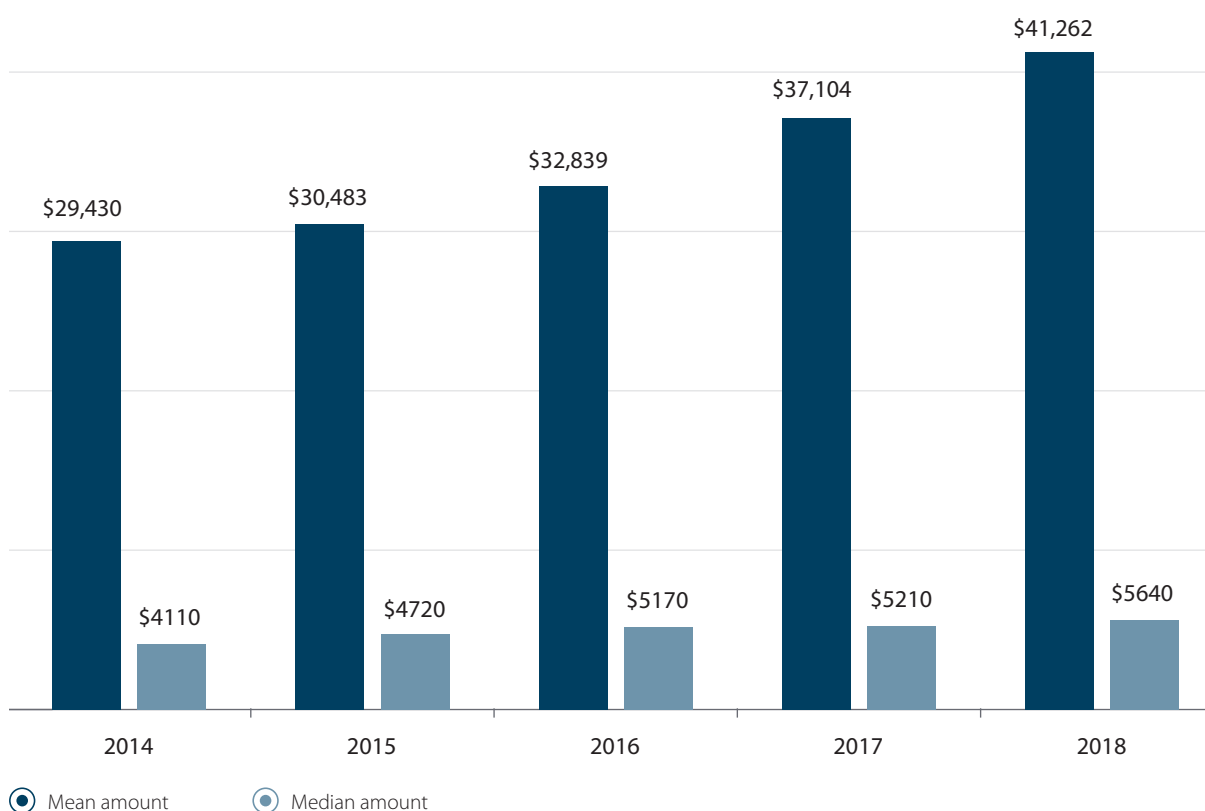


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

APRA monthly banking statistics and the ABS demographic statistics both show an increase in Australians' household savings on a per capita basis from $28,146 in December 2014 to $36,068 in December 2018, providing external validation that the indicator is accurately monitoring the increase in savings.[8]

(These results should not be confused with the reporting of the declining household savings ratio reported by the ABS in the Australian National Accounts.[9] The indicator data set is reporting deposits as a stock of money while ABS is reporting a declining rate of savings, which is still positive and consistent with increasing balances reported here.)

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7. Ibid, p. 42.

8. Balances of deposits from APRA, Statistics: Monthly Banking Statistics back series, <https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics>; were divided by the resident population figures from the ABS, *Australian Demographic Statistics*, cat. no. 3101.0, to determine the per capita deposits.

9. Australian Bureau of Statistics June 2019, *Australian National Accounts: National Income, Expenditure and Product*, cat 5206.0

## SPENDING RESTRAINT

Another behaviour that drives financial wellbeing is spending restraint. This can be defined as moderation of spending to ensure an individual does not run short of money due to overspending, and does not buy things they cannot afford.[10] Figure 9 shows that Australians have adapted to lower wage growth in recent years by restraining their spending, as illustrated by declining levels of household expenditure growth.

In Figure 9, ATO data reveals declining wage growth in recent years. While understanding wage and salary data can be complex, a research paper from Australia's Parliamentary Library made it clear that "a range of measures show a significant slowing in wage growth in Australia over the past five years".[11]

## FIGURE 9: AUSTRALIAN WAGE GROWTH AND HOUSEHOLD EXPENDITURE GROWTH



● Average wages and salaries          ● Per capita household expenditure
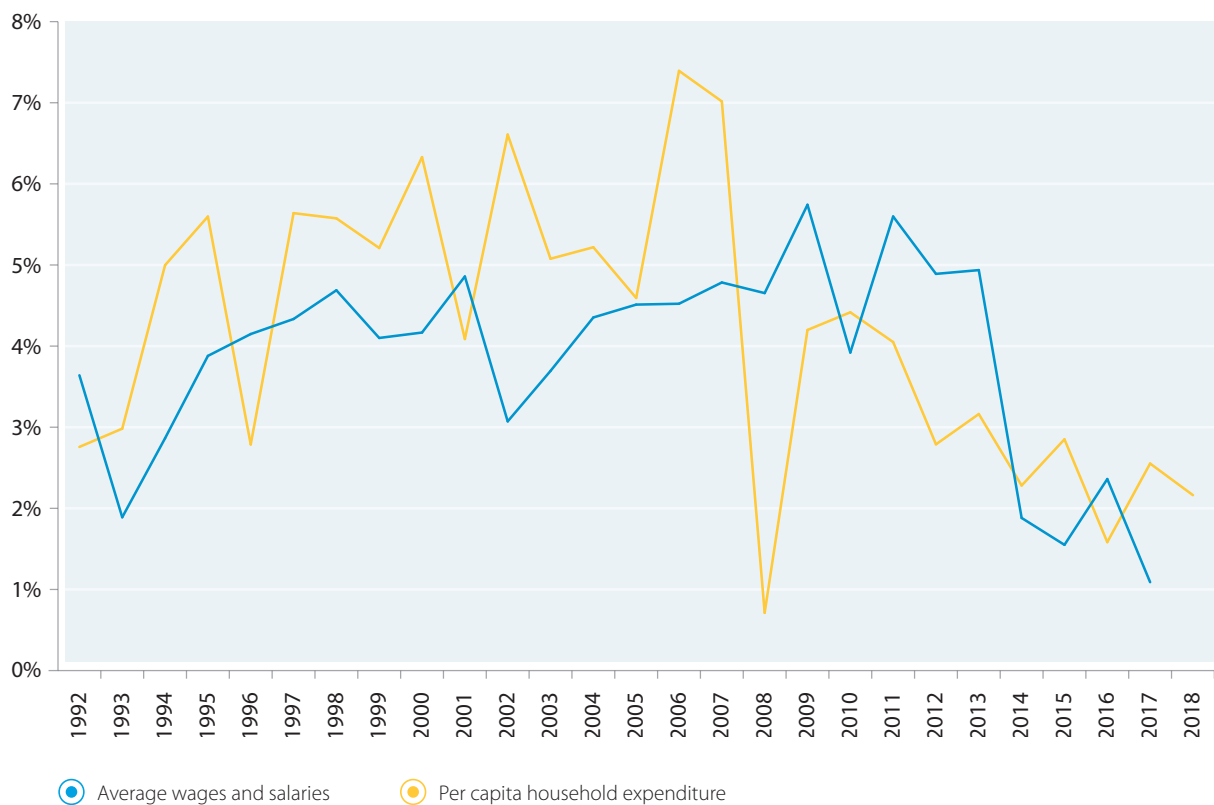
Sources: Australian Taxation Office, Individuals – Table 1, selected Items for 1978–79 to 2016–17, (Average wages and salaries calculated as income in dollars divided by number of returns; as at publication, data only available for 2017 financial year); and ABS, Australian National Accounts: National Income, Expenditure and Product, June 2019, cat. no. 5206.0 (final consumption expenditure in current prices annualised by calendar year divided by estimated resident population [ABS, Australian Demographic Statistics, March 2019, cat. no. 3101.0]).

10.  ANZ, p.42.

11.  Gilfillan, p. 1.

The ANZ Roy Morgan Financial Wellbeing Indicator data set shows that the proportion of household income spent on living expenses fell from 62 per cent to 58 per cent (as a median percentage) between December 2014 and December 2018 (Figure 10).

## FIGURE 10: PERCENTAGE OF HOUSEHOLD INCOME SPENT ON LIVING EXPENSES



- Median % of household income spent on living expenses
- Mean % of household income spent on living expenses
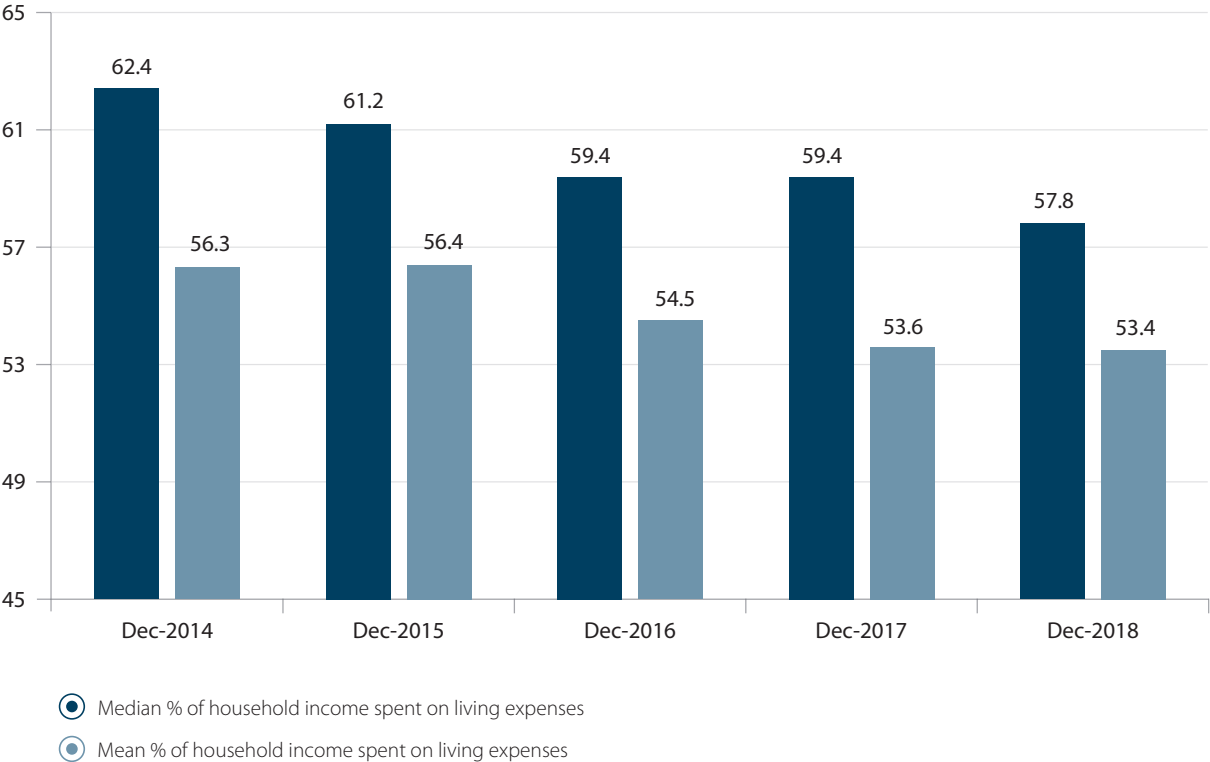
Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

## NOT BORROWING FOR EVERYDAY EXPENSES

Not borrowing for everyday expenses is an essential behaviour for good financial wellbeing, as it helps to ensure people do not live beyond their means.

The ANZ Roy Morgan Financial Wellbeing Indicator data set shows that over the past five years Australians have been using proportionally more of their own money and less consumer finance (credit). During the period from December 2014 to December 2018, ownership of credit cards declined from 38.6 per cent to 34.4 per cent of the population, while ownership of debit cards increased from 47.9 per cent to 61.2 per cent (Figure 11). Reserve Bank of Australia statistics corroborate this trend.[12]

It is important to acknowledge the increasing use of instalment-plan loan services such as those from Afterpay and Zip. Use of these products is not included in the official statistics because they are not considered loans from a regulatory perspective; however, their use is included in the indicator data set.

### FIGURE 11: OWNERSHIP OF CREDIT AND DEBIT CARDS
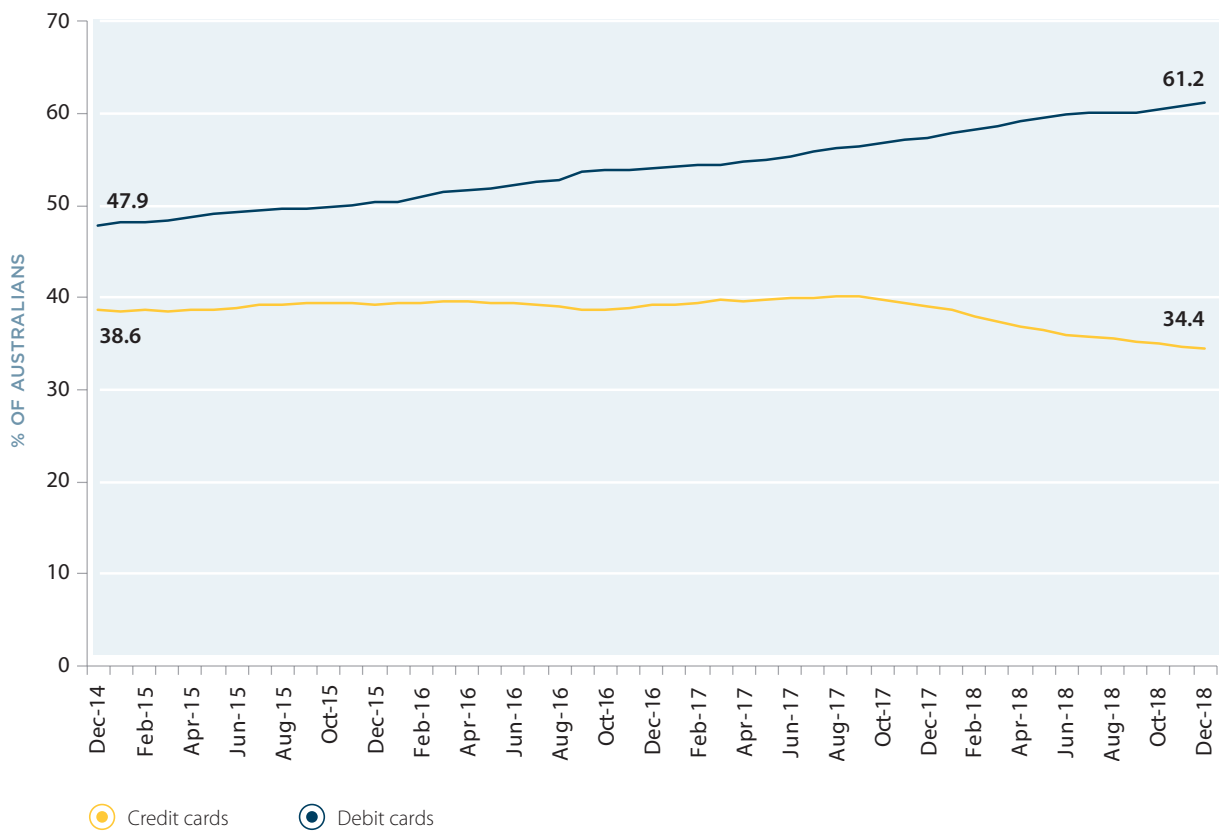


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

12. Reserve Bank of Australia 2019, *Payments Data*, C1 and C2 series <https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html>.

More importantly, the average unpaid credit card balance carried forward from month to month decreased from $1402 in 2014 to $1321 in 2018 (Figure 12).

## FIGURE 12: AVERAGE MONTHLY DOLLAR AMOUNT CARRIED FORWARD ON CREDIT CARDS BY CARD OWNERS
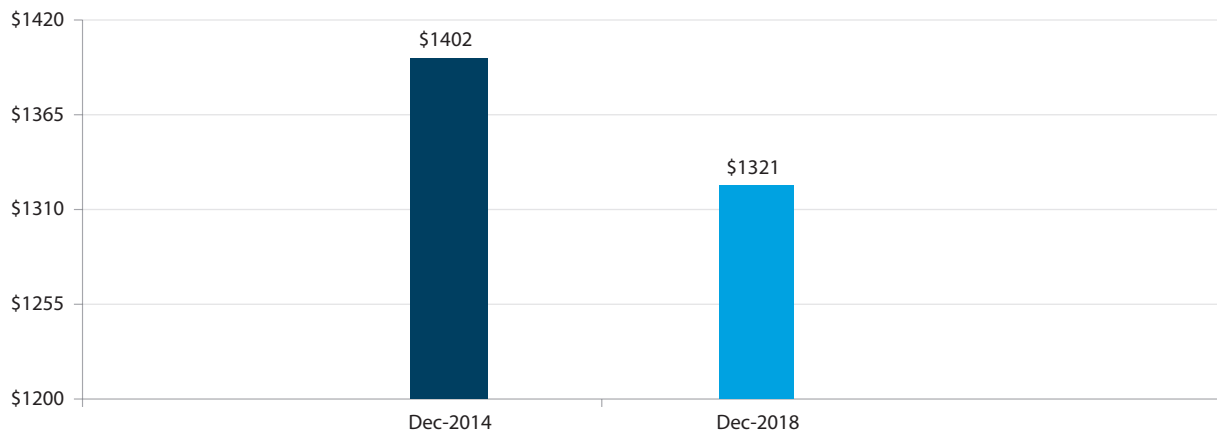


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

ABS data on household borrowing which measures the flow of lending for personal finance such as fixed personal loans and revolving credit commitments, shows that on a per capita basis the use of personal finance has been declining (Figure 13). Supply-side factors such as banks and finance companies making fewer offers to people could also play a role in this.

## FIGURE 13: AUSTRALIAN ANNUAL PER CAPITA USE (FLOW) OF LENDING FOR PERSONAL FINANCE
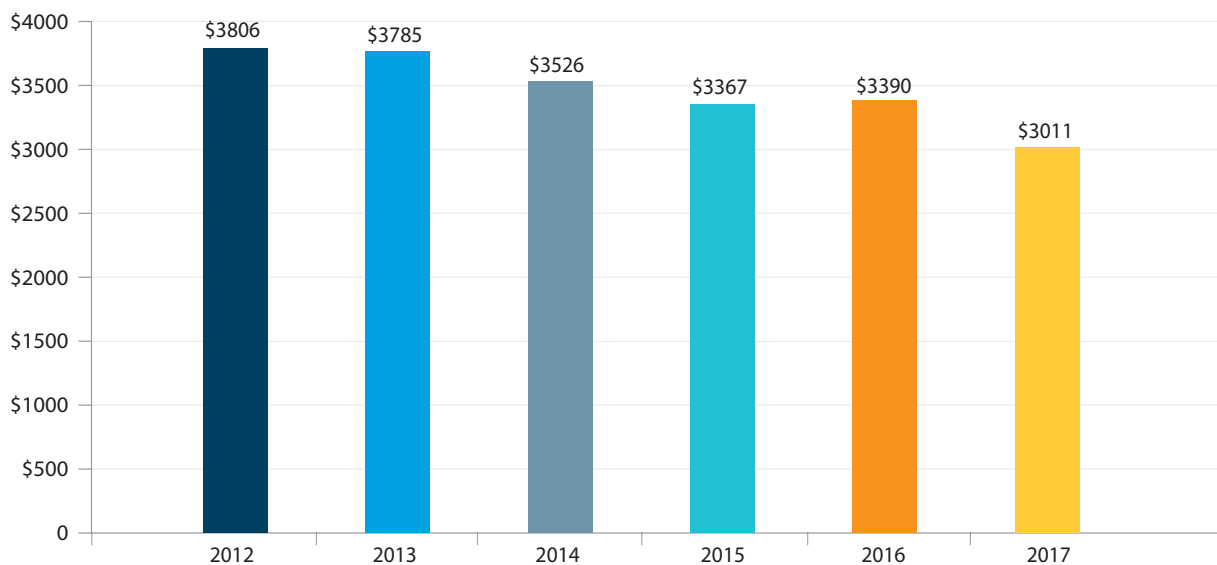


Sources: ABS, Lending Finance, Australia, December 2017, cat. no. 5671.0; and ABS, Australian Demographic Statistics, Dec 2017, cat. no. 3101.0 (estimated resident population).

## KEEPING TRACK OF MONEY AND MAKING INFORMED PRODUCT CHOICES

Another important behaviour that improves financial wellbeing is keeping track of money. Figure 14 demonstrates the increasing trend of people checking their bank accounts, from 51 per cent in 2014 to 58.4 per cent in 2018.

### FIGURE 14: CHECKING BANK ACCOUNTS OR VIEWING BANK STATEMENTS ONLINE IN THE PAST FOUR WEEKS
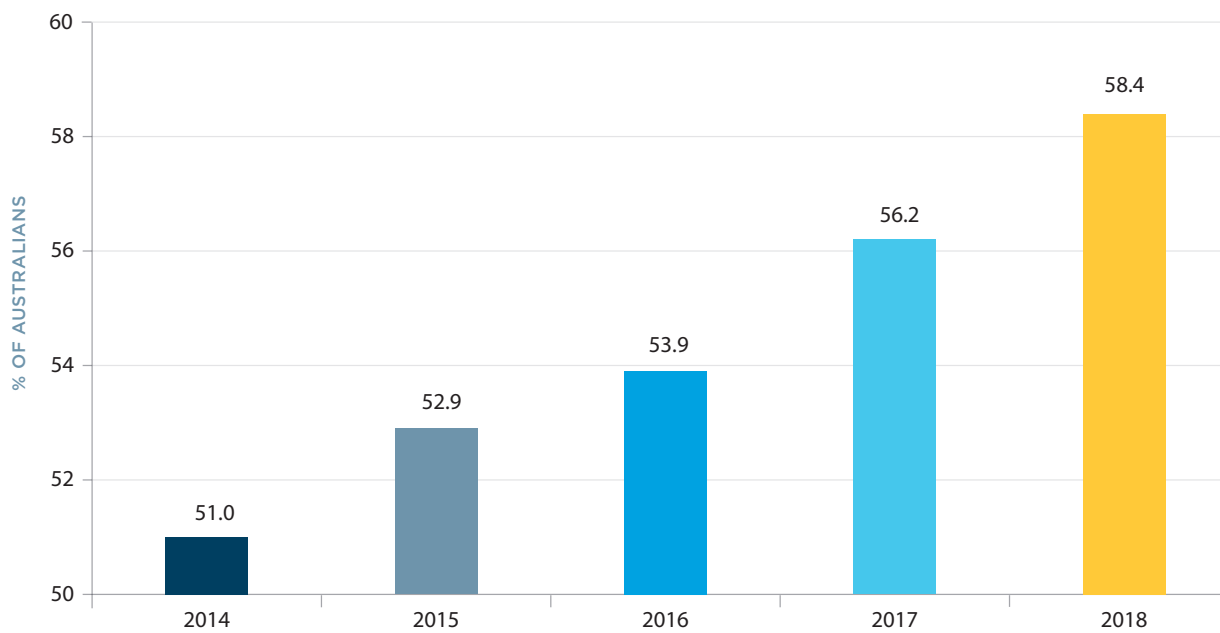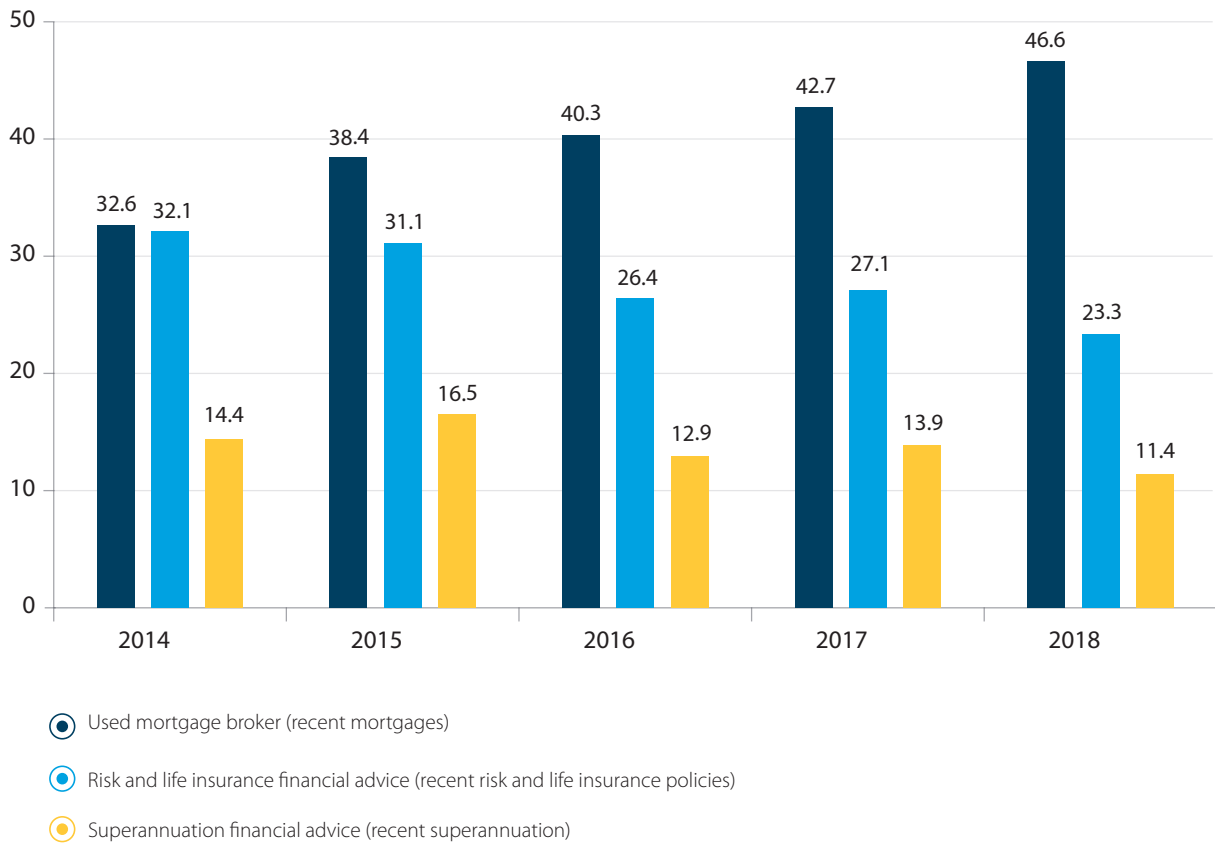


Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

Seeking expert advice before making important financial decisions benefits people's financial wellbeing. Trends are mixed when it comes to people using advice for various financial services. People are less likely to use financial planners for advice about superannuation and risk and life insurance, a decline that has increased slightly over time. However, use of mortgage brokers has increased dramatically, from 32.6 per cent in 2014 to 46.6 per cent in 2018 (Figure 15).

With financing the purchase of property an important milestone on the journey of financial wellbeing (since property owners have higher levels of financial wellbeing),[13] mortgage broking has become the preeminent form of financial guidance that Australians receive. Conversely, broader forms of financial advice appear to be losing favour.

## FIGURE 15: USE OF EXPERT ADVICE IN THE PAST 12 MONTHS



- Used mortgage broker (recent mortgages)
- Risk and life insurance financial advice (recent risk and life insurance policies)
- Superannuation financial advice (recent superannuation)

Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

**Note:** Percentages are on the base of people who have made relevant product changes such as new mortgages, risk and life insurance, and superannuation, in the "last 12 months".

13. ANZ, p. 27.

# PSYCHOLOGICAL FACTORS

Certain psychological factors are important determinants of financial wellbeing, including time orientation, impulsivity, concern about social status, self-control, locus of control, action orientation, attitudes to money and confidence in money management.[14] Such factors affect our relationship with money, which in turn affect the way we use it.

The declining take-up of credit may be explained in these terms. While this trend could be driven by supply-side factors such as availability of credit to consumers, the data suggests that changing attitudes may also have driven declining use of credit cards and personal finance in general, indicating a shift towards more sustainable use of credit. The percentage of consumers who believe that credit enables them "to buy the things they want" declined from 30.8 per cent in 2015 to 28.6 per cent in 2018 (Figure 16).

## FIGURE 16: AGREEMENT WITH THE STATEMENT
**"Credit enables me to buy the things I want"**
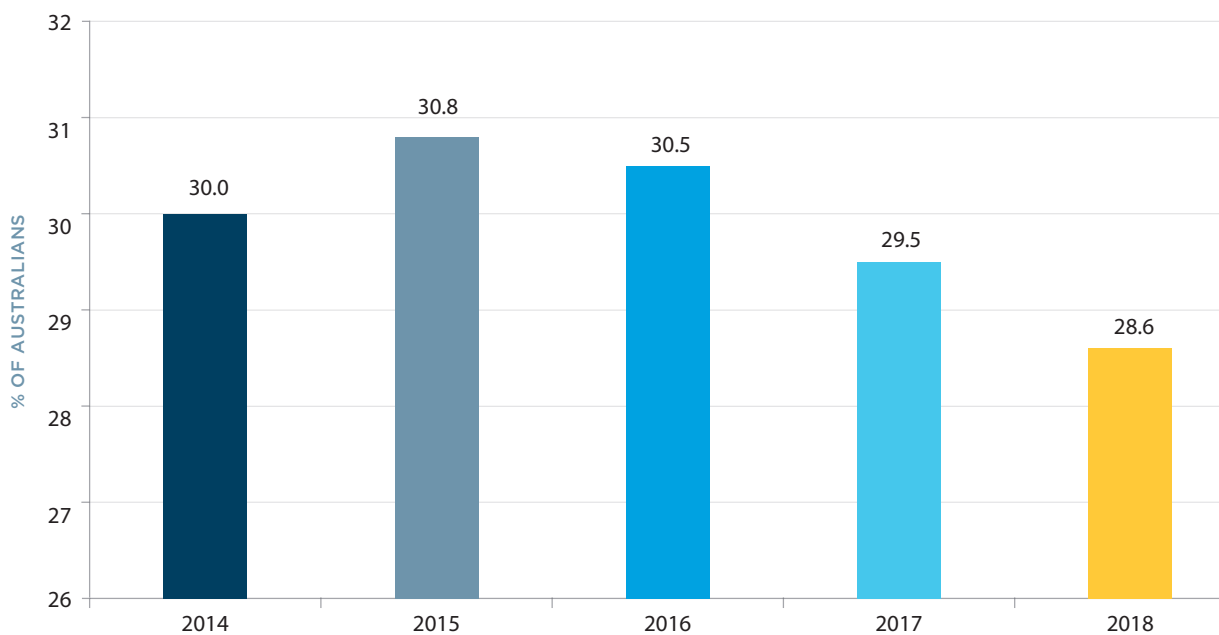


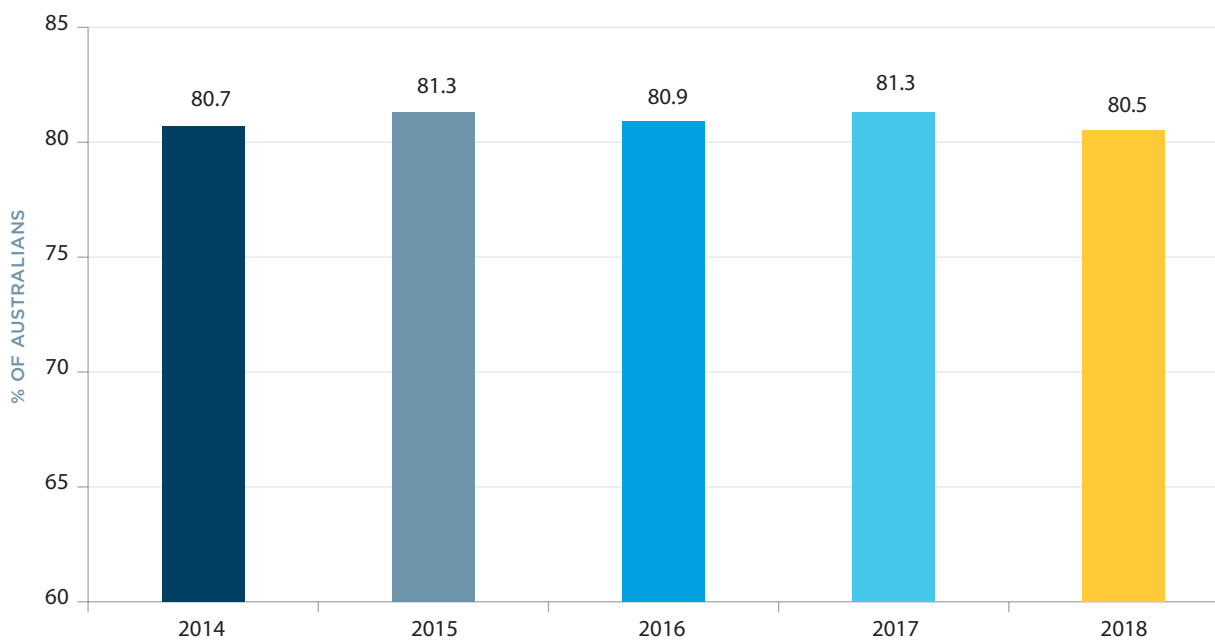Source: ANZ Roy Morgan financial wellbeing Indicator data set.

14. ibid, p. 46.

The extent to which people believe they are in control of their life – known as locus of control – is an important psychological factor driving financial wellbeing.[15] People with a higher locus of control believe they can make changes to improve their life circumstances, while those with a lower locus of control are more likely to believe that financial outcomes are out of their control.

The ANZ Roy Morgan Financial Wellbeing Indicator data set includes a question asking whether participants disagree with the statement "I get a raw deal out of life", which is a good proxy for measuring locus of control. Figure 17 shows that Australians' disagreement with this statement has been consistently high over the past five years, with between 80.5 per cent and 81.3 per cent of respondents disagreeing that they "get a raw deal out of life". The consistency of this response suggests a change in locus of control is not part of our increasing financial wellbeing.

## FIGURE 17: DISAGREEMENT WITH THE STATEMENT
**"I get a raw deal out of life"**



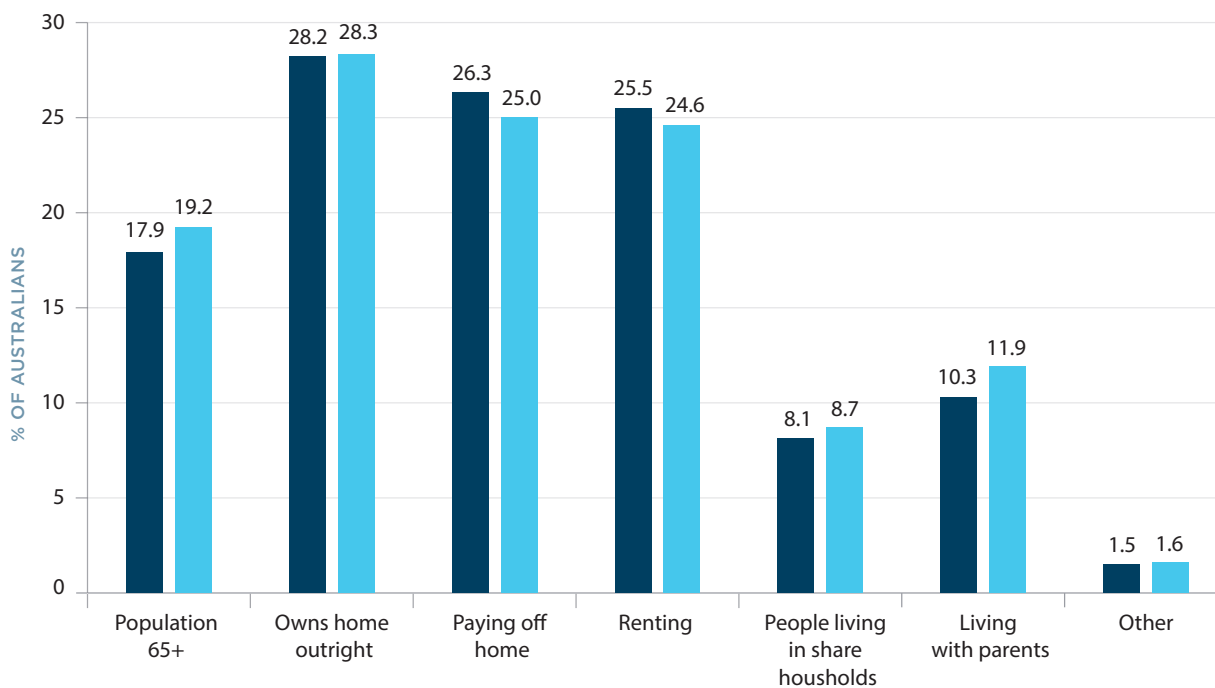Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

15.  ibid, p. 29.

# SOCIAL AND ECONOMIC FACTORS

Social and economic factors were estimated to account for 16 per cent and 14 per cent of personal financial wellbeing respectively in the 2017 ANZ Financial Wellbeing Survey. Household income and variability of income were found to be important.[16]

The data shows an interesting relationship between social and economic factors, which goes some way towards explaining how Australians are adapting to the current economic circumstances to improve their financial wellbeing.

Figure 18 summarises some changes in social factors, such as our ageing population, as evidenced by the higher percentage of people aged 65 or over. Since financial wellbeing tends to improve with age, we would expect an ageing population to be accompanied by improving financial wellbeing.

## FIGURE 18: SUMMARY OF SOCIAL CHANGES



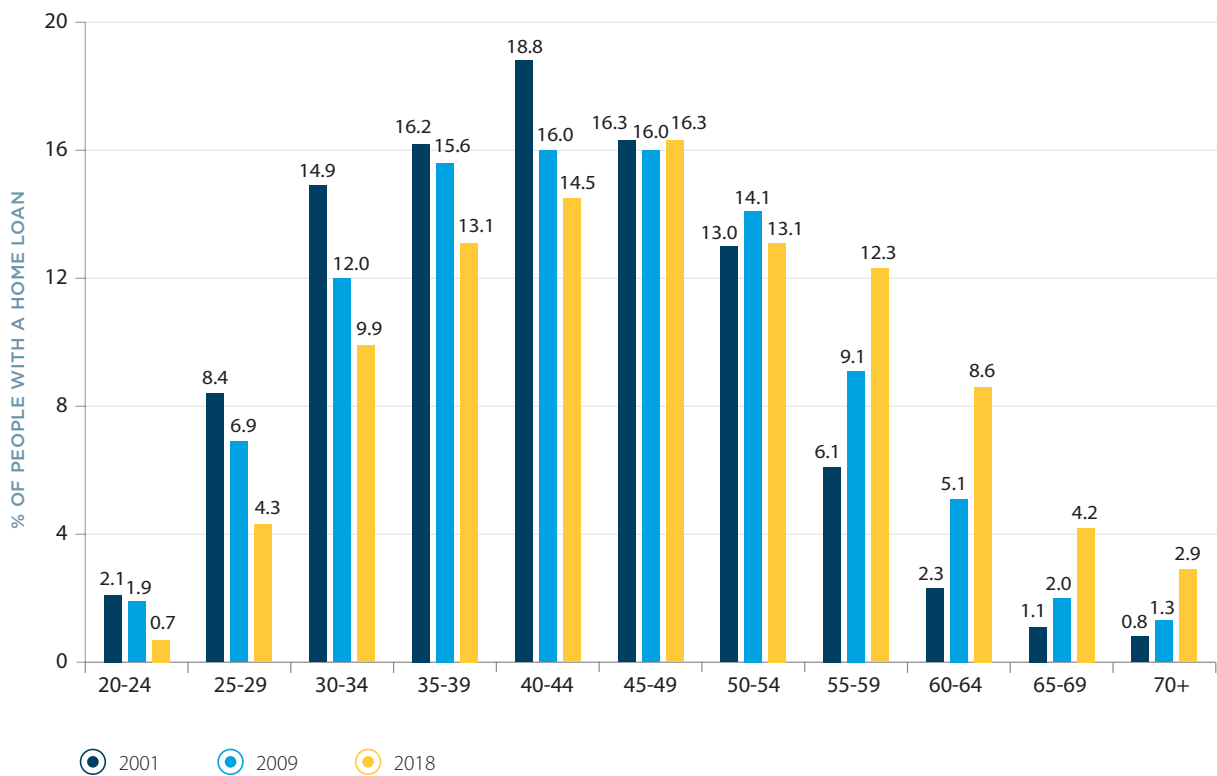Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

16. ibid

Outright home ownership is also positively correlated with financial wellbeing.[17] While ownership levels have remained steady, Australians are taking longer to pay off home loans. Figure 19 shows that the proportion of people aged 65 or over who are still paying off a home loan has increased more than threefold, from 2 per cent in 2001 to 7.1 per cent in 2018.

From 2014 to 2018 the percentage of people living in share households increased from 8.1 per cent to 8.7 per cent, and the percentage of people living with their parents increased from 10.3 per cent to 11.9 per cent (Figure 18).

While paying off a home loan leads to outright ownership, which is good for financial wellbeing, paying them off later in life is a reflection of how social and economic factors are changing as people pursue financial wellbeing.

## FIGURE 19: CHANGES IN THE AGE PROFILE OF PEOPLE WITH HOME LOANS



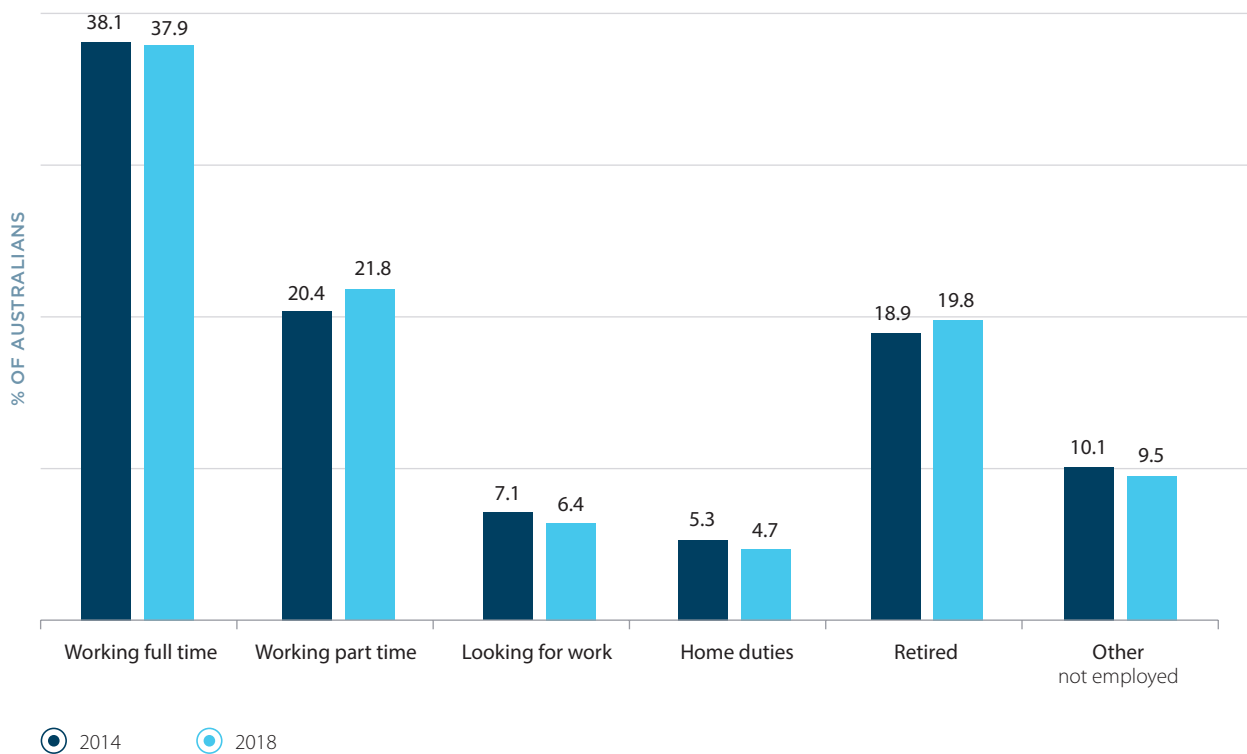Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

17.  ibid, p. 27.

Employment is an obvious factor affecting financial wellbeing and has some relationship to household living arrangements. Figure 20 shows that between 2014 and 2018 there was a decline in the percentage of people devoted to home duties, from 5.3 per cent to 4.7 per cent. While this may not appear to be a significant change, at a whole-of-population level this translates to 68,000 fewer Australians doing home duties.

The government is currently increasing the age of eligibility to access the age pension by six months every two years (until it reaches 67 years in 2023).[18] And there has been a corresponding increase in the number of people staying in full-time work until later in life, with those aged 65 years or older in full-time work increasing from 169,000 in 2014 to 208,000 in December 2018.[19]

Also having an influence on Australians' financial wellbeing is the greater number of people in part-time work, more than offsetting the tiny dip in those working full time. There are also more people retired and less people unemployed, as Figure 20 shows.

## FIGURE 20: SOCIAL ENVIRONMENT CHANGES SINCE 2014



% OF AUSTRALIANS

| | Working full time | Working part time | Looking for work | Home duties | Retired | Other not employed |
|---|---|---|---|---|---|---|
| 2014 | 38.1 | 20.4 | 7.1 | 5.3 | 18.9 | 10.1 |
| 2018 | 37.9 | 21.8 | 6.4 | 4.7 | 19.8 | 9.5 |

● 2014    ● 2018

Source: ANZ Roy Morgan Financial Wellbeing Indicator data set.

18. Department of Human Services, June 12, 2019, 'Increase to age pension age from 1 July 2019',
   <www.humanservices.gov.au/individuals/news/increase-age-pension-age-from-1-july-2019>.

19. ANZ Roy Morgan Financial Wellbeing data set.

# CONCLUSION

The ANZ Roy Morgan Financial Wellbeing Indicator was developed to be a robust, ongoing measure of Australians' progress on financial wellbeing.

To achieve this, it was based on the internationally recognised Kempson model of financial wellbeing, which incorporates the key drivers of financial wellbeing. External validation of the trends in the drivers of financial wellbeing over the past five years support the conclusion that the indicator is measuring meaningful improvements in the aggregate financial wellbeing of the nation.

ANZ and Roy Morgan will release the latest indicator results each quarter, meaning for the first time we will understand how Australians are progressing with their financial wellbeing. This will support broader economic measures which focus on how the economy as a whole is progressing, by providing further insight into the progress of individuals within it.

ANZ is working with organisations with a shared interest in financial wellbeing to use insights from the indicator to assist improvement in the financial wellbeing of individuals and the nation.

# TECHNICAL APPENDIX

The data items used for the calculation of the indicator and other data items used to measure various drivers of personal financial wellbeing, all derive from the questions listed below from the Roy Morgan Single Source interview and survey.

The indicator is calculated by an algorithm that transforms responses to these questions, weighing the relative importance of each component. The algorithm was developed based on calibrated responses to 11 questions in the 2017 ANZ Financial Wellbeing Survey, as well as answers to the questions below.

There are many additional questions in the Roy Morgan Single Source data collection that are of relevance and can be used as filters or as cross-tabulation variables with the Indicator. The complete list of these variables are not listed here.

| ANZ Roy Morgan FWI dimensions | Questions and items from Roy Morgan Single Source |
|---|---|
| Meeting commitments | Q. Meeting my bills and commitments is a struggle from time to time |
| | Q. In the past 12 months I have sometimes been unable to pay bills or loan commitments at the final reminder due to lack of money |
| | Q. I sometimes run short of money for food or other regular expenses |
| Feeling comfortable | Q. I feel financially stable at the moment |
| | Q. I have planned enough to make sure I will be financially secure in the future |
| | Q. Would you say you and your family are better-off financially – or worse-off than you were at this time last year? |
| | Q. Looking ahead to this time next year… do you expect you and your family to be better-off financially – or worse-off than you are now? |
| Resilience | Number of months' income in savings calculated using following questions: |
| | Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income |
| | Q. Would you please say the approximate amount that is in the (main/second) (say institution and account name) account as of today |
| | Managing a drop in income by a third is calculated using the following questions: |
| | Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income |
| | Q. Approximate amount that is in the (main/second) (say institution and account name) account as of today |
| | Q. How much does your family spend on all living and household expenses in an average week? Please include all expenses such as shopping, luxuries, transport costs, bills, credit and loan repayments, rent and home loans, school fees etc. (if living in a shared household, only include your own total living expenses) |

| Other variables | |
|---|---|
| **Financial behaviour** | **Items from interview/survey** |
| Active saving | Approximate amount that is in the (main/second) (say institution and account name) account as of today |
| Spending restraint | Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income |
| | Q. How much does your family spend on all living and household expenses in an average week? Please include all expenses such as shopping, luxuries, transport costs, bills, credit and loan repayments, rent and home loans, school fees etc. (if living in a shared household, only include your own total living expenses) |
| Not borrowing for everyday expenses | Q. Which of those cards do you personally now have? Which others? Any others? |
| | Q. How much will you carry forward in total, to the next statement on your (main/second/third/fourth) (say card type) card? |
| Keeping track of money | Q. Online activities done in the last four weeks: <br>• checked bank account balances <br>• viewed online bank statements |
| Financial advice | **Mortgages** <br><br>Q. Which, if any, of those types of loans do you now have – either in your own name or jointly with someone else? Which other types of loans? Any others? <br><br>Q. Did you use a mortgage broker to obtain that (main/second) (say loan type)? <br><br>Q. Would you please say how many years you have had that (main/second) (say loan type)? <br><br>**Risk and life insurance** <br><br>Q. Which, if any, of those types of insurance cover do you personally have? Please include any types of insurance that are part of your superannuation. Which other types of insurance do you have? Any others? <br><br>Q. Which one line best describes what you did with your (main/second) (say insurance type) insurance policy in the last 12 months? <br>• took out that insurance for the first time <br>• changed from previous company <br><br>Q. Which one line best describes who you obtained insurance policy from? <br><br>**Superannuation** <br><br>Q. Which, if any, of those types of superannuation, rollovers, retirement savings accounts or annuities do you personally have either in your own name or jointly with someone else? Which others? Any others? <br><br>Q. For how many years have you had your (main/second) (say investment type) investment? <br><br>Q. Which one line best describes who you obtained your superannuation investment from? |

| Other variables | |
| --- | --- |
| **Psychological factors** | **Items from interview/survey** |
| Credit enables me to buy the things I want | Please say whether you agree or disagree with the following statement<br><br>Q. Credit enables me to buy the things that I want |
| Raw deal out of life | Q. Do you generally feel you get a raw deal out of life? |
| **Social and economic factors** | **Items from interview/survey** |
| Social changes | Q. Could you please tell me your approximate age?<br><br>Q. Do you or your family own this house/unit/flat outright – or are you paying it off – or are you renting it?<br><br>Q. Which of the following describes your current living arrangements? |
| Age profile of people with a home loan | Q. Could you please tell me your approximate age?<br><br>Q. Which, if any, of those types of loans do you now have – either in your own name or jointly with someone else? Which other types of loans? Any others? |
| Employment | Q. Are you now in paid employment?<br><br>**IF YES:**<br><br>Full-time (for 35 hours or more a week) or part-time?<br><br>If respondent is not currently in paid employment, or self-employed, or working as a consultant, ask:<br><br>• Are you now looking for a paid job?<br><br>**IF NOT LOOKING:**<br><br>Are you:<br><br>• retired?<br>• a student?<br>• a non-worker?<br>• or on home duties? |

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