ADULT FINANCIAL LITERACY IN AUSTRALIA

December 2011

Full Report of the results from the 2011 ANZ Survey

THE SOCIAL RESEARCH CENTRE

ANZ

FOREWORD

ANZ is pleased to present the fourth Survey of Adult Financial Literacy in Australia. The 2011 Survey captures the complexity of financial literacy to a greater extent than previous surveys through focussing on behaviours indicative of a person's financial literacy and examining the associations of those behaviours with people's demographic and other characteristics, including attitudes to finances. We have chosen to do this in order to provide more nuanced information to policy-makers and others engaged in efforts to lift financial literacy levels in the community.

Comparability with previous surveys has nevertheless been retained through the large number of questions unchanged since they were first asked in 2002.

ANZ thanks the people who produced the Survey: David Blackmore from the Social Research Centre and Stephen Prendergast from Prescience Research for their high quality research and analysis, as well as Delia Rickard from ASIC and Catriona Lowe from the Consumer Action Law Centre for their guidance and ongoing commitment to illuminating the issues in financial literacy.

For ANZ the Survey is part of our long-term commitment to improving the financial inclusion and well-being of vulnerable, low financial literacy individuals and communities.

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E1.0 Introduction

This report presents key findings from the 2011 ANZ Survey of Adult Financial Literacy in Australia[1] – the fourth 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]. Financial literacy is therefore a combination of a person's skills, knowledge, attitudes and ultimately their behaviours in relation to money.

To capture this concept, we focussed on the behaviours that can be considered indicators of a person's financial literacy. Analysis[3] identified five behavioural indicators:

- *Keeping track of finances,* for example monitoring account statements and household expenses;
- *Planning ahead,* which includes behaviours such as addressing retirement income issues, using financial advisers and using insurance;
- *Choosing financial products;* for example the extent of comparison shopping for financial products and services;
- *Staying informed*, for example the extent to which people make use of financial information; and
- *Financial control* which includes things like control of general financial situation and debt as well as ability to save money.

Having identified the behaviours that indicate a person's financial literacy, the next step was to examine which groups performed well in terms of these behaviours and which groups did not. In other words, which groups display behaviours that indicate high levels of financial literacy and which display behaviours that indicate lower levels of financial literacy?

Then, to help explain differing levels of financial literacy between groups, associations with peoples' characteristics such as age, education, household circumstances, financial knowledge, numeracy and financial attitudes were examined.

These explanations are not complete, but they do assist in building our understanding of the characteristics of groups in the community who may benefit from improved levels of financial literacy.

E2 Key Findings

E2.1 Groups with low financial literacy

The survey identifies groups where lower levels of financial literacy are more likely to be encountered. These groups were much the same in 2011 as in previous surveys and included:

- People who are relatively young (under 25 years);
- People with no formal post-secondary education;
- People with relatively low levels of income and assets (e.g. those whose main source of income is a Government benefit or allowance; those with annual household incomes below $25,000; those with less than $2,000 in savings and investments);
- Those working in lower blue collar occupations; and
- Females.

It should be kept in mind that, while on average a group may perform relatively poorly on a particular behaviour this does not mean all members of the subgroup perform poorly on

[1] A telephone survey of 3,502 randomly selected Australian adults between July 5 and August 18, 2011.
[2] Schagen, S "*The Evaluation of NatWest Face 2 Face with Finance*", NFER, 1997.
[3] This conceptualization draws on work by the Personal Finance Research Centre at the University of Bristol. (eg: *Measuring financial capability: an exploratory study* June 2005)

that behaviour. For example, as a group those renting their home perform less well than others on *financial control;* nevertheless, slightly more than one in ten people in this situation have scores that place them in the top 20% of the population on this.

E2.2 Factors that help to 'explain' differing levels of financial literacy

- Age

  Strong positive associations were identified between age and most of the behavioural indicators of financial literacy from the 25-34 year age group on – there was no association for people in the 18-24 year age group. This is consistent with people learning and having more exposure to financial products and transactions as they move through their lives.

- Financial knowledge and numeracy

  Positive associations were identified with all behavioural indicators of financial literacy except for *financial control*. This suggests that having good levels of knowledge about financial matters generally and numeracy are important, particularly when it comes to *choosing financial products*, *keeping track of finances* and *staying informed*, but other factors are more important for *financial control* (see Household income below).

- Financial attitudes

  Financial attitudes have an association (whether positive or negative) with most behavioural indicators of financial literacy. In particular:

  - 'Financial self-efficacy' which is about self-confidence and belief in the ability to make a difference to one's financial situation has a positive association with all behaviours associated with financial literacy; its strongest association is with *staying informed* suggesting active engagement in managing their finances amongst people with this attitude.
  - Finding 'money dealings stressful' has a negative association with all behavioural indicators except for *planning ahead* where there is no association. Its strongest negative association is not surprisingly with *financial control* likely indicating the stress associated with dealing with financial difficulty. It has a relatively strong negative association with *keeping track of finances, choosing financial products* and *staying informed* suggesting a lack of interest or willingness to engage with their finances and shopping around for financial products on the part of some people.
  - A 'thrifty' attitude has a relatively strong positive association with all components of financial literacy except *planning ahead*.

- Household income

  Household income has a relatively strong positive association with financial control, meaning that in general higher household incomes are positive for financial control. Financial control is also positively associated with having savings and investments (those with savings and investments of less than $2000 tended to have lower levels of financial control), a thrifty attitude and a high level of financial self-efficacy (i.e. self-confidence and belief in the ability to improve one's financial situation and to reach financial goals).

  Household income has a slight negative association with *keeping track of finances*, suggesting that higher income households tend to track their finances less closely than lower income households who need to manage their finances more closely. It also has a slight positive association with *planning ahead*, reflecting a tendency for higher income households to make more use of financial planners and insurance.

  Household income alone is not a key influence on other behavioural indicators of financial literacy, particularly engaging in *choosing financial products* and *staying informed* about financial matters – people do these things whatever their level of income.

- Education and occupation

  Education and occupation have associations with some behavioural indicators of financial literacy, suggesting they are important in some areas but not others.

  Completion of formal post-secondary education is strongly positively associated with *choosing financial products* and *staying informed* but does not appear to be important for *keeping track of finances*, *planning ahead* or *financial control*.

  Being in a blue collar occupation has a slight negative association with *keeping track of finances* and *planning ahead.* Being in a white collar occupation is positively associated with *staying informed* about finances.

E2.3 Some implications of the findings

The 2011 Survey provides a guide to the groups in the community who may benefit from efforts to lift their levels of financial literacy: these are the groups listed above.

The 2011 Survey also shows that financial literacy is complex. Individuals and groups may perform well on some components of financial literacy but not others and people's financial attitudes affect their level of financial literacy quite strongly.

This provides some guidance for designing financial literacy programs. For example, programs focused solely on raising financial knowledge and numeracy may be effective in improving components of financial literacy such as *choosing financial products, keeping track of finances* and *staying informed*; however, their affect on *planning ahead* is likely to be more limited.

Programs that also take into account and seek to positively influence people's financial attitudes are likely to be more effective than those that do not. Financial self-efficacy, which is a measure of confidence in dealing with money and of willingness to engage with money management, is positively associated with all components of financial literacy. The research finds that 36% of people find dealing with money is stressful, even when things are going well. Together these findings suggest that effective program design needs to:

- find a way to engage people
- help to overcome the stress some people associate with dealing with money and build confidence in managing money.

This in turn highlights the need for support in the form of advice, 'coaching' and tools amongst some groups in the community.

E2.4 Changes over time

This is the fourth ANZ Survey of Adult Financial Literacy since the first in 2003. When the 2011 results are compared with those from the previous surveys, some changes are apparent. One group of changes relates to the GFC and its effects and the other to ongoing efforts to increase awareness of consumers' rights.

E2.4.1 Changes in financial attitudes and behaviour

Several measures from the 2011 survey support the view that Australians have become more cautious in their financial attitudes and behaviour since the GFC. Financial resilience of households has generally increased, but this has not been the case for all households.

- In 2011, the number of people saying they try to save on a regular basis (77%) is at the highest level seen in any of the four surveys; the next highest figure was 72% in 2008. This is in line with Australian Bureau of Statistics data showing a marked increase in the savings ratio of Australian households since the GFC.
- Fewer people had a personal loan (down 5 points since 2008 to 12%), a line of credit or overdraft (down 2 points to 12%) or a lease/hire purchase agreement (down 2 points to 7%).

- More people report they are in control of their financial situation all or most of the time (up 4 points to 81% in 2011) and fewer people feel they would be unable to manage for a period of time if they experienced a major loss of income (down by 2 points to 22% in 2011).
- Financial resilience has not, however, increased for all households. For example, those with household incomes of $65,000 or less who are supporting children and/or $300,000 plus mortgages are less likely to feel their financial situation is under control; nor has there been any decrease since 2008 in the proportion who feel this way.

E2.4.2 Changes in investing

Since the GFC financial markets have been characterised by a higher level of volatility and lower investment returns, particularly in shares, which have resulted in some changes.

- There was greater awareness of investment volatility with more people agreeing that short term fluctuations in market value can be expected even with good investments (up 7 points to 74%).
- Fewer people held shares (down by 3 points since 2008 and by 9 points since 2002 to 35%) or managed investments (down by 4 points since 2008 and by 13 points since 2002 to 16%).
- There was greater uncertainty about how to assess the performance of a superannuation fund or managed investment (19% unsure compared with 13% in 2008 and 8% in 2005). While not a change as the question was asked for the first time in 2011, four in 10 people disagreed with the proposition "*I would trust financial professionals and accept what they recommend*".
- The proportion of people saying they read their superannuation statements is down 6 points since 2008 to 69%, which may indicate avoidance of news of somewhat disappointing returns over the past few years. Around a third of people continued to report they found their superannuation statements difficult to understand.

E2.4.3 Changes to awareness of consumer rights and responsibilities

Changes relating to awareness of the rights and responsibilities of users of financial services were evident in the areas of complaints and insurance.

- People were more confident about making an effective complaint against a bank or other financial institution. In 2011, 68% were confident or very confident about doing this; up from 58% in 2005 and 63% in 2008.

  There was also greater awareness of the industry ombudsman (up 10 points since 2008 to 46%) as a potential source of help in resolving difficulties with the provider of a financial product or service.
- In 2011 more people were aware of the cooling off period that applies when taking out a new insurance policy (up 6 points since 2008 to 74%).
- Fewer people were aware that a claim could be refused if the policyholder did not meet their duty of accurate disclosure (down 7 points since 2008 to 47%).

E2.5 Some issues requiring ongoing attention

Issues which are not new, that may require ongoing attention include: underinsurance and understanding risk in investment.

Recent media coverage of the inadequate/inappropriate flood insurance held by many people appears to have done little to raise awareness of the need to ensure the level/appropriateness of existing insurance cover.

- In the 2011 Survey people were less likely to consider the level of cover when renewing an existing insurance policy (27% would do so; down by 3 points since 2008) and hence leave themselves at risk of under-insuring.
- Also, one in five people who owned or were purchasing their home did not have building insurance while one in four of those who owned, were purchasing or renting their home did not have contents insurance. These figures are unchanged since 2008 and suggest that under-insurance continues to be a significant risk for a considerable number of Australians.
- At 53%, the proportion of people who said they would not invest in "*an investment advertised as having a return well above market rates and no risk*" was not significantly different from 2008. While the marked improvement on earlier results (46% in 2002) has been maintained, there remains scope for further improvement.

E3 Concluding remarks

In the 2008 Survey Summary Report we noted future surveys could usefully focus on behaviour and the extent to which money management skills and knowledge translate into behaviour.

The 2011 Survey does this by identifying behaviours that are indicators of financial literacy and the groups within the population that perform well against these and the groups that do not. The characteristics of those groups such as age, education, household circumstances, financial knowledge, numeracy and financial attitudes were examined to help explain differences and build a picture particularly of low financial literacy groups. This is a step forward in our understanding of a complex subject.

The 2011 Survey also included some questions which are being used as part of the OECD's program of financial literacy research[4]. This will allow for future comparison of Australian financial literacy measures against international benchmarks.

[4] See for example http://www.financialliteracyfocus.org/files/FLatDocs/OECD%20paper.pdf

Section 1 Introduction to the Report

1.1 Background

Financial literacy is an important 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. With respect to financial literacy the Australian Securities and Investments Commission (ASIC) note that "*knowing how to make sound money decisions is a core skill in today's world, regardless of age. It affects quality of life, opportunities we can pursue, our sense of security and the overall economic health of our society*"[5]. Similarly at its 2010 Toronto Summit, the G20 emphasised the important role of financial literacy and financial capability[6] in supporting financial inclusion, thereby enhancing community wellbeing.

ANZ's first national survey of financial literacy (2002) established benchmark measures across the Australian population while follow-up surveys conducted in 2005 and 2008 were used to monitor changes in financial literacy over the next six years.

For the purposes of the 2002 survey, financial literacy was broadly defined as *the ability to make informed judgements and to take effective decisions regarding the use and management of money*[7]*;* this was largely evaluated through an assessment of people's financial knowledge and numeracy. Since 2002 the concept of financial literacy has evolved somewhat so that it takes more account of people's financial attitudes, behaviour and experiences[8] as well as their financial knowledge and numeracy. It is this broader interpretation that has been used as the basis for evaluating financial literacy in the 2011 survey.

Consequently the development of a quantitative model for this broader view of financial literacy, and the use of this model as the basis for describing financial literacy within the Australian community were key tasks for the fourth (2011) ANZ *Adult Financial Literacy in Australia* survey.

1.2 Context of the survey

When considering the findings presented in this report, it should be kept in mind that fieldwork for the 2011 survey took place against a background of significant volatility in financial markets, some weakness in the residential housing market, cautious consumer sentiment and behaviour including increased levels of household saving and reduction of household debt and natural disasters earlier in the year in Queensland and Victoria.

This situation is not entirely inconsistent with that existing in May/June 2008 when fieldwork for the 2008 *Adult Financial Literacy* survey took place. At that time, the difficulties in the US financial system which would culminate in the global financial crisis were becoming increasingly apparent although the crisis itself had not emerged fully. Nevertheless, the overall context of the 2011 survey appeared a little more negative than the background to the 2008 survey and considerably less benign than the situation in 2002 and 2005.

1.3 Research objectives

The broad objectives of the 2011 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 and 2008;
- 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.

[5] ASIC. Report 229 *National financial literacy strategy*, March 2011.
[6] The OECD [OECD PISA 2012 Financial Literacy Framework (Draft) Dec, 2010 (p7)] suggests the terms financial literacy and financial capability can be used interchangeably.
[7] Schagen, S "*The Evaluation of NatWest Face 2 Face with Finance*", NFER, 1997.
[8] For example, the work of the Personal Finance Research Centre at the University of Bristol; see Section 2.2.

In addition, the 2011 study sought to better describe the relationships between a broader concept of financial literacy and the factors which might be associated with it; for example financial knowledge, financial attitudes, financial behaviour and financial well-being.

1.4 Research design

The 2011 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. Key aspects of the 2011 survey included the following:

- Data collection was by telephone interview and was conducted between July 5 and August 18, 2011.
- The questionnaire was broadly similar to that used in 2008 although several changes were introduced. These included;
  - The addition of questions to facilitate the modeling of financial literacy; in particular questions were added to assess respondents' financial attitudes and their overall financial situation;
  - The introduction of several new questions (and the modification of some existing questions) in line with the OECD questionnaire[9] to enable some international comparisons to be made when data are available; and
  - Deletion of several questions so the above changes could be introduced without excessively increasing the administration time of the questionnaire.

  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. Sample size was sufficiently large to enable this to occur while obtaining statistically robust results.
- The sample 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. The geographic breakdown of the final sample was as shown in Table 1.4a.

[9] International Network on Financial Education, *Financial Literacy Measurement Questions & Socio-Demographics,* INFE(2010)3/REV2

Table 1.4a Sample distribution by geographic location

Location	Capital City n	Regional n	Total Interviews n	Proportion of Total Interviews %
New South Wales	725	417	**1142**	**33%**
Victoria	647	229	**876**	**25%**
Queensland	316	379	**695**	**20%**
South Australia	194	69	**263**	**8%**
Western Australia	265	91	**356**	**10%**
Tasmania	34	46	**80**	**2%**
Australian Capital Territory (ACT)	57	-	**57**	**2%**
Northern Territory	19	14	**33**	**1%**
Total interviews (n)	**2257**	**1245**	**3502**	**100%**
Proportion of total interviews (%)	**64%**	**36%**	**100%**	

- The target population for the survey was all Australians aged 18 years or over who were accessible by fixed-line telephone. Where more than one eligible person lived in a contacted household, a random selection procedure[10] 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. All results presented in this report have been weighted in this way.

1.5 Steering Committee

As in the previous studies, the 2011 survey was managed by a Steering Committee. The Committee comprised 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, and provides an analysis of the relationships that exist between this view of financial literacy and people's socio-demographics, financial attitudes, behaviour and financial situation.
- 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;

[10] The next person in the household to have a birthday.

- Section 10 looks at consumers' use and understanding of the internet in banking and finance related matters; and
- Section 11 provides an overview of results for the questions on people's financial attitudes and numeracy.

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[11] 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 family and friends was 10% in 2008 and 11% in 2011 (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 2008 in the proportion of people who use loans from their family or friends.

[11] At the 95% level of statistical confidence.

Section 2 Financial Literacy

2.1 Introduction and key findings

This chapter describes the approach we used in 2011 to define financial literacy, how we went about measuring its components, an analysis of the characteristics which seem to be most strongly associated with people having high or low financial literacy scores and a profile of financial literacy scores amongst socio-demographic subgroups.

Key findings

The following key points emerged from this analysis:

- Financial literacy can be envisaged as consisting of five separate components: *keeping track of finances*; *planning ahead*; *choosing financial products*; *staying informed*; and *financial control*. Separate indices, based on behavioural indicators, have been calculated for each of the five components.
- Regression analysis can be used to identify the personal (financial knowledge, socio-demographic and finance related attitudes) and household (household type, housing tenure, income, debt, assets, etc) characteristics which are most strongly associated with people's scores on each component of financial literacy.
- Different characteristics were found to have different levels of association with each component. Thus:
  - Financial knowledge/numeracy was strongly associated with *choosing financial products*. However, it had less association with other components (specifically *keeping track of finances, staying informed*, and *planning ahead*) and did not appear to have any association with *financial control*.
  - Financial attitudes appeared to be strongly associated with most components of financial literacy. In particular;
    - High levels of perceived financial self-efficacy (ie: high levels of self-belief and self-confidence in the ability to affect your financial situation and to reach your financial goals) were strongly associated with high scores on *staying informed* and relatively strongly associated with the other four components of financial literacy; while
    - A view that financial dealings are stressful was associated with low scores on *financial control*, and to a lesser extent *keeping track of finances, choosing financial products* and *staying informed*.
- These findings suggest that programs focused mainly on enhancing people's financial knowledge/numeracy are likely to be effective in improving certain components of financial literacy – here, *choosing appropriate financial products, keeping track of finances* and *staying informed*. However, approaches that also take into account and seek to positively influence people's financial attitudes appear to have greater potential to positively impact other components of financial literacy.
- The importance of attitudes also highlights the need for support in the form of advice, 'coaching' and tools amongst some groups in the community
- Finally, the analysis also suggests that some population subgroups may represent a higher priority than others in terms of targeting programs designed to enhance particular components of financial literacy. For example, with respect to *keeping track of finances*, males and people working in lower blue collar occupations appear to be higher priorities than females and those people employed in white collar roles.

2.2 Defining financial literacy

For the purposes of this research financial literacy was defined as *the ability to make informed judgements and to take effective decisions regarding the use and management of money*[12].

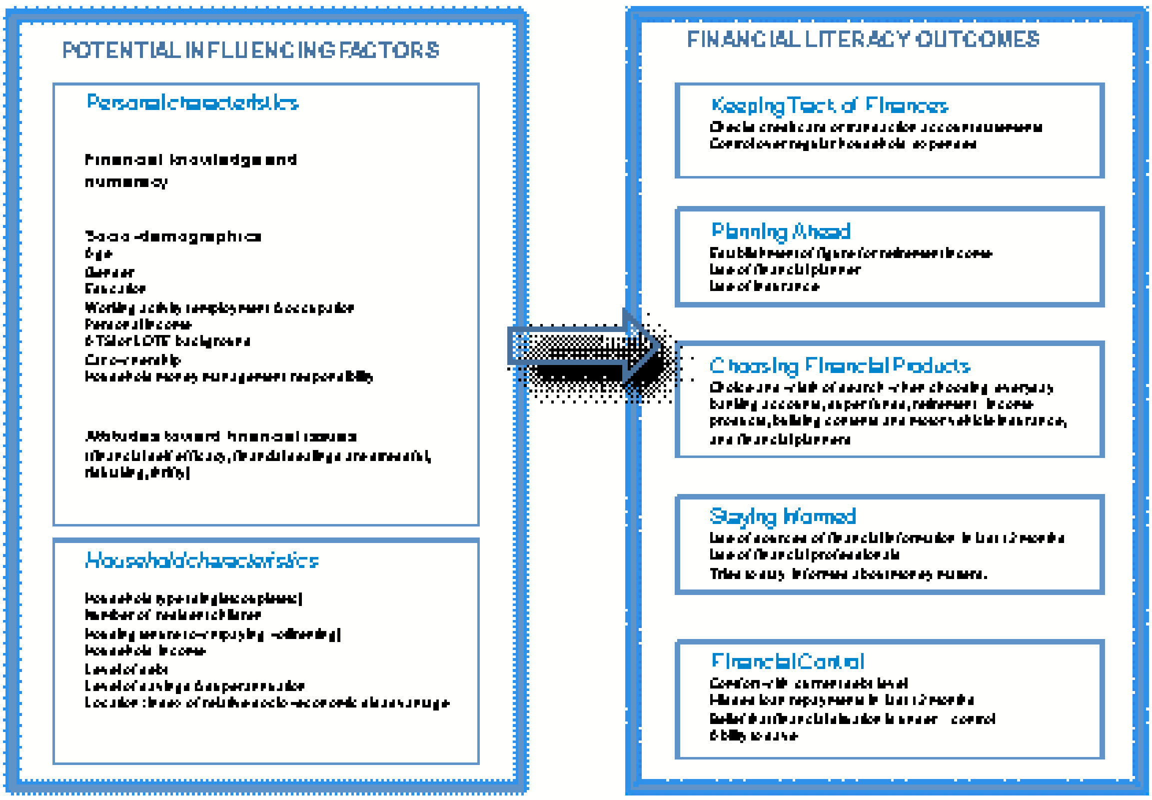
The implementation of this definition for the initial *Adult Financial Literacy in Australia* surveys drew on Schagen's UK research and described financial literacy largely in terms of people's financial knowledge and numeracy. This approach formed the cornerstone of the surveys conducted in 2002, 2005 and 2008.

However, during the last six years or so the idea of financial literacy has evolved into a broader concept which, in addition to financial knowledge and numeracy, also takes account of people's financial attitudes and behaviour[13] to an increased degree. This broader concept is often referred to as financial capability although, in keeping with the OECD position[14], we have opted to continue using the term financial literacy. With this change in mind, a key task for the 2011 *Adult Financial Literacy in Australia* survey was to incorporate the broader view of financial literacy into the analysis and reporting. This section of the report describes how we approached this task. It also provides results from an analysis that sought to identify the aspects of people's financial knowledge, personal and household characteristics which are most strongly associated with their level of financial literacy; and a description of financial literacy levels amongst socio-demographic subgroups of the Australian population.

<u>*A conceptual framework for defining financial literacy*</u>

The model shown in Figure 2.2a was used to provide a conceptual framework for this research.

Figure 2.2a A conceptual framework for financial literacy



[12] 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.

[13] 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.

[14] OECD. PISA 2012 Financial Literacy Framework (Draft) Dec, 2010 (p7)

This framework draws on the work of the Personal Finance Research Centre[15] (PFRC) for the concept of financial literacy as multi-dimensional (ie: consisting of components such as keeping track of finances, planning ahead, etc) and both this work and research into financial insight amongst the Dutch conducted by CentiQ[16] in pointing to the value of using relevant financial behaviours as indicators of a person's financial literacy.

Broadly, the framework shown in Figure 2.2a suggests that a person's financial literacy can be envisaged as consisting of five separate components, each of which can be measured by behavioural indicators. Financial literacy, as we have defined it, is comprised of the five components *keeping track of finances*, *planning ahead*, *choosing financial products, staying informed* and *financial control*. In this we have drawn on the nomenclature used by the PFRC, although in place of *making ends meet* (what the PFRC research considered to be a sub-component of money management) we have the component *financial control*. We have also used different survey questions to measure each of these components of financial literacy. Thus, while we have used the PFRC work as a valuable guide to structuring our thinking about the topic, our approach does diverge to some extent both conceptually and particularly in the specific data items we have used.

In summary form and as shown in Figure 2.2a, the components of financial literacy and the sorts of behavioural indicators we have used to define them are:

- *Keeping track of finances,* for example behaviours like monitoring account statements and monitoring of household expenses;
- *Planning ahead,* which includes behaviours such as addressing retirement income issues, using financial advisers and using insurance;
- *Choosing financial products;* for example the extent to which people engage in comparison shopping when obtaining financial products and services;
- *Staying informed*, for example the extent to which people make use of financial information; and
- *Financial control* which includes things like people's control of their general financial situation and debt as well as their ability to save money.

It should also be noted that the framework implies the five components of financial literacy are potentially influenced by people's personal characteristics (ie: their financial knowledge/numeracy, socio-demographics and financial attitudes) as well as the characteristics of the household in which they live.

Operationalising the model

Figure 2.2a also notes which data items were used to measure the various components of the model. In looking at these it is fairly clear how most might be used to investigate 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.

However, this is less clear for other data items, particularly those we have referred to as 'financial knowledge/numeracy' and 'attitudes towards financial issues'; a brief explanation of how these were handled is likely to be useful when considering the findings presented in the next section. Thus:

- To facilitate subsequent analysis, a number of variables were combined into a single summary measure of people's ***financial knowledge and numeracy***. This involved calculating a financial knowledge score for each respondent based on their responses to 21 of the survey questions (including the arithmetic quiz questions). Points were allocated (or deducted) according to the responses given and a financial knowledge/numeracy score was created for each respondent (a more detailed explanation of this process is provided in Appendix 1).

[15] Personal Finance Research Centre, University of Bristol. *Measuring financial capability: an exploratory study* June 2005
[16] CentiQ, *Summary of financial insight among the Dutch* May, 2008.

- In the survey, 16 separate questions were used to assess people's ***financial attitudes***. However further analysis suggested these could be reduced to the four general attitudinal themes of *financial self-efficacy* (a reflection of people's self-belief in their ability to change their financial situation and effectively plan their financial future), finding *money dealing stressful*, *risk taking* (associated with a propensity for risk-taking in financial matters, a preference for credit use and an interest in impressing others with purchases) and a *thrifty* financial orientation (associated with a focus on saving and a reluctance to spend other than on necessities). Further details of these measures are provided in Appendix 1.

Finally it should be noted that, for analysis purposes, the behavioural indicators of ***financial literacy*** were combined to form a single index for each component. For example, a *keeping track of finances* score was created for each respondent based on their answers to questions about checking of account statements and monitoring of household expenses (see Appendix 1 for further details).

2.3 Characteristics associated with financial literacy

Following the re-structuring of the data described in the previous section, five regression analyses were used to investigate associations between the potential influencing characteristics shown on the left hand side of Figure 2.2a and the five components of financial literacy shown on the right (Appendix 1 provides further details of these analyses). In particular, these analyses sought to establish which characteristics were most strongly associated with each component of financial literacy.

A summary of the results is provided in Table 2.3a. The characteristics most strongly associated with each financial literacy component 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 '-'.

Table 2.3a 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	+++	+++	+++	+++	
	Female	++				
	Post-secondary education			+++	++	
	Increasing number of children at home					- -
Household circumstances	Owns or paying off car		++	++		
	Renting home		- -			- -
	Internet user/ever used online site to compare financial products				++	
Occupation & income	In paid employment					
	Occupation: Upper White collar				++	
	Occupation: Lower Blue collar	-	-			
	Household income level	-	+			++
Assets & debt	Total savings/investments and superannuation		++		+++	++
	Total debt					- - -
Financial Attitudes	Financial self efficacy	++	++	++	+++	++
	Money dealing is stressful	- -		- -	- -	- - -
	Risk taking	- -			++	-
	Thrifty	++		++	++	++

<u>Important notes concerning regression results:</u> The above table reports the results of five regression models – one for 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 the Staying Informed Index also increases.

Key points in Table 2.3a include the following:

- The characteristics most strongly associated with a person's score on ***Keeping Track of Finances*** are their age, their level of financial knowledge/numeracy, their gender and their financial attitudes. That is, people tend to monitor their finances more closely as they get older, particularly if they have relatively high levels of financial knowledge and numeracy, confidence in their ability to affect their financial situation and a generally thrifty attitude.

  The table also shows that women tend to have higher scores than men on this component of financial literacy. A risk taking attitude insofar as finances are concerned and finding money matters stressful to deal with are associated with relatively low scores. Slightly below average scores are also associated with working in a lower blue collar[17] occupation and higher levels of household income, an interesting finding suggesting that those with higher incomes may feel they have less need to closely monitor their finances.

- Relatively high scores on ***Planning Ahead*** are associated with being 35 years of age or older; people under 35 years, particularly 18-24 year olds, do not score especially well here. This seems likely to reflect less exposure to financial products with a longer term focus (such as mortgages and investments in property, shares and managed funds) and because retirement planning is unlikely to be a salient issue at this age.

  Apart from age, attitudes also have a role to play with a high level of financial self-efficacy reflected in relatively high scores on *planning ahead*. So too do 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). Notably, financial knowledge/numeracy was only weakly associated with higher scores on *planning ahead*.

- Higher scores on ***Choosing Financial Products*** are also strongly associated with age, with 18-24 year olds not scoring particularly well on this component. Financial knowledge/numeracy is the other characteristic strongly associated with a person's score on *Choosing Financial Products*; that is a higher level of financial knowledge/numeracy tends to be associated with more extensive search behaviour when looking to obtain a new financial product or service.

  Completion of formal post-secondary education, financial attitudes (financial self-efficacy, a thrifty orientation and not finding money dealings stressful) and assets (motor vehicle ownership) also show relatively strong associations with people's scores on this component of financial literacy.

- ***Staying Informed*** is most strongly associated with being 55 years of age or older, (that is being either close to or in retirement and therefore at an age where staying informed about financial matters seems likely to be of particular relevance), the amount of money held in savings, investments and superannuation (the greater the value of these holdings the higher the score on *staying informed*) and financial self-efficacy.

  More modest associations are evident with financial knowledge/numeracy, upper white collar occupations[18], use of online sites for comparing financial products, a thrifty financial attitude, not finding money dealings stressful and a risk taking attitude. While this latter result may be slightly unexpected, it should be kept in mind that a wide range of people have relatively high scores on the risk taking attitude including those with higher incomes and significant levels of investments; that is, the type of people who might be expected to take some interest in staying informed about financial issues.

[17] 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.

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

- Low scores on ***Financial Control*** were associated with high levels of debt and a tendency to find dealing with money matters stressful. Also associated with lower scores, albeit at a more moderate level, were the number of children living at home (the more resident children the lower the score), living in rental accommodation and having a risk taking attitude.

  Financial self-efficacy, a thrifty financial attitude and higher levels of savings, investments and superannuation were moderately associated with higher scores on *financial control*.

  Higher household income was also associated with higher scores on this component. However, the analysis suggests that debt has more influence on the extent to which people feel in control of their financial situation than does income; that is, it is the level of income *and* of debt that matters when deciding if a person is in control of their finances or not. Attention has been drawn to this issue elsewhere in the report (eg: Section 6.6.1) where we note that more than one in three people who have a mortgage in excess of $300,000 and a household income of $65,000 or less feel uncomfortable with their current level of debt. This contrasts with a much lower proportion of 19% who feel uncomfortable with their current debt amongst people with a mortgage of more than $300,000 and a household income of $150,000 or more.

  There appears to be little role for financial knowledge/numeracy on this component of financial literacy.

Overall, this analysis highlights the strong associations between people's attitudes and the behavioural indicators of financial literacy, the importance of age and the more variable role played by other characteristics such as financial knowledge, numeracy and socio-demographics.

2.4 The distribution of financial literacy within the population

This section considers 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[19], place of residence, occupation, main activity, income, assets and debt.

To some degree attention has already been drawn to these subgroups in the preceding section where strong associations were identified between the components of financial literacy and variables such as age, gender and educational attainment. However, this section provides an overview of all the key socio-demographic subgroups considered in this survey and their relative performance on the various components of financial literacy.

Financial literacy and age/gender based subgroups

Table 2.4a summarises financial literacy for subgroups based on respondents' age and gender. 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[20].

Table 2.4a 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	↑	↑	↓	↓	↑

[19] Results are based on a relatively small number of interviews (n=72) and should be treated with caution.
[20] 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.

As shown, there is considerable variation across the components. For example:

- Those aged 65 years or more score particularly well on *financial control* while having slightly below average scores on *choosing financial products*.
- 18-24 year olds have below average scores on most of these components with especially low scores on *planning ahead*.
- There were a few differences between males and females with females scoring slightly higher on *keeping track of finances* and slightly lower on *staying informed* and *financial control*. However, it is noteworthy that while females overall did not score particularly well on *financial control*, this did not apply to older women; females aged 55 years or above performed better than average on this component of financial literacy.
- When results are considered for particular components, groups with well above average scores include those aged 55-64 years on *planning ahead* and people aged 65 years or over on *financial control.*

Financial literacy and education, geographic location and type of household

As shown in Table 2.4b:

- Those who have completed formal post-secondary education have higher scores on all components of financial literacy with those holding a university degree having a particularly strong result on *staying informed*. By contrast, those whose formal education did not go beyond Year 12 have slightly below average scores on all the financial literacy components.
- Those from Aboriginal and Torres Strait Islander backgrounds had slightly lower scores on all indices except *staying informed* and *keeping track of finances* while people from households using a language other than English had slightly below average scores on *planning ahead*.
- People living outside Australia's capital cities had lower scores on *staying informed* and *financial control* while residents of the ARIA[21] classification major cities had above average scores on *choosing financial products*, *staying informed* and *financial control*.
- Variations associated with household type included high scores on *planning ahead* in two-person households and low scores amongst those living in shared households (typically younger people who, as shown in Table 2.4a, do not score well on this component); higher scores on *financial control* amongst those either living alone or with a partner only. Single parents had slightly below average scores on all components except *keeping track of finances* and *choosing financial products* while couples with children had above average scores on all components except *financial control*.

[21] ARIA (Accessibility/Remoteness Index of Australia) is an ABS classification based on the premise that remoteness is a factor of the relative distance one must travel to access a full range of services. ARIA measures the remoteness of a point based on road distances to the nearest ABS defined Urban Centre. ARIA scores provide the basis for the Australian Standard Geographical Classification remoteness structure. For examples see Appendix Two.

Table 2.4b Financial Literacy and education, cultural background, geography and type of 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	↓	↓↓	↓	↓	

Financial literacy and socio-economic characteristics

Tables 2.4c and 2.4d examine financial literacy across a number of selected socio-economic indicators. From Table 2.4c it can be seen:

- There is an association between living in areas of least socio-economic disadvantage (SEIFA[22] group 5) and slightly above average scores on most financial literacy components. The distribution of lower financial literacy scores is less clear-cut although those living in areas of greatest socio-economic disadvantage (SEIFA group 1) do have slightly lower scores on *planning ahead* and *choosing financial products*.
- Those working in upper white collar occupations have above average scores on all components except *keeping track of finances*. By contrast, people working in lower blue collar occupations exhibit below average scores on all components except *choosing financial products*.

Table 2.4c Financial Literacy, disadvantage and employment

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		↓↓	↓	↓	↓

[22] 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.

- Those whose main source of income is a Government benefit or allowance have below average scores on all financial literacy components except *financial control*. Lower scores are more evident amongst non-retirees receiving Government support; those who have retired (ie: age pension recipients) have above average scores on *financial control* and *keeping track of finances* although their scores on *choosing financial products* and *staying informed* are below average. Self-funded retirees exhibit a rather different profile to age pension recipients; their scores are well above average on *planning ahead* and *financial control* and slightly above average on *staying informed* and *keeping track of finances*.

Table 2.4d shows:

- A positive association between household income and scores on all components except *keeping track of finances;* here slightly lower scores are associated with higher levels of income. These findings need to be interpreted with care given that other factors such as level of savings/investments and level of debt (as shown earlier in Table 2.3a) interact with household income; when controls are implemented for interactions between income and factors like these, the direct effects of income are found to be less. Nevertheless, Table 2.4d shows that, with the exception of *keeping track of finances*, slightly lower scores will be found for most financial literacy components when household incomes are $65,000 or less.
- Those with less than $2,000 in total savings and investments[23] score 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 tend to have high scores on *planning ahead, staying informed* and *financial control* pointing to the greater relevance of these components for people with higher levels of personal assets and the importance of a savings/investment 'buffer' to feeling in control of one's financial situation.
- By contrast, those with less than $2,000 in debt have well above average scores on *financial control*. Scores for those with debt of $2,000 or more are below average on this component; interestingly however, those with debt of $300,000 or more do not seem to score much lower than those with less debt. As discussed earlier, higher household incomes can help to mitigate the impact of higher levels of debt.

Table 2.4d Financial Literacy, income and asset 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		↑↑	↑	↑	↓

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

Section 3 Use and Understanding of Payment and Transacting Methods

3.1 Introduction and key findings

This section of the report examines the community's use and understanding of various transaction methods used when paying for goods and services or obtaining cash.

The understanding and use of transaction methods is important as people with greater access to the financial transacting system are more likely to achieve efficient and cost-effective outcomes when paying for goods and services. Conversely, consumers with limited access to the system may be disadvantaged in terms of transaction costs and personal convenience.

Key findings

- Since the 2008 survey there has been further significant **growth** in the use of electronic transaction methods. Since then, there have been increases of 10 percentage points in the use of internet banking (to 61%), of nine points in the use of BPay (also to 61%), of six points in the use of direct debit (to 70%) and of four points in the use of ATMs and EFTPOS (to 84% and 80% respectively). There has also been an increase in reported use of credit cards (up 6 points to 71%).

  While still a relatively new option[24], conducting financial transactions by mobile phone appears to have made inroads, particularly amongst 18-24 year olds, 28% of whom say they use this method. This may partly explain the continued decline in use of traditional telephone banking, now down three points (to 29%) since 2008.

  Since 2008 there have also been **decreases** in the use of cheques (down 6 points to 33%), layby (down 6 points to 19%) and money orders (down 7 points to 13%). These changes may reflect increased use of credit cards and other forms of electronic banking including the relatively extensive use of debit cards issued by Visa and MasterCard. There was also less reported use of loans from financial institutions (down 4 points since 2008 to 34%).

- Most of these changes applied relatively broadly across the population. However, there were indications of less change overall amongst people aged 70 years or over. In addition the decline in use of financial institution loans occurred amongst those under 45 years of age; while the increased use of EFTPOS and ATMs appeared to occur mainly amongst those with annual household incomes of $100,000 or more.

[24] At present this largely equates to internet banking via a mobile device although there have been recent moves to offer peer to peer banking facilities including funds transfer by CBA.

3.2 Use and understanding of methods of payment/transacting

All respondents were asked if they used each one of the methods listed in Table 3.2a for conducting financial transactions "*like paying for goods and services and obtaining cash*". Key results include the following.

Current use of payment/transacting methods

- Most respondents (92%) said they used cash for financial transactions, and well over half reported using ATMs (84%), EFTPOS (80%), credit cards (71%), direct debit payments (70%), Bpay and internet banking (both 61%).

  By contrast, relatively few respondents reported using loans from family or friends (11%), store cards (13%), money orders (13%) or layby (19%). While still a relatively new banking technology, 14% of all respondents (28% of those aged less than 25 years) said they used their mobile phone for financial transactions.

Table 3.2a Methods of payment/transacting used by respondents

Methods of payment/transacting *Base: Total sample*	**Methods currently used** 2002 (n=3548) %	2005 (n=3513) %	2008 (n=3500) %	2011 (n=3502) %
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**
Electronic transacting				
ATM	73	78	80	**84**
EFTPOS	71	74	76	**80**
Direct debit	50	60	64	**70**
Bpay	36	46	52	**61**
Internet banking	28	40	51	**61**
Telephone banking	36	36	32	**29**
Debit card (Debit Visa or MasterCard)	na	na	na	**49**
Mobile phone banking	na	na	na	**14**
Credit cards and loans				
Credit card	64	68	65	**71**
Loans from financial institutions	35	36	38	**34**
Store card	15	16	13	**13**
Loans from family/friends	na	na	10	**11**
Payday loans	na	na	2	**1**
Cheques, layby and money orders				
Cheque	46	44	39	**33**
Layby	27	27	25	**19**
Money order	20	21	20	**13**

Prompted question, multiple responses allowed.
Use of loans from family or friends and payday lenders were asked for the first time in 2008. Use of debit cards and mobile phone banking were first asked in 2011.

- A number of changes in transacting behaviour are evident since the 2008 survey. These include further **increased** use of most electronic channels, particularly internet banking and BPay (up 10 and 9 points respectively to 61%) and, to a lesser extent, direct debit (up 6 points to 70%), credit cards (up 6 points to 71%), EFTPOS (up 4 points to 80%) and ATMs (up 4 points to 84%).

By contrast, 2011 saw **decreased** use of layby (down 6 points to 19%), cheques (down 6 points to 33% as people increasingly turn to electronic channels), telephone banking (down 3 points to 29%, probably losing further ground to internet banking) and loans from financial institutions (down 4 points to 34%, perhaps a reflection of more conservative consumer attitudes towards debt).

Use of cash (92%), store cards (13%), loans from family or friends (11%) and use of payday loans (1%) have not changed significantly since the 2008 survey although respondents were slightly less likely to say they use cash than was the case in 2002 (96%).

Changes in use of transacting methods amongst population subgroups

There were differences in these patterns within age and household income subgroups; variables which as noted in 2008 were useful predictors of use for some methods of transacting. Looking at these subgroups in a little more detail:

Electronic transacting

- With respect to use of electronic transacting, increases were more or less across the board within the various age and household income subgroups. However, there were some exceptions to this. Specifically;
  - There was no significant increase in use of **internet banking** amongst people aged 70 years or more (13% in 2008 versus 16% in 2011); and perhaps as a consequence of this, there was no significant decrease in the use of **telephone banking** amongst people from this same age group (18% in 2008 versus 17% in 2011).
  - Of the other electronic channels, use of **direct debit** and **BPay** increased across all age groups. Further, only 18 to 24 year olds failed to increase their use of **ATMs** and **EFTPOS**, reflecting the fact that most people of this age were already using both of these channels in 2008 (91% and 90% respectively in 2008). ATM and EFTPOS use also remained relatively stable amongst those with household incomes below $100,000 (use of ATMs was 79% in 2008 and 81% in 2011 while the corresponding figures for EFTPOS use were 75% and 77%) but rose amongst those with household incomes of $100,000 or more (by 5 points to 91% for ATMs and by 6 points to 88% for EFTPOS).
  - Use of **mobile phone banking** was measured for the first time in 2011. At present this largely equates to banking via a mobile device although there have been recent moves to offer peer to peer banking facilities including funds transfer. Use of mobile phone banking appears to be most popular amongst younger people – 28% amongst 18 to 24 year olds versus 7% amongst those aged 45 years or more. People with higher household incomes (21% of those with annual household incomes of $100,000 or more versus 11% amongst those earning less than $100,000) were also more likely to be using mobile phone banking services.
  - **Debit Visa or MasterCard** was used by 49% of respondents. Use was higher amongst younger people (60% of 18-24 year olds) than it was amongst older people (38% amongst those aged 65 years or over) although there was still considerable use of these cards even amongst the members of this age group.

Credit/store cards and loans

- **Credit card** use increased significantly across most age and household income groups. Hence, the increased incidence of credit cards appears to have been offset to some degree by lower use of cheques, layby and money orders.
- The decline in use of **loans from financial institutions** occurred amongst younger people under 45 years of age (down from 46% to 40% versus a stable incidence of 30% amongst those aged 45 years or more).

Other methods of transacting/paying for goods and services

Of the other methods of payment where changes were evident (that is, cheque, money order and layby):

- Use of **cheques** fell significantly across most age groups apart from those aged 18 to 24 years olds (who were very low incidence users in any case at 7% in 2011 not significantly different from 8% in 2008) and amongst people aged 70 years or more where usage incidence remained high at 60% (not significantly different from 63% in 2008).
- Use of **money orders** and **layby** decreased across most age and income groups. The only exception being the stable incidence of layby use (11% in both 2008 and 2011) amongst those aged 70 years or more.

Section 4 Money Management, Budgeting and Planning Behaviour

4.1 Introduction and key findings

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

- Responsibility for money management 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 respondents aged 25 years or more, 67% lived in a household where just one person was responsible for its financial management while 31% lived in a household where this responsibility was shared. These results are consistent with the situation in the 2008 survey. In couple households, responsibility was shared in 46% and handled by one person only in 53%. Financial literacy tended to be lower amongst those living in single person households.

Saving

- In 2011 the proportion of respondents trying to save on a regular basis was up 5 points on the 2008 figure (to 77%). This is the highest figure seen in any of the four surveys and appears to be in line with ABS data pointing to a significant increase in the savings ratio of Australian households.

  The proportion of respondents who felt *there's no point trying to save because there's never enough money* decreased to 7% from 10% in 2008 and 11% before that. However, the proportion who felt this way remained above average (and in fact unchanged at 18%) amongst those with annual household incomes below $25,000 suggesting that not all households have the financial capacity to increase their savings rate.

Budgeting

- Insofar as attitudes towards household budgeting were concerned:
  - 78% of respondents said they kept a close eye on their household and personal expenses, not significantly different from the three previous surveys. Around one in four (22%) respondents did not keep a close eye on their expenses; as in 2008 males under 35 years of age (31%), particularly those males working in lower blue collar occupations (37%) were the most likely to be in this situation.

Planning

- Feelings about the importance of having short and long-term financial plans were as follows:
  - There was substantial agreement from all respondents about the importance of having both short-term (83% agreed or agreed strongly) and long-term (85% agreed or agreed strongly) financial plans. Nevertheless, there was a slight decline in the importance attributed to long-term planning (down from 87% in 2008), possibly reflecting some loss of confidence in the community at present given the recent volatility in financial markets.
  - As in 2008, agreement about the importance of having a **long-term financial plan** was most evident amongst males with a partner and children living at home (91% agreement), males with substantial debt (94% agreement amongst those with a mortgage of $300,000 or more) and males with household incomes of $100,000 or more (94% agreement).

  - Agreement about the importance of having a **short-term financial plan** was above average amongst all people with mortgages of $300,000 or more (91%) and people with household incomes of $100,000 or more (88%).

  Thus, in a similar fashion to the situation in 2008, the perceived importance of short and long-term financial planning appeared to be influenced by people's family situation, mortgage debt and financial capacity.

Management of everyday banking fees

- While the majority of respondents (75%) took one or more steps to minimise the fees associated with their everyday banking activities, this was significantly less than in 2008 (down 6 points). It may be that these apparently lower levels of concern about fees to some degree reflect the simplification, reduction and removal of various bank fees during the last two years.

Control of current financial situation

- 81% 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 3% felt out of control all or most of the time. This represents a four point increase since 2008 (from 77%) in the proportion who feel in control of their financial situation, a likely consequence of increased saving and debt reduction by Australian households.

  At the same time, single parents with household incomes of $65,000 or less (38%) and people with significant mortgage commitments relative to their income (29% of those with a mortgage of $300,000 or more and an annual household income of less than $100,000) were the most likely to feel their financial situation fluctuated or was out of control all or most of the time. For these groups, the proportion feeling this way was not significantly different from the situation in 2008.

Financial resilience

- Between 2008 and 2011 there was a slight decline (from 24% to 22%) in the proportion of respondents who disagreed with the proposition they could manage for a period of time if they had a major loss of income. Single parents (37%), people with household incomes below $25,000 (31%) and those with less than $2,000 in savings and investments (43%) were still the groups most likely to disagree with this statement, although the percentage doing so was slightly less than in 2008 for all of these groups except single parents.

- 58% of respondents said their household is able to save money most weeks, while 36% felt their household usually just breaks even. Those with higher incomes are the most likely to think they can save in most weeks (79% of those with household incomes of $150,000 or more) although 40% of those with household incomes below $25,000 also felt this way suggesting income is not the only factor involved in being able to do this.

- 79% of households felt that over the past 12 months their savings and assets had improved (38%) or stayed about the same (41%). Those most likely to have experienced some improvement included people with jobs (45% of those in paid employment), particularly people with household incomes of $150,000 or more (59%).

  Nineteen percent felt their household's savings and asset position had deteriorated in the last 12 months. This applied particularly to those aged 65 years or more (27%); that is people whose retirement investments are likely to have suffered in the market volatility which has been ongoing since 2008/09.

General financial information and advice

- One in two respondents had used at least one of the financial information sources tested in this survey during the last 12 months. Those least likely to have done so included older females (65% of women aged 70 years or more had not used any of the sources tested) and people with annual household incomes below $25,000 (69%), who perhaps have less need.

- Only 10% of respondents had never used any of the sources of financial advice tested; typically people aged 70 years or more (18%) and those with relatively low annual household incomes of less than $25,000 (21%).

4.2 Money Management and Budgeting

4.2.1 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. Results for people aged 25 years or over were not significantly different from those obtained in 2008 with responsibility allocated as follows:

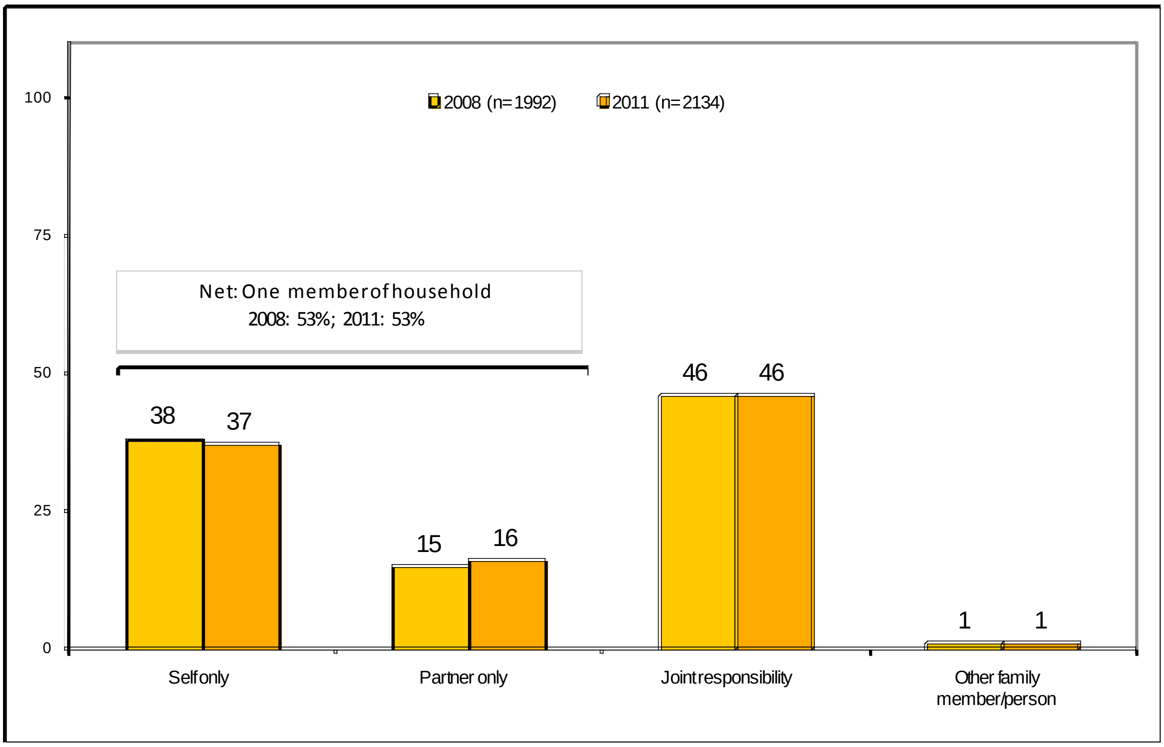
- One person only responsible for household money management – 67% versus 69% in 2008;
- Shared money management responsibility – 31% versus 30% in 2008; and
- Another person such as another family member has responsibility – 2% versus 1% in 2008.

For people living in single person households the survey respondent was almost always the person responsible for financial management although in 2% of cases some other person did have this responsibility.

Figure 4.2.1a shows the situation for people living in couple households. Again, results for 2011 are not significantly different from those obtained in 2008 with:

- Management of finances undertaken by another family member or other third party for just 1% of these people;
- 46% sharing the responsibilities between them, and
- For 53%, one member of the couple taking sole responsibility for financial management (37% the respondent and 16% the respondent's partner in 2011).

Figure 4.2.1a Responsibility for household financial management in couple households



Base: All respondents aged 25 years or more living in couple households
Question: Who is responsible for money management in your household? (Prompted question)

Table 4.2.1a examines the financial literacy levels of those responsible for household money management. As in Section 2.4, symbols 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 have above average scores on *keeping track of finances*, *planning ahead* and *staying informed*. Those who share their household's financial management have above average scores on these same components; they also score above average on *choosing financial products*.

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

- Those living alone have below average scores on *planning ahead*, *choosing financial products* and *staying informed* while scoring above average on *financial control*.
- Single parents have below average scores on *planning ahead*, *staying informed* and *financial control*, although scores are 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; this does not tend to be the case amongst those responsible for financial management in single person households.

Table 4.2.1a 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

4.2.2 Saving and budgeting - attitudes and behaviour

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

Self-reported saving behaviour

Respondents were asked which one of the four statements about saving shown in Table 4.4.2a best applied to them.

- Most (77%) felt they were best described by the statement "*I try to save on a regular basis if I possibly can*". In keeping with the reported increase in Australia's household savings rate, the proportion of respondents who chose this descriptor was five points higher in 2011 than in 2008 and is now up by 10 points since 2002 when it was 67%.
- From a socio-demographic perspective:
  - There was a marked increase in the proportion of 18-24 year olds (from 70% in 2008 to 83% in 2011) trying "*to save on a regular basis".* There was also a significant increase (from 73% to 80%) amongst people aged 45 to 59 years who said they were doing this.
  - Those aged 60 years or over remained the most likely to feel "*saving is not something I need to do*" (results were unchanged at 14% in 2008 and 2011).
  - There has been a decrease (from 10% in 2008 to 7% in 2011) in the proportion of respondents who feel "*there's no point trying to save because there's never enough money*". Those groups most likely to feel this way in 2008 were still the people most likely to feel this way in 2011. Nor were there any significant changes between 2008 and 2011 in the proportion of group members with this attitude. That is, single parents (20% in 2008 not significantly different from 18% in 2011), people with household incomes of less than $25,000 per year (20% in 2008 not significantly different from 18% in 2011) and those for whom a government benefit payment was their main source of income (17% in 2008 not significantly different from 15% in 2011) were all just as likely to feel this way in 2011 as they had been in 2008.

Table 4.2.2a Self-reported savings behaviour

Self-reported savings behaviour *Base: Total Sample*	**Survey** 2002 (n=3548) %	2005 (n=1756) %	2008 (n=3500) %	2011 (n=3502) %
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**
I save only when I want to save up for something big or special	12	10	10	**9**
There's no point in trying to save because there's never enough money	11	11	10	**7**
Saving is not something I need to do	8	8	7	**6**
Can't say	2	2	1	**1**

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

Budgeting behaviour

All respondents were asked which of the four descriptions shown in Table 4.2.2b best described the "*extent to which you control your regular household/personal expenses*". In the 2011 survey:

- The great majority (78%) felt they keep a close eye on expenses with 27% reporting the use of written records for monitoring purposes. This figure of 78% has not changed significantly since 2008, or indeed since 2002, when it was 76%, although the reported use of written records has fallen significantly since 2005.
- Groups least likely to be keeping a close eye on expenses in 2011 were much the same as in 2008. That is, males under 35 years of age were the least likely to say they keep a close eye on expenses (69% in 2011 not significantly different from 66% in 2008) as were males working in lower blue collar occupations (63% in 2011 not significantly different from 65% in 2008) and those people whose partner had sole responsibility for their household's money management (68% in both surveys).
- Similarly the highest proportion keeping a close eye on expenses was still to be found amongst females aged 45 to 69 years (85% in 2011 not significantly different from 84% in 2008).

Table 4.2.2b Budgeting behaviour

Attitude to budgeting *Base: Total Sample*	**Survey**			
	2002 *(n=1767)* %	**2005** *(n=1756)* %	**2008** *(n=3500)* %	**2011** *(n=3502)* %
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
I keep my eye on expenses a bit	20	19	18	18
Net: Keep close eye on expenses	**76**	**76**	**76**	**78**
Without keeping written records I keep a fairly close eye on expenses	*47*	*44*	*46*	*51*
I use written records to keep a close eye on expenses	*29*	*32*	*30*	*27*
Can't say	1	-	1	-

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

Attitudes towards the planning of finances

Results for two statements assessing people's attitudes towards the perceived need for planning their finances are shown in Table 4.2.2c.

- As in previous surveys most respondents in 2011 agreed it is important to have both long-term (85%) and short-term (83%) financial plans.
- Since 2005 there has been a marginal decline in the proportion of respondents who agree it is important to have a long-term plan (from 87% to 85%) while the proportion who agree it is important to have a short-term plan has not changed significantly during this period. These results suggest that people differentiate between the need to save (as discussed in Section 4.2.2, this has increased) and the need for having a short or long-term financial plan.

Table 4.2.2c Attitudes towards financial planning

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

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

- Socio-demographic groups identified in 2008 as being above average in agreeing with the importance of having a long-term financial plan were still above average in 2011. That is, in 2011 males (87%) were slightly more likely than females (84%) to agree with the importance of a long-term financial plan; particularly males who have a partner and children living at home (91%), males who have a mortgage of $300,000 or more and males with a household income of $100,000 or more (both 94%). Apart from a slight decline in the proportion of females (down from 87%) who agreed with the importance of having a long-term financial plan, none of these results were significantly different from those obtained in 2008.
- In 2011 agreement with the importance of having a short-term financial plan was again highest amongst people with a mortgage of $300,000 or more (91%) and people with household incomes of $100,000 or more (88%). It was also below average amongst people aged 70 years or over (at 69%). None of these results differed significantly from the 2008 survey.

4.2.3 Minimising fees

All respondents were asked what steps they took to minimise fees and charges relating to their everyday banking. As shown in Table 4.2.3a:

- Since 2008 there have been decreases in the proportion of people who mention strategies such as limiting the number of transactions and branch visits they make, using electronic channels such as telephone/internet banking, making EFTPOS cash withdrawals and in ensuring minimum monthly credit card payments are made.
- Further, 2011 saw an increase (up 6 points from 19% in 2008 to 25% in 2011) in the proportion of respondents who were unable to describe any steps they took to minimise their everyday banking fees.

  People aged 70 years or over were the most likely to be taking no steps to minimise fees (44%), a marked increase on the 28% of people this age who were not taking any action to minimise their everyday banking fees in 2008.

In seeking to interpret these findings it should be noted that people provided more responses to this question in the 2008 survey (an average of 1.9 versus 1.5 in 2011) so the differences discussed should be treated with caution. Nevertheless, it may be that changes to bank fee structures implemented since the 2008 survey (including more 'fee free' accounts, more flat fee 'all you can eat' accounts and lower exception fees) are reflected in lower levels of concern (and hence lower levels of response) about this issue.

Table 4.2.3a Steps taken to minimise fees

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

Unprompted question, multiple responses allowed. Not asked in 2002.
Base: A randomly selected subset of eligible respondents in 2005 and 2008; all eligible respondents in 2011.

4.2.4 Control of current financial situation

All respondents were asked which of the five statements shown in Table 4.2.4a best described how they felt about their current financial situation. As shown in the table:

- Most people (81%) felt they were in control of their financial situation either all (37%) or most (44%) of the time. For 16%, their financial situation fluctuated between being in and out of control while 3% felt it was out of control all (1%) or most (2%) of the time.
- Since the 2008 survey the proportion of respondents who feel in control of their financial situation has increased (up from 77% to 81%) with the proportion feeling they are in control *all of the time* at the highest level recorded (37% versus 34% in 2005 and 33% in 2008). Again, this may be a reflection of the increased levels of saving and debt reduction which appear to be taking place amongst Australian households.

Table 4.2.4a 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)* **%**
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
Out of control MOST of the time	2	3	2
NET: Out of control	***3***	***4***	***3***
In control ALL of the time	34	33	37
In control MOST of the time	45	44	44
NET: In control	***79***	***77***	***81***
Fluctuates between being in and out of control	17	18	16
Can't say	1	1	-

Prompted question.

- 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 fluctuates in and out of control or is out of control all or most of the time), sees a similar pattern to that encountered in 2008. That is, the people most likely to feel this way were:
  - Those with household incomes of $65,000 or less who have children living at home - single parents (38% in 2011 not significantly different from 44% in 2008) and couples (29% in 2011 not significantly different from 36% in 2008);
  - Those who have a mortgage of $300,000 or more and a household income of less than $100,000 (29% in 2011, not significantly different from 31% in 2008).

  Thus families with somewhat below average household incomes (that is, $65,000 or less) and people with significant mortgage commitments relative to their income continue to be the most likely to feel their financial situation is out of control for at least some of the time. Further, there seems to have been little improvement in the situation for these groups since 2008.

4.2.5 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 are summarised in Figure 4.2.5a which shows that:

- 76% of respondents agreed they could manage for a period of time if this happened, a result which is now more closely aligned with the 2002 and 2005 figures of 76% and 77% respectively. Slightly under one in four (22%) disagreed with the statement.

  These results suggest a slight increase in the financial resilience of Australian households since 2008.

- Disagreement was highest amongst single parents (37%, not significantly different from 39% in 2008), couples with children and household incomes of $65,000 or less (36%, not significantly different from 32% in 2008), people with household incomes of less than $25,000 (at 31% down slightly from 38% in 2008), people currently working in lower blue collar occupations (27%, not significantly different from 31% in 2008) and those whose main source of income is a government benefit or allowance (32% not significantly different from 36% in 2008).

- Disagreement also continued to be especially high amongst those with little in the way of financial reserves – 43% in 2011 (nevertheless down slightly from 51% in 2008) of those with total savings and investments of less than $2,000 disagreed with this statement.

Table 4.2.5a 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) %
If I had a major loss of income I could manage for a period of time				
Strongly agree	15	14	18	17
Agree	61	63	56	59
Net: "Agree"	**76**	**77**	**74**	**76**
Disagree	15	15	15	15
Strongly disagree	7	7	9	7
Net: "Disagree"	**22**	**22**	**24**	**22**
Can't say	2	1	2	2

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

Two new questions relevant to financial resilience were asked in 2011. These measured people's perceptions of change in their financial situation and asset position over the last 12 months. Results for these questions are shown in Table 4.2.5b.

With respect to the first of these questions:

- Few respondents (4%) felt their household usually spends more money than it gets. Those from Aboriginal and Torres Strait Islander backgrounds (10%) and those with household incomes of less than $25,000 (9%) were the most likely to feel this way.
- Around one in three (36%) respondents felt their household just breaks even most weeks; and
- For 58%, the description "*most weeks we are able to save money*" was thought to be the most apt. As might be expected, high income households (79% of those with annual household incomes of $150,000 or more) were the most likely to feel this way about their financial situation. Nevertheless, it is interesting to note that this description was also applied to their situation by 40% of those with annual household incomes below $25,000 suggesting that income is not the only factor involved here.

Insofar as households' position re savings and assets was concerned:

- Seventy-nine percent of respondents felt their savings and asset position had improved (38%) or stayed about the same (41%) during the last 12 months. Those most likely to feel there had been an improvement included people less than 45 years of age (46%), those with household incomes of $150,000 or more (59%) and those people in paid employment (45%).
- Around one in five (19%) felt their savings and asset position had deteriorated during the last 12 months. Older people 65 years plus, whose retirement investments are likely to have been damaged by ongoing volatility in asset values, were more likely to feel this way (27%).

Table 4.2.5b Perceived changes in financial situation and asset position in last 12 months

Financial resilience *Base: Total Sample*	**2011** *(n=3502)* **%**
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
Most weeks we just break even	36
Most weeks we are able to save money	58
Can't say	2
Prompted question; first asked in 2011.	
Thinking about all your savings and assets now compared to 12 months ago, which of these best describes your household's situation? Your savings and assets have	
Increased	38
Decreased	19
Stayed about the same	41
Can't say	2
Prompted question; first asked in 2011.	

4.2.6 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; the extent to which they had ever sought financial advice from finance professionals and others, whether they had done this during the last 12 months; and their use of rating agencies to evaluate financial products and services. The results for use of publications and advice are not directly comparable to those from previous years as the usage time frames were modified to increase the relevance of these measures; consequently results on these measures are reported for 2011 only.

Looking first at sources of financial information used, Table 4.3.1a shows the proportion of respondents who said they had read or used each of the information sources listed during the last 12 months. It is evident that:

- One in two respondents had not used any of these sources of financial information during this time. Non-use of these information sources was most likely to be found amongst:
    - Females (54% versus 45% of males), particularly older females aged 70 years or more (65% versus 54% of males in this age group);
    - People who were not in paid work (58%);
    - Those with household incomes of $65,000 or less (61%; 69% amongst those with household incomes below $25,000 per annum);
    - Those whose schooling did not go beyond Year 10 (67%); and
    - Those from Aboriginal and Torres Strait Islander backgrounds (62%) and residents of remote areas of Australia (64%).
- The sources of financial information most likely to have been used in the last 12 months were:
    - The financial sections of newspapers and magazines (32%), an activity which was most often found amongst males aged 35 years or more (39%) and least often encountered amongst females under 35 years of age (23%); and
    - Financial sites on the internet (28%), an activity most likely to occur amongst males under 35 years of age (42%).

Table 4.3.1a Use of financial education materials in the last 12 months

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

Prompted question, first asked for this time-frame in 2011.

The proportions of respondents who have ever used financial advice from others and of those who have used such advice in the last 12 months are shown in Table 4.3.1b. All respondents were asked if they had consulted any of the people listed in the table.

- The great majority (90%) had consulted one or more of the people mentioned at least once with financial management or planning specialists (74%; 60% an accountant), bank staff (50%) and friends or family (46%) mentioned most often.
- 10% of respondents had not consulted any of the sources mentioned. Those most likely to be in this situation included people from a similar set of socio-demographic subgroups as those who did not use the sources of information discussed in relation to Table 4.3.1a. The highest proportions of people who had not consulted any of these sources of advice were most likely to be found amongst:
  - Those aged 70 years or over (18%);
  - Those who were not in paid work (16%) or, if in paid work, employed in lower blue collar occupations (14%);
  - Those with household incomes of $65,000 or less (14%; 21% for those with household incomes below $25,000);
  - Those whose schooling did not go beyond Year 10 (18%); and
  - Those from Aboriginal and Torres Strait Islander backgrounds (22%).

  As noted in 2008, while non-use of these sources of advice by 18-24 year olds was not above average, people of this age were much more likely to have consulted family or friends (77%) than a financial management/planning specialist like an accountant, tax specialist or financial planner (42%).

Table 4.3.1b Use of financial advice from other people

Sources of financial advice (prompted) *Base: Total Sample*	**2011 Survey** Ever Used *(n=3502)* %	**2011 Survey** Used in Last 12m *(n=3502)* %
Financial advisers/specialists used ever/in last 12 months		
Used a financial management/planning specialist	***74***	***52***
Accountant	60	40
Taxation specialist	28	14
Financial planner or adviser	38	18
Mortgage broker	25	7
Insurance broker	19	8
Stock broker	12	4
Bank manager or employee	50	28
Financial counsellor	4	2
Centrelink Financial Information Service Officer	14	7
Family or friends	46	32
A superannuation fund	29	5
An employer	13	3
Community organisation (eg: NICRI)	1	<1
None of these	10	36

Prompted question, first asked for these time frames in 2011.

- The sources of advice most likely to have ever been used include accountants (60%), bank managers/employees (50%), friends or family (46%) and financial planners/advisers (38%).

  Those who have used an accountant were most likely to be found amongst people with a university education (71%), people working in upper white (72%) and upper blue collar (70%) occupations and those with higher household incomes (71% amongst people with household incomes of $150,000 or more versus 38% of those with household incomes below $25,000).

  Use of bank staff was more prevalent amongst those with higher incomes (61% of those with household incomes of $150,000 or more versus 40% of people whose household income was below $25,000) and those working in upper white and upper blue collar occupations (60% and 57% respectively).

  Young people were the most likely to have obtained financial advice from friends or family members (77% of 18-24 year olds); and

  Use of financial planners was above average amongst people aged 45-69 years (49%), those with a university education (49%) and those with substantial holdings in savings and investments (55% of those with $100,000 or more in savings and investments).

- Similar patterns were evident for use of these sources of financial advice in the last 12 months with accountants (40%), family/friends (32%), bank managers/employees (28%) and financial planners/advisers (18%) the most likely to have been used in this time frame.

Finally, a random subset of all respondents were asked whether they had used a ratings agency for financial products (such as Cannex, RateCity, Morningstar or SuperRatings) or an organisation such as the Australian Consumers' Association or its magazine *Choice* to compare financial products or services. Those who had used these types of organisation were asked what financial products or services they had compared. As shown in Table 4.3.1c:

- In 2011, 19% of respondents had used either or both of these types of organisation to compare financial products or services – 15% had used organisations such as the Australian Consumers' Association and 7% a ratings agency of some sort.
- This was a slightly lower level of use than in 2008, with the decline driven by less use (down from 19% to 15%) of organisations like the Australian Consumers' Association.

Table 4.3.1c Comparison of financial products and services

Comparison of financial products or services	**2008 %**	**2011 %**
Have you ever used the following types of organisation to compare financial products or services? (prompted) *Base: Total sample*	*(n=1205)*	*(n=1177)*
Financial products rating agency like Cannex, RateCity, Morningstar or SuperRatings	6	7
Organisation like the Australian Consumers Association or "*Choice*"	19	15
Net: Have used either of these types of organisation	*23*	*19*
No haven't used either of these types of organisation	*77*	*81*
Prompted question, multiple responses allowed. *Base: A randomly selected subset of eligible respondents.*		
Types of financial products or services compared (unprompted) *Base: Have used either of these types of organisation*	*(n=280)*	*(n=212)*
Banking products - loans/accounts/credit cards		
Mortgage products/investment loans	25	26
Everyday banking accounts	16	15
Credit cards	13	13
Personal loans	7	3
On-line savings accounts	4	3
Superannuation/Investment products or advice		
Superannuation funds	20	13
Managed funds/Managed investments	15	8
Financial advisers	3	1
Stocks and shares	3	1
Retirement income products	1	1
Other financial products or services		
Insurance	23	30
Other financial products or services	12	8
Can't recall	14	9
Unprompted question, multiple responses allowed.		

- In 2011, use of these types of organisations remained above average amongst those with high household incomes (28% amongst those with household incomes of $150,000 or more), those with a university education (31%) and those working in upper white collar occupations (28%). None of these figures were significantly different from the results obtained in 2008 apart from amongst those working in upper white collar occupations (down 7 points).
- Insurance (30%) and mortgage or investment loans (26%) were the types of financial product most likely to have been compared in 2011.

Section 5 Transaction Products

5.1 Introduction and key findings

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

Key findings

- Everyday banking accounts continue to be widely held (95% of survey respondents said they had an everyday banking account).
- Around half (54%) of those who had obtained a new everyday banking account made some comparisons when they last obtained an account – 30% compared accounts from different financial institutions.
- Forty-three percent did not make any comparisons at all with older women, particularly those aged 70 years or more and single parents with annual household incomes of $65,000 or less the most likely to be in this situation. Existing financial institution relationships and lack of time/interest were the main reasons given for not making any comparisons between everyday banking products.
- Eighty-six percent of everyday account holders checked their account statements. Around one in four (28%) of those who check their statements did so by comparing against receipts and other spending records. Far more common (56% of those who check at all) was a more cursory approach involving a check of the entries and balance "*to see if they look ok*".

5.2 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 (95%) responded in the affirmative, a result which matches the incidence of this product type in the three previous surveys.

5.3 Obtaining a new everyday banking account

Those who held an ordinary everyday account[25] were asked which of the statements in Table 5.3.1a best described how they had last chosen an account of this type. Those who did not consider any accounts other than the one they opened were asked why they had only considered this account. As shown:

- Slightly more than half (54%) of these respondents had made some comparisons when they last obtained an everyday banking account - 30% looked at accounts from different financial institutions while 24% had only considered the accounts offered by one company.
- 43% 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:

  - Older females aged 70 years or more (62%);
  - Those with annual household incomes below $25,000 (56%);
  - Those whose schooling ended at or before Year 10 (64%); and
  - Single parents with household incomes of $65,000 or less (65%).

Table 5.3.1a Comparison shopping for an everyday banking account

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

The comparison shopping question used in 2011 was different from that used in previous surveys when respondents were asked if they shopped around 'a lot', 'a fair bit', 'a little' or 'not at all' when looking for an everyday account. Hence, earlier results are not shown in Table 5.3.1a. Nevertheless, an approximate time series comparison can be made by looking at the proportion of respondents who engaged in 'serious' comparison shopping in each survey. For the 2002, 2005 and 2008 surveys this has been arbitrarily defined as those who said they shopped around either 'a lot' or 'a fair bit' while in 2011 the corresponding group is defined as those who said they 'considered accounts from different companies'.

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

On this basis, the incidence of 'serious' comparison shopping for everyday accounts was 36% in 2002, 30% in 2005, 27% in 2008 and 30% in 2011. That is, there have been no significant changes in the extent of 'serious' comparison shopping for everyday banking accounts since the 2005 survey with results remaining slightly below the figure obtained in 2002.

Reasons given most often for not considering any other accounts included (see Table 5.3.1b):

- The perceived lack of any necessity for doing this given the existence of a satisfactory relationship with the current bank (30%)
- Lack of sufficient time or interest to do this - 13% "*couldn't be bothered*", 5% "*didn't have the time*" and 4% couldn't see any point given that "*all providers were much the same*", and
- Accepting someone else's advice, particularly that of friends or family members (7%) or of a financial expert (6%).

Table 5.3.1b Reasons for not considering any other accounts

Comparison shopping - everyday banking account	**2011 %**
What is the main reason you didn't consider any other accounts? Anything else?	
Base: Did not consider any other accounts	*(n=489)*
Happy/good relationship with current bank	**30**
Lack of time/interest	
Couldn't be bothered	**13**
Don't have the time	**5**
"They're all the same"	**4**
Take someone else's advice	
Go with what is recommended by friend/family member	**7**
Go with what is recommended by financial expert	**6**
Spouse/partner does shopping around	**1**
Lack of choice	
Only one bank in town	**3**
Part of a package/combined with other financial product	**6**
Know they have lower fees	**5**
Too hard to make comparisons/get information	**2**
All other reasons	**15**
Unsure/Can't recall	**7**

Unprompted question, multiple responses allowed.

5.4 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 but who did not have a credit or store card[26] were asked whether they checked their account statements and, if so, about the way in which any checking was done. As shown in Table 5.4.1a:

- Most (86%) do check their account statements, either online or when the statements are received in the mail. Older people (18% of those aged 70 years or more), those whose formal education finished at Year 10 (20%) and those working in upper blue collar occupations (19%) were more likely than average to say they do not check these statements.
- More than half (56%) of those who check their everyday account statements say they "*check the entries and balance on the statement to see if they look ok*" while slightly more than one in four (28%) say they check their statement against receipts and other spending records. Interestingly people aged 70 years or more are the most likely to undertake this detailed checking of their statements (50%), suggesting considerable divergence in approach within this age group, given that 18% say they don't check their statements at all.

Table 5.4.1a Checking of everyday banking account statements

Checking of everyday account transactions	2011 %
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)*
Yes	**86**
No	**14**
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)*
I check my receipts and spending records against the statement	**28**
I check the entries and balance on the statement to see if they look ok.	**56**
I just check the final balance	**12**
I don't really look at the statement at all	**4**
Unsure	**-**
Prompted question; asked for the first time in 2011	

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

Section 6 Borrowing and Debt

6.1 Introduction and key findings

This section of the report focuses on borrowing and debt. It examines use of loans and credit cards including people's understanding of 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 2008 there have been increases in incidence of use of credit cards (up 6 points to 71%) and owner occupier mortgages (up 2 points to 36%), while
- The proportion of people saying they have a personal loan (down 5 points to 12%), a line of credit or overdraft (down 2 points to 12%) or a lease/hire purchase agreement (down 2 points to 7%) were all lower than in the 2008 survey.

Lending sources

- 49% of respondents said they had borrowed money during the last 12 months. Most often this was from a mainstream financial institution (26%) or from a friend or family member (17%).
- Use of pawn brokers (1%), payday lenders (less than 1%) and cash advances on salary (1%) all remained at low but consistent levels in 2011.

Loan acquisition

- 39% of mortgage holders had used a mortgage broker to arrange their loan, the same level as in 2008. Borrowers under 45 years of age remained the most likely to have done so (47%).

Management of credit cards

- Virtually all (95%) credit/store card holders said they check their card transactions. Of those who do so, 36% check receipts and other spending records against the statement while 56% adopt a more cursory approach by "*checking the entries and balance on the statement to see if they look ok*". Older people are more likely to engage in detailed checking (53% of those aged 60 years or more).
- During the last 12 months slightly more than two-thirds (69%) of card holders said they had always paid the balance on their main credit card in full (a result which appears to be an over-estimate of actual behaviour); 23% said they had been charged interest in at least some months; 13% only made the minimum repayment on at least one occasion; 18% had been charged a late payment fee; 8% had been charged a fee for exceeding their card limit; and 12% had used their main credit card for a cash advance.

Management of current debt levels

Overall the proportion of people who say they are comfortable with their current level of debt has not changed since 2005. Those with substantial loan commitments and a moderate income are experiencing some discomfort with their current debt. Thus:

- 46% of respondents were either "*very comfortable*" with their current level of debt or did not owe any money at all. This is four points higher than in 2008, seven points higher than in 2005, and suggests some progress has been made in household debt reduction during the last three years. Nevertheless, 17% expressed some degree of discomfort with the amount of money they currently owe, a figure which rose to 30% amongst those holding a mortgage of $300,000 or more and to 37% amongst those with a mortgage of this size and an annual household income of $65,000 or less; people in these situations are just as likely to feel uncomfortable with their level of debt as they were in 2008.

- In the last 12 months, 7% of all respondents had missed a repayment on a loan, mortgage or credit card. This was not significantly different from the figure of 8% recorded in 2008 but still slightly higher than the 2005 figure of 5%. Missed repayments were most strongly associated with being under 45 years of age (10%); the presence of children in the household and a household income of $65,000 or less (13%); and having relatively high levels of mortgage debt ($300k plus) and household income of $65,000 or less (21%).

Understanding of repayment responsibilities

Understanding of key responsibilities relating to debt products was either unchanged or slightly lower than in 2008.

- 74% of credit card holders understood that the primary card holder is entirely responsible for debt incurred by a secondary card holder, down slightly from 77% in 2008; while
- 83% of those with a loan understood that both parties are responsible for the full repayment of a jointly held loan, unchanged from the 2008 result.

Those aged 18-24 years and those aged 70 years or more were the most likely to provide incorrect responses to both of these questions.

6.2 Incidence and source of loan products

Incidence of loan products

Table 6.2.1a shows the incidence of various loan products within the adult Australian population.

- There is considerable variation in the incidence of these products in 2011 ranging from the 71% who use a credit card down to just 1% who reported using margin loans or equity release products.
- Increases are evident since 2008 in the proportion holding credit cards (up 6 points to 71%) and owner-occupier mortgages (up 2 points to 36%). Since 2008 there have been decreases in the proportion holding a personal loan (down 5 points to 12%), a line of credit or overdraft (down 2 points to 12%) or a lease/hire purchase agreement (down 2 points to 7%).

Changes in credit card incidence

- As noted earlier in Section 3.2, the increased incidence of credit cards occurred across most age and household income groups and appears to have been offset to some degree by less use of cheques, layby and money orders. The results in Table 6.2.1a suggest that increased presence of credit cards may also have been accompanied by less use of products such as a personal loan, a line of credit/overdraft or a lease/hire purchase.

Table 6.2.1a Incidence of loan products

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

Changes in loan incidence

- In 2011, 36% of respondents held an **owner-occupier mortgage**, up slightly from 34% in 2008. People aged 30-54 years remained the most likely to have a mortgage of this type (57%) although there has been a significant increase since 2008 in the proportion of people in this age group who now have an owner-occupier mortgage (up 6 points from 51%). Possibly reflecting the impact of the Government's First Home Owners' Grant, this increase has been driven more by those 30-54 year olds with household incomes of $65,000 or less (where it was up 8 points to 40%) than it has by those with household incomes greater than $65,000 (up 3 points to 65%).

- The lower incidence of **personal loans** is particularly evident amongst people under 45 years of age where the incidence of personal loans fell from 24% in 2008 to 16% in 2011. By contrast, the incidence of personal loans remained unchanged amongst those with annual household incomes of less than $25,000 (8% in 2011, identical to the 2008 figure).
- Slight decreases in the incidence of loans by **line of credit or overdraft** were evident amongst people aged 35-59 years (18% in 2011 down slightly from 20% in 2008), particularly those 35-59 year olds with household incomes of $150,000 or more (25% had a line of credit/overdraft in 2011 down from 29% in 2008).
- Similarly there was a marked decrease in the incidence of **lease and hire purchase agreements** amongst those aged 35-44 years (down 4 points to 10% in 2011), particularly those 35-44 year olds earning higher annual household incomes of $100,000 or more (down 9 points to 11% in 2011).

Sources of funds borrowed in the last 12 months

A random subset of all respondents was asked if they had borrowed money from any of the sources shown in Table 6.2.1b during the last 12 months.

- 51% said they had not borrowed any money during the last 12 months[27]. This result is not significantly different from the 55% who were in this situation in 2008.
- The lending sources used most often for these loans in 2011 were mainstream financial institutions (26% not significantly different from the 2008 figure of 24%), family and friends (17%, up slightly from 14% in 2008), store loans/retailer finance (7%, down slightly from 10% in 2008 and probably reflecting current consumer caution in the discretionary retail sector) and finance companies (3%, down from 7% in 2008 and probably reflecting the market exit of a number of finance companies following the global financial crisis).
- Use of **pawn brokers** (1%), **payday lenders** (less than 1%) and **cash advances on salary** (1%) all remained at low levels in 2011 and not significantly different from the usage figures reported in 2005 and 2008.

Table 6.2.1b Lending sources used in last 12 months

Lending sources used in last 12 months *Base: Total sample*	**Survey**		
	2005 *(n=3513)* **%**	**2008** *(n=1162)* **%**	**2011** *(n=1177)* **%**
Which of the following, if any have YOU PERSONALLY used to borrow money in the last 12 months for any purpose?			
Bank, building society or credit union	27	24	**26**
Family or friends	14	14	**17**
Store loan or interest free/Retailer finance	11	10	**7**
Finance company	6	7	**3**
Cash advance on salary	1	1	**1**
Pawn broker	1	2	**1**
Payday Lender	1	1	**<1**
None of these	55	55	**51**

Prompted question, multiple responses allowed.
Base: All respondents in 2005. Randomly selected subset of all respondents in 2008 and 2011.

[27] Note: this does not mean these people don't have any loans, just that any loans they do have were taken out more than 12 months ago.

6.3 Understanding of debt repayment responsibility

Understanding of aspects of borrowing money was assessed via respondents' knowledge of the responsibility for repayment of debt on jointly held credit cards and loans.

- Seventy-four percent of people with a credit or store card said correctly that the primary credit card-holder is solely responsible for the debt on that card, slightly lower than in 2008 and on par with the results from 2005 and 2002. This decrease did not appear to be concentrated in any particular subgroups of credit/store card holders and seems to have occurred more or less 'across the board'. In total, 26% were unaware of this allocation of responsibility with lack of awareness highest amongst card holders aged 18-24 years and amongst those aged 70 years or over (40% from both of these groups selected an incorrect response).
- Eighty-three 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 slightly lower than in 2002 (87%) and slightly higher than the 80% reported in 2005. Seventeen percent of loan holders were not aware of this responsibility, with lack of awareness above average amongst those aged 18-24 years (28%) and amongst those aged 70 years or over (31%).

Table 6.3.1a Understanding of borrowing

Understanding of loan products	Survey			
	2002 %	2005 %	2008 %	2011 %
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)*
You are entirely responsible for any debt the other person incurs on the card	74	72	77	**74**
You and the other person are each responsible for half the total debt on the card	9	11	8	**10**
You are only responsible for debt incurred on the card by the other person if they are under 18	6	5	5	**6**
You are not responsible for any debt the other person incurs on the card	5	8	5	**6**
Unsure	6	4	5	**4**
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)*
Both persons are responsible for repayment of the entire loan	87	80	83	**83**
Each person is responsible for repayment of half the loan	9	15	12	**12**
Only one person must be responsible for repayment of the entire loan	2	3	3	**3**
The older of the two persons is responsible for repayment of the entire loan	<1	1	<1	**1**
Unsure	2	1	2	**1**

Prompted question.

6.4 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 6.4.1a show that:

- Almost all credit and store card holders (95%) said they do check their credit and store card transactions, not significantly different from the 93% who gave this response in 2008.
- Around one in three (36%) of those who check their statements do so by checking receipts and other spending records against their credit card statement while for 56% the checking process is a more cursory examination to make sure things "*look ok*".

  Older people are more likely to undertake detailed checking of their statements (53% of those aged 60 years or more said they check against receipts and spending records) while 64% of those aged under 35 years just checked the entries and balance "*to see if they look ok*".

Table 6.4.1a Checking of credit or store card transactions

Checking of credit/store card transactions	**Survey**	
	2008 %	**2011 %**
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)*
Yes	93	**95**
No	7	**5**
Base: A randomly selected subset of eligible respondents in 2008; all eligible respondents in 2011.		
Which of these best describes what you usually do when you check these transactions?		
Base: Check credit/store card transactions	*(na)*	*(n=2447)*
I check my receipts and spending records against the statement	na	**36**
I check the entries and balance on the statement to see if they look ok.	na	**56**
I just check the final balance	na	**6**
I don't really look at the statement at all	na	**2**
Unsure.	na	**<1**
Prompted question; asked for the first time in 2011		

Card repayment experiences

For the first time in the 2011 survey, all those holding a credit or store card were asked a series of short questions relating to repayment behaviour and the use of cash advances on their main credit card. Results are shown in Table 6.4.1b:

- Just over two-thirds of card holders (69%) claimed that, during the last 12 months they had always paid their main card balance in full. This figure appears to be an over-estimate[28], possibly a reflection of recall difficulties given the 12 month time frame. The incidence of this behaviour was well above average (at 80%) amongst people aged 60 years or over.
- Twenty-three percent had been charged interest on their card balance in some months, most often single parents with household incomes of $65,000 or less (48%) and those people holding mortgages of $300,000 or more but earning household incomes of $65,000 or less (50%); 13% of card holders had only made the minimum repayment on at least one occasion; while 18% were charged a late payment fee at least once. These latter two experiences were more prevalent amongst the same high mortgage/moderate income group who had also been charged interest on their cards. Single parents however were no more likely than the average card holder to have been charged a late payment fee.
- Eight percent of these card holders had been charged a fee for exceeding their credit limit, particularly those working in lower blue collar occupations (19%); and
- Twelve percent had sometimes used their card to take a cash advance, again those working in lower blue collar occupations (23%), as well as single parents (19%), particularly those single parents with household incomes of $65,000 or less (25%).

Table 6.4.1b Credit/Store card repayment patterns

Credit/Store Card Repayment Experiences	**2011 %**
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)*
I always paid my credit card balance in full	**69**
In some months I carried over the balance and was charged interest	***23***
In some months I only made the minimum payment	***13***
In some months I was charged a fee for late payment	**18**
In some months I was charged a fee for exceeding the credit limit	**8**
In some months I used the card for a cash advance	**12**
Prompted question; asked for the first time in 2011	

[28] Data from Roy Morgan Research suggests that 51% of credit card holders pay their card off in full each month (12 months to August, 2011; Australian population aged 18 years or over)

6.5 Loan acquisition – use of mortgage brokers

This section looks at the use of mortgage brokers in the process of acquiring a new mortgage. All those holding a mortgage on their own home or on an investment property were asked if they had used a mortgage broker when this loan was arranged. Those who had done so were asked what things they had considered when deciding which mortgage broker to use. As shown in Table 6.5.1a:

- Thirty-nine percent of mortgage holders said they had used a mortgage broker to arrange their loan, the same incidence of mortgage broker use as in 2008. Those under 45 years of age were more likely to have used a broker than were those aged 45 years or more (47% versus 30% respectively in 2011) and people employed in blue collar occupations (57%).

Table 6.5.1a Use of mortgage brokers

Use of Mortgage Brokers	Survey 2008 %	Survey 2011 %
When you last arranged a new mortgage, did you use a mortgage broker?		
Base: Have mortgage on home/investment property	*(n=1331)*	*(n=455)*
Yes - used a mortgage broker	39	**39**
No - didn't use a mortgage broker	61	**61**
Base: All eligible respondents in 2008; randomly selected subset in 2011.		
What were the things that you considered when deciding which mortgage broker to use?		
Base: Used a mortgage broker	*(n=491)*	*(n=166)*
Recommendation		
Recommended by friend/family member	38	**36**
Recommended by financial expert	11	**10**
Service		
Convenience, didn't have to shop around myself	14	**7**
Professional	12	**4**
Friendly, good people skills	8	**6**
Previous experience of broker	-	**7**
Attentive, personal service	5	**5**
Reputation/Image		
Reputable brand	15	**14**
They "knew the market"	7	**4**
They were on my side	5	**4**
Independence	3	**1**
Endorsement by celebrity/Consumer testimonial	1	**2**
Whether they were paid by commission	-	**1**
Pricing		
Had the best deals	13	**14**
Low fees	10	**7**
All other reasons	6	**8**
No particular reason	5	**4**
Can't recall	3	**2**
Unprompted question, multiple responses allowed.		

- Choice of broker was most often influenced by the recommendation of friends or family (36%), the broker's reputation (14%) and pricing issues, particularly being perceived as offering the best deals (14%).

  Since 2008 there have been few changes in the frequency with which these reasons were mentioned apart from a decrease in the proportion of borrowers who mentioned the convenience of not having to do their own comparison shopping (down 7 points to 7%) and who mentioned the professional service provided by their broker (down 8 points to 4%).

6.6 Management of current debt levels

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

6.6.1 Comfort with current level of debt

All respondents were asked how comfortable they were with the total amount of money they owed. Results are presented in Table 6.6.1a.

- The majority (74%) were at least "*fairly comfortable*" with their current debt, a result which has not changed significantly since 2008 (or indeed 2005). At the same time, the proportion of respondents who said they felt "*very comfortable*" or who "*don't owe any money*" (46%) was higher than in 2005 (39%) and 2008 (42%).
- Around one in five respondents (17%) expressed some degree of discomfort with the amount of money they currently owe. Those most likely to feel this way included single parents with household incomes of $65,000 or less (31%), people from Aboriginal and Torres Strait Islander backgrounds (36%), unemployed people (30%) and not unexpectedly, those with $300,000 or more currently outstanding on a mortgage (30%) particularly those servicing this level of mortgage outstandings from an annual household income of $65,000 or less (37%).

Table 6.6.1a Comfort with current level of debt

Comfort with current debt level *Base: Total Sample*	**Survey**		
	2005 *(n=3513)* **%**	**2008** *(n=3500)* **%**	**2011** *(n=3502)* **%**
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
Fairly comfortable	33	30	29
NET: Comfortable	***72***	***72***	***74***
Very uncomfortable	6	7	5
Somewhat uncomfortable	11	11	12
NET: Uncomfortable	***17***	***18***	***17***
Neither comfortable nor uncomfortable	10	9	8
Can't say	1	1	1

Prompted question. Due to rounding the proportion 'comfortable' is not an exact sum of the two components.

6.6.2 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 6.6.2a:

- In the 2011 survey, 7% of respondents said they had missed at least one repayment of this type. This was not significantly different from the 8% who had been in this situation in 2008.

  Those most likely to have missed a repayment included people aged under 45 years (10% versus 4% of those aged 45 years or more), those from Aboriginal and Torres Strait Islander backgrounds (23%), parents - both single and couples - with household incomes of $65,000 or less (13%), singles living in shared households (13%) and people working in lower blue collar occupations (12%).

  Debt levels also have a role to play with 21% of those with mortgage outstandings of $300,000 or more and household incomes of $65,000 or less having missed a payment of this type in the last 12 months.

Table 6.6.2a Missed debt repayments in the last 12 months

Missed repayments	Survey		
	2005 %	2008 %	2011 %
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)*
Yes	5	8	**7**
No	95	92	**93**

Those who had missed a repayment were also asked why this had happened. Results are presented in Table 6.6.2b. In 2011 the most frequently mentioned reasons were much the same as in 2008 and included:

- A loss of income, usually a result of the respondent losing their job (29%); and
- Reasons related to financial management and planning including failing to budget correctly (19%).

The only significant difference from 2008 was a decrease in the proportion who mentioned "*lack of funds*" as a reason for missing a repayment (down from 20% in 2008 to 7% in 2011).

Table 6.6.2b Reasons for missing repayments in the last 12 months

Reasons for missing repayments	Survey	
	2008 %	2011 %
Would you mind telling me what were the main reasons you could not make this/these payments? *Base: Have missed repayment*	*(n=271)*	*(n=191)*
Loss of income		
Loss of income/lost job	26	**29**
Loss of partner's income/job	5	**4**
Unexpected expense		
An expense I had was a lot more than expected	9	**8**
Unexpected emergency expenditure	12	**9**
Unexpected medical expenses	7	**7**
Poor financial management/planning		
Didn't budget/plan correctly	24	**19**
Lack of funds, didn't have the money when payment was due	20	**7**
Overspent on my credit/charge/store card	6	**5**
Borrowed too much originally	2	**4**
Increase in interest rates	3	**2**
Other		
Relationship breakdown	2	**1**
Forgot/Too much else to do	-	**2**
Something else	5	**11**
Can't say	<1	**1**

Unprompted question, multiple responses allowed.

Section 7 Savings, Investment and Superannuation

7.1 Introduction and key findings

This section of the report examines the community's understanding of and behaviour in relation to investments and superannuation. It includes a discussion of the incidence of different types of savings account 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 considerable importance here as poorly informed investment and superannuation decisions are likely to make it 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 2008 the population incidence of savings accounts and investments has changed little apart from a decrease in the proportion holding investments in shares and/or managed funds. Thus:

- 45% of respondents said they had a high interest savings account with the incidence of these accounts still above average amongst people aged less than 35 years (51% versus 42% amongst those aged 35 years or more).
- 21% of respondents had a term deposit; 41% of those aged 65 years or more. While these results were unchanged since 2008, there was an increase in the incidence of term deposits (from 30% in 2008 to 37% in 2011) amongst people running a self-managed superannuation fund; this is in line with reported increases in cash holdings amongst such funds since the GFC.
- There was a decline in share holding from 38% in 2008 to 35% in 2011. This decline was most marked amongst those with household incomes of $100,000 or more (down 9 points to 43%) who seem likely to have had greater exposure to the share market (in terms of value) than those with lower incomes. There was also a decline in holding of managed funds/investments (from 20% in 2008 to 16% in 2011). Again, this was most marked amongst those with household incomes of $100,000 or more (down 9 points to 21%).

There were no significant changes in the incidence of any of the other types of investment considered. Thus, as at 2011:

- 19% owned an investment property;
- Three percent said they have investments in debentures, bonds, notes or derivatives; and
- 21% of those aged 55 years or over said they held a retirement income stream product, most often an allocated pension (40%) or a lifetime pension or annuity (25%).

Understanding of investment principles

Most of these measures were unchanged since 2008, apart from:

- An increase in the proportion of respondents who understood that short term fluctuations in market value can be expected even with good investments (up 7 points to 74%). On-going share market volatility is likely to have been a key factor in this result.

Other measures of understanding have not changed significantly. In 2011:

- 53% of respondents said they wouldn't invest in an investment offering a return well above the market rate with no risk. This was not significantly different from the 52% recorded in 2008 although the improvements since 2002 (46%) and 2005 (47%) have been maintained.
- An investment with a high return is likely to have higher than average risks was still regarded as true by the great majority (87%) of respondents; while
- 92% considered diversification across different types of investments to be of at least some importance.

Thirty-two percent of respondents mentioned risk related issues when asked what things they would consider when choosing an investment. People with higher household incomes, those with a university education and those working in upper white collar occupations were more likely than average to mention risk as a consideration. Females were less likely to do so than males and were more likely to be unsure about what things to consider when choosing an investment.

Superannuation

- In 2011, 76% of respondents said they belonged to a superannuation fund, the same proportion as in 2008. Of all superannuation fund members:
  - 59% belonged to just one fund (up from 54% in 2008) while 39% said they were members of more than one fund[29].
  - 13% of fund members said they belonged to a self-managed superannuation fund, typically people aged 55 years or over (22%) and those with personal incomes in excess of $100,000 (19%).
- Understanding of basic rules relating to superannuation remained very high in 2011 although there is still some uncertainty about its tax treatment:
  - 98% understood that employers are required by law to make superannuation payments on behalf of employees (not significantly different from 96% in 2008);
  - 92% understood employees can make superannuation payments additional to any payments made by their employer (not significantly different from 90% in 2008); and
  - 59% thought superannuation is taxed at a lower rate than other investments (not significantly different from the 2008 result of 58%); 11% thought it was taxed at the same rate; 3% thought the rate was higher; and 27% were unsure. Those least likely to nominate the "*lower tax rate*" option were once again females (46% versus 72% of males), people whose formal education did not go beyond Year 10 (34%) and those people working in lower blue collar occupations (42%)[30].

  There was no further improvement in reported understanding of superannuation fund statements - 33% of those who received such statements considered them difficult or very difficult to understand, not significantly different from 31% in 2008. At the same time, there was a decrease in the proportion that receive and read a fund statement (down 6 points since 2008 to 69%), perhaps indicative of avoidance of the somewhat disappointing returns that funds have tended to provide over the last 3 years.
- 19% of fund members were unable to identify the best indication of a superannuation fund's performance, up 6 points since 2008.
- Of those who said they had chosen a superannuation fund (43% of fund members), 42% did not compare their chosen fund with any others before selecting it while 44% had compared it to funds offered by other organisations.

[29] 2% of members were unsure how many superannuation funds they belonged to.
[30] Due to the relatively small sample sizes these subgroup results should be treated with caution.

- Mentioned most often as choice criteria for a new fund were the fees, the fund's performance and the nature of the fund and its investment strategy, particularly the fund risk. Compared to 2008, there appears to have been less emphasis on recent performance, possibly an indication that recent volatility has led to greater tolerance of short term value fluctuations by at least some people.

Retirement planning and expectations

- Most of those under 65 years of age (94%, up slightly from 91% in 2008) did not think the Government would make up any shortfall in retirement funding. As in 2008, this appeared particularly true of those with higher household incomes who are the least likely to be eligible for Centrelink pension payments.
- 26% of fund members[31] had identified a target income for retirement, a figure which increased to 37% amongst those aged 45 to 59 years. The majority (70%) of those who had identified a target income nominated an income figure in the range $25,000 to $74,999.
- Around one in three (35%) super fund members under 65 years of age was making additional voluntary contributions to superannuation; this was particularly the case for those aged over 45 years (51%) and those with personal incomes of $100,000 or more (50%).
- As in 2008, factors considered when establishing the adequacy of current retirement funding arrangements again focused on fund members' expected standard of living in retirement and on their expected future financial situation.

Retirement income products

- 21% of people aged 55 years or more held a retirement income stream product, most often an allocated pension (40% of holders) or lifetime pension/annuity (25% of holders).
- When looking for a retirement income stream product, 44% of those aged 55 years or more who had arranged a product of this type had considered more than one retirement income product with 27% having compared products from different companies.
- There was greater familiarity with reverse equity loans than in 2008. Of all respondents aged 60 years or over, 59% said they know what a reverse equity loan is, up from 46% in 2008.

Financial Planners

- Of all respondents, 38% had consulted a financial planner, up 4 points since 2008. Those aged 55-69 years (that is, those either approaching retirement or recently retired) were again the most likely to have consulted a financial planner (53%). Use of financial planners was also associated with higher incomes (51% amongst those with personal incomes of $100,000 or more).
- When choosing a financial planner 42% had compared the financial planner they use with planners from other companies (26%) or from the same company (16%) as their chosen planner.
- Choice criteria used when selecting a planner were most likely to include the planner's reputation - particularly recommendation by a friend or family member (28%) or financial expert (15%) – and the quality of service provided.
- 54% of those who had consulted a financial planner said they considered conflicts of interest in any investment recommendations they receive while 40% said they don't do this. Those who do consider the possibility of conflicts are most likely to look for the payment of commissions by product providers as the indicator of this.

[31] 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.

7.2 Incidence of savings products and investments

Table 7.2.1a summarises the population incidence of various savings accounts and investments. Since 2008 there has been little change in the population incidence of each of these products apart from a decrease in the proportion holding shares and/or managed funds.

Savings deposit accounts

- In 2011, **high interest savings accounts** (including bonus savings accounts, on-line savings accounts and cash management accounts) were held by 45% of respondents. This was not significantly different from the 46% population incidence of these products in 2008. These accounts continue to be held more often by younger people aged less than 35 years (51%), particularly those under 35's working in upper white collar occupations (59%).
- One in five respondents (21%, not significantly different from 20% in 2008) held a **term deposit**. The incidence of these accounts was above average amongst older people (41% of those aged 65 years or more, not significantly different from 40% in 2008) and those operating a self-managed superannuation fund which at 37% was up slightly from 30% in 2008.

Table 7.2.1a Types of investment held

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

Other investments

- Three out of every four respondents (76%) were members of a **superannuation** fund, the same proportion as in 2008.

  At 93% (not significantly different from 94% in 2008), membership of superannuation funds was highest amongst those working for an employer. Thus, 7% 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.

- Of all respondents, 35% said they held **shares** (down from 38% in 2008) and 16% **managed investments** other than superannuation (down from 20% in 2008). The lower incidence of both types of investment seems most likely to be a consequence of some loss of confidence in equity market investment given the high levels of volatility that have been in evidence since the 2008 survey. However, it should also be noted that ownership of both these product categories has been decreasing since 2002 – the incidence of share ownership is down 9 points since then while there has been a 13 point fall in the proportion of respondents holding managed investments between the 2002 and 2011 surveys.

  Both types of investment continue to be held most often by people aged 45 years or older (43% of this age group held shares, not significantly different from 45% in 2008; 21% held managed investments, down slightly from 25% in 2008) compared with those aged under 45 years (26% held shares, not significantly different from 29% in 2008; 10% held managed investments down from 15% in 2008). By contrast, those under 45 years were less likely to have shares (26%) or managed investments (10%) and were more likely to have a high interest savings account of some sort (50% versus 41% of those aged 45 years or more).

  Interestingly, it was amongst people with higher household incomes of $100,000 or more where the largest decreases occurred in ownership of shares (down from 52% to 43% compared with 30% in both surveys amongst those with household incomes under $100,000) and of managed funds (down 9 points from 30% to 21% compared with a relatively slight decrease from 15% to 12% amongst those with household incomes under $100,000). This seems likely to reflect greater exposure to equity markets, and hence risk of greater losses, amongst those with higher incomes.

- Approximately one in five (19%) respondents owned an **investment property**, unchanged since 2008. Investment properties were still most likely to be held by those aged 40-64 years (27%) and by those earning personal incomes of $80,000 or more per year (39%).

- **Other investments**, including debentures, bonds, notes or derivatives were held by 3% of respondents, not significantly different from the 4% recorded in 2008.

- Twenty-one percent of respondents aged 55 years or more (not significantly different from 20% in 2008) said they had a **retirement income stream** product.

7.3 Investing principles and process

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

7.3.1 Understanding of investment principles

All respondents[32] were asked four questions about fundamental investment principles. As shown in Table 7.3.1a:

- 87% of respondents said it was true that investments with high returns are likely to have higher than average risks while 13% did not choose this response.

  There have been no significant changes in any of these responses across the four surveys.

Table 7.3.1a Understanding of investment principles

Understanding of investment principles	Survey			
	2002 %	2005 %	2008 %	2011 %
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)*
True	85	87	86	**87**
False	8	8	7	**8**
Unsure	7	5	7	**5**
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)*
Consider it "too good to be true" and not invest	46	47	52	**53**
Invest lightly to see how it goes before investing more heavily	44	44	39	**38**
Invest heavily to maximise your return	3	4	3	**3**
Unsure	7	6	6	**6**
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)*
Short-term fluctuations in market value can be expected, even with good investments	63	64	67	**74**
Good investments are always increasing in value	19	21	16	**12**
Investments that fluctuate in value are not good in the long term	6	5	5	**5**
Unsure	13	10	12	**9**
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)*
Very important	51	49	50	**46**
Quite important	28	30	28	**32**
Of some importance	12	14	14	**14**
Not at all important	5	4	5	**5**
Unsure	5	3	3	**3**

Prompted questions.

- Nor has there been any significant increase since 2008 in the proportion of respondents who selected the most appropriate recommendation for an investment advertised as having a return well above market rates and no risk – that is, who would consider it "*too good to be true*" and not invest in it (53%). However, the increase on the 2002 and 2005 results has certainly been maintained suggesting the increase in consumer wariness which preceded the 2008 survey and coincided with the collapse of a number of property developers and the beginnings of the global financial crisis is still present. Educational activities by organisations such as ASIC are also likely to have played a role in increasing consumers' awareness of the risks inherent in investment offers of this type.

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

Nevertheless, it is still the case that more than one in three adults (38%) appears willing to participate in such investments to some degree which, as noted in 2008, is the basic principle behind many investment scams.

- There has been a significant increase in the proportion of respondents (from 67% in 2008 to 74% in 2011) who understood that even with good investments, short term fluctuations in market values can be expected; financial markets over the last three years have provided some clear lessons on this issue. Encouragingly, increases are evident across age, education and income based subgroups.

  The proportion who were unsure about this proposition has fallen by 5 points (to 12%) while the proportion who thought good investments always increase in value fell by 4 points (to 12%).

- While the proportion of investors (78%) who considered diversification of funds across different types of investments to be very (46%) or quite (32%) important was the same as in 2008, fewer considered this to be very important (down by 4 points since 2008). This is an interesting finding – it may be associated with the lower incidence of investment in shares and managed funds and reflect less confidence in diversification of investments into these areas.

It appears that the trend towards increased awareness of the potential for fluctuation in the market value of investments, which began in 2008, has continued strongly since then. This is not really unexpected in light of the current high level of share market volatility.

7.3.2 Considerations when choosing an investment

A random 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 7.3.2a, issues mentioned most often were those related to:

- The type of investment (39%) including mention of specific investments such as shares, property and term deposits;
- The return (37%); and
- The investment risk (32%). 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.

Table 7.3.2a Considerations when choosing an investment

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

Base: Randomly selected subgroup of all respondents.
Unprompted question; multiple responses allowed. First asked in 2011.

Mentions of risk related issues were slightly above average amongst those with annual household incomes of $100,000 or more (44%), those working in upper white collar occupations (45%) and those with a university degree (43%). In addition males (35%) were more likely to mention risk issues than females (29%) with females more likely to say they were uncertain about what things should be considered when choosing an investment (19% unsure versus 13% of males).

7.4 Superannuation

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

7.4.1 Number and types of superannuation fund held

Table 7.4.1a reports on the number and types of superannuation fund to which respondents said they belonged. As shown in 2011:

- 59% belonged to just one superannuation fund, slightly more than in 2008 and now back to the level seen in 2005; 25% belonged to two funds, 9% to three and 5% to four or more.
- Superannuation fund members most often said they belonged to an industry superannuation fund (at 45% this is now up by 12 points since 2008); a retail fund (20% - while this is up sharply on previous years we believe this is a consequence of efforts made in 2011 survey to clarify the difference between retail and corporate funds), a public sector fund (16% not significantly different from 18% in 2008), a corporate or employer fund (14%, down from 19% in 2008) or a self-managed superannuation fund (13% not significantly different from 14% in 2008). These figures continue to show considerable year on year variation as well as some degree of inconsistency with APRA data[33] which showed 51% of all superannuation **accounts** held with a retail fund, 35% with an industry fund, 10% with a public sector fund, 2% with a corporate fund and 2% with a self-managed superannuation fund[34], figures which are unchanged since 2007. While these numbers are based on accounts rather than people, they (and the ATO figures for SMSF membership) continue to suggest the presence of some confusion amongst consumers about the type of fund to which they belong.

Table 7.4.1a Number and type of superannuation fund held

Incidence and Type of Superannuation Fund	Survey 2002 %	2005 %	2008 %	2011 %
Fund membership				
Base: Total Sample	*(n=3548)*	*(n=3513)*	*(n=3500)*	*(n=3502)*
Member of one or more superannuation funds	71	74	76	**76**
Does not have superannuation/Unsure	29	26	24	**24**
Approximately how many superannuation or roll-over funds do you have?				
Base: Have superannuation	*na*	*(n=2629)*	*(n=2612)*	*(n=2443)*
One fund only	na	59	54	**59**
Two funds	na	26	28	**25**
Three funds	na	8	9	**9**
Four or more funds	na	6	6	**5**
Unsure	na	2	3	**2**
And which of the following fund types do you or your employer currently contribute to?				
Base: Have superannuation	*na*	*(n=2629)*	*(n=2612)*	*(n=2443)*
Corporate or employer fund	na	27	19	**14**
Industry fund	na	21	33	**45**
Public sector fund	na	15	18	**16**
Self-managed superannuation fund	na	14	14	**13**
Retail superannuation fund	na	7	7	**20**
Retirement savings account (RSA)	na	5	5	**3**
Private fund - bank/insurance	na	1	1	**<1**
Other response	na	1	2	**1**
Unsure	na	21	20	**9**

Prompted question.

[33] "*Statistics: Annual Superannuation Bulletin*", Australian Prudential Regulation Authority, June 2010.
[34] ATO figures show that at June 2011, SMSFs had 867,863 members; that is, around 5% of the adult population and about half the incidence recorded in this survey (ie: 13% of superannuation holders and 10% of the total sample).

- As seen in 2008, members of self-managed superannuation funds were most likely to be found amongst older people aged 55 years or over (22%) and those with higher incomes (19% amongst people earning personal incomes of $100,000 or more per annum). In terms of their financial literacy, members of an SMSF have above average scores on *planning ahead*, *choosing products, staying informed* and *financial control*.

7.4.2 Understanding of superannuation

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

Regulatory requirements and tax treatment of superannuation

Regulatory requirements and the taxation of superannuation were addressed through the three questions shown in Table 7.4.2a.

- Virtually all those asked (98%) were aware that employers are required to make superannuation payments on behalf of their employees and that employees can make superannuation contributions in addition to the payments made by employers (92%). These results did not differ significantly from previous surveys.
- There continued to be more uncertainty in relation to the tax treatment of superannuation - 59% of those asked thought that superannuation is taxed at a lower rate than other investments, 11% thought the taxation rate was the same, 3% thought it was higher and 27% were unsure. These results are not significantly different from the figures obtained in 2008.

  Those least likely to choose the lower taxation rate option continued to be females (46% versus 72% of males) particularly females aged under 35 years (38%), those people whose formal education did not go beyond Year 10 (34%), and those working in lower blue collar occupations (42%)[35].

Table 7.4.2a Understanding of regulatory requirements and taxation of superannuation

Understanding of superannuation	Survey 2002 %	2005 %	2008 %	2011 %
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)*
True	97	97	**96**	**98**
False	3	2	**3**	**1**
Unsure	-	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)*
True	5	6	**6**	**5**
False	91	92	**90**	**92**
Unsure	4	2	**4**	**3**
Base: All eligible respondents for each survey				
Is superannuation taxed at a lower, higher or the same rate as other investments?				
Base: Have superannuation, employed and under 65	*na*	*(n=1897)*	*(n=550)*	*(n=429)*
Lower rate	na	56	**58**	**59**
Higher rate	na	9	**5**	**3**
The same rate	na	13	**10**	**11**
Unsure	na	22	**27**	**27**
Prompted question. *Base: A randomly selected subset of all eligible respondents in 2008 and 2011, all eligible respondents in 2005*				

[35] Due to the relatively small sample sizes subgroup results should be treated with caution.

Superannuation fund statements

Information was again sought on members' understanding of superannuation fund statements. As shown in Table 7.4.2b:

- The proportion of respondents who report receiving superannuation statements and read them has fallen from 75% in 2008 to 69% in 2011, perhaps reflecting some avoidance of the uninspiring returns evident for most funds over the last 3 years.
- Eleven percent of superannuation fund members said they did not personally receive statements from their fund while a further 20% said they received statements but did not read them. Neither of these results differed significantly from those reported in 2008.

Table 7.4.2b Reading and understanding superannuation fund statements

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

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

All those who received superannuation fund statements but did not read them were asked why they didn't do so. Reasons mentioned most often in 2011 were (see Table 7.4.2c):

- Those relating to a lack of interest – 23% "*couldn't be bothered*", 10% "*don't have the time*", 15% feel that "*other priorities are more important*" and 12% "*just assume they're correct*". None of these results differ significantly from 2008.

Table 7.4.2c 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)* **%**
Why don't you read your superannuation or rollover fund statements?		
Lack of time/interest		
Couldn't be bothered	**36**	**23**
Don't have time	**14**	**10**
Other priorities more important	**13**	**15**
Just assume they're correct/ok	**4**	**12**
Contributions too small to worry about	**-**	**3**
Other reasons		
Too difficult to understand	**23**	**15**
Someone else reads them	**8**	**7**
Too depressing	**-**	**4**
All other reasons	**12**	**11**
Unsure/Can't recall	**4**	**8**

Unprompted question, multiple responses allowed.

Those who did read their superannuation fund statements were asked what they generally looked for when they did this. As shown in Table 7.4.2d:

- In 2011 fund members were most likely to say they looked for information on the performance and current value of their fund - specifically the investment return (32%) and the current value of their investment (37%).
- After this, topics of interest appeared to be the management fees charged for operating their fund (18%); issues relating to the fund's administration including checking everything is right (19%) and looking at the breakdown of investments (6%); and details of employer (10%) and personal (7%) contributions to the fund.

Compared with 2008, there was less mention of fund performance, exit fees and the breakdown of the investments. Against this, checking the account balance was mentioned more frequently in the 2011 survey.

Table 7.4.2d Things looked for when reading superannuation fund statements

Things looked for when reading superannuation fund statements	Survey 2005 %	2008 %	2011 %
And what do you generally look for when you read your superannuation fund statements? *Base: Read superannuation fund statements*	*(n=1011)*	*(n=644)*	*(n=619)*
Fund performance/value			
Value of investment	44	**38**	**37**
Investment return/performance	36	**42**	**32**
Balance of account	-	**6**	**14**
Costs of operating fund			
Management fees	16	**21**	**18**
Exit fees	5	**8**	**3**
Administrative issues/arrangements			
To check everything is right	26	**14**	**19**
Break down of investments	4	**12**	**6**
Details of fund beneficiaries	1	**2**	**<1**
Insurance information/benefits	2	**3**	**2**
Contribution information			
Employer contributions	10	**12**	**10**
Personal contributions	7	**7**	**7**
All other things	2	**8**	**5**
Nothing in particular/Don't know	5	**3**	**2**

Unprompted question, multiple responses allowed.

As a final measure of the useability of superannuation fund statements, all those who received them were asked whether they found annual statements from a superannuation fund 'difficult' or 'easy' to understand. Results are shown in Table 7.4.2e.

- In 2011 approximately two-thirds (65%) of those who received a superannuation fund statement said they found such statements 'easy' to understand – 11% 'very easy', 54% 'easy'.
- Conversely, 33% said they found it 'difficult' (5% 'very difficult', 28% 'difficult') to understand these statements. These results have not changed significantly since 2008 although the proportion thinking it is 'easy' to understand a superannuation statement remains significantly higher than in 2002 when it was 61%.

Table 7.4.2e Ease of understanding an annual superannuation fund statement

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

Prompted question
Base: A randomly selected subset of eligible respondents in each survey

Superannuation fund performance

Two questions were used to better understand how people assess their fund's performance. The first of these required respondents to select the best indicator of fund performance from the list shown in Table 7.4.2f.

- Two-thirds of those asked (66%) selected "*the amount of return left after the fees and taxes are taken out*", not significantly different from the 2008 result of 68% but below the 77% who chose this alternative in 2005. In the 2011 survey, almost one in five (19%) respondents felt they couldn't say which option provided the best indication of fund performance (up from 13% in 2008 and 8% in 2002).

Table 7.4.2f Indicators of superannuation fund performance

Superannuation fund performance	Survey		
	2005 %	2008 %	2011 %
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)
The amount of return left after the fees and taxes are taken out	77	68	**66**
The return	8	12	**10**
The per-unit cost	4	5	**3**
The fees	3	2	**2**
Can't say	8	13	**19**

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

7.4.3 Joining a new superannuation fund

All superannuation fund members were asked if they had ever chosen a superannuation fund[36]. Those who had chosen a fund were asked how they had gone about doing this and those who had only considered one fund were asked why they did not consider any others. Results in Table 7.4.3a show that:

- In 2011, 43% of superannuation fund members said they had chosen a superannuation fund at some time, a result which is not significantly different from the 42% obtained in 2008.

Table 7.4.3a Choice of a superannuation fund

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

Of those who had chosen a fund;

- 44% had considered funds from different companies while 11% had considered different funds offered by the same company. That is, 55% of these respondents had made some comparisons before making their final choice of fund.
- Just over four in ten (42%) said they did not consider any funds other than the one they had chosen; that is they made no comparisons at all.

Table 7.4.3b Comparison shopping when choosing a superannuation fund

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

[36] 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.

Again, the 2011 results are not directly comparable with those from previous surveys. However, if the same approach as that used in Section 5.3 is applied here (ie: 'serious' comparison shopping is defined as shopping around 'a lot' or 'a fair bit' in the 2008 survey and as 'considering several funds offered by different companies' in 2011), the comparable results are 27% in 2008[37] and 44% in 2011. While the change in question means the result must be treated with caution, there does appear to have been an increase in 'serious' comparison shopping for superannuation funds since 2008.

Reasons mentioned most often for not making any comparisons included:

- Lack of interest in the issue - 19% said they just went with their employer's default fund, 8% couldn't be bothered, 6% felt superannuation funds were all the same and 5% said they didn't have the time.
- Willingness to accept a recommendation by friends/family (13%) or from a financial expert (10%); and
- The presence of a satisfactory, pre-existing relationship with a superannuation provider (14%).

Table 7.4.3c Reasons for not considering any other superannuation funds

Comparison shopping - superannuation fund	**2011 %**
What is the main reason you didn't consider any other superannuation funds? Anything else? *Base: Did not consider any other funds*	*(n=138)*
Lack of time/interest	
Went with employer's default fund	**19**
Couldn't be bothered	**8**
Don't have the time	**5**
"They're all the same"	**6**
Take someone else's advice	
Go with what is recommended by friend/family member	**13**
Go with what is recommended by financial expert	**10**
Spouse/partner does shopping around	**1**
Already had relationship with/happy with a provider	**14**
Set up own self-managed fund	**9**
Lack of knowledge/information	
Lack of knowledge about superannuation	**2**
Too difficult to make comparisons/get information	**1**
All other reasons	**9**
Unsure/Can't recall	**5**
Unprompted question, multiple responses allowed.	

[37] Due to the use of different bases, the 2002 and 2005 results are not comparable for this product category.

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 7.4.3d, the things mentioned most often were:

- The fees, charges and costs (39%);
- The performance of the fund (22% long-term performance and 8% recent level of performance) and the returns achieved (6%); and
- The nature of the fund and its investment strategy - that is, the overall risk level (15%) 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 2008 survey apart from a decrease in the proportion of respondents who mentioned the fund's recent performance (down by 8 points). This result may be an indication that recent volatility has led to at least some people becoming more tolerant of short-term fluctuations in fund values.

Table 7.4.3d 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)* **%**
What things would you consider when choosing a superannuation fund?		
Performance		
Long-term level of performance	25	**22**
Recent level of performance	16	**8**
Investment returns achieved by the fund	9	**6**
Costs		
Fees/charges/costs	41	**39**
Nature of fund/investments		
How risky the fund is	18	**15**
Investment options offered/High risk and low risk	8	**8**
Diversity/types of investments	6	**7**
Reputation/Recommendation		
Recommendation by people you trust	7	**7**
Reputable/trustworthy	9	**9**
Comparative ratings by rating organisations	4	**1**
Additional services/benefits		
Availability of expert advice	5	**4**
Extra benefits like life insurance	1	**3**
Whether they pay commissions	-	**3**
Other considerations	13	**13**
Can't say	18	**19**

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

7.5 Retirement Planning and Expectations

This section examines the community's expectations about the role of government in filling any retirement funding shortfall as well as their views on retirement income requirements and whether or not additional superannuation fund contributions are being made.

Expectations of government support in retirement

All respondents under 65 years of age were asked whether they agreed or disagreed with the statement "*I don't think it really matters much about superannuation or planning and saving for retirement because the government will make up the gap*". As shown in Table 7.5.1a:

- The great majority of under 65's (94%) disagreed with this statement in 2011.

  There has been a slight increase (up 3 points from 91%) in the overall level of disagreement since 2008, perhaps reflecting a higher profile for superannuation and retirement issues as a result of the Cooper Inquiry and recent Government changes to superannuation including lower concessional contribution limits and planned increases in regulatory contributions.

  Most likely reflecting age pension eligibility requirements, strong disagreement with this statement was much higher amongst those with higher household incomes - 52% of those with household incomes of $100,000 or more strongly disagreed versus 34% of those with household incomes of less than $25,000.

Table 7.5.1a Expectations of government support for retirees

Expectations of government support *Base: Under 65 years*	**Survey** **2005** *(n=1516)* %	**2008** *(n=2821)* %	**2011** *(n=2451)* %
I don't think it really matters much about superannuation or planning and saving for retirement because the government will make up the gap			
Strongly agree	1	1	1
Agree	4	5	4
Net: "Agree"	**5**	**6**	**5**
Strongly disagree	49	57	47
Disagree	45	34	47
Net: "Disagree"	**94**	**91**	**94**
Can't say	1	3	1

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

Income required for retirement

In order to understand the income levels people think they might require in retirement, the same fund members (under 65 years of age and 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 so were asked what annual income they thought they would need. As shown in Table 7.5.1b:

- 26% had identified a figure, not significantly different from the 2008 result of 27%. Once again, older people aged 45-59 years (37% versus just 6% of those aged 18-24 years; 59% of those aged 60-64 years) and those with higher personal (41% of those with a personal income of $80,000 or more) and household incomes (38% of those with household incomes of $150,000 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 their retirement; even amongst those aged 60-64 years (ie: those within a few years of retirement) 41% had not done so.

- Those who had identified a figure were most likely to nominate a relatively realistic annual income of between $25,000 and $75,000, with the average figure being around $60,000.

Table 7.5.1b Expected retirement income requirement

Expectations of required retirement income	Survey		
	2005 %	2008 %	2011 %
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)*
Yes have identified a figure	35	27	**26**
No, have not identified a figure	64	73	**73**
Can't say	1	1	**1**
Base: All eligible respondents in 2005 and 2011, 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)*
Less than $15,000	na	1	**-**
$15,000 to $24,999	na	4	**3**
$25,000 to $49,999	na	34	**29**
$50,000 to $74,999	na	32	**41**
$75,000 to $99,999	na	10	**9**
$100,000 or more	na	15	**10**
Unsure	na	4	**8**
Unprompted question. Not asked in 2005.			

To help in further understanding the provision people are making for retirement, all fund members under 65 years of age were asked if they were making any additional superannuation contributions as direct payments or through salary sacrifice. As shown in Table 7.5.1c, around one in three (35%) fund members were making additional contributions to their superannuation fund while 64% were not.

Those most likely to be making additional contributions were older (51% of those aged 45 years or more versus 24% of 18-44 year olds) and those with higher incomes (41% of people with household incomes of $100,000 or more; 50% of those earning personal incomes of $100,000 or more).

Table 7.5.1c Voluntary additional contributions to superannuation

Voluntary Superannuation Contributions	2011 %
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)*
Yes make voluntary additional contributions to superannuation	**35**
No, do not do so	**64**
Unsure	**1**
First asked in 2011.	

<u>Factors to consider and sources of information when calculating retirement funding</u>

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 7.5.1d it is evident that respondents were most likely to mention:

- Their expected living standards in retirement including the costs that might have to be met (25%), their current cost of living (32%) and their desired standard of living in retirement (30%);
- Their expected future financial situation including expected investment earnings (8%), home ownership (10%), the value of assets on retirement (12%), the time left until retirement (11%), current level of savings (9%) and their expected superannuation benefits (5%); and
- Their expected life-span (14%).

Compared to the 2008 results 2011 saw less mention of retirement costs and expected superannuation benefits and a greater focus on inflation and health issues. Overall however, results were broadly similar in both surveys.

Table 7.5.1d Factors to consider when calculating adequacy of retirement funding

Factors influencing perceived adequacy of retirement funding	**Survey**	
	2008	**2011**
	%	**%**
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)*
Expected future living standards/requirements		
Costs might need to meet during retirement	37	**25**
Current cost of living	32	**32**
Desired standard of living in retirement	24	**30**
Inflation/Expected inflation	10	**16**
State of health	5	**10**
Family dependencies	3	**4**
Need for supported living arrangements in the future	-	**4**
Expected future financial situation		
Length of time before retirement	14	**11**
Expected earnings from investments	11	**8**
Whether own home or not	11	**10**
Current savings	11	**9**
Value of assets on retirement	10	**12**
Expected superannuation benefits	10	**5**
Eligibility for pension/government benefits	6	**2**
Current level of debt and ability to rerepay	6	**7**
Whether or not will do some paid work after retiring	5	**1**
Tax levels and eligibility for tax rebates	-	**1**
Other factors		
Expected life span	14	**14**
All other factors mentioned	7	**5**
Unsure	16	**16**

Unprompted question, multiple responses allowed.
Base: Randomly selected subset of eligible respondents in 2008 and 2011

7.6 Retirement income

This section looks at retirement income stream products including the incidence and type of products held and the acquisition process for them. Consideration is also given to awareness and selection criteria for reverse equity loans.

7.6.1 Incidence and types of retirement income stream products

Table 7.6.1a shows the proportion of respondents aged 55 years or more who have retirement income stream products and the types of product they hold[38]. As shown, 21% of people in this age range held a product of this type, a result which is not significantly different from the 20% recorded in 2008.

Amongst those holding retirement income stream products:

- The types most likely to be held were allocated pensions (40%), lifetime pensions or annuities (25%), life expectancy and fixed term pensions or annuities (both 12%) and market-linked pensions or annuities (11%).
- None of these incidence figures are significantly different from the 2008 results with the key changes (fewer lifetime pensions/annuities; more allocated pensions) associated with the introduction of *Simpler Super* after the 2005 survey still in place.

Table 7.6.1a Incidence and types of retirement income products

Incidence and type of retirement income stream products	Survey		
	2005 %	**2008** %	**2011** %
Incidence of retirement income stream products *Base: All aged 55 years or over*	*(n=1096)*	*(n=1303)*	*(n=1835)*
Yes have a retirement income stream product	24	20	**21**
No don't have this type of product	76	80	**79**
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)*
Lifetime pension/annuity *A set income that you receive for the rest of your life*	45	24	**25**
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**
Life expectancy pension/annuity *A set income that you receive for a term based on your life expectancy*	12	15	**12**
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**
Fixed term pension/annuity *A set income that you receive for a specified term (eg: 10 years)*	10	10	**12**
Other type	14	8	**9**
Unsure	5	7	**6**

Prompted question, multiple responses allowed.

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

7.6.2 Acquisition of retirement income stream products

Those who held a retirement income stream product were asked how they went about choosing a new product of this type and why they didn't consider any alternative products when this had been the case. Responses are summarised in Table 7.6.2a.

- In all, 44% of these respondents had considered more than one retirement income product – 27% looking at products from different companies and 17% comparing two or more products from the same company.
- Some 50% did not consider any other products with a willingness to accept the advice of a financial expert (32%) or a satisfactory pre-existing relationship with the product provider (23%) the reasons given most often for this.

Table 7.6.2a Comparison shopping for retirement income products

Comparison shopping - retirement income products	2011 %
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)*
I considered several retirement income products offered by different companies	**27**
I considered several retirement income products but only from one company	**17**
I didn't consider any retirement income products apart from the one I chose	**50**
Can't say	**6**
Prompted question; first asked in 2011. *Base: All eligible respondents.*	
What is the main reason you didn't consider any other retirement income products?	
Base: Didn't consider other retirement income products/55 yrs+	*(n=169)*
Already had relationship with/happy with a provider	**23**
Take someone else's advice	
Go with recommendation of financial expert	**32**
Go with what is recommended by friend/family member	**10**
Spouse/partner does shopping around	**1**
Lack of time/interest	
Couldn't be bothered	**11**
"They're all the same"	**3**
Don't have the time	**2**
Have no say/only one scheme available	**4**
Too difficult to make comparisons/get information	**2**
All other reasons	**11**
Unsure/Can't recall	**4**
Unprompted question, multiple responses allowed.	

Time series comparisons (using the same definition of 'serious' comparison shopping as in Section 5.3) show the incidence of 'serious' comparison shopping for retirement income products has not changed significantly since 2005 (21% in 2005, 30% in 2008 and 27% in 2011).

Further investigation of the acquisition process for retirement income stream products was undertaken by asking all holders what criteria they considered important when choosing this type of product. Results are presented in Table 7.6.2b where the criteria mentioned most often were:

- Those relating to the product's performance - the income (20%) and return (18%) provided, how long the income will last (14%) and the product manager's past performance (11%);
- The security of the product (15%) and having a reputable brand (16%); and
- The product's accessibility and flexibility (11%).

There were few significant changes since 2008 apart from a decrease in the mention of fees (down 6 points to 7%). Also, the lower level of respondents unable to nominate any criteria in 2008 (13% versus 37% in 2005) has been maintained in 2011 (16%).

Table 7.6.2b 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)* **%**
When choosing a retirement income stream product, what criteria do you think are important?			
Income/Return			
Level of income it provides	17	24	**20**
Rate of return	17	21	**18**
Past performance of product manager	13	12	**11**
How long income will last	13	19	**14**
Security/Reputation			
Security of product/Balance of risk/Diversification	18	20	**15**
Reputable brand	13	19	**16**
Recommended by others	2	5	**2**
Other criteria mentioned			
Access/Flexibility	4	12	**11**
Fees	2	13	**7**
Offers expert advice	2	8	**5**
Tax effectiveness	2	7	**3**
Amount of control/ability to self-manage	1	6	**3**
No choice, in defined benefits scheme	-	-	**4**
All other criteria	9	8	**8**
Can't say	37	13	**17**

Unprompted question, multiple responses allowed.

7.6.3 Reverse equity loans

All respondents aged 60 years or over were asked if they knew what a reverse equity loan was and, if so, what things they would consider when deciding whether or not to take out a loan of this type. As shown in Table 7.6.3a:

- The proportion who said they knew what a reverse equity loan was has increased by 13 points from 46% in 2008 to 59% in 2011. People who own their home (63%) were far more likely to know what a reverse equity loan is than were renters (28%).
- When asked what things they would consider when deciding whether or not to take out one of these products, 13% of those who knew what a reverse equity loan was said they would never take one out while another 28% said they didn't know what to consider. Apart from this, the considerations mentioned most often in 2011 were:
    - The level of ongoing expenses that the loan would need to meet (12%);
    - The interest rate (10%); and
    - The borrower's life expectancy (10%).

Overall, there appears to have been some improvement in people's familiarity with this product over the last three years. Nevertheless, given that 37% of home owners didn't know what a reverse equity loan is, there still appears to be scope for further improvement in people's knowledge and understanding of these products.

Table 7.6.3a Knowledge of reverse equity loans

Knowledge of reverse equity loans	**Survey**	
	2008 %	**2011 %**
Do you know what a reverse equity loan is?		
Base: Total sample aged 60 years or over	*(n=954)*	*(n=1472)*
Yes, know what it is	46	**59**
No, don't know what it is	51	**38**
Unsure	3	**3**
What things would you consider when deciding whether or not to take out a reverse equity loan?		
Base: Know what reverse equity loan is	*(n=443)*	*(n=862)*
Would never take one out	14	**13**
The interest rate	13	**10**
How long I expect to live	11	**10**
The conditions of the loan	11	**8**
The size of the loan that would be needed	10	**7**
My ongoing expenses	9	**12**
Whether it was really necessary	9	**7**
How children feel about it	7	**7**
Might need the money/equity to move into a retirement village	4	**3**
All other considerations	8	**13**
Don't know	33	**28**

Unprompted question, multiple responses allowed.

7.7 Financial planners

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

7.7.1 Use of financial planners

As shown in Table 7.7.1a:

- 38% of respondents had consulted a financial planner or adviser about their finances. This was an increase on the 34% of respondents who had consulted a financial planner/adviser in the 2005 and 2008 surveys.
- Those most likely to have consulted a financial planner were people aged 55-69 years (53% versus 48% in 2008), that is, those either approaching retirement or recently retired. Use of financial planners was also associated with higher levels of income (46% amongst those with household incomes of $150,000 or more; 51% amongst those with personal incomes of $100,000 or more).

  Conversely, those least likely to have consulted a financial planner were young people aged 18-24 years (9%). Other groups where use of financial planners was below average included those with annual household incomes of less than $25,000 (29%) and those whose main source of income was a government benefit or allowance (29%).

Table 7.7.1a Use of financial planners

Use of financial planners	Survey		
	2005 %	2008 %	2011 %
And have you (ever) consulted any of the following people regarding your finances? *Base: Total sample*	*(n=3513)*	*(n=3500)*	*(n=3502)*
Yes, have consulted a financial planner or adviser	34	34	**38**
No, have not done so	66	66	**62**

Prompted question where a list of financial service providers (including financial planners/advisers) was read out to respondents.

7.7.2 Choosing a financial adviser

All those who had chosen a financial planner or adviser were asked how they had gone about doing this. As shown in Table 7.7.2a:

- 42% of these respondents had compared the financial adviser they currently use with others; either from different companies (26%) or from the same company (16%); 55% did not consider any financial adviser other than the one they currently use.
- Reasons given for not considering any other financial advisers (see Table 7.7.2a) include being willing to accept the advice of friends and family (35%) or a financial expert (17%) or already having an established satisfactory relationship with the provider of financial advice (14%).

Table 7.7.2a Comparison shopping when choosing a financial planner/adviser

Comparison shopping for financial planners/advisers	**2011 %**
Which of the following best describes how you last chose a financial planner or adviser?	
Base: Have chosen a financial planner/adviser	*(n=463)*
I considered planners/advisers from several different companies	**26**
I considered several planners/advisers from the same company	**16**
I didn't consider any other planners/advisers at all	**55**
Can't say	**3**
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=248)*
Already had relationship with/happy with a provider	**14**
Take someone else's advice	
Go with what is recommended by friend/family member	**35**
Go with recommendation of financial expert	**17**
Spouse/partner does shopping around	**3**
Go with recommendation of employer/union	**2**
Lack of time/interest	
Couldn't be bothered	**5**
Don't have the time	**3**
"They're all the same"	**2**
Too difficult to make comparisons/get information	**2**
All other reasons	**19**
Unsure/Can't recall	**3**
Unprompted question, multiple responses allowed	

The incidence of 'serious' comparison shopping when looking for a financial planner or adviser has not changed significantly since the 2002 survey with the relevant figures being 27% in 2002 and 2005, 24% in 2008 and 26% in 2011.

All those who had chosen a financial planner or adviser were asked their main reasons for selecting the financial planner they had chosen[39]. As shown in Table 7.7.2b:

- A positive reputation either by word of mouth (28% mentioned the recommendation of a friend or family member), by recommendation from a financial expert (15%) or the reputation of the brand (10%) was the reason mentioned most often for choosing a financial planner.
- This was followed by the quality of service provided (10% mentioned "*friendly, good people skills*", 8% "*reliable, efficient service*" and 5% "*attentive, personal service*") and the perceived competence of the planner (16% mentioned their planner's "*knowledge/ professionalism*").

Table 7.7.2b Reasons for selecting a financial planner

Reasons for choosing a financial planner	**2011 %**
What were the main reasons for selecting the financial planner you finally chose? *Base: Have chosen a financial planner/adviser*	*(n=443)*
Recommendation/Reputation	
Recommended by friend of family member	28
Reputable brand	10
Recommended by financial expert	15
It's someone I know personally/through work	4
Past experience	2
Endorsements/Testimonials	1
Service	
Friendly, good people skills	10
Reliable, efficient service	8
Attentive, personal service	5
Perceived Competence	
Knowledge/professionalism	16
Gets good results	2
Other reasons	
Fees	6
Convenience	8
Independence	2
All other reasons	9
No particular reason	3
Don't know	4

Unprompted question, multiple responses allowed
Base is a randomly selected subset of all eligible respondents.

[39] This varied slightly from the 2008 wording which asked what things had made people "feel positive about the financial planner they had chosen". Consequently no comparisons are drawn with 2008 results.

7.7.3 Financial planners and conflict of interest

All those who had chosen a financial planner or adviser were asked whether they considered the possibility of their financial planner having conflicts of interest when making investment recommendations. Those who said they did consider this were asked what things they looked at to see if a conflict existed. Results are shown in Table 7.7.3a:

- 54% of these respondents said they do consider whether there are any conflicts of interest in their planner's investment recommendations; while
- 40% said they do not consider the possibility of conflict when their planner made investment recommendations. Neither of these results is significantly different from the situation in 2008.
- When deciding if a conflict exists, those who considered the possibility were most likely to check if the planner receives a commission from the product provider (38%). Other indicators considered included:
  - o The planner's fee structure to see if it was based on the amount invested (9%) or a flat fee (4%)
  - o Whether or not the planner recommends products from more than one provider (10%), and
  - o Checking if the planning company is independent (11%).

Table 7.7.3a Financial planners and conflict of interest

Financial planners and conflicts of interest	Survey	
	2008 %	2011 %
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=568)*	*(n=443)*
Yes consider whether there are conflicts of interest	58	**54**
No don't do this	35	**40**
Have never needed to do this	5	**5**
Can't say	2	**1**
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=323)*	*(n=235)*
Net: Fee structure	*47*	***44***
Whether planner gets a commission from the product provider	43	**38**
Planner's fee is based on the amount you have invested	7	**9**
Planner charges a flat fee unrelated to products sold or amount invested	5	**4**
Net: Recommendation of product from one or more provider	*19*	***10***
Planner only recommends products from one provider	11	**4**
Planner recommends products from different providers	10	**6**
Planner/Planning company is independent	16	**11**
Reputation/trustworthiness of company/planner	10	**9**
All other responses	8	**18**
Nothing in particular	8	**6**
Don't know	10	**11**
Unprompted question, multiple responses allowed		

Section 8 Insurance

8.1 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 incidence, understanding and acquisition of insurance products.

Key findings

Incidence of insurance

- The main changes since 2008 were increases in the incidence of **private health insurance** (up from 55% to 62%) and **income protection insurance** (up from 30% to 35% amongst those in full-time employment). There was also an increase in the proportion holding comprehensive **motor vehicle insurance** (up from 87% to 90% of people who either own or are purchasing a motor vehicle), offset by a slight fall (from 10% to 8%) in the proportion holding third party cover only.
- Insofar as the incidence of other insurance products was concerned:
  - 79% (not significantly different from 80% in 2008) of those who either owned or who were purchasing their home had **building insurance** and 75% (not significantly different from 74% in 2008) of those who owned, who were purchasing or who were renting their home had **contents insurance**. Both types of insurance were less likely to be held by people under 35 years of age and by those with personal incomes of less than $65,000.
  - 33% (not significantly different from 34% in 2008) said they had **life insurance**[40]. As in 2008, this product was most likely to be held by middle-aged males (35-59 years of age) with higher personal incomes (at least $80,000 per year) and who carried 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 a sensible way of providing family protection.

Understanding of insurance

- Changes evident since 2008 suggest that during the last three years consumers have to some extent become more aware of their rights and less aware of their responsibilities in relation to insurance. Thus:
  - Of those who have insurance, 47% were aware that a claim could be refused if the policyholder did not meet their duty of accurate disclosure, well down on the 54% reported in 2008. Fifty-three percent (41% “no”, 12% “don’t know”) were not aware of this. Lack of awareness was still greatest amongst those aged over 60 years where a six point increase was evident from 65% in 2008 to 71% in 2011.
  - 74% of respondents were aware of the cooling off period for those taking out a new insurance policy, up from 68% in 2008, while 26% were not (10% “no”, 16% “don’t know”).

[40] 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 a building, contents or motor vehicle insurance policy, 34% 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 doing any comparison shopping (37%).
- When arranging a new policy (other than life insurance) 45% (not significantly different from 47% in 2008) mentioned the level of cover as a factor they take into consideration while 27% (down slightly from 30% in 2008) mentioned this as something they consider when renewing an insurance policy.

  These results are not especially encouraging given the extensive media coverage of flood and cyclone damage in Australia during the last 12 months and of the difficulties experienced by many people in insuring adequately/appropriately for this. This coverage might have been expected to raise people's awareness of the need to review the level/appropriateness of their own insurance cover and yet the results suggest a slight deterioration in the community's awareness of the risk of being under-insured.

8.2 Incidence of insurance products

As the need for particular types of insurance is influenced by a person's individual situation, Table 8.2.1a shows the incidence of insurance products amongst those people who are 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 work. The incidence of private health insurance and life insurance is presented for the total sample.

From Table 8.2.1a it is evident that in 2011:

- **Private health insurance** was held by 62% of all respondents, up by 7 points from 55% in 2008. Those least likely to have private health insurance are relatively young (51% amongst 18-24 year olds) or relatively old (56% amongst those aged 70 years or more) and to have lower household incomes (47% amongst those with household incomes of $65,000 or less versus 74% amongst those with household incomes of more than $65,000). Of these groups, significant increases since 2008 were evident for 18-24 year olds (up 11 points) and both income groups (both up 6 points). There has been no change in the incidence of private health insurance amongst people aged 70 year or more.
- One in three (33%) respondents said they have **life insurance**, not significantly different from the 34% recorded in 2008. It should be noted that this figure probably under-estimates the true incidence of life insurance as many respondents will have life insurance cover included in their superannuation. With that proviso, holders of life insurance were still most likely to be males (37% versus 30% of females), particularly males aged 35-59 years (51%), who earned annual personal incomes of $80,000 or more (64%), who held a mortgage of $300,000 or more (67%) and who lived in a family household with a partner and dependent children (60%).

Table 8.2.1a Incidence of insurance products amongst relevant population groups

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

- Of those respondents who either owned their home, were buying it or who were renting, 75% had **contents insurance**, not significantly different from the incidence of 74% for this product in 2008. As was the case in 2008, those least likely to have insured the contents of their home included younger people (51% of those aged under 35 years had contents insurance), those with lower incomes (69% of those with personal incomes under $65,000), single parents (66%) and those employed on a casual basis (57%).

- Amongst respondents who either owned their home or were buying it, 79% had **building insurance,** not significantly different from the 2008 result of 80%. Those least likely to have building insurance tended to be younger (52% of those under 35 years had building insurance), with personal incomes below $65,000 (74%), working on a casual basis (59%) and, in addition, were more likely to be employed in lower blue collar occupations (61%).

  Amongst this same group of home owners and home purchasers, 82% had contents insurance (down slightly from 85% in 2008) and 76% had both building and contents insurance.

- Amongst those who either own or who are buying a motor vehicle, 98% have **motor vehicle insurance** – 90% have comprehensive motor vehicle insurance (up slightly from 87% in 2008) and 8% have third party insurance (down marginally from 10% in 2008).

- Thirty-five percent of those working full-time had **income protection insurance**, a slight increase on the 2008 figure of 30%. At the subgroup level the biggest increase since 2008 in the incidence of this type of insurance occurred amongst those aged 35-44 years (47% in 2011, up 10 points from 37% in 2008). Other groups which were more likely to have income protection insurance in 2008 remained above average holders of this product in 2011. However, increases between the two surveys were more limited – thus, 42% of people living in a family household with a partner and dependent children held income protection insurance (up marginally from 38% in 2008); 44% of those with mortgage outstandings of $300,000 or more (not significantly different from 45% in 2008); and 50% of those with personal incomes of $100,000 or more (not significantly different from 47% in 2008). Interestingly those with personal incomes below $65,000 showed a more substantial increase in holding of income protection insurance – up from 23% in 2008 to 30% in 2011.

8.3 Understanding of insurance products

All those who held insurance were asked about the duty of accurate disclosure that applies to consumers who take out insurance products while a random subset of all respondents was asked about 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 2011, are shown in Table 8.3.1a.

- Just under 1 in 2 of those who held insurance (47%) were aware that an insurance company could refuse a claim if the policy holder did not make accurate disclosure of matters relevant to the loss. This was lower than the 2008 result of 54%. At the same time the proportion not aware of their duty of accurate disclosure was seven points higher (at 41%) than was the case in 2008, while 12% were still unable to provide a response.

  Those least likely to be aware, that is the 53% who gave a response of "no" or "can't say", included people aged 60 years or over (71% up from 65% in 2008) and those with household incomes of $65,000 or less (61% up slightly from 57% in 2008).

- At 74%, awareness of the cooling off period applicable to house and contents insurance policies was higher than the 2008 result of 68% and also much higher than awareness of the need for accurate disclosure. That is, consumers appear to be more aware of their rights than they are of their responsibilities relating to these matters.

  Those most likely to be in the 26% who were not aware of the cooling off period were females aged 70 years or more (42% although this is not significantly different from the figure of 40% recorded in 2008).

Table 8.3.1a Awareness of important requirements of insurance products

Insurance rights and responsibilities	Survey		
	2005 %	2008 %	2011 %
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)*
Yes - claim can be refused	51	54	47
No	37	34	41
Can't say	12	12	12
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)*
Yes - aware of cooling off period	65	68	74
No	13	14	10
Can't say	22	18	16

In each survey, the base is a randomly selected subset of all respondents.

8.4 Acquisition of insurance products

All those who had arranged a new building, contents or motor vehicle insurance policy were asked which of the options shown Table 8.4.1a best described what they had done when they last chose a new policy. As shown:

- 55% of these respondents compared policies offered by different companies, 9% looked at different policies offered by one company and 34% did not make any comparisons at all. This is a higher rate of comparison shopping than for transaction accounts (43% no comparisons), superannuation funds (42% no comparisons), retirement income products (50% no comparisons) or financial planners (55% no comparisons) and may be a consequence of greater price sensitivity and/or lower switching costs in the purchase decision for these types of insurance than for other financial products and services.
- Absence of comparison shopping was greatest amongst older people - 45% of those aged 70 years or over did not make any comparisons when they last arranged a building, contents or motor vehicle insurance policy (females of this age in particular – 51%).

Table 8.4.1a Comparison shopping for insurance products

Comparison shopping around for building/contents or motor vehicle insurance	**2011 %**
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)*
I considered several policies offered by different companies	55
I considered several policies but only from one company	9
I didn't consider any other policies apart from the one I chose	34
Can't say	2
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)*
Already have relationship with/happy with provider	37
Just renewed existing policy	23
Take someone else's advice	
Go with what is recommended by friend/family member	9
Go with what is recommended by financial expert	7
Lack of time/interest	
Couldn't be bothered	10
Don't have the time	8
"They're all the same"	3
Too difficult to make comparisons	4
All other reasons	3
Unsure/Can't recall	3
Unprompted question, multiple responses allowed.	

- Reasons for not considering any policies other than the one selected are also shown in Table 8.4.1a. Mentioned most often were already having a satisfactory relationship with an insurance provider (37%) and just renewing the existing policy without considering any alternatives (23%) – something of a concern as it does not suggest much thought being given to the adequacy of existing insurance cover. Other issues mentioned included lack of time or interest (10% couldn't be bothered; 8% didn't have the time) and accepting the recommendation of a financial expert (7%), friend or family member (9%).

The incidence of 'serious' comparison shopping for insurance products (55% in 2011) is higher than it was in 2005 (46%) and 2008 (42%) and not significantly different from the figure of 56% recorded in 2002. However, these results should be treated with caution as the product category was focused specifically on 'building or contents insurance' and 'motor vehicle insurance' in 2011 whereas people were asked about their comparison shopping for the more general category of 'insurance' in each of the previous surveys.

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 widespread problem in the Australian community, was the extent to which "*level of cover*" was mentioned as a consideration and whether any changes have occurred in the profile of this consideration since the 2008 survey. As shown in Table 8.4.1b, the factors people were most likely to consider when **first** taking out a policy were:

- The level of cover needed. In total, 45% (not significantly different from 47% in 2008) of those with insurance mentioned this as a consideration - 38% made a general mention of the level of cover and 12% specifically mentioned "*making sure you're not under-insured*".

  Those least likely to mention the level of cover included people aged 70 years or over (32% not significantly different from 37% in 2008) and people with household incomes of less than $25,000 (37%, not significantly different from 42% in 2008).

- Interestingly, given the potential impact on payment outcomes, only one percent of respondents mentioned taking account of whether the policy offers replacement value or market value for the items insured.

Table 8.4.1b Considerations when first taking out an insurance policy

Considerations when opening a new insurance policy	Survey 2008 %	Survey 2011 %
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)*
Net: Level of cover	***47***	***45***
The level of cover - general	41	38
The level of cover to make sure you're not under-insured	15	12
Pricing/Deal		
The premium	53	53
Fees	4	3
Value for money/best deal	3	2
Bonus/rewards for staying with company	1	1
Nature of the policy		
The excess	15	21
Benefits included	14	11
Offers replacement value or market value	1	1
Provider's reputation		
Brand or reputation of the supplier	20	15
Trustworthy, stable company	1	2
Recommendation of family, friends	1	1
Experience of dealing with the company	1	<1
Service quality		
Easy to make premium payments (direct debit, monthly, etc)	2	2
Standard of customer service	2	5
Easy to make claims	2	<1
All other considerations	6	9
None, don't consider any	4	4
Unsure/Can't recall	8	7
Unprompted question, multiple responses allowed.		

- Apart from the level of cover, other considerations mentioned were the premium (53%), the nature of the policy including the benefits offered (11%), the size of any excess (21%) and the reputation of the insurance provider (15%). Mention of these considerations was at similar levels to 2008 apart from the excess (up from 15% to 21%) and the brand or reputation of the supplier (down from 20% to 15%).

When asked about the factors considered when **renewing** an insurance policy, mentions of the level of cover was 27% (well down on the 45% for a new policy) - 22% making a general mention of this and 8% specifically mentioning "*making sure you're not under-insured*" (see Table 8.4.1c).

There has been a slight decrease since 2008 in mention of the level of cover as a consideration (driven by the fall in specific mentions of checking for under-insurance), not an especially encouraging result given the extensive media coverage of flood and cyclone damage in Australia during the last 12 months and of the difficulties experienced by many people in insuring adequately/appropriately for this. This coverage might have been expected to raise people's awareness of the need to review the level/appropriateness of their own insurance cover.

Table 8.4.1c Considerations when renewing an insurance policy

Considerations when renewing an insurance policy	Survey	
	2008 %	2011 %
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)*
Level of cover	***30***	***27***
The level of cover - general	24	22
The level of cover to make sure you're not under-insured	12	8
Pricing/Deal		
The premium	47	49
Fees	2	2
Value for money/best deal	6	4
Bonus/rewards for staying with company	1	1
Nature of the policy		
Benefits included	11	7
The excess	11	16
Any changes to what the policy covers	2	2
Whether policy offers replacement value or market value	<1	<1
Provider's reputation		
Brand or reputation of the supplier	11	9
Trustworthy, stable company	1	<1
Recommendation of family, friends	-	-
Experience of dealing with the company	3	2
Service quality		
Standard of customer service	11	8
Easy to make premium payments (direct debit, monthly, etc).	1	1
Easy to make claims	1	1
Ease of renewal process	1	<1
Date for policy renewal	2	1
All other considerations	5	5
None, don't consider any	13	11
Unsure/Can't recall	7	8

Unprompted question, multiple responses allowed.

Young people (17% of 18-24 year olds not significantly different from 18% in 2008), older people (24% of those aged 70 years plus not significantly different from 23% in 2008) and people with household incomes of $25,000 or less (23% not significantly different from 26% in 2008) were the least likely to consider the level of cover when renewing an insurance policy.

Other considerations mentioned when renewing a policy included the premium which was the factor mentioned most often (49%) and the size of the excess (16%).

Compared to 2008 there was more frequent mention of the excess (up from 11% to 16%) and less mention of the benefits included in the policy (down from 11% to 7%) as well as the standard of customer service (down from 11% to 8%).

Section 9 Consumer Rights and Responsibilities

9.1 Introduction and key findings

Awareness of one's rights and responsibilities as a consumer of financial products and services represents an important aspect of financial literacy. This section of the report examines consumers' knowledge of their rights and responsibilities in several different areas, looks at how people said they would handle complaints against a provider of financial services and what further education the community itself sees as necessary and appropriate in this area.

Key findings

Awareness of rights and responsibilities

Consumers continue to be well aware of their basic rights and responsibilities in relation to financial products and services:

- Almost all respondents agreed that providers of financial products and services have a legal duty to provide clear information to consumers – 96%, not significantly different from 95% in 2008 but slightly higher than the 2005 figure of 94%; and
- 94% agreed that consumers have a duty of honest disclosure when taking out a financial service or product, not significantly different from 93% in 2008. At the same time it should be noted that less than one in two people who held insurance products were aware a claim could be refused if they had not accurately answered relevant questions when renewing their policy.

However, awareness was a little weaker when it came to the issue of liability for any lost money if card and PIN had been kept together in a stolen wallet:

- 81% were aware that the card holder is solely responsible in this situation. This is considerably lower than awareness on the two issues mentioned above and is down by six points since 2008. Decreased awareness was evident across most population subgroups and was particularly noticeable amongst 18-24 year old females.

Complaints

- Consumers were more confident they would know how to make an effective complaint against a bank or other financial institution than in 2008 – 68% were confident or very confident about this compared with 63% in 2008 and 58% in 2005. Males in particular (up 10 points since 2008 to 72% in 2011) were more confident about making a complaint of this type.
- Respondents were also more likely to mention an industry ombudsman (up 10 points since 2008 to 46% in 2011) as someone they would contact if they were unable to resolve difficulties relating to a financial product with the provider. Consumer education activities by organisations such as ASIC seem likely to be having an effect here.

Further education

- Most respondents (87% in 2011) agreed they felt well informed when making financial decisions, slightly more than in 2008 (85%) and 2005 (84%).
- 29% rated their overall financial ability and knowledge as "above average" (particularly higher income males with a university education and an upper white collar occupation); 62% considered it to be "about average"; and 8% rated themselves as "below average" on this attribute.
- 48% of respondents felt they needed further financial education or information, slightly fewer than in 2008 (51%) and 2005 (56%). Those under 35 years of age continued to be the most likely to feel they needed further education or information (62%) while people aged 60 years or over (29%) were still the least likely to do so.
- Investing (38%) and superannuation (28%) were once again mentioned most often as topics of interest.

9.2 Knowledge of consumer rights and responsibilities

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

9.2.1 Awareness of providers' responsibilities

Table 9.2.1a summarises consumers' awareness of the duty of providers of financial services to provide them with clear information. As shown:

- Almost all respondents (96%) agreed with the statement "*providers of financial products and services have a legal duty to provide clear information to consumers*".

  Compared to the 2008 results, respondents in 2011 were less likely to agree strongly (44% versus 55%) and more likely to just agree (52% versus 40%). However, the overall levels of agreement and disagreement did not differ significantly between the two surveys. Total agreement was slightly higher in 2011 than it was in 2005.

Table 9.2.1a Providers' responsibilities and consumer protection

Awareness of providers' responsibilities and consumer protections	Survey 2005 %	2008 %	2011 %
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)*
Strongly agree	47	55	44
Agree	47	40	52
Net: "Agree"	**94**	**95**	**96**
Strongly disagree	2	1	1
Disagree	3	2	2
Net: "Disagree"	**5**	**3**	**3**
Can't say	1	2	1

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

9.2.2 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 both of these statements are presented in Table 9.2.2a.

- Virtually all respondents (94%) agreed they have a duty of honest disclosure when taking out a financial product or service (33% strongly agree, 61% agree). This result is not significantly different from that of 2008 when 93% of respondents agreed with this statement, although there has been a slight decrease in the proportion who agree strongly.

Despite this high score however, it should be noted that less than one in two people who held insurance products were aware a claim could be refused if they had not accurately answered relevant questions when renewing their policy. That is, while most people appear to be aware they have a duty of honest disclosure, they appear to be less clear on how this applies to specific situations.

- 81% were aware that the card holder is solely responsible for lost money if PIN and card have been kept together. This is considerably lower than awareness on the two issues mentioned above and is down by six points since 2008. Decreased awareness was evident across most population subgroups and was particularly noticeable amongst 18-24 year old females

Table 9.2.2a Awareness of consumers' responsibilities

Awareness of consumers' responsibilities *Base: Total sample*	Survey			
	2002 (n=1767) %	**2005** (n=1756) %	**2008** (n=3500) %	**2011** (n=3502) %
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
Agree	na	62	56	61
Net: "Agree"	**na**	**94**	**93**	**94**
Strongly disagree	na	1	1	1
Disagree	na	3	3	3
Net: "Disagree"	**na**	**4**	**4**	**4**
Can't say	na	2	3	2
Prompted question. Question not asked in 2002. Base: Randomly selected subset of respondents for 2005, all respondents for 2008 and 2011.				
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
Both the bank and the card holder in equal part	5	6	6	11
The bank only	2	3	3	4
Can't say	4	3	4	4
Prompted question. Base: Randomly selected subset of respondents for 2002 and 2005, all respondents for 2008 and 2011.				

9.2.3 Complaints

The ability to make an effective complaint when experiencing difficulties with a bank or other financial institution is regarded as an important element of financial literacy. As shown in Table 9.2.3a:

- Two-thirds of respondents (68%) were confident they would know how to complain effectively against a bank or financial institution. This represents a five point increase on the 2008 figure of 63% and is now up by 10 points since 2005, evidence of a clear trend of increasing confidence in this area and probably reflecting consumer education activities in this area.

  The increase since 2008 appears to have occurred largely amongst males (up 10 points from 62% to 72%; the proportion of females confident they would know how to do this did not change significantly - 63% in 2008 and 64% in 2011); particularly amongst males aged 25-44 years (up from 58% to 80%) and men aged 70 years or more (up from 69% to 81%).

Table 9.2.3a 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 %
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)
Very confident	19	21	22	26
Fairly confident	40	37	41	42
Net: "Confident"	**59**	**58**	**63**	**68**
Not very confident	29	27	24	24
Not at all confident	11	12	12	8
Net: "Not confident"	**40**	**39**	**36**	**32**
Can't say	2	2	1	-

Prompted question
Base: Randomly selected subset of respondents.

A random subset of all 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 9.2.3b:

- The most common response would be to contact an industry ombudsman (46%) followed by a Government organisation like Consumer Affairs or ASIC (20%).

  In addition, at least 1 in 10 mentioned professional advisers such as a solicitor (10%) or a financial adviser or accountant (13%); while

  Twelve percent said they would seek assistance from family or friends.

The 2011 results are broadly consistent with those obtained in 2008 although there has been an increase in the proportion of respondents who would seek assistance from an industry ombudsman with people less likely to mention Government organisations such as Consumer Affairs or ASIC and also less likely to mention seeking assistance from a solicitor.

Further:

- A total of 15% were unsure where they would go to get help in these circumstances, not significantly different from the 17% recorded in 2008. Those most likely to say this were people from households using a language other than English (25% not significantly different from 21% in 2008) and those whose formal education did not go beyond Year 10 (23% not significantly different from 20% in 2008).

Of those "confident" they knew how to make an effective complaint (refer to Table 9.2.3a) only 8% were unsure who they would talk to. Members of this group were more likely than average to contact an industry ombudsman (54%, up from 43% in 2008) or government organisation like Consumer Affairs or ASIC (23%, down from 31% in 2008).

Table 9.2.3b Who would be contacted if difficulties could not be resolved with the provider of the financial product or service

Complaint resolution	Survey	
	2008 %	2011 %
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)*
Industry ombudsman/ombudsman	36	46
Government organisation like Consumer Affairs, ASIC	26	20
Solicitor or lawyer	14	10
Financial adviser/accountant	13	13
Family or friends	13	12
Industry/professional association	5	3
Bank manager	5	3
Dept of fair trading	1	2
Provider	1	2
Local MP	1	1
Unsure	17	15

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

9.2.4 Further education in relation to finance

Interest in self-education and the perceived need for further learning about financial matters and keeping up to date are important aspects of financial literacy. This section looks at how well informed people feel they are when making financial decisions, how well they feel their financial literacy compares with that of other people, their perceived need for further education and information on financial matters and the topic areas of greatest interest to them.

How well informed consumers generally feel when making financial decisions

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 9.2.4a:

- Most respondents (87%) agreed with this proposition, a slight increase on the proportion who agreed in 2005 (84%). There was above average agreement amongst males (89% versus females 85%) and older people (88% of those aged 60 years or over versus 83% of 18-24 year olds).
- Agreement was also below average amongst those from households using a language other than English (83%), those whose formal education did not go beyond Year 10 (84%) and those employed in lower blue collar occupations (80%).

Table 9.2.4a How well informed consumers feel when making financial decisions

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

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

<u>*Self-assessed level of financial ability and knowledge*</u>

In order to help us understand people's confidence in their own financial ability, all respondents were asked (for the first time in 2011) how they felt their financial ability and knowledge compared to that of other Australians when making money decisions. As shown in Table 9.2.4b:

- Some 29% of respondents considered their ability and knowledge in this area to be above average, most (62%) felt it was about average and less than one in ten (8%) felt their financial ability and knowledge was below average.
- Males were more likely than females to consider themselves above average (36% versus 23% of females), particularly those males who had a university education (51%), who worked in upper white collar occupations (47%) and who had annual household incomes of $100,000 or more (44%; 48% of those with household incomes of $150,000 or more).

Table 9.2.4b Self-assessed financial ability

Self assessed financial ability and knowledge *Base: Total sample*	**2011** (n=3502) %
Thinking about your overall level of financial ability and knowledge when making money decisions. Compared to other Australians, would you say you are	
Above average	29
About average	62
Below average	8
Can't say	1

Prompted question; first asked in 2011.

Table 9.2.4c shows the groups with significantly above or below average scores on the five components of financial literacy. It is evident from these results that:

- Those who consider their financial knowledge and ability to be above average have above average scores on all five financial literacy components while those who feel their knowledge and ability is below average in this area have below average scores on all of the components, with particularly low scores on *planning ahead* and *staying informed*.
- Those who rate their financial knowledge and ability as about average actually have scores that are slightly below average on all five components of financial literacy. This is consistent with psychological studies showing most people are overconfident about their own relative abilities. As noted by Camerer and Lovallo[41] "when assessing their position in a distribution of peers on almost any positive trait – like driving ability, income prospects or longevity - a vast majority of people say they are above the average, although of course, only half can be (if the trait is symmetrically distributed)".

Table 9.2.4c Self-assessed financial ability and financial literacy

Self assessed financial ability and knowledge	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
Self assessed financial ability/knowledge is …					
Above average …………………………………………….	↑	↑	↑	↑↑	↑
About average …………………………………………….	↓	↓	↓	↓	↓
Below average …………………………………………….	↓	↓↓	↓	↓↓	↓

Base: Total Sample

[41] Camerer, Colin and Dan Lovallo, 1999. Overconfidence and Excess Entry: An Experimental Approach. *The American Economic Review*, Vol. 89, No. 1. (Mar., 1999), pp. 306-318
Also see Alicke, M. D., & Govorun, O. (2005). The better-than-average effect. In M. D. Alicke, D. Dunning & J. Krueger (Eds.), *The self in social judgment* (pp. 85-106). New York: Psychology Press.

Perceived need for further education or information in relation to finance

Table 9.2.4d shows the proportion of respondents who felt they needed further education or information in relation to finance. As shown:

- In 2011, slightly less than half of all respondents (48%) felt they needed some further education or information about financial matters. This was slightly less than the 51% who felt this way in 2008, and down by 8 points from 56% in 2005.

  Those under 35 years of age were the most likely to feel they needed further financial education or information (62% not significantly different from 64% in 2008) while those aged 60 or over were the least likely to do so (29% not significantly different from 26% in 2008).

  These results are in line with the earlier observation that those aged 60 or over were more likely to say they feel well-informed when making financial decisions.

  They are also consistent with the results for self-assessed financial ability. Of those who rated their financial ability and knowledge as above average only 39% felt they needed further education in relation to finance; by contrast, 50% of those who rated their ability about average and 74% of those who assessed their ability as below average felt they needed further education in financial matters.

Table 9.2.4d Need for further education or information

Need for further finance education/information	Survey		
	2005 %	2008 %	2011 %
Do you feel you need further education or information in relation to finance?			
Base: Total sample	*(n=1756)*	*(n=1779)*	*(n=3502)*
Yes	56	51	48
No	43	48	51
Unsure	1	1	1

The base is a randomly selected subset of all respondents in 2005 and 2008; all respondents in 2011.

Those who expressed interest in further finance education or information were asked what topics they would like more information on. As shown in Table 9.2.4e, topics mentioned most often in 2011 were:

- Investing (38%), superannuation (28%) and information on budgeting (13%).

For the most part these results were not significantly different from those of 2008 with the only significant changes being:

- Less mention of information on taxation (down from 13% to 8%), how to make complaints and resolve disputes (down from 7% to 2%) and on borrowing and managing debt (both down from 9% to 6%).
- Interest in insurance rose slightly (from 3% to 6%) possibly in response to insurance related issues arising from flood and cyclone damage earlier in the year.

Table 9.2.4e Topics for further education or information

Topics for further finance education/information	**Survey**	
	2008 %	**2011 %**
What finance topics would you like more information on? *Base: Those needing further education/information*	*(n=861)*	*(n=1473)*
Investing	39	38
Superannuation	25	28
Budgeting	14	13
Taxation	13	8
Borrowing, loans and mortgages	9	6
Managing debt	9	6
How to make complaints/resolve disputes	7	2
Financial management and planning	7	9
Business finance	5	3
Retirement planning	3	4
Insurance	3	6
Shares/Stock market	3	3
General banking information	2	2
Consumers' rights and responsibilities	2	1
Interest rates	2	2
Other responses	5	8
Can't say	16	17
Unprompted question, multiple responses allowed		

Section 10 On-line money and financial management

10.1 Introduction and key findings

The past few years have seen rapid growth in use of the internet for such financial services as on-line banking, obtaining information about financial products and applying for them. At the same time, while use of the internet is widespread, it is also the case that internet access is limited or non-existent for some sections of the community. Limited internet access in turn has the potential to restrict access to and use of the financial system. In addition, the internet environment offers risks which differ from those present when using more traditional financial transaction channels. Hence, this section of the report examines the community's use of the internet for various aspects of financial management including awareness and management of the risks its use entails.

Key findings

General use of the internet

- The proportion of respondents with internet access from their home increased from 72% in 2008 to 77% in the 2011 survey. At the same time 16% (down 4 points since 2008) did not use the internet at all. Older people were still the most likely to be non-users of the internet – in 2011, 59% of those aged 70 years or more said they 'never use the internet'. However, even in this age group, the proportion of non-users has fallen since 2008 when it was 67%.
- Only 5% of 18-54 year olds did not use the internet. Those experiencing some degree of disadvantage (such as single parents, those whose main source of income was a Government benefit or allowance and those whose formal education did not go beyond Year 10) were over-represented in this non-user group.

Use of the internet for financial matters

- 40% of respondents had used the internet to compare financial products on at least one occasion; particularly to compare mortgages and investment loans, everyday banking accounts, credit cards and insurance products. Use of the internet for this purpose has increased steadily from 25% in 2005 and 34% in 2008.

Perceived risk of internet banking

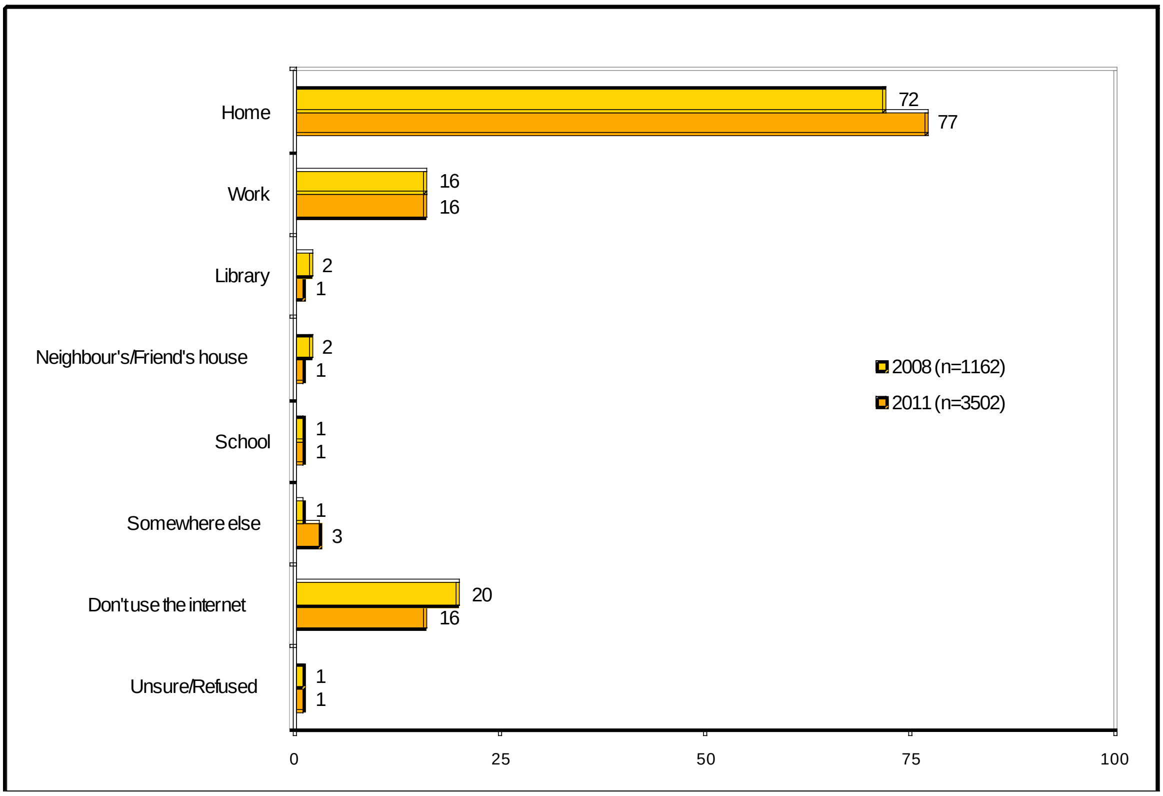
- The proportion of internet users who perceived a risk in using internet banking increased from 78% in 2008 to 83% in the 2011 survey. There was a substantial increase in awareness of key logging/hackers as one of the risks (up from 53% in 2008 to 70%), probably reflecting hacking incidents such as those affecting Sony and Facebook.
- Using up to date anti-virus software (34%), regular password changes (30%) and firewalls (18%) were still the three most frequently mentioned ways of reducing the risks of online banking.

10.2 Internet access

All respondents were asked where they usually accessed the internet from. As shown in Figure 10.2.1a:

- Slightly more than three out of every four respondents (77%) usually accessed the internet from their home. This was an increase of five points (from 72%) in home internet access since the 2008 survey.
- The proportion that did not use the internet at all fell slightly from 20% in 2008 to 16% in 2011.

Figure 10.2.1a Access to the internet



Base: Randomly selected subset of all respondents in 2008; all respondents in 2011.
Question: Where do you usually access the internet from? (Unprompted question, multiple response)

Internet non-users - 60 years or over

Amongst people aged 60 years or over, 43% said they didn't use the internet at all, down from 52% in 2008. Decreases were evident amongst those aged 60-69 years (down from 39% to 29%) and those aged 70 years or over (down from 67% to 59%). Nevertheless, within the 60 years or over age group, in 2011 non-users of the internet were still most likely to be found amongst:

- Females (47% versus 38% of males), particularly females aged 70 years or more (66%);
- Those who did not complete any post-secondary education (64%); and
- Those with household incomes of $65,000 or less per year (49%).

Internet non-users - 18-54 years

There was still a relatively small group of 5% (down from 9% in 2008) of people aged 18-54 years (that is, people of pre-retirement age) who said they did not use the internet. Non-users in this age group were over-represented amongst:

- Females aged 45-54 years (12% not significantly different from 16% in 2008);
- People living outside Australia's capital cities (8% down from 14% in 2008);
- Sole parents (10% in both 2011 and 2008);
- Those with household incomes of $65,000 or less (11%, not significantly different from 16% in 2008), those whose education did not go beyond Year 10 (20%, not significantly different from 19% in 2008) and those whose main source of income was a Government benefit or allowance (19%, not significantly different from 18% in 2008).

Thus, while there appears to have been some improvement in internet access for people living in regional areas, groups experiencing some level of disadvantage in such areas as educational attainment, single parent status and dependence on Government financial support are over-represented amongst those without internet access.

10.3 Use of the internet for comparing financial products

A random subset of all respondents was asked if they had ever visited an internet site for comparing financial products[42]. Those who had done this were asked what products they had used the site to compare. As shown in Table 10.3.2a:

- Some 40% of respondents (up from 34% in 2008 and 25% in 2005 bearing in mind that the change in question wording introduced in 2011 means these earlier results are not strictly comparable) had visited an internet site of this type. These results point to the increasing importance of the internet as a source of information on financial products over the last six years.

  People aged under 45 years were the most likely to have done this (50% versus 31% of those aged 45 years or more; only 11% of those aged 65 years or more). Other groups showing above average use of internet sites for comparing financial products and services included those who considered their financial ability and knowledge to be above average (50% versus 28% of those who considered it below average), those with a university education (54%), those with household incomes of $150,000 or more (62%) and those working in upper white collar occupations (59%).

Table 10.3.2a Use of internet sites for comparing financial products

On-line comparison of financial products	Survey		
	2005 %	2008 %	2011 %
Have you ever visited an Internet site for comparing financial products?			
Base: Total sample	*(n=1756)*	*(n=1162)*	*(n=1162)*
Yes - have visited internet site for comparing financial products	25	34	40
No - have not done this/Don't use the internet	75	66	60
Base: Randomly selected subset of all respondents			

[42] Due to the potential for respondent confusion the reference to internet sites "with calculators" was not used in 2011.

Table 10.3.2b shows that the types of financial products most frequently compared using internet websites were:

- Traditional banking products, especially mortgages and investment loans (28%), everyday banking accounts (16%), credit cards (14%) and personal loans (9%); and
- Other financial products, particularly insurance (36%).

Table 10.3.2b Products compared using on-line sites

Types of financial product compared	2011 %
What products were you comparing? *Base: Have compared financial products on-line*	*(n=389)*
Traditional Banking Products	
Mortgages/Investment loans	28
Everyday banking accounts	16
Credit cards	14
Personal loans	9
Term deposits	6
On-line savings accounts	4
Other Financial Products	
Insurance	36
Managed Funds/Managed Investments	6
Superannuation funds	6
Financial advisers	1
Retirement income products	<1
Something else	10
Unsure/Can't recall	2
Unprompted question, multiple responses allowed	

10.4 Risks associated with internet banking

Appreciation of risk in financial matters is an important aspect of financial literacy. To explore perceptions of the risks associated with using the internet for financial dealings, internet users were asked if they thought there were risks associated with internet banking.

As shown in Table 10.4a, in 2011 83% of these respondents thought there were risks associated with internet banking, 14% did not and 3% were unsure. Compared to 2008 there was a 5 point increase in the proportion of internet users who felt such risks existed.

As in 2008, few subgroup differences were evident on this measure.

Table 10.4a Perceived risk associated with internet banking

Risk and on-line banking	Survey		
	2005 %	2008 %	2011 %
Do you think that there are risks associated with internet banking? *Base: Use the internet*	*(n=1095)*	*(n=913)*	*(n=879)*
Yes	78	78	**83**
No	20	19	**14**
Unsure	2	3	**3**

Base: Randomly selected subset of all respondents in each survey.

Those who thought there were risks most often cited key logging and hacking (70%), the use of unsecured websites (15%), identity theft (18%) and credit card fraud (14%) as examples.

This pattern was similar to that seen in 2008, although the 2011 results do show a higher profile for key logging/hacking (probably a reflection of relatively high profile hacking incidents such as those involving Sony, Facebook and Hotmail accounts) and corresponding falls in the frequency with which most other specific risks were mentioned.

Table 10.4b Nature of risks associated with internet banking

Risks associated with on-line banking	Survey	
	2008 %	2011 %
What are some of those risks? *Base: See risks associated with internet banking*	*(n=722)*	*(n=729)*
Key logging/hackers	53	**70**
Unsecured websites	23	**15**
Identity theft	23	**18**
Credit card fraud	17	**14**
Lack of security of personal details/Privacy issues	11	**8**
e-mail scams	9	**5**
Phishing	8	**3**
Money laundering	6	**2**
Viruses	2	**3**
Other	12	**4**
Unsure	4	**3**

Unprompted question, multiple responses allowed

Those who thought there were risks associated with internet banking were also asked what things could be done in order to minimise them. Results are presented in Table 10.4c.

- Mentioned most often as ways to minimise the risks associated with internet banking were using up to date anti-virus software (34%), using a firewall (18%) and regular password changes (30%).

  Compared to 2008 there was greater mention of regular password changes (up 8 points) and less mention of using firewalls (down 8 points) and avoiding opening suspect files (down 4 points).

Table 10.4c Ways of minimising risks associated with internet banking

Ways of minimising risk with on-line banking	Survey	
	2008 %	2011 %
What things can you do to minimise the risks associated with internet banking? *Base: Think there are ways to minimise risks*	*(n=459)*	*(n=622)*
Up to date anti-virus software	38	**34**
Use a firewall	26	**18**
Change password regularly	22	**30**
Ensure bank has good security in place	14	**11**
Don't use links in e-mails which claim to go to FI websites	12	**9**
Keep passwords secure	12	**12**
Don't open suspect files	8	**4**
Close browser after using	8	**11**
Check for viruses	7	**4**
Don't use public computers	6	**9**
Other	9	**7**
Unprompted question, multiple responses allowed		

Section 11 Financial Attitudes and Numeracy

11.1 Introduction and key findings

Two key tasks for the 2011 research were to incorporate attitudinal measures into our understanding of financial literacy and, where appropriate (ie without compromising time series data), to align the measures in our survey with those proposed by the OECD in the areas of financial attitudes and numeracy.

This section provides an overview of the results for the financial attitudes and numeracy measures that were used in the 2011 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 attitude themes mentioned in Section 2 and discussed further in Appendix 1 except for two statements which were not included in the final analysis – these are shown separately in Table 11.2a.

Key findings

<u>*Financial Attitudes*</u>

- *Financial self-efficacy* measures show widespread agreement with the value of planning for the financial future and confidence that such planning will actually make a difference regardless of how much money you have. That is, most people expressed points of view on these issues that indicated a relatively high level of perceived financial self-efficacy.

  Insofar as specific subgroups are concerned, high scores on this attitude are most often found amongst those with higher household and/or personal incomes, those working in upper white collar occupations, those with a mortgage of $300,000 or more and those managing their own superannuation fund.

- Around one in three people appear to find *dealing with money stressful* and reaching such people with financial literacy enhancement programs is likely to be difficult as a result. This attitude was most often found amongst females under 45 years of age, people with household incomes of $65,000 or less who are parents (both couples and single parents) and/or have a mortgage of $300,000 or more, people from Aboriginal and Torres Strait Islander backgrounds and people with total savings and investments of less than $2,000.

- A relatively small proportion of respondents (slightly less than one in five) exhibited a *risk taking* orientation towards financial matters. A *risk taking* attitude was most often found amongst males under 35 years of age, people from households using a language other than English, those with Aboriginal or Torres Strait Islander backgrounds, people working in lower blue collar occupations and people with annual household incomes of $150,000 or more.

- The proportion of people with a *thrifty* attitude did not show great variation across socio-demographic subgroups although this attitude was under-represented amongst people who considered their financial knowledge and ability to be below average.

- There was a significant degree of caution evident in relation to the use of financial professionals; 42% of respondents disagreed with the statement *I would trust financial professionals and accept what they recommend*.

Numeracy

- Of the six numeracy questions used in the four surveys conducted so far, around four in ten respondents answered all six correctly. Those most likely to have done this in the 2011 survey include males aged 45-59 years, people with a university degree, people with relatively high household and/or personal incomes ($150,000 and $100,000 respectively) and those who considered their financial knowledge and ability to be above average.

  Those less likely to have done so include females aged 70 years or more, people from households using a language other than English, people with an Aboriginal or Torres Strait Islander background, people whose formal education did not go beyond Year 10, those with household incomes below $25,000 and people who considered their financial knowledge and ability to be below average.

- Questions relating to simple and compound interest were answered correctly by 65% and 59% respectively with the same subgroups as above more likely to provide correct responses.

11.2 Financial attitudes

Table 11.2a shows the results for the 16 financial attitude statements used in the 2011 survey. Statements are grouped into the four broad attitudinal themes discussed in Section 2 and Appendix 1 and have been ordered within each group from those with the highest level of agreement (or disagreement) to those with the least. Two attitudinal statements did not fit well within the four broader themes and these have been listed separately at the end of the table. Points of interest include the following:

- The financial self-efficacy measures point to widespread agreement with the value of planning for one's financial future, confidence that such planning is relevant (irrespective of the amount of money you have) and that it will make a difference to your financial situation.

  Using the overall financial self-efficacy measure as a convenient summary, people most likely to have high 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 holding 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 who considered their financial knowledge to be above average.

  Lower levels of financial efficacy were evident amongst older people, particularly those aged 65 year or more, unemployed workers, those with household incomes below $25,000 and those whose main source of income was a Government payment.

Table 11.2a Financial attitudes

Financial Attitudes (2011)	Agree/Disagree with each statement						
	Strongly Agree %	Agree %	Net: 'Agree' %	Strongly Disagree %	Disagree %	Net: 'Disagree' %	Don't Know %
Financial self-efficacy							
I don't think it really matters much about superannuation or planning and saving for retirement because the government will make up the gap	1	4	**5**	47	47	**94**	1
It is important to me to have a long-term financial plan	33	52	**85**	1	12	**13**	2
Financial planning is only important for those who have a lot of money..................	3	11	**14**	33	52	**85**	1
It is important to me to have a financial plan for the short-term	23	60	**83**	1	14	**15**	2
Nothing I do will make a big difference to my financial situation	4	13	**17**	34	47	**81**	2
Money dealing is stressful							
If I had a major loss of income I could manage for a period of time	17	59	**76**	7	15	**22**	2
Dealing with money is stressful and overwhelming	6	27	**33**	10	55	**65**	2
Even when things are going well for me financially, thinking about money stresses me out..	6	30	**36**	10	52	**62**	2
Risk taking							
I must admit that I purchase things because I know they will impress others	1	7	**8**	44	47	**91**	1
I prefer to buy things on credit than wait and save up	2	13	**15**	35	47	**82**	3
When it comes to financial matters I think of myself as a bit of a risk taker	2	16	**18**	19	62	**81**	1
I tend to live for today and let tomorrow take care of itself................................	2	16	**18**	23	58	**81**	1
Thrifty							
My parents discussed with me how to manage financial matters when I was growing up..	17	42	**59**	12	28	**40**	1
I hesitate to spend money, except on absolute necessities	11	38	**49**	7	43	**50**	1
Other attitudinal measures							
I try to stay informed about money matters and finances	13	64	**77**	2	20	**22**	1
I would trust financial professionals and accept what they recommend	3	48	**51**	7	35	**42**	7

Prompted questions. Base: Total Sample (n=3502)

- Measures assessing the extent to which people consider dealing with money to be stressful were associated with general perceptions that this is the case, even when things are going well financially, and limited confidence in the ability to manage for very long in the event of a major loss of income.

  Around one in three people find dealing with money stressful and reaching such people with financial literacy enhancement programs is likely to be difficult as a result. The people more likely to feel this way include females under 45 years of age, people who had not completed formal post-secondary education, people with household incomes of $65,000 or less and children (both single parents and couples) and/or a mortgage of $300,000 or more. Other notable groups included people with less than $2,000 in savings and investments, unemployed workers and those people who considered their financial knowledge and ability to be below average.

- A risk taking attitude was associated with a propensity for risk-taking in financial matters, a preference for use of credit and an interest in impressing others with purchases. Slightly less than one in five respondents exhibited a risk taking orientation based on agreement with these statements.

  Those more likely to have a risk taking attitude included males under 35 years of age, people from households using a language other than English, people from Aboriginal and Torres Strait Islander backgrounds, people working in upper white or blue collar occupations, people with household incomes of $100,000 or more and people with $300,000 or more in total debt.

- The thrifty attitude statements divided people relatively evenly, particularly the statement *I hesitate to spend money except on absolute necessities* - 49% agreed and 50% disagreed with this proposition. This attitude did not show any major variation across socio-demographic subgroups although those who considered their financial knowledge and ability to be below average did exhibit below average scores on this attitude.

- Of the last two attitudinal statements:

  - Those more likely to agree they try to stay informed about financial matters included people aged 45 years or more, males, people with a university degree, those running their own superannuation fund, those with savings and investments of $100,000 or more and those who rate their financial knowledge and ability as above average.

  - Just on one in two (51%) of respondents agreed with the proposition relating to trust of financial professionals while 42% were in disagreement with it. Agreement was largely age related – highest amongst young people (78% of males aged under 35 years) and lowest amongst those aged 65 years or more (35%).

Financial literacy and parental involvement

Table 11.2b shows the relationship between financial literacy and the extent to which respondents agree their parents discussed financial matters with them when they were growing up. The results show that those whose parents did discuss financial issues with them have higher scores on all the components of financial literacy except for *planning ahead*.

It should be noted that the result for *planning ahead* may be something of an artefact as older people (who score well on *planning ahead*) are more likely to disagree with the statement about parental involvement.

Nevertheless, apart from *planning ahead*, the results suggest that discussion of financial matters between parents and their children is likely to lead to stronger financial literacy outcomes for the children than if such discussions do not take place.

Table 11.2b Financial literacy and parental discussion of financial matters

Role of parents in discussion of financial matters	Financial Literacy Components				
	Keeping Track of Finances	Planning Ahead	Choosing Financial Products	Staying Informed	Financial Control
My parents discussed with me how to manage financial matters when I was growing up					
Agree with statement	↑	↓	↑	↑	↑
Disagree with statement	↓	↑	↓	↓	↓
Base: Total Sample					

11.3 Numeracy

The top portion of Table 11.3a shows the proportion of respondents providing correct answers for each of the six questions used to test numeracy as it relates to financial matters.

- Results are reasonably consistent across the four surveys.
- The question causing the most difficulty was that relating to multiplication (20 x $350) where not much more than one in two respondents gave the correct answer.
- Around four in ten respondents answered all six questions correctly (slightly more in the 2002 survey). Those more likely to give six correct answers in the 2011 survey included males (51%; particularly males aged 45-59 years 60%), people with a university degree (57%), those with household incomes of $150,000 or more or personal incomes of $100,000 or more (both 62%) and those who considered their financial knowledge to be above average (57%).

  Those less likely to do so included females (37%; particularly females aged 70 years or more 23%), people from households using a language other than English (34%), people from Aboriginal and Torres Strait Islander backgrounds (25%), those whose formal education did not go beyond Year 10 (27%), those with household or personal incomes below $25,000 (34% and 36% respectively) and those who considered their financial knowledge to be below average (34%).

Table 11.3a Numeracy

Numeracy	Survey			
	2002 %	2005 %	2008 %	2011 %
Correct responses to each question				
Base: Total Sample	*(n=3548)*	*(n=3513)*	*(n=3500)*	*(n=3052)*
If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?	89	86	88	89
If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?	81	76	79	79
If 20 lotto players each won a prize of $350, what is the total amount paid out in prize money to them?	59	56	57	58
If a lottery win of $18,000 is shared equally between six people, how much will each person receive?	84	78	79	80
If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?	87	83	85	87
If a refrigerator priced at $1,000 is discounted by 10% at a sale, how much would it cost?	89	86	86	87
Percentage with all six questions correct	**47**	**40**	**43**	**44**
Simple and compound interest calculations				
Base: Random Subset of Total Sample	*na*	*na*	*na*	*(n=1177)*
Suppose you put $100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?	na	na	na	65
And how much would be in the account at the end of five years? Would it be				
More than $110	na	na	na	59
Exactly $110	na	na	na	16
Less than $110	na	na	na	2
Impossible to tell from the information given	na	na	na	9
Don't know	na	na	na	12
Refused	na	na	na	2

Base: Unprompted questions except for compound interest. Interest rate calculations asked for the first time in 2011.

The lower section of the table presents the results for the questions on simple and compound interest which were asked of a random subset of all respondents for the first time in 2011. As shown:

- These questions caused slightly more difficulty than most with 65% of respondents giving the correct answer for the simple interest question and 59% selecting the correct response for the one on compound interest. Thus, the correct response was more or less on par with that for the multiplication question (20 x $350), apparently the most difficult of the questions that have been used in previous surveys.
- As might be expected, correct responses to both questions were more likely to be found amongst the same groups as the other numeracy questions – that is, males aged 45-59 years, people with a university degree, those with higher household and personal incomes and those who considered their financial knowledge to be above average.

11.4 Financial Knowledge and Numeracy

As discussed in Section 2 a number of variables (including the first six 'money quiz' questions discussed in Section 11.3) were combined into a single summary measure of people's ***financial knowledge and numeracy*** (Appendix 1 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 has been defined in the previous surveys. Tables 11.4a and 11.4b 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 -44 to a high score of +157.

Key points to note from the following tables include the following:

- The lowest scores on this measure are to be found amongst young adults aged 18-24 years (mean score of 79.0) and older people aged 65 years or more (mean score of 79.4).
- Females (89.1) have lower scores than males (94.8) and, on an age/gender basis the lowest scores on financial knowledge/numeracy are to be found amongst females aged 65 years or over (72.6).

Table 11.4a Financial Knowledge/Numeracy and selected demographic characteristics

Financial Knowledge/Numeracy and demographic/ geographic subgroups	2011 Subgroup Mean	Financial Knowledge/Numeracy and demographic/ geographic subgroups	2011 Subgroup Mean
Total Sample	91.9	Total Sample	91.9
Age group		***Highest level of education completed***	
18-24 years	79.0	Year 10 or less	75.7
25-34 years	93.2	Year 11/12	85.7
35-44 years	101.4	Trade/TAFE/Diploma	96.1
45-54 years	100.7	University	104.5
55-64 years	92.5	***Language spoken at home***	
65 years or over	79.4	English	93.8
Age by Gender		Other language	80.5
Males	**94.8**	***ATSI background***	
18-24 years	81.4	Yes	70.7
25-34 years	94.8	No	92.5
35-44 years	105.7	***Geographic - place of residence***	
45-54 years	103.1	Capital city	92.9
55-64 years	93.1	Non-capital city	90.1
65 years or over	86.8	***ARIA classification***	
Females	**89.1**	Major cities	93.1
18-24 years	75.5	Inner regional	92.1
25-34 years	91.9	Outer regional	87.1
35-44 years	97.7	Remote/Very remote areas	92.4
45-54 years	98.1		
55-64 years	92.0		
65 years or over	72.6		

- Other groups where low scores on financial knowledge/numeracy are to be found include those without formal post-secondary education especially people whose formal education did not go beyond Year 10 (mean score of 75.7), those from households which use a language other than English (80.5) and those from Aboriginal and Torres Strait Islander backgrounds (70.7).

Amongst the socio-economic subgroups shown in Table 11.4b, relatively low financial knowledge/numeracy scores are evident amongst:

- Residents of areas with the greatest relative socio-economic disadvantage (SEIFA group 1; 83.4), those working in lower blue collar occupations (88.2), unemployed people (62.4), those whose main source of income is a Government benefit or payment (69.2); and
- People from households with relatively low incomes of less than $25,000 per annum (73.2), people with less than $2,000 in savings and investments (82.2) and people with less than $2,000 in debt (82.4).

Table 11.4b Financial Knowledge/Numeracy and selected socio-economic characteristics

Financial Knowledge/Numeracy and socio-economic subgroups	2011 Subgroup Mean
Total Sample	91.9
SEIFA classificaton (Index of Relative Socio-economic Disadvantage)	
SEIFA group 1 (greatest disadvantage)	83.4
SEIFA group 2	90.3
SEIFA group 3	88.7
SEIFA group 4	92.0
SEIFA group 5 (least disadvantage)	98.7
Current occupation type	
Upper white collar	107.2
Middle/lower white collar	101.5
Upper blue collar	95.5
Lower blue collar	88.2
Current main activity	
Paid work	102.7
Home duties	79.7
Student	80.0
Retired	81.0
Unemployed	62.4
Main source of income	
Salary, wages or business income	99.1
Goverment benefit or payment	69.2
Retired, government benefit	*72.6*
Retired, other source of income	*89.6*

Financial Knowledge/Numeracy and socio-economic subgroups	2011 Subgroup Mean
Total Sample	91.9
Gross annual household income	
Less than $25,000	73.2
$25,000-$65,000	84.3
$65,001 -$99,999	98.8
$100,000 or more	104.3
Estimated value of all savings and investments	
Less than $2,000	82.2
$2,000-$19,999	94.2
$20,000-$99,999	96.3
$100,000 or more	103.6
Estimated value of total debt	
Less than $2,000	82.4
$2,000-$19,999	91.1
$20,000-$99,999	100.7
$100,000-$299,999	102.1
$300,000 or more	107.7

Appendix One: Technical details of financial literacy analysis

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 these indices.

A1.1 Summary of financial knowledge/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 A1.1a). 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 A1.1a 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

A1.2 Summarising financial attitudes

The questionnaire included a number of items which captured different aspects of people's attitudes towards financial issues (these items are shown in Table A1.2a below).

Table A1.2a Variables used to measure attitudes towards financial issues

Attitudes to Financial Issues
Tries to save (Q79, yes/no scale)
I prefer to buy things on credit than wait and save up (Q81(RX3), 4 point agree scale)
I tend to live for today and let tomorrow take care of itself (Q81(RX12), 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 dont think it really matters much about superannuation or planning and saving for retirement because the government will make up the gap (Q81(R7), 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), point agree scale)
Self rated financial literacy (Q95b, 3 point scale)
I must admit that I purchase things because I know they will impress others (Q81(RX5), 4 point agree scal
I hesitate to spend money except on absolute necessities (Q81(RX6), 4 point agree scale)

The interrelationships between each of the above items were examined using correlation analysis - this showed that many of these items were strongly correlated with one another. These inter-correlations also suggested that the individual items were potentially indicators of a smaller set of underlying financial attitudes. The factor analysis statistical procedure is useful in these circumstances to identify such underlying attitudes; it allows us to group together those data items which appear to be measuring the same underlying financial attitudes.

The results of the factor analysis are summarised in Table A1.2b where, as shown, the analysis suggested the existence of four general financial attitudes; "financial self-efficacy" (associated with self-belief and self-confidence in the ability to change/improve one's financial situation); the extent to which people feel that "dealing with money is stressful"; a "risk taking" attitude towards finances; and a "thrifty orientation". The individual items which make up each of these factors are shown in the table – for example, Factor 1 (Financial Self Efficacy) has strong correlations with the importance given to having financial plans and the extent to which people believe planning is only important for those with a lot of money, that they can change their financial situation and that the Government will make up for any short-falls in retirement savings.

While the factor labels have been suggested for the sake of convenient reporting, it should be kept in mind that the individual attitude measures making up each factor provide a more complete definition of its meaning.

Table A1.2b Underlying financial attitudes

Financial Issues Attitude Factors
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: Money dealing 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)

As a result of this analysis, we were able to use people's scores on each of these four broad attitudes (rather than their responses to each of the 16 separate data items) in seeking to explain their financial literacy. Similarly, people's average financial knowledge/numeracy score (rather than responses to the 23 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.

A1.3 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 discusses the findings from a regression analysis designed to identify the factors associated with it.

Developing a keeping track of finances index

Table A1.3a 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 A1.3a 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.

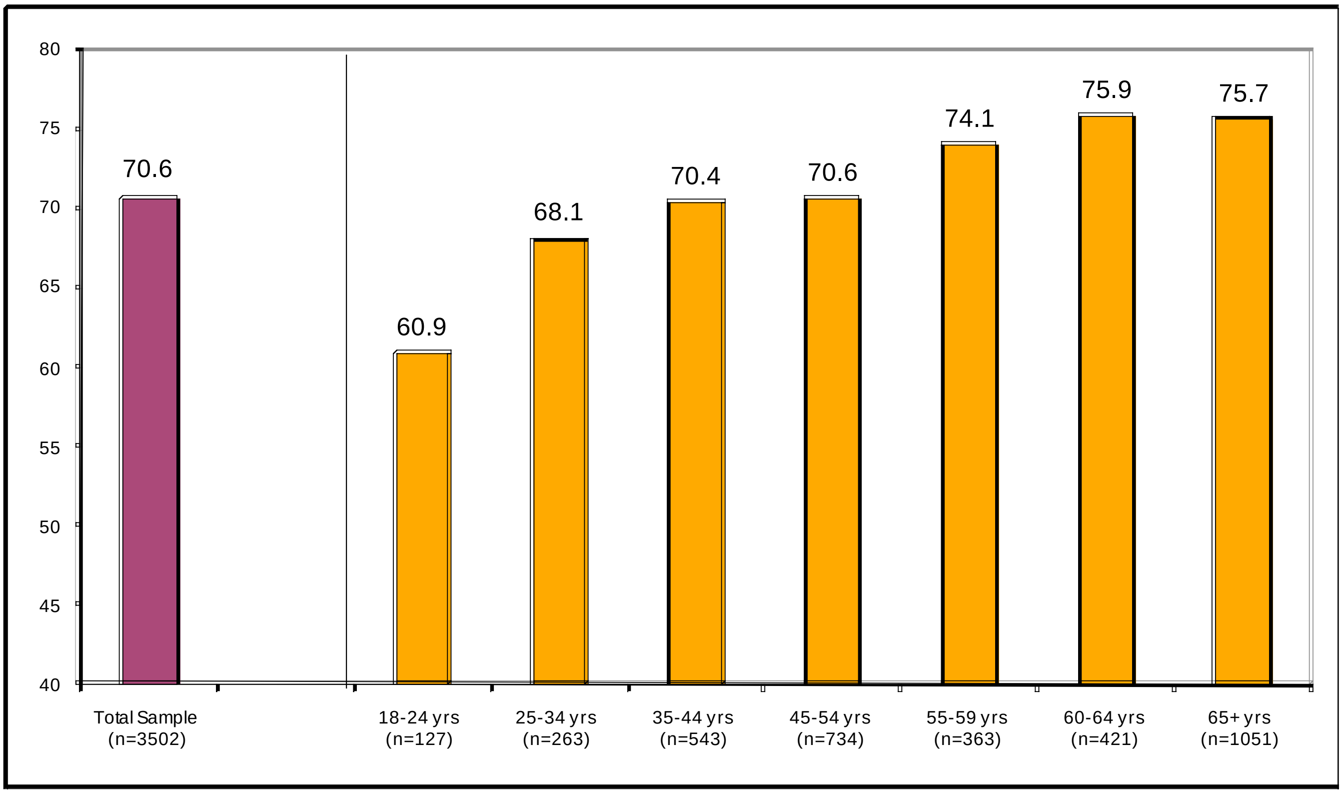
As noted earlier, survey questions were only asked when they were relevant to a respondent's situation; therefore some of these index questions are not asked of every respondent. The following general method was used to allow for this when establishing the financial literacy index scores in this study. 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 was found to be 71%; 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 A1.3a shows how keeping track of finances scores vary between age groups. A steady increase is evident across age groups from a low of 61% amongst 18-24 year olds to a high of 76% amongst those aged 60 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 A1.3a 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 2.2a), 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 A1.3b. They show that age 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 in descending order of importance within the broad attitudinal and socio-demographic categories:

Financial Attitudes

- Thrifty suggesting that as a person is more thrifty in their financial orientation, so they are more likely to score highly on this index.
- Financial self efficacy, suggesting that as a person is more convinced they can change their financial situation they are correspondingly more likely to achieve a high score on this index.
- A 'risk taking' mindset; a stronger presence of this attitude was associated with a lower keeping track of finances score.
- Money dealing is stressful, which indicates that as a person considers dealing with money to be more stressful, so they are more likely to obtain a low score on the Keeping Track of Finances index.

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.

Other variables which were shown to have some association, albeit less than those noted above were:

- Occupational classification – those people working in blue collar occupations typically had lower keeping track of finances scores than those who were not working in this type of occupation; and
- Household income – higher levels of household income were associated with lower scores on keeping track of finances.

Overall, while it is noted that Keeping Track of Finances clearly has a strong relationship with financial knowledge/numeracy, it is also strongly associated with people's attitudes, especially having a thrifty orientation and with financial self efficacy.

Table A1.3b 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		24	++
Socio-demographics	25-34 yrs	24	++
	35-44 yrs	44	++
	45-54 yrs	53	+++
	55-64 yrs	79	+++
	65+ yrs	100	+++
	Female	24	++
Household circumstances	*None in this model*		
Occupation & income	Occupation: Lower blue collar	-9	-
	Household Income	-11	-
Assets & debt	*None in this model*		
Financial attitudes	Financial self efficacy	37	++
	Money dealing is stressful	-22	- -
	Risk taking	-31	- -
	Thrifty	45	++

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 self-efficacy" 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% (+++/---).

A1.4 Planning Ahead Index

This section outlines how the Planning Ahead index (see Figure 2.2a) was developed and also provides an analysis of the characteristics that are most strongly associated with it.

Planning Ahead Index development

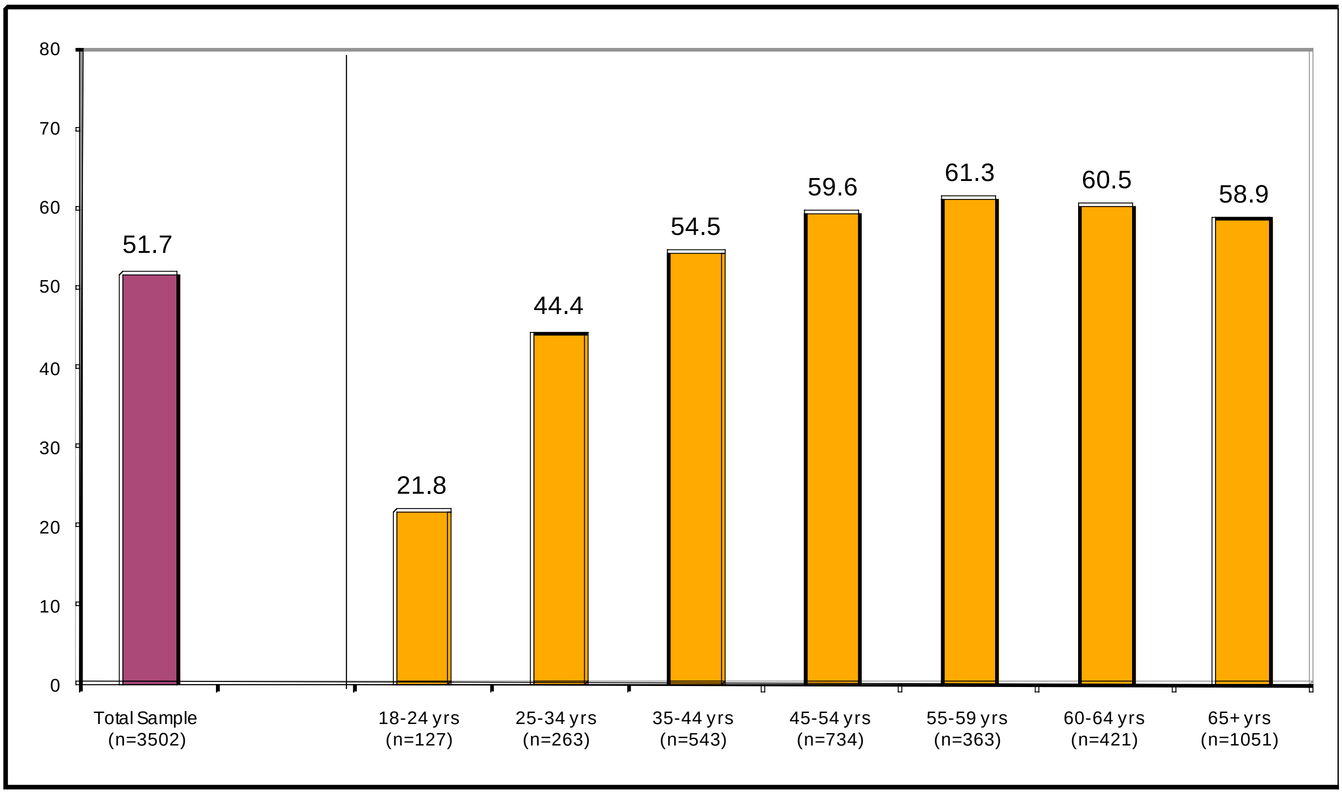
Table A1.4a shows the survey questions used to establish the Planning Ahead Index. Each question captures a behaviour related to planning ahead and respondents received an index point allocation for each of the behaviours they exhibited. The same calculation method as used for generating the Keeping 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 A1.4a 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 52%. Figure A1.4a shows that age is strongly associated with planning ahead; notably, those under 35 years of age displayed significantly lower planning ahead scores.

Figure A1.4a 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 A1.4b where (as might be expected given the results shown in Figure A1.4a) it is evident that age is the dominant 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 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); and
- Attitudinally, the extent of an individual's financial self-efficacy; the higher the level of self-efficacy, the higher the planning ahead score.

Notably, in the context of planning ahead, financial knowledge/numeracy was not strongly associated with the positive behaviours that make up this index.

Table A1.4b Planning Ahead Index Regression Results

Characteristics Associated with Planning Ahead Index		Relative Association with Planning Ahead Index	
		Value	Symbol
Financial Knowledge/ Numeracy		16	+
Socio-demographics	25-34 yrs	31	++
	35-44 yrs	57	+++
	45-54 yrs	73	+++
	55-64 yrs	83	+++
	65+ yrs	100	+++
Household circumstances	Renting home	-38	- -
	Owns or paying off car	23	++
Occupation & income	Occupation: Lower Blue collar	-7	-
	Household income level	20	+
Assets & debt	Total savings/investments and super	34	++
Financial attitudes	Financial self efficacy	28	++

<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 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% (+++/---).

A1.5 Choosing Financial Products Index

Choosing Financial Products was the third financial literacy component identified in Figure 2.2a. This section describes how the index was developed and the factors associated with it.

Choosing Financial Products Index development

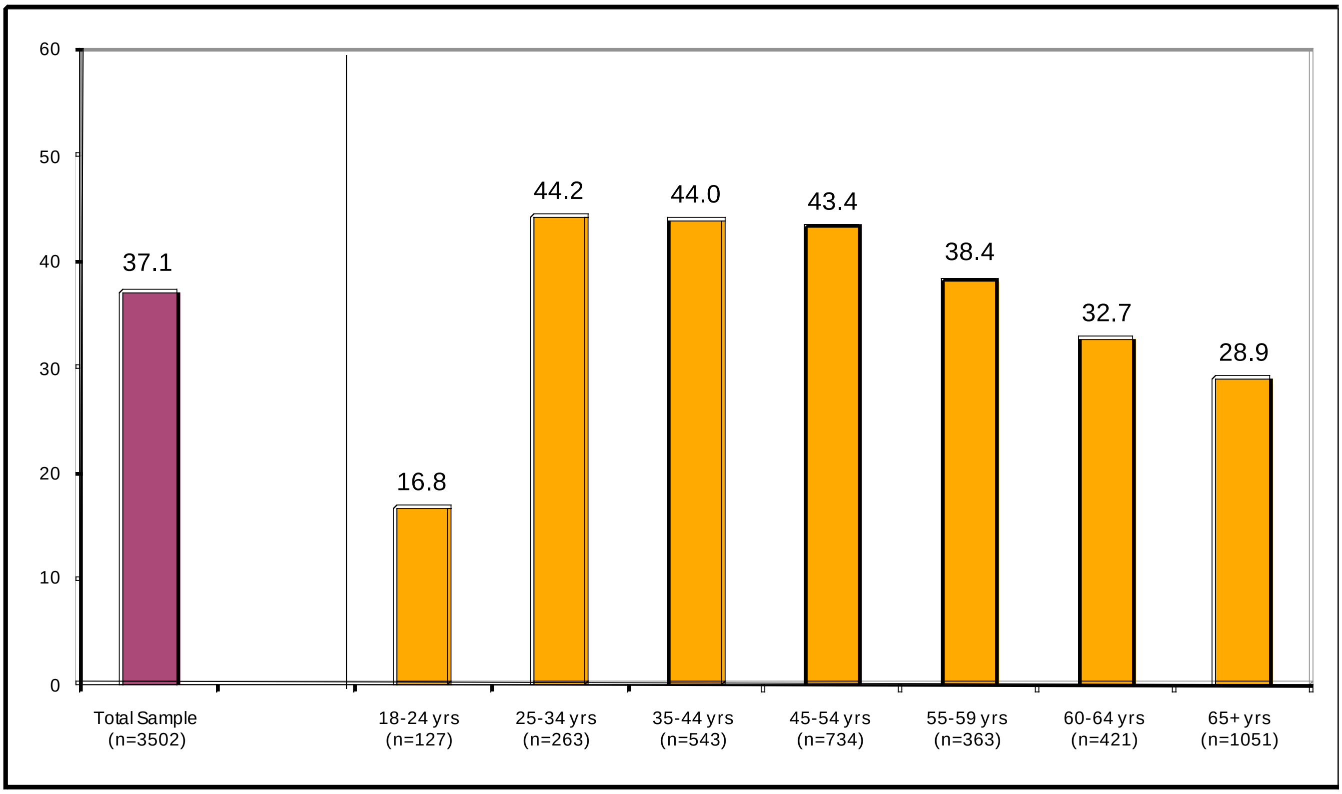
Table A1.5a shows the survey questions used to establish the Choosing Financial Products Index. Each question captures a behaviour related to choosing financial products and respondents received an index point allocation for each of the behaviours they exhibited. The same score calculation method as 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 A1.5a 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 37%. As Figure A1.5a indicates, the results do not vary greatly among those aged 25-54 years. In contrast however, those aged 18-24 years display a much lower mean index score. Scores also tail off for those aged 60 years or more.

Figure A1.5a 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 A1.5b.

This table shows that while age is the most strongly associated factor, financial knowledge/numeracy is also very important. It also shows that:

- Three financial attitudes have a moderate association with this component of financial literacy: “money dealing is stressful”, “thrifty” and “financial self efficacy”; as do
- Undertaking formal post-secondary education and motor vehicle ownership.

Table A1.5b Choosing Financial Products Index Regression Results

Characteristics Associated with Choosing Financial Products Index		Relative Association with Choosing Products Index	
		Value	Symbol
Financial Knowledge/ Numeracy		82	+++
Socio-demographics	25-34 yrs	67	+++
	35-44 yrs	85	+++
	45-54 yrs	100	+++
	55-64 yrs	69	+++
	65+ yrs	64	+++
	Post-secondary education	54	+++
Household circumstances	Owns or paying off car	39	++
Occupation & income	*None in this model*		
Assets & debt	*None in this model*		
Financial attiudes	Financial self efficacy	49	++
	Money dealing is stressful	-44	- -
	Thrifty	33	++

<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% (+++/---).

A1.6 Staying Informed Index

Staying Informed is the fourth component of Financial Literacy shown in Figure 2.2a. 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

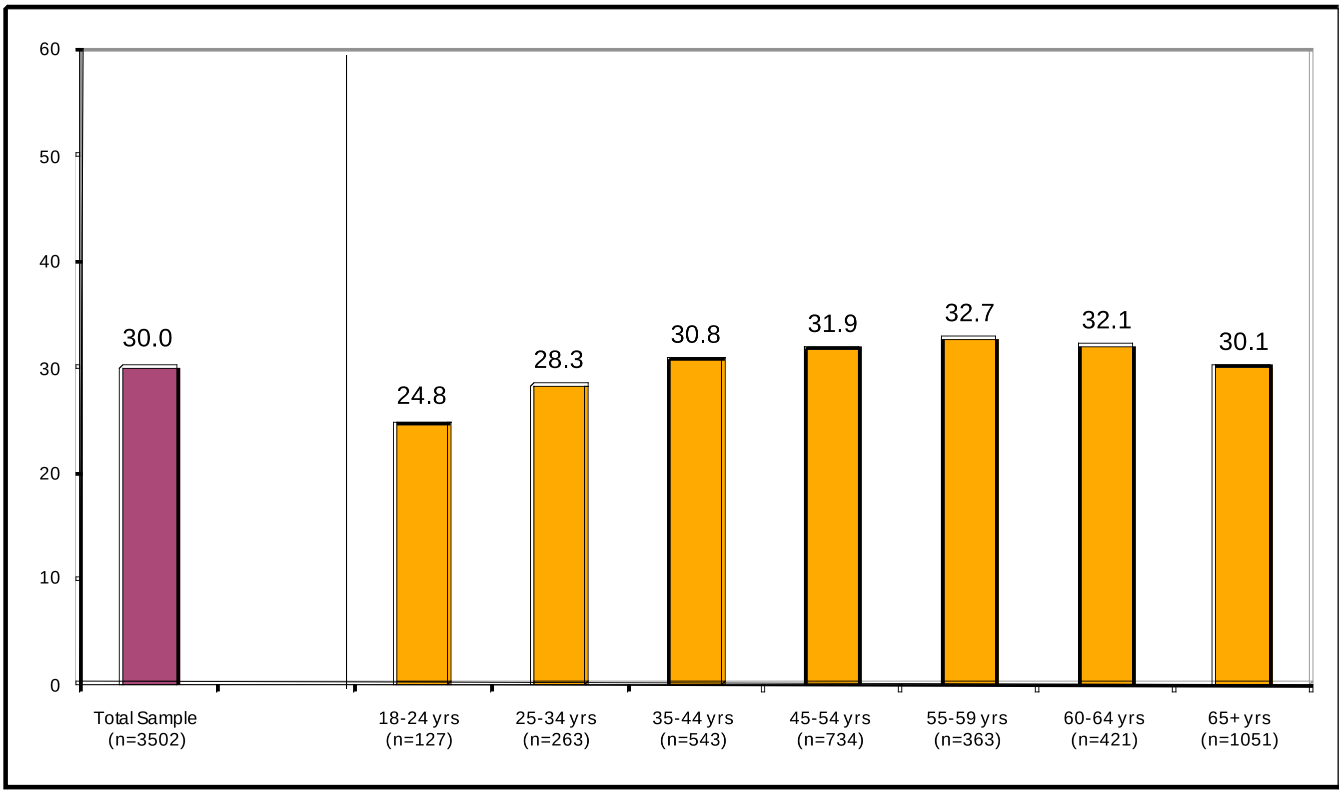
Table A1.6a shows the survey questions used to establish the Staying Informed Index. Each question captures a behaviour related to staying informed and respondents received an index point allocation for each of the behaviours they exhibited. The same method of score calculation as used for the Keeping 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 A1.6a 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%. As Figure A1.6a shows, index scores tend to increase with age until people reach 60 when they appear to stabilise and even decline slightly after reaching 65 years.

Figure A1.6a 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 A1.6b; they suggest a strong association between attitudes and staying informed, in particular:

- Financial self efficacy (which is the variable most strongly associated with staying informed) where a high degree of self-efficacy is associated with a high score on this index.
- In addition, those who find dealing with money stressful tend to have lower scores on this index.

Age and having a high value of savings/investments and superannuation are also strongly associated with staying informed.

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:

- Using online sites to compare financial products;
- Completing formal post-secondary education;
- Having a 'risk taking' mindset; and
- Displaying a 'thrifty' attitude.

Table A1.6b Staying Informed Index Regression Results

Characteristics Associated with Staying Informed Index		Relative Association with Staying Informed Index	
		Value	Symbol
Financial Knowledge/ Numeracy		22	++
Socio-demographics	35-44 yrs	20	+
	45-54 yrs	34	++
	55-64 yrs	50	+++
	65+ yrs	67	+++
	Post-secondary education	45	++
Household circumstances	Ever used online site to compare financial products	32	++
Occupation & income	Occupation: Upper w hite (managers)	22	++
Assets & debt	Total savings/investments and super	73	+++
Attitudes to financial issues	Financial self efficacy	100	+++
	Money dealing is stressful	-48	- -
	Risk taking	28	++
	Thrifty	32	++

<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 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% (+++/---).

A1.7 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 A1.7a.

Table A1.7a Broader Financial Outcome Measures used in Financial Control Index

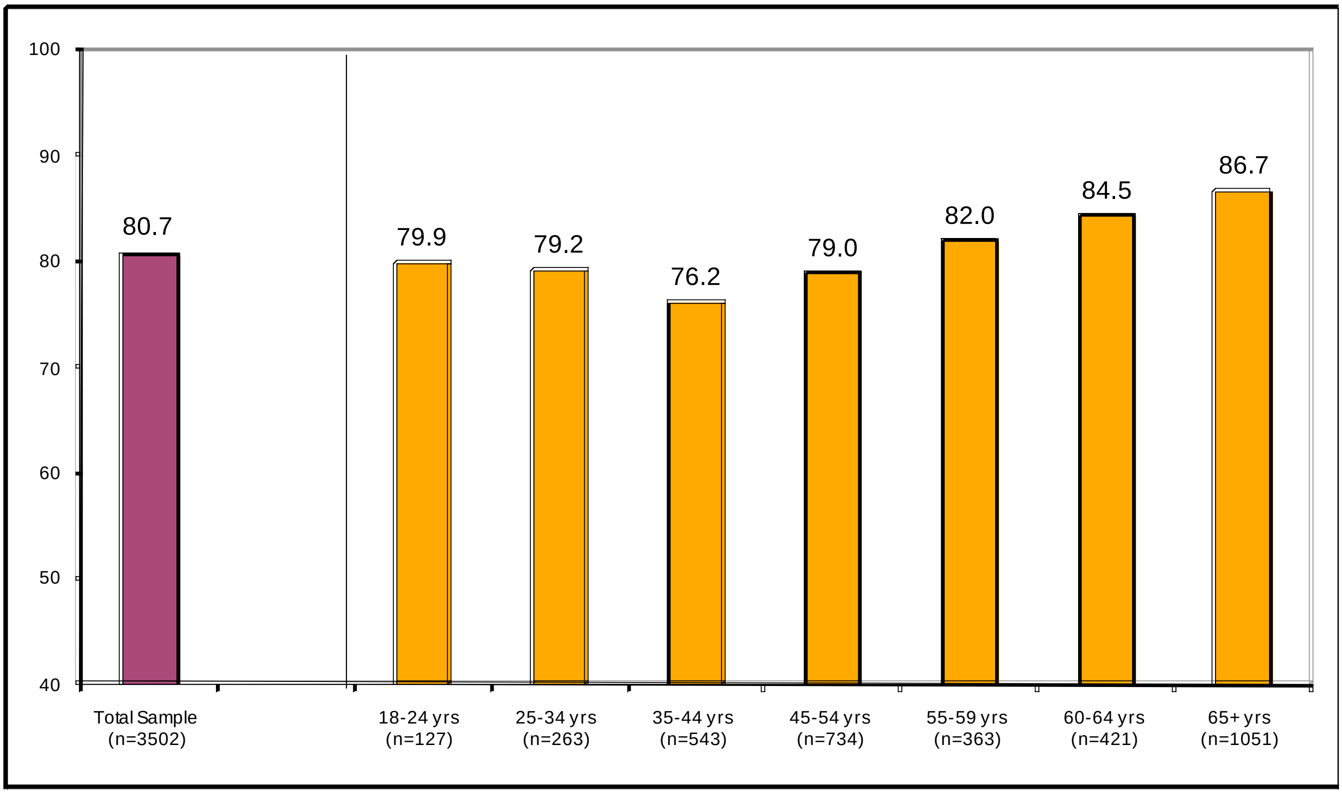
Financial Control Index
Pay bills on time / Financial surplus
Missed loan repayments in last 12 months (Q65, yes/no scale)
Ability to save money in most weeks (Q80c, 3 point scale)
Perception of financial situation
Comfort with current debt (Q62, 5 point agree scale)
Financial situation under control (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 81% on this component of financial literacy. Figure A1.7a 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 A1.7a 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 2.2a) were associated with the Financial Control Index. The results of this regression analysis are shown in Table A1.7b. 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 ‘thrifty’ attitude scores which are both associated with a higher financial control score;
- Higher household income which is associated with a higher score;
- Increasing number of children living at home - associated with a lower score on financial control; and
- Having a ‘risk taking’ 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 A1.7b 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	Increasing number of children at home	-23	- -
	Renting home	-27	- -
Occupation & income	Household Income	24	++
Assets & debt	Total savings/investments and super	24	++
	Total debt	-77	- - -
Financial attitudes	Financial self efficacy	28	++
	Money dealing is stressful	-100	- - -
	Risk taking	-15	-
	Thrifty	30	++

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% (+++/---).

Appendix Two: Examples of Australian Geographic Classification Remoteness Areas

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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