ANZ SURVEY OF ADULT FINANCIAL LITERACY IN AUSTRALIA

May 2015

Summary of Findings

THE SOCIAL RESEARCH CENTRE

ANZ

CONTENTS

FOREWORD

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

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

While we have updated the survey, a large number of questions remain unchanged since they were first asked in 2002 enabling us to observe changes in Australians' attitudes and behaviours over time. You can access the full survey report – including topics such as insurance, consumer rights and responsibilities, financial advice, numeracy and financial attitudes - in the Research Reports section at www.anz.com.

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

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

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

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

Jane Nash

Jane Nash
Head of Corporate Sustainability
and Financial Inclusion

1.0 HIGHLIGHTS

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

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

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

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

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

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

2.0 INTRODUCTION

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

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

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

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

> *dealing with money is stressful* (an attitude that applies even when things are going well financially)

> *impulsivity* (acting before thinking things through)

> *financial self-efficacy* (self-belief in ability to change one's financial situation), and

> *financial aspiration* (a desire to achieve financial success associated with a strong achievement orientation).

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

> young people under 25 years of age,

> those with no formal post-secondary education,

> those employed in lower blue collar[4] occupations, and

> people with relatively low levels of income and assets.

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

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

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

1 A telephone survey of 3,400 randomly selected Australian adults conducted by landline and mobile phone between Sep 16 and Nov 10, 2014.

2 Schagen, S *"The Evaluation of NatWest Face 2 Face with Finance"*, NFER, 1997.

3 This conceptualization drew on work by the Personal Finance Research Centre at the University of Bristol. (eg: *Measuring financial capability: an exploratory study* June 2005).

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

Fewer people, though still a large majority (78 percent), reported feeling in control of their finances either all of the time or most of the time.

3.1 SAVING

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

3.2 USE AND UNDERSTANDING OF CREDIT

> Use of loans and credit from financial institutions peaked in 2008, falling in 2011 and 2014.

> Since 2011, the number of people using credit cards to pay for goods and services has fallen from 71 percent to 64 percent. Lower usage of credit cards probably reflected continuation of a more cautious attitude towards debt identified post-GFC and increased use of debit cards (up from 49 percent in 2011 to 60 percent).

> There was also a lower incidence of owner-occupier mortgages (down from 36 percent of people in 2011 to 31 percent) particularly amongst those under 35 years of age where the proportion holding an owner-occupier mortgage fell from 34 percent in 2011 to 18 percent in 2014.

> These decreases have been accompanied by some reduction in the proportion of people who felt uncomfortable with the amount of money they currently owed (down from 18 percent in 2008 to 15 percent in 2014). However, some people continued to be uncomfortable with their current levels of debt, in particular those supporting dependent children and/or holding significant debt with relatively low incomes (see Financial control section).

> A majority, 65 percent of people with credit and store cards reported paying the balance owed in full each month, down from 69 percent in 2011. The vast majority of credit and store card holders reported checking their transactions (93 percent) and more than 70 percent understood the responsibility of the primary card holder for repayment of the debt – similar to previous surveys.

> Though still high at 78 percent, awareness that all parties are responsible for repayment of a jointly held loan was lower than in 2011 (when it was 83 percent) and is now at the lowest of any survey. The fall in 2014 was particularly evident amongst women with a partner and a mortgage of $300,000 or more with the results suggesting that one in four women in this situation did not fully understand their potential repayment obligations in relation to a relatively substantial loan on their home.

3.3 FINANCIAL CONTROL

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

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

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

3.4 INVESTING AND SUPERANNUATION

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

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

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

3.4.1 Understanding of investment principles

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

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

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

3.4.2 Superannuation

- Consolidation has occurred in the number of superannuation funds of which people are members. The number of people in a single fund rose to 63 percent from 59 percent in 2011 and 2005 (when the question was first asked).
- A majority of superannuation fund members were aware that they can make superannuation payments additional to those made by their employer, though at 88 percent it is at the lowest level since surveys began (91 percent in 2002). Awareness has dropped amongst men, particularly those working in blue collar occupations.
- 68 percent of superannuation fund members said they receive superannuation fund statements and read them. As in 2011, one in five said they receive statements but do not read them.

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

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

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

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

3.5 FINANCIAL INFORMATION AND ADVICE

> 84 percent of people said they generally felt well informed when making financial decisions, slightly down on the 2011 survey (87 percent) and the same as in 2005 when the question was first asked.

> In informing themselves about financial matters, people have shifted away from traditional sources of information such as the financial sections of newspapers and magazines and books. Use of internet finance sites and Government finance publications, on the other hand, has remained unchanged from 2011.

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

The relatively low engagement of women with financial information is evident in significantly lower scores than men on *staying informed* from the age of 28 onwards (there is no difference for 18 to 27 year olds).

> Internet sites were the source of information most likely to have been used in the past 12 months. Just under half of all internet users (40 percent of the population) had used a computer or a mobile phone or tablet to compare financial products (see Use of digital section).

3.5.1 Use of financial professionals

> Around three quarters of people had consulted other people for financial advice in the last 12 months. Main sources of advice were: an accountant (39 percent), friends or family (35 percent), a bank manager or employee (30 percent) and financial planners/advisers (20 percent).

> Growth occurred in use of tax specialists (19 percent up from 14 percent), financial planners (20 percent up from 18 percent), superannuation funds (18 percent up from 5 percent) and Centrelink Financial Information Service Officers (10 percent from 7 percent). Those using advisers remained higher income people with higher levels of savings and assets. People with less than $2,000 in savings reduced their use of accountants (28 percent to 19 percent) and it appears increased their use of the Centrelink Service (18 percent up from 8 percent).

> People making increased use of financial planners were typically men aged 50 to 64 years. The main reason for selecting a financial planner was a recommendation by a friend or family member (29 percent). 59 percent of people who had used a financial planner in the past 12 months said they considered whether there are any conflicts of interest in the planner's recommendations – not significantly different from 2011.

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

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

Use of mobile phones and tablets has almost quadrupled from 14 percent in 2011 to 53 percent in 2014.

3.6 USE OF DIGITAL

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

3.7 INSURANCE

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

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

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

> Of those who have insurance, 42 percent were aware that a claim could be refused if the policyholder had not given accurate answers to questions relevant to the loss; this was down by five points on the 2011 result and by 12 points on the 54 percent reported in 2008.

> When first taking out an insurance policy the main factors people considered were the premium (mentioned by 54 percent of people) and the level of cover (mentioned by 45 percent of people).

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

3.8 CONSUMER RIGHTS AND RESPONSIBILITIES

> In general consumers continued to exhibit high awareness of their basic rights and responsibilities in relation to financial products and services.

– Almost all people (94 percent) agreed that financial services providers have a legal duty to provide clear information to consumers, and

– 93 percent agreed that consumers have a duty of honest disclosure when taking out a financial service or product.

> 65 percent of people said they felt confident they would know how to make an effective complaint against a bank or other financial institution, not significantly different from the 2011 survey and up from 59 percent in 2002.

Women had higher scores on average than men on *dealing with money is stressful* across all age groups.

3.9 FINANCIAL ATTITUDES, KNOWLEDGE AND LITERACY AMONGST AUSTRALIAN WOMEN

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

3.9.1 Attitudes

> Men and women had similar scores on average on *financial self-efficacy*. Both women and men with higher levels of *financial self-efficacy* were more likely to have investments in shares, managed investments and property and to have obtained advice from a financial planner in the last 12 months.

> Women had higher scores on average than men on *dealing with money is stressful* across all age groups. This reflected socio-demographic characteristics (such as lower savings and investments, lower incomes particularly relative to debts and lower levels of home ownership) and was consistent with more women finding dealing with money stressful even when things are going well financially and finding dealing with money less stressful when the responsibility for household money management is shared with a partner.

Higher scores on this attitude were associated with behaviours such as not checking account statements, not keeping an eye on household/personal expenses and using payday loans.

- Women had lower scores on average than men across all age groups on *impulsivity*. Higher scores on *impulsivity* were associated with the same types of behaviours as higher scores on *dealing with money is stressful*.
- Women with high *impulsivity* scores were present across a wide range of socio-demographic subgroups (for example, unemployed, single parents, those whose main income source was a government benefit, those with personal incomes of $100,000 or more, university graduates). Approximately one in seven women had high scores on *impulsivity* (versus one in four men).
- Women aged 28 to 59 years had lower scores on average then men on *financial aspiration*. Amongst women of this age, lower scores on *financial aspiration* were associated with fewer assets, lower participation in paid work and lower levels of post-secondary education.

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

3.9.2 Financial knowledge and numeracy

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

3.9.3 Behavioural indicators of financial literacy

> Women aged 28 to 59 years scored more highly on average than men on *keeping track of finances*; no differences were evident for younger and older women. This is consistent with lower average incomes for women and lower *impulsivity* scores.

> There were no significant differences between women and men on *planning ahead*, except women aged 60 years or more had slightly lower scores than the corresponding group of men.

  Women aged 60 years or more were less likely than men to still be in paid employment and they had lower asset and income levels. They also made less use of financial information and advice, an important component of the *planning ahead* index.

> Women aged 45 to 59 years scored lower than men of the same age on *choosing financial products*. Women of this age were less likely to engage in comparison shopping for financial products.

> From 28 years of age onwards, women have significantly lower scores than men on the *staying informed* index. Compared to men of this age women were less likely to have identified a retirement income figure, had lower levels of household income, superannuation, savings and investments and were more likely to have dependent children living at home.

> *Financial control* was similar for women and men under 28 years and 60 years and over. Women aged 28 to 59 years had lower scores than men on *financial control*. Women of this age were more likely to have missed a loan or credit card repayment and also more likely to have been unable to save money in most weeks. Greater discomfort with comparable levels of debt appeared to contribute to women's lower scores on this index.

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

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

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

To read the complete report, visit the Research Reports section at www.anz.com/about-us/corporate-responsibility/cr-library/ or contact:

ANZ

Jane Nash
Head of Corporate Sustainability and Financial Inclusion

Tel: (03) 8654 3622
Email: jane.nash@anz.com