FINANCIAL WELLBEING

OLDER AUSTRALIANS

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MoneyMinded

ABOUT THIS REPORT

FINANCIAL WELLBEING: OLDER AUSTRALIANS

This report is an extract of research undertaken by RMIT University for ANZ.

Section 1 provides a summary of recent literature and qualitative research focusing on the financial wellbeing of older people.

Section 2 presents a deeper analysis of results from ANZ's report *Financial Wellbeing: A Survey of Adults in Australia* (April 2018). The analysis draws out key insights for older people which may inform further research, policy and practice in support of the financial wellbeing of an ageing population.

For the purposes of this report, older Australians are classified as those within the age band spanning 65 to 85 years, acknowledging the diversity and heterogeneity of members and the many financial issues they face. The financial wellbeing profile of this cohort will have some origins in their approaches to money at earlier ages (for example, younger workers' superannuation saving in preparation for retirement).

For a copy of this report and more information about ANZ's Financial Wellbeing survey, see bluenotes.anz.com/financialwellbeing

For access to further insights from ANZ's surveys of financial wellbeing (including the full report compiled by RMIT University looking at issues for older Australians), please contact:

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COMPANION REPORT

MONEYMINDED IMPACT REPORT (ANZ, 2018)

Section 1: The impact of MoneyMinded in 2017-2018
This section outlines the reach of MoneyMinded from 1 October 2017 to 30 September 2018. This includes delivery in Australia, New Zealand and the Asia Pacific region by accredited facilitators from community organisations and ANZ. Also included are MoneyMinded Business Basics for Small to Medium Enterprises (SMEs), launched in 2015 in Papua New Guinea, and MoneyBusiness, an adult financial education program for Indigenous Australians developed in partnership with the Australian Government in 2005.

Section 2: Using MoneyMinded with older Australians
This section presents the results of a survey and interviews with MoneyMinded facilitators and a focus group with MoneyMinded participants to provide an indication of how MoneyMinded is currently used to support older people in Australia.

Case study: Financial capability of older people
The case study provides an excerpt from new research exploring the financial capability of older Australians, including their specific financial education needs related to financial products and services. ANZ has supported the University of South Australia and RMIT University to collaborate on this research, which has been funded by Financial Literacy Australia (FLA).

More information about MoneyMinded, including the *MoneyMinded Impact Report* (ANZ, 2018) and past reports, can be found at anz.com/moneyminded.

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FOREWORD

In April 2018, ANZ published a report of its latest survey of the financial wellbeing of adults in Australia. It was the sixth in a series of comprehensive surveys that ANZ has conducted since 2002. The design and initial analysis was guided by the Financial Wellbeing Conceptual Model of Kempson et al. (2017) taking into account the interrelationship between four key areas that influence financial wellbeing:

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

The research showed how factors such as behaviours, home ownership and the way parents teach their children about money when they are growing up influenced financial wellbeing scores in Australia.

The survey also showed that age played a role, with older people generally having higher levels of financial wellbeing. People aged 60 years and over were more likely to own their own home, and to have had longer to accumulate superannuation and other assets. Of people aged 60 years and over:

- 63 per cent owned their home outright (versus 16 per cent of those aged under 60 years)
- median savings/investment balances were $28,000 (versus $4,800 for people under 60)
- median superannuation balances were $197,300 (versus $42,000 for people under 60).

In this report, we asked RMIT University to apply deeper analysis to the financial wellbeing of Australia's older population, recognising that the category of 'older people' is not homogeneous even within an age band spanning 65 to 85 years. Within this age range there is a vast diversity of capabilities, health levels, financial situations and needs. However, there are some commonalities in financial decision points and the necessary capabilities to make optimal financial decisions for a comfortable retirement.

FIGURE 1. THE FINANCIAL WELLBEING CONCEPTUAL MODEL

Kempson et al. (2017)

EXECUTIVE SUMMARY

The picture of the financial lives of older Australians is complex. There are many environmental, economic, political, social and individual factors that impact the financial wellbeing of older people. Notwithstanding the wide diversity of circumstances, there are certain factors that are common to the financial wellbeing of many older people.

The blending of employment and retirement reflects the changing socio-cultural environment and having sufficient income remains a significant factor for financial wellbeing. Cognitive decline, ill health and disability are all likely to affect older people at some point and these can contribute to financial hardship and social isolation. The emergence of digital technology for consumer transactions, including banking, presents one of the most significant barriers to the financial wellbeing of older people.

This report outlines findings from *Financial Wellbeing: A Survey of Adults in Australia* (ANZ, 2018), with a particular focus on insights about older Australians. Key findings are as follows.

FINANCIAL WELLBEING OVERALL

- Older Australians (male and female) generally had higher financial wellbeing than younger people and were less likely to be 'struggling' financially compared to other groups.
- Older people in the 'no worries' category (a financial wellbeing score of >80-100) were more likely to be living in a couple household, had financial advice from their parents when they were growing up, were less likely to have a disability or long-term health condition, and were less likely to ever have been divorced from a long-term partner. A higher number of older men than women were in the 'no worries' category.
- Although on average, older people had higher scores than younger age groups, a significant minority experienced financial hardship and lower levels of financial wellbeing.

FINANCIAL BEHAVIOURS

- When comparing financial behaviours, older people had higher average scores than younger people across all financial wellbeing components.
- **Not borrowing for everyday expenses** was the most influential behavioural determinant for the financial wellbeing of older people, if all other factors were constant. Considering two older people identical in every other respect, a person who was likely to borrow for everyday expenses had significantly lower financial wellbeing than a person who was not likely to borrow for everyday expenses. To a lesser degree, **active saving** and **spending restraint** were the behaviours resulting in higher financial wellbeing for older people.
- Older people scored higher on measures of informed decision-making (including seeking advice or information when important financial decisions need to be made). Older people faced with significant financial decisions may be increasingly reliant upon support when making decisions due to frailty and cognitive decline.

PSYCHOLOGICAL AND ATTITUDINAL FACTORS

- Older people in the survey scored significantly higher than younger people on all psychological and attitudinal factors. Over longer periods of time and with greater experience in a range of financial decisions, confidence generally increased.
- Older people were more likely to have a negative attitude to borrowing and be less likely to be impulsive in their spending.
- Older people had high levels of confidence in money management. While this could be seen as a desirable trait, there are emerging studies that show there is risk of a mismatch between the high confidence levels and actual financial decision-making abilities of older people.

ECONOMIC FACTORS

- Living on superannuation, self-funded retirement income or income from 'other' sources such as investments and dividends contributed more to higher financial wellbeing scores than income from wages, self-employment income or government income support.
- Outright home ownership was associated with higher financial wellbeing, both for people aged 18 to 64 and those aged 65 and over.
- People who had stable and predictable incomes had higher financial wellbeing, with this being especially evident in the older cohort. Despite financial wellbeing generally increasing for people with higher superannuation balances, there was no interaction between age and superannuation balance and financial wellbeing scores.
- People aged 65 and over had higher average scores for each level of savings compared to those aged 18 to 64. As the level of savings increased, so did financial wellbeing.

KNOWLEDGE AND EXPERIENCE

- Although an important factor, the survey results confirmed that financial knowledge alone is no longer significantly associated with financial wellbeing for older people.
- However, older people demonstrated higher scores on all components of financial knowledge and experience. Understanding of risk was significantly higher in older Australians than for other age groups.

SOCIAL FACTORS

- Older Australians who were 'struggling' were the most likely of all to seek support from the Australian Government or from family and friends.
- For older Australians in the 'no worries' category, advice was commonly sought from financial planners and accountants.
- On average, 20 per cent of older Australians consulted their bank manager or a bank employee, with no difference found across the financial wellbeing categories.

NEW TECHNOLOGY IN BANKING

- Although a high proportion of older people reported doing their banking online, they were significantly more likely to do this via a desktop computer rather than a mobile phone or app. Rapid changes in mobile devices, apps and the physical challenges of using a smaller screen (such as a phone) were likely barriers to older people with physical and/or cognitive impairment.

Photo credit: Getty Images

FINANCIAL WELLBEING OF OLDER AUSTRALIANS AT A GLANCE

AUSTRALIAN FINANCIAL WELLBEING SCORE

71 out of 100

for people aged 65 and over

59 out of 100

for people across all age categories

OLDER AUSTRALIANS GENERALLY...

EXERCISE MORE SPENDING RESTRAINT

86 for people aged 65 and over

72 for people aged 18 to 64

HAVE MORE INFORMED DECISION-MAKING

71 for people aged 65 and over

65 for people aged 18 to 64

ARE CONFIDENT IN MONEY MANAGEMENT

75 for people aged 65 and over

63 for people aged 18 to 64

(Scores out of 100)

KEY BEHAVIOURS LEADING TO FINANCIAL WELLBEING

NOT BORROWING FOR EVERYDAY EXPENSES

94 for people aged 65 and over

80 for people aged 18 to 64

(Scores out of 100)

ACTIVE SAVING

71 for people aged 65 and over

61 for people aged 18 to 64

(Scores out of 100)

1. BACKGROUND: FACTORS AFFECTING THE FINANCIAL WELLBEING OF OLDER PEOPLE

Section 1 of this report explores the life context of older people in Australia; the factors that conspire against their financial wellbeing; and their financial capabilities in general.

1.1 INTRODUCTION

Ageing healthily and happily and having the ability and means to make financial choices that will enable enjoyment of life in old age is a universal goal, but not a universal reality.

Many Australians enjoy unprecedented levels of economic prosperity, but a significant number of older Australians do not. Financial wellbeing for older people is often dictated by the circumstances and contexts of earlier years. As our population continues to age, we will require long-term policies and initiatives to ensure older people have financial security and comfort in later years.

Currently, 1 in 7 Australians is aged 65 and over. The over-65 cohort has lived through an era characterised by seismic changes in economic, political, technological, and social environments. The context has changed dramatically for all, including those who may have carefully planned for retirement (or what they thought retirement might be). With new considerations, new rules and new skills required, many people have less than optimal levels of financial wellbeing as they enter their post-retirement years.

Like any group with specific needs and vulnerabilities, older people are not a homogeneous group, even within the age band of 65 to 85 (the cohort of focus in this report). Within this age range there is a diversity of capabilities, health levels, financial situations and needs. However, there are also many commonalities – for example, in financial decision points and the capabilities necessary to make optimal decisions for a comfortable retirement.

1.2 OLDER PEOPLE IN AUSTRALIA

Like many developed nations, Australia has an ageing population that is growing at an accelerating rate. In 2017, approximately 15 per cent of the population (3.8 million people) were aged 65 and over. This proportion is expected to increase to 22 per cent (8.8 million) by 2057 (AIHW, 2018). Even within the age range of 65 to 85, the profile is changing over time. Currently older people are predominantly aged 65 to 74 (57 per cent) with about 30 per cent aged 75 to 84. There is a projected shift in proportions that would see greater numbers of older people aged 75 to 84 (35 per cent) and 20 per cent aged 85 and over. Currently women make up just over half of the population aged 65 to 84 (51 per cent aged 65 to 74 and 54 per cent aged 75 to 85), but this increases to 63 per cent for people aged 85 and over.

As our ageing population continues to grow, the particular characteristics, capabilities and needs of people in this group won't necessarily be the same as those for the current cohort of older people. Each generation is both *shaped* by its environment and has a role in *shaping* the environment in which it lives and ages – preferably one that supports autonomy, dignity and equality.

While people are living longer, they are not necessarily living better. For example, the rates of dementia are increasing, with 250 new diagnoses daily in Australia (Brown, Hansnata & La, 2017), most in people over the age of 65. Different types of dementia have a significant impact not only on everyday tasks and processes, but also on financial capabilities.

At the macro level the figures tell us, on average, that people in retirement are better off, have higher levels of financial wellbeing and greater financial capabilities than other population age groups (ANZ, 2018; Russell, Kutin & Stewart, 2018). However, on closer inspection, the data tell us that older people are over-represented in the populations at risk of experiencing financial hardship, with about one-third (31 per cent) having less than $5,000 in liquid assets (ABS, 2016). There are significant concerns for the financial wellbeing of many older Australians, especially women. It is useful to understand what lies behind the indicators that separate the majority of older people who are doing well in retirement from a significant minority who are not.

1.3 ADVOCATING FOR OLDER AUSTRALIANS

In Australia, the Age Discrimination Commission (Australian Human Rights Commission[1]) conducts research, advises on policy and provides education about issues relating to the discrimination of Australians based on age. While its mandate also includes addressing discrimination against young people, the Commission's work is predominantly focused on discrimination against older people in the workforce. A particular focus is awareness and prevention of elder abuse of vulnerable women.

The role of the Commissioner for Senior Victorians[2] is to advise the state government on the range of challenges affecting people aged 60 and over, to advocate for key issues and offer referrals for individual queries (Commissioner for Senior Victorians, interview). The Commissioner is also an Ambassador for Elder Abuse Prevention and speaks regularly with people in the community about the lived experience of being older.

Council of the Ageing (COTA) is a national body with state chapters that play a powerful role in advocacy and support for older Australians[3]. Its focus covers issues such as health, income, mature-aged employment, aged care, housing and homelessness, age discrimination, consumer rights, digital inclusion and climate change.

1.4 FINANCIAL SOCIALISATION AND ITS IMPACT ON FINANCIAL WELLBEING

The financial wellbeing of the current generation of older people can largely be attributed to financial socialisation in their formative years, which were often shaped by significant events such as the great depression and world wars. Through such times, attitudes of frugality were ingrained and, although financial hardship was prevalent, financial resilience was generally high. Salaries or wages were mostly predictable and having one career was typical and rewarded, making it easier to work towards long-term goals. Credit products were less prevalent, so saving became a behaviour that was necessary and ingrained from a young age. Mortgages generally comprised a lower proportion of income and therefore home ownership before retirement was an achievable goal for many.

However, over time these benefits can be offset by the ageing process and other factors that have the potential to disrupt and lower financial wellbeing and capability. The next section highlights some of these factors and indicates the support needed for older people to maintain financial wellbeing.

1.5 FACTORS IMPACTING THE FINANCIAL WELLBEING OF OLDER PEOPLE

Notwithstanding the wide diversity of circumstances, there are certain factors that are common to the financial wellbeing of older people. The blending of employment and retirement reflects the changing socio-cultural environment and sufficient income is of course a significant factor in financial wellbeing. Cognitive decline, ill health and disability are all likely to affect older people at some point, and these factors contribute to others such as financial hardship and social isolation.

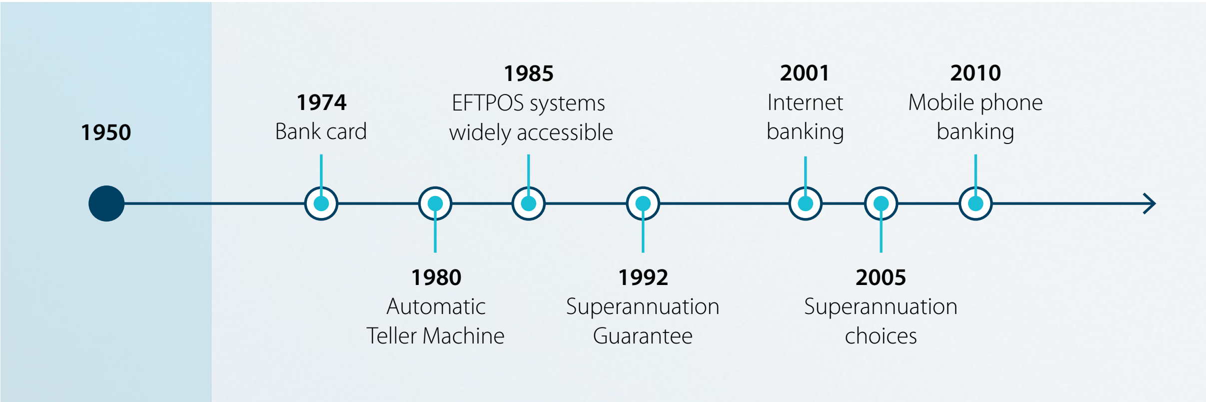
Perhaps one of the biggest changes faced by older people in managing their financial lives has been the emergence of digital technology in banking. In a relatively short period of time, bank accounts have transitioned from being managed with passbooks, to telephone banking and Automatic Teller Machines (ATMs). Today, accounts are managed predominantly via the internet and with the use of apps. These changes have required older people to not only adjust to new methods of transacting but to acquire a new set of skills and level of comfort with using digital technology. The changes also require owning devices to enable the use of the technology for banking.

In the 1950s, the eldest of the group of Australians now aged 65 to 85 years would have just started to access banking services. Back then, passbooks and chequebooks were used for depositing and withdrawing money, and salaries would be handed over to employees via a cash pay packet. Employer retirement schemes covered only a minority of white-collar workers and most Australians relied on the age pension for retirement income. Women had to ask their husbands or male guarantors to sign for loans.

Much has changed with regards to banking practices since the introduction of the bankcard in the 1970s, ATMs in the early 1980s, EFTPOS systems in the mid-1980s, online banking products in the early 2000s and mobile phone banking available from 2010[4]. With the increase in digitalisation and mobility of banking transactions, there was also a corresponding increase in the closing of bank branches across Australia, causing challenges for people who relied upon a face-to-face banking experience.

1. www.humanrights.gov.au/our-work/age-discrimination/about-age-discrimination
2. www.seniorsonline.vic.gov.au/services-information/commissioner-for-senior-victorians
3. www.cota.org.au/about/our-work/
4. https://museum.rba.gov.au/timeline/

FIGURE 2. TIMELINE OF BANKING AND FINANCE MILESTONES IN AUSTRALIA



1.5.1 Blending employment and retirement

There is no longer a defined linear path from education through work and on to retirement (Kojola & Moen, 2016). People are generally living healthier (often for longer) and having children later in life. These factors are creating a rising trend of older people participating longer in the labour market (OECD, 2018). This may be a choice for many but a necessity for others.

The age at which people may access retirement funds and pensions has also steadily increased over time. At the same time, older people are facing age discrimination as a serious barrier to employment (Gahan, Harbridge, Healy & Williams, 2017). The Australian Government, through the Commissioner for Age Discrimination and other portfolios, has implemented a range of schemes to combat discrimination.

The average retirement age in Australia is currently 65, at which time people can access the government-funded pension. Increasingly, more people are continuing to work past retirement age – either through choice or from financial pressure. In 2005, only eight per cent of Australians intended to work until the age of 70, but now this figure is 20 per cent. There is also a growing proportion of retirees (approximately 10 per cent) re-entering the workforce – again either through choice or for financial reasons (Davis, 2013). Around 25 per cent would have liked to continue to work but have been prevented from doing so by illness or disability. The ABS (2017) reports that for people aged 45 and over who have retired from work, 21 per cent of men and 12 per cent of women did so because of ill health, injury or disability.

Some older Australians are forced into premature retirement when they are unable to secure employment. Losing a job close to retirement age often means there is little chance of finding work, placing these people in the difficult position of being considered too old to work and too young to retire.

To support their financial independence and earning capacity, the Australian Government is encouraging older people to remain in or return to work through a range of incentives for businesses and individuals. For example, from 1 July 2019, the *Pension Work Bonus* will allow older people to earn more money through employment without it affecting their pension (Commonwealth of Australia, 2018).

1.6 FUNDING RETIREMENT

1.6.1 Superannuation

Australia has been fortunate to have superannuation, a compulsory retirement funding scheme, which has risen to the current figure of 9.5 per cent of employment income and is legislated to increase to 12 per cent by 2025. Over time, superannuation will become the main source of income for most retirees. However, it is not expected to reach full maturity until after 2040 (Davis, 2013).

In 2015-2016, superannuation or annuity was the main income source for 14 per cent of women and 22 per cent of men aged 65 and over (ABS, 2018). At the upper end of the older age cohort, the proportion of those having superannuation would obviously be much lower. For example, a person who is 85 in 2018, would have been aged 52 when superannuation was first introduced in 1986 at a rate of 3 per cent of their wage. With the preservation age being 60 or even lower, there would only have been a very small fund balance at retirement.

Age is not the only economic risk factor faced by older Australians in relation to superannuation. The disparity in superannuation balances for women is a function of a long list of inequality outcomes stemming from discrimination in the workforce, unpaid care and lower paid work. The superannuation scheme inadvertently disadvantages women, people who work casually or part-time or those on lower incomes.

The recent ABS Gender Indicators report (ABS, 2018) revealed that women aged 55 to 64 have 37 per cent less superannuation than men of the same age. Lower levels of retirement savings remain a major barrier to the financial wellbeing of women in older age.

1.6.2 Government funded pension

Most of Australia's current older population (66 per cent in 2017) have banked on receiving the age pension at 65, making it an important source of retirement funding. The current maximum pension per fortnight (with supplements) is $916.30 for a single person and $690.70 for each individual in a couple household[5]. Australians receiving the pension can work for a salary up to $172 a fortnight for a single person (or $304 for each couple) without it being counted towards the pension income test[6].

The pension continues to represent a huge fiscal commitment for the Government, particularly as our ageing population grows. Changes to the age eligibility and incentives to keep older Australians working longer are just some adjustment measures made by the government to improve the pension's sustainability.

1.7 COGNITIVE DECLINE, DISABILITY AND ILL HEALTH

1.7.1 Ageing and the brain

The physical changes that occur in our brain as we get older impact, to varying degrees, our ability to process complex information and make difficult decisions. Cognitive decline is a major factor affecting older people in navigating complex financial information (Agarwal, Driscoll, Gabaix & Laibson, 2009). While the severity of cognitive decline varies across individuals, studies show that the ability to process information or to perform complex tasks will generally decline after the age of 60 (de Bruin, Parker & Fischoff, 2012).

Cognitive abilities are determined by fluid and crystallised intelligence (Belbase & Sanzenbacher, 2016). Fluid intelligence is "the speed and capacity for generating, transforming and manipulating information" (Li et al., 2015, p. 65) – in other words, the capacity to learn new things and solve problems we may not have encountered before. Crystallised intelligence refers to knowledge and skills that accumulate from prior learning over a lifetime and includes vocabulary, facts and procedural knowledge (Belbase & Sanzenbacher, 2016).

Psychologists tend to agree that our fluid intelligence peaks around the age of 40 (although some believe it starts to decline earlier in adulthood). Unless there is cognitive decline caused by dementia, disability or other health condition, crystallised intelligence can increase until an older age such as 60 to 70 years (Diehl, Willis & Schaie, 1995).

When there is a decline in fluid intelligence, everyday decision-making or routine tasks may not be obviously affected due to maintenance of crystallised intelligence. However, it becomes more difficult to retrieve knowledge and appropriately apply the information to solve a problem or make a decision that involves digesting complex information (Diehl et al., 1995). Maintaining skills developed earlier in life will not help when processes change or with the introduction of new technologies. Resistance to change often observed in older people should not be attributed solely to attitudinal barriers, it is an unavoidable physical outcome occurring in the cognitive system.

5. www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility/payment-rates, accessed 1/10/2018.
6. www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility/income-test-pensions, accessed 1/10/2018.

1.7.2 Cognitive abilities and financial literacy

Researchers agree that cognitive decline will ultimately affect an individual's capacity to make complex financial decisions. It can be argued that the decisions arising about funding retirement, aged care and housing are becoming more complex and have greater impact on overall quality of life than financial decisions faced by younger people.

There is a growing body of work exploring the effect of cognitive abilities on retirement planning (Belbase & Sanzenbacher, 2016; Del Missier et al., 2017; Hung, Luoto & Parker, 2017; Kim, Maurer & Mitchell, 2018). The research suggests that financial literacy can influence financial wellbeing in retirement.

A large study by Finke, Howe & Huston (2017), found that older age was associated with a decline in financial literacy levels, with each year after the age of 60 being associated with a decline of 1.36 percentage points. People aged 70 to 74 had much lower financial literacy than those aged 60 to 64 and the decline in each five year range could be as much as nine percentage points. The study used a 16-item survey instrument with responses from 3,873 people. It measured financial literacy using a set of knowledge-based questions (multiple choice answers with only one being correct).

Lusardi, Mitchell & Curto (2014, p. 349) showed that older people had lower levels of financial literacy and "failed to grasp essential aspects of risk diversification, asset valuation, portfolio choice and investment fees". They found that women, people with lower levels of education, minority ethnic groups, and those aged 75 and over were particularly over-represented in the cohort with lower levels of financial literacy.

While the Finke et al. (2017) and the Lusardi (2014) studies do show a negative correlation between financial literacy and age, the relevance of measuring financial literacy specifically in this way should be revisited as there is more evidence about the limited role knowledge itself plays in overall financial wellbeing.

A major cause of cognitive decline in older people is dementia, which includes conditions such as Alzheimer's disease and affects the functioning of the brain. Symptoms make it difficult to perform regular tasks, affect memory and change behaviour. It is the single greatest cause of disability in Australians aged 65 and over (AIHW, 2012). Almost 10 per cent of Australians over the age of 65 and 30 per cent aged 85 and over have dementia, with women being over-represented in dementia-related deaths (Brown et al., 2017) of older people.

Even without the added difficulty of dementia, significant new challenges in the financial landscape, changes in retirement funding options and the impact of technology on daily life means that the ability to call upon prior knowledge and skills will be of limited help.

The evidence clearly shows that many older Australians will struggle with complexity in information and choices due to inevitable cognitive decline. But they are increasingly required to make difficult and complex decisions under the banner of 'more choice'. Aged care reforms are presenting older people with a high volume of information, choices and complexity, and requiring them to make decisions with significant consequences for long-term financial wellbeing – and they often having to do this via digital platforms.

Combining likely cognitive decline with the increasing complexity of financial information and a lack of appropriately tailored financial guidance, it is not surprising that a number of older people experience significant financial stress.

1.7.3 Disability and ill-health

Ageing has inevitable impacts on physical health in general and is linked with an increased rate of disability. As the population ages, chronic illness will continue to be a growing problem. The likelihood of people rating their health as fair or poor increased with age (25 per cent of people aged 65 to 74, 30 per cent of people aged 75 to 84, and 34 per cent of people aged 85 and over). The oldest group also had the highest levels of disability (ABS, 2015).

One third of people aged over 65 are living with chronic pain. Chronic pain can have a severe impact on the ability to acquire, analyse and apply information and make effective financial decisions. Research has also found that pain can increase the propensity to make risky choices (Koppel, Andersson, Posadzy, Västfjäll & Tinghög, 2017; Walteros et al., 2011).

Illness, pain and disability greatly limit an older person's capacity to work and also increase expenses related to care and medical and costs. They contribute to social isolation which in turn negatively impacts on wellbeing (Commissioner for Senior Victorians, 2016). Older Australians who take on the role of primary carer for a partner with an illness or disability also face challenges to economic security, along with limitations in social interaction considered vital to healthy ageing.

1.8 FINANCIAL HARDSHIP

A significant minority of older people experience financial hardship. ABS data show that in 2013-2014, 30 per cent of low-income households were aged over 65 even though they made up just 14 per cent of the population.

For some older people, financial hardship experienced in later years may be an extension of a lifetime of financial difficulty and made worse by the age-related challenges of ill-health, lack of support and reduced income. For others, financial hardship may be triggered by loss of a partner, increased caring responsibilities, or sudden onset of ill-health, disability and cognitive decline (Commissioner for Senior Victorians, 2016).

Section 2 of this report outlines analysis of the factors that contributed to financial wellbeing for older people including the importance of home ownership. However, financial hardship can still exist for 'asset rich' older people for whom even small increases in the cost of living can have significant effects on their everyday social and financial lives.

Although a high proportion of low-income older Australians own their own home (74 per cent), one third have less than $5,000 in liquid assets, increasing their risk of financial hardship (ABS, 2016). Older single women are the most likely to experience financial hardship and have the lowest income levels of all family types in Australia (Burnett, Davis, Murawski, Wilkins & Wilkinson, 2013; Wilkins, 2017).

Although our research confirms that home ownership is the most important economic factor contributing to financial wellbeing in older age, recent HILDA research indicates that home ownership is starting to decline in all age groups but particularly those aged 18 to 39 (Wilkins, 2017). This trend may adversely affect the financial wellbeing of future older Australians.

1.9 SOCIAL ISOLATION

Healthy aging relies on a range of behavioural and biomedical factors, one of which is social connection. Its influence on financial wellbeing should not be underestimated. The effect of being isolated from a support network increases with financial hardship, poverty, illness, disability and cognitive decline.

In a recent report on social isolation in Victoria, *Ageing is Everyone's Business,* the Commissioner for Senior Victorians (2016, p. 47), identified that social isolation was a significant issue for older people and impacted many facets of their wellbeing such as:

- reduced quality of life
- decreased mental health leading to further isolation
- poor physical health limiting social interaction
- decrease in self-esteem and confidence
- increased risk of adopting behaviours such as gambling, smoking and alcohol use
- increased risk of elder abuse.

The Commissioner for Senior Victorians views social isolation as one of the biggest risks for older people – in terms of increased risk of elder abuse (Kaspiew, Carson & Rhoades, 2016) and also decreased capacity to make necessary financial decisions. The Commissioner noted that without trusted support, a senior person will likely do nothing when confronted with difficult financial decisions (Commissioner for Senior Victorians, 2018, interview) and 'doing nothing' could be detrimental to their financial outcomes.

Young (2016, p. 3) noted "Older people are less likely to talk about money. But this is not a generational or cultural issue. It's lack of opportunity. While those living as a couple can turn to their partner, those living alone are much less likely to discuss their finances with anyone".

Financial hardship was also recognised as a factor contributing to social isolation. Forced reduction in discretionary spending limited engagement in social activities which led to greater social isolation (Commissioner for Senior Victorians, 2016).

1.10 DIGITAL LITERACY

Levels of digital literacy vary considerably amongst older people. Although some recent reports suggest the digital divide is closing (McCallum, Rees & Maccora, 2017), most research agrees that people aged 65 and over have the lowest levels of digital inclusion.

The 2018 report on Australia's Digital Inclusion Index found that older people (aged over 65 years) scored significantly lower than the national average (Thomas, Barraket, Wilson & Cook, 2018). Income, gender, age and geographical location were the strongest predictors of digital participation (Office of the eSafety Commissioner, 2018).

In an increasingly digitised world, low levels of digital literacy present a significant barrier to financial and social inclusion (Commissioner for Senior Victorians, 2016). The primary government repositories of financial and other support resources for older Australians are digital (for example myGov[7] and MoneySmart[8] websites). Older people often require support to ensure they can access and understand the information they require.

The factors contributing to low levels of digital literacy among older people are complex and a combination of self-efficacy, physical and cognitive capabilities, experience through prior work situations, social and financial factors (Haight, Quan-Haase & Corbett, 2014; Schreurs, Quan-Haase & Martin, 2017).

A major motivation for older people adopting technology is to keep in touch with family and friends via platforms such as Facebook or Skype (Schreurs et al., 2017). However having a degree of comfort in using such digital platforms does not always transfer to other contexts such as financial behaviour (Office of the eSafety Commissioner, 2018). There is often a lack of trust among older people in using the internet to make payments or to transfer money. The increasing 'invisibility' of money and a lack of 'hard/paper records' can also lead to erosion of trust.

Family, friends and supportive social networks are the best resources to increase the digital literacy of older people (Schreurs et al., 2017). Trusted support networks can help in overcoming social and emotional barriers – such as fear and low self-efficacy – to develop new skills and understanding of technology. Face-to-face training and support is the preferred option for most older people and is most effective when trusted family members or friends are involved (Office of the eSafety Commissioner, 2018).

An initiative by ANZ that supports older people transitioning to digital banking is the implementation of 'Tech Talks'. Employees of selected bank branches hold mini-workshops in branch, or in some cases at a nearby library, with older customers to answer questions and to take them through digital banking processes at a pace and manner that suits their needs.

Interviews with ANZ employees who conduct Tech Talks in branches revealed that the older customers experienced a lot of fear about losing their money to the internet and they lacked confidence in undertaking transactions on their device. They also had problems remembering passwords for their apps. The Tech Talk facilitators said that while older people were happy to use their tablet for social media, they were reluctant to use it for banking.

One of the Tech Talk facilitators said some older people didn't realise that the internet used for social media was the same for banking. The variety of terminologies used by different sectors when referring to the internet are often confusing for people who mostly didn't have this technology when they were working (interview with ANZ employee).

The Tech Talks have been successful in helping to break down the fears and increase levels of confidence among older customers through face-to-face support in learning how to use their own device for banking. The workshops also provide an opportunity for older people to ask about other banking issues and helped to build relationships and trust between the bank and its customers. The older customers welcomed this support and found it far more useful than receiving "another pamphlet or another email" (interview with ANZ employee).

7. https://my.gov.au/mygov/content/html/about.html
8. www.moneysmart.gov.au/

1.11 FINANCIAL CAPABILITIES OF OLDER PEOPLE: INTERNATIONAL FOCUS

1.11.1 Australia

The Australian Securities and Investments Commission (ASIC) National Financial Literacy Strategy 2014-2017 identified older Australians as a priority group to support in building financial capabilities (ASIC, 2017b). In 2017, ASIC invested in research to explore in depth the diverse financial circumstances, attitudes and behaviours that impact on the financial wellbeing of older Australians (ASIC, 2017a). The research included an expanded age cohort to include people aged 55 and over to capture preparedness and attitudes towards retirement.

The ASIC (2017a) research identified six categories of older people representing their financial situations, attitudes and behaviours, detailed as follows.

Choice limited (22 per cent): Most financially vulnerable, and prioritising meeting day-to-day expenses and paying rent; less likely to be able to cover unexpected expenses; less likely to be well informed about financial issues day-to-day or planning for their future; more likely to find financial matters to be difficult to understand; least likely to seek professional financial advice.

Today-focused (19 per cent): Less likely to plan for the future, unlikely to seek financial information or advice until a problem arises; less likely to stay informed about financial issues.

Reactive risk takers (6 per cent): Less confident about the future, naïve investors, vulnerable to scams; find dealing with money to be stressful and overwhelming; more likely to find financial matters to be difficult to understand.

Cautious investors (16 per cent): Relatively comfortable but lack confidence in dealing with financial issues.

Savvy investors (26 per cent): Comfortable and enjoying life, well informed, confident in financial issues.

Choice rich (11 per cent): The most well-off of all older people, have high confidence; able to enjoy life; prioritise investments and helping their family financially; stay informed about financial issues; more likely to have a long-term financial plan.

1.11.2 United Kingdom

The UK Money Advice Service has commissioned several reports exploring the financial capabilities of older people. One of these reports, *What works? A review of the evidence on financial capability interventions and older people in retirement,* produced by the International Longevity Centre (2016), reviewed a large number of interventions and programs aiming to improve the financial capabilities of older people. The report concluded that very little is known about what works. However, the authors gleaned from the studies a sense of the strengths and weaknesses of older people's financial capability. On average, older people had:

- high levels of confidence in general day-to-day money management
- low levels of confidence in situations that require digital literacy, when having to make complex decisions, aged care arrangements and retirement funding
- diminished capabilities generally despite high confidence levels
- skills and abilities to manage money day-to-day
- difficulty in dealing with debts and large expenses.

A survey conducted for the Money Advice Service (Young, 2016) had similar findings but also commented on other relevant issues affecting older people’s financial capabilities. Key findings were:

- older people who were digitally excluded were more likely to be aged over 75, of lower income and female
- people weren’t adequately planning for long-term care
- many older people did not have anyone to talk to about money or to help them with financial decisions
- older people had high levels of confidence but declining skills and cognitive abilities
- although abilities to manage money remained high, many struggled with bills or debts.

1.11.3 Canada

The Financial Consumer Agency of Canada (FCAC) has invested in providing particular support for older people[9]. In a study of Canadian retirees (aged 65 and over) and near retirees (aged 55 and over and still working) it found that having financial confidence and being able to understand and act on advice about financial products were critical to older people's financial wellbeing (Simhon & Trites, 2017). These factors helped people reach their financial goals and were key to having good living standards in retirement.

The FCAC's National Strategy for Financial Literacy recommends that financial education programs should recognise and incorporate the changing context in which older people were living – "the physical, emotional, mental and other changes that may occur as a normal part of ageing" (FCAC, 2014, p. 3). For example, a financial literacy program that included 'planning ahead' or 'budgeting' should be delivered differently for older people and younger people respectively. Encouraging older people to budget and plan ahead when constrained by the limitations of an aged pension requires empathy and a deep understanding of their life situation and perspective.

1.11.4 USA

The Consumer Financial Protection Bureau (CFPB) recently measured the financial wellbeing of Americans (CFPB, 2017). The average score for Americans was 54 (out of 100) and the average score for people aged 65 and over was around 60 (out of 100). The scale used differed from that used by ANZ (2018) in Australia, so the American scores are not directly comparable. However, the American result reflects the Australian findings that, on average, older people had higher levels of financial wellbeing than younger cohorts. In the American study, those aged under 34 had the lowest levels of financial wellbeing.

The Centre for Financial Services Innovation (CFSI) recently published a study revealing the biggest financial challenges faced by low and moderate income retirees and pre-retirees (CFSI, 2018). Similar to Australia, UK and Canada, the biggest financial challenges for older Americans included not having sufficient financial resilience to pay for unexpected expenses, coping with everyday expenses and paying bills and managing debts (CFSI, 2018). Unlike Australia, there is no compulsory retirement scheme in the USA, leading to inadequate retirement savings for many Americans.

1.12 SPECIFIC AREAS OF VULNERABILITY

Older people are particularly vulnerable to scams, frauds and financial abuse. The factors discussed earlier – social isolation, cognitive decline and disability – all contribute to increased risk. Older women are also a particularly vulnerable group due to the addition of systemic inequality.

1.12.1 Scams & fraud

Scams mostly originate from strangers and include, for example, lottery scams, false charities, home repair con-artists, identity theft, internet phishing and predatory lenders pushing expensive loan products. In 2018, the Australian Competition and Consumer Commission (ACCC) found that people aged 55 and over are most at risk of being scammed, with men more frequently targeted than women (ACCC, 2018). The ACCC also calculated that, in 2017, older Australians lost almost $22 million through scams. This is likely to be a gross under-estimation because many older people do not report being scammed due to embarrassment or not knowing how.

1.12.2 Financial abuse

Financial abuse of older people is now a growing global concern and it is the primary reason for stress in older Australians after the death of a loved one (ALRC, 2017). The World Health Organisation (WHO) defines financial abuse as "the illegal or improper exploitation or use of funds or resources of the older person" (Krug, Dahlberg, Mercy, Zwi & Lozano, 2002, p. 128). The definition includes acts with adverse outcomes committed not only by people known to and trusted by the victim, but also acts perpetrated by strangers and by institutions.

The prevalence of financial abuse of older people is not clear. The WHO estimates for countries similar to Australia it could be as high as 9 per cent (WHO, 2015). In relation to economic abuse in an intimate partner relationship, we know that of women aged between 60 to 69, 16.8 per cent had experienced economic abuse compared to 6.4 per cent of men in the same age group. The most common form of economic abuse experienced by older women in this age group was "being denied access to household money" (10 per cent), which was different to younger age groups, who more commonly experienced damage, destruction or stealing of property (Kutin, Russell & Reid, 2017).

9. www.sbs.com.au/topics/life/culture/article/2017/11/24/aged-over-60-and-female-heres-why-you-might-be-risk-poverty

The Australian Banking Association (ABA, 2018) has called on the Australian Government to take actions to resolve three key issues around financial abuse in the elderly population:

1. Introduce legislation to enable bank employees to safely report suspected financial abuse to a designated organisation;
2. Create a national register of power of attorney orders; and
3. Standardise the power of attorney legislation.

Financial abuse from family members can come in many forms, ranging from outright theft to emotional threats of abandonment or threats of physical violence if the older person doesn't agree to a specific financial transaction (such as going guarantor to a loan or withdrawing money from their account).

Abuse can be even more subtle, such as perpetrators declining to pay for appropriate care and services in order to preserve financial assets when the older person dies. An accompanying element of financial abuse is the fear, emotional stress and lack of control that an older person is forced to endure, completely eroding dignity, health and wellbeing.

Research to date has identified a range of risk factors associated with financial abuse of an older person. Being aware of the risk factors will help financial institutions or other service organisations identify 'red flags' when supporting older people.

Bagshaw, Wendt, Zannettino & Adams (2013) found the highest risk factors were:

1. A strong sense of entitlement to an older person's property or possessions held by a family member;
2. Diminished capacity of an older person;
3. An older person being dependent on a family member for care;
4. A family member having a substance abuse issue;
5. An older person being fearful of a family member; and
6. An older person lacking awareness of their rights.

1.12.3 Older women

Dr Kay Patterson, Australia's Age Discrimination Commissioner considers that the financial challenges faced by women are best understood when viewed at the 'intersection' of ageing and gender (Patterson, 2018). Intersectionality brings into focus the "compounded disadvantage" that older women experience compared to older men.

Older women are more likely to live in poverty than men. Older single women in particular are more at risk of financial hardship than any other group (Wilkins, 2017). By the age of 60, 34 per cent of single women in Australia live in poverty[10]. The financial hardship faced by older women is often an accumulation of financial inequality throughout their lives. Casualisation of the workforce, inequity of the superannuation system and the prevalence of family violence are all systemic issues resulting in discrimination and financial disadvantage for women (Feldman & Radermacher, 2016).

These outcomes of gender inequality and discrimination are widely reported and are likely to continue. The latest ABS Gender Indicators (ABS, 2018) showed that Australian women continued to trail men in levels of wealth, employment and income. "Australia is facing a tsunami of poverty amongst ageing female baby boomers that will directly affect their wellbeing, economic viability and housing options. Flow on effects will impact on families, support agencies, governments and the community as a whole" (Large & Kliger, 2013, p. ii).

Financial vulnerability is resulting in growing rates of homelessness among older, single women (COTA Queensland, Wesley Mission Brisbane & Urbis, 2015). An increasing number of Australians are retiring without outright home ownership and the Productivity Commission's Report on Government Services reveals the trend is gendered: "the studies on housing futures, ageing, living alone and gender tell us that women who are older and living alone will be poorer than men their age, less able to maintain home ownership and less able to compete in the private rental market for affordable accommodation" (Homelessness Australia & Equality Rights Alliance, 2017, p. 4).

10. www.sbs.com.au/topics/life/culture/article/2017/11/24/aged-over-60-and-female-heres-why-you-might-be-risk-poverty

2. FINANCIAL WELLBEING OF OLDER AUSTRALIANS

This section explores in depth the financial wellbeing of Australians aged 65 and over by analysing data collected in 2017 for the *Financial Wellbeing: A Survey of Adults in Australia* report (ANZ, 2018).

The analysis enabled calculation of a financial wellbeing score specifically for this age group and the creation of a picture of capabilities, behaviour and other indicators of the general financial situation of older Australians.

2.1 THE FINANCIAL WELLBEING MEASURE

In 2018, ANZ published the results of a survey that, for the first time, measured the financial wellbeing of 3,578 Australians (ANZ, 2018). The research included a financial wellbeing scale developed by Kempson, Finney & Poppe (2017). Responses to the survey were used to calculate an individual financial wellbeing score out of 100. Separate scores (also out of 100) were calculated for each of the three financial wellbeing components – meeting everyday expenses; feeling financially comfortable; and having resilience for the future.

To supplement the analysis in the ANZ (2018) report, the same dataset has been used to conduct an analysis of financial wellbeing by age group and in particular, those aged 65 and older.

Although the cohort of interest for this report is Australians aged 65 to 85, it is useful to compare the financial wellbeing indicators of this age group to those of the rest of the sample (that is, those aged 18 to 64) in the dataset. Each age group reflects major transitional life stages, which can be generally summarised as:

- 18 to 29 years: defining and achieving financial independence
- 30 to 49 years: typically experiencing financially chaotic and burdensome time
- 50 to 64 years: consolidation and preparing for retirement phase
- 65 to 69 years: early retirement – may still be working
- 70 years and over: late retirement.

Photo credit: Getty Images

2.2 SOCIO-DEMOGRAPHIC CHARACTERISTICS

The characteristics of the respondents aged 65 and older reflect those of the same age group within the broader Australian population. Table 1 details the characteristics compared to other age groups.

In summary, people aged 65 and over who responded to the ANZ (2018) financial wellbeing survey were more likely than other groups to:

- own their own home
- live alone
- have a disability or long-term health condition
- have lower levels of education
- have lower levels of income albeit more stable and predictable
- not have any superannuation.

TABLE 1. SOCIO-DEMOGRAPHIC CHARACTERISTICS BY AGE GROUP (ANZ SURVEY, 2018)

	Age (years)					
Characteristic	**18 to 29 (n = 631)**	**30 to 49 (n = 1305)**	**50 to 64 (n = 910)**	**65 to 69 (n = 357)**	**70+ (n = 375)**	**Total (n = 3578)**
Gender						
Male	45%	50%	54%	51%	57%	51%[11]
Female	55%	50%	46%	49%	43%	49%
Highest education level						
Year 11 or below	13%	11%	21%	27%	25%	17%
Year 12	30%	14%	11%	12%	14%	16%
Trade or TAFE	26%	33%	38%	32%	33%	33%
Diploma or degree	31%	42%	30%	29%	28%	34%
Ever been divorced from a long-term partner						
Yes	9%	21%	44%	40%	33%	28%
No	87%	77%	54%	58%	65%	70%
Rather not say	4%	2%	2%	2%	2%	2%
Household situation						
Live alone	10%	13%	24%	25%	30%	18%
Single – live in shared household	30%	8%	6%	4%	2%	10%
Single parent – children at home	7%	9%	7%	2%	0%	6%
Married/defacto couple – children at home	22%	49%	22%	10%	5%	29%
Married/defacto couple – no children at home	16%	17%	38%	57%	60%	31%
Other	15%	4%	3%	2%	3%	6%

11. People aged 65 years and over made up 15.2 per cent of the Australian population in 2016. In 2006, this figure was 13 per cent. Of the total population (20.5 million), 49.7 per cent were male and 50.3 per cent were female. In the ANZ Australian sample, 50.8 per cent were male and 49.2 per cent were female. See ABS (2017) Population by Age and Sex, Regions of Australia, 2016 (Cat. No. 3235.0) retrieved from http://www.abs.gov.au/ausstats/abs@.nsf/mf/3235.0.

Characteristic	Age (years) 18 to 29 (n = 631)	30 to 49 (n = 1305)	50 to 64 (n = 910)	65 to 69 (n = 357)	70+ (n = 375)	Total (n = 3578)
Home ownership						
I/we own my home outright	13%	12%	37%	66%	71%	31%
I/we own my home and I have a mortgage on it	19%	38%	30%	13%	9%	27%
I/we pay rent to a private landlord	37%	36%	22%	12%	12%	28%
I/we pay rent to a government agency	8%	6%	7%	6%	5%	6%
I/we pay rent/board to someone who lives in the house	14%	6%	2%	1%	1%	5%
Other	9%	2%	2%	2%	2%	3%
Disability or long-term health condition						
Yes	15%	20%	37%	37%	39%	27%
No	85%	80%	63%	63%	61%	73%
Main source of income						
Wages or salary	68%	74%	49%	17%	8%	54%
Self-employed earnings or proceeds from a business	7%	6%	7%	6%	3%	6%
Government benefit or allowance	15%	16%	26%	44%	58%	26%
Superannuation/ self-funded retirement income	1%	1%	13%	28%	25%	9%
Other	1%	1%	3%	4%	5%	2%
Don't know	8%	2%	2%	1%	1%	3%
Annual income before tax						
Under $25,000	18%	10%	16%	14%	15%	14%
$25,000–$49,999	20%	16%	25%	36%	41%	23%
$50,000–$74,999	15%	16%	17%	19%	18%	16%
$75,000–$99,999	14%	18%	12%	11%	6%	14%
$100,000–$124,999	7%	11%	7%	3%	3%	8%
$125,000–$149,999	4%	8%	6%	1%	2%	6%
$150,000 or more	5%	10%	7%	4%	2%	7%
Prefer not to say	17%	11%	10%	12%	13%	12%
Stability of household income						
Very predictable and stable	40%	52%	57%	63%	74%	54%
Generally predictable, varies a bit	49%	39%	34%	32%	21%	37%
Not that predictable, varies considerably	11%	9%	9%	5%	5%	9%
Superannuation balance						
Less than $50,000	37%	25%	12%	6%	4%	20%
$50,000–$99,999	4%	12%	8%	6%	4%	8%
$100,000–$499,999	3%	19%	24%	19%	13%	17%
$500,000 or more	1%	3%	14%	11%	8%	7%
Don't know or prefer not to say	18%	22%	15%	15%	11%	18%
Do not have superannuation	37%	19%	27%	43%	60%	30%

2.3 THE FINANCIAL WELLBEING SCORES OF AUSTRALIANS AGED 65 AND OLDER

The ANZ (2018) research found that the average financial wellbeing score for Australians was 59 out of 100. For women, the score was slightly lower (57 out of 100) and for men, slightly higher (61 out of 100). This analysis considers how the financial wellbeing scores of each age group compare to the average Australian score and how older people ranked in terms of financial wellbeing.

Figure 3 shows that older Australians have significantly higher average financial wellbeing scores than other age groups. Australians aged 65 to 69 had an average score of 70 compared to the Australian average of 59. Those aged 75 and older scored an average of 72 out of 100.

People aged 65 and older scored on average higher across all three financial wellbeing components than the other age groups.

Based on the overall financial wellbeing score, survey respondents were grouped into four categories of financial wellbeing (ANZ, 2018). Those who were:

- 'Struggling' scored 0 to 30 (out of 100)
- 'Getting by' scored >30 to 50
- 'Doing OK' scored >50 to 80
- 'No worries' scored >80 to 100.

Figure 4 highlights the proportion of people within each age group who were assigned to the categories 'struggling', 'getting by', 'doing OK' or 'no worries'. The proportion of older people in the 'no worries' category (44 per cent and 43 per cent) was higher than that of the other age cohorts (between 13 per cent and 31 per cent). Older people were also less likely to be 'struggling' financially compared to other groups.

FIGURE 3. FINANCIAL WELLBEING SCORES FOR EACH COMPONENT BY AGE GROUP

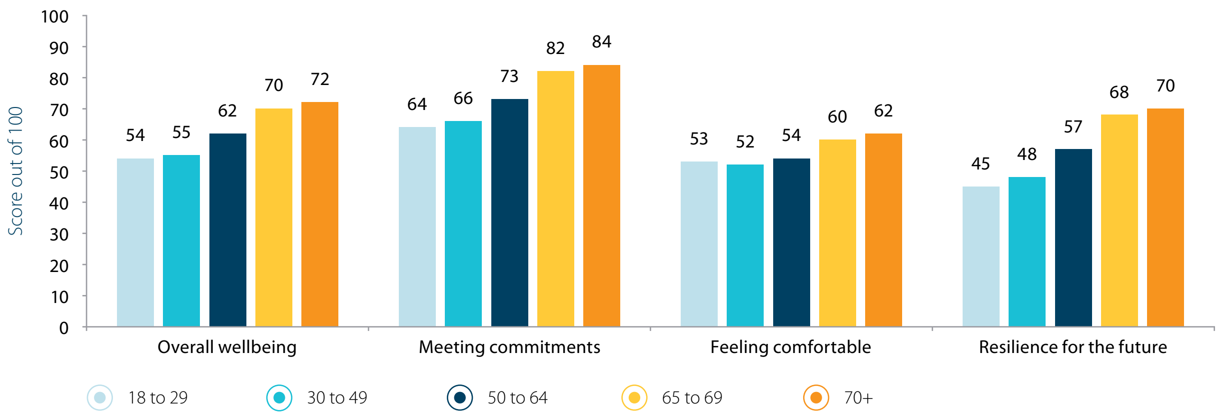
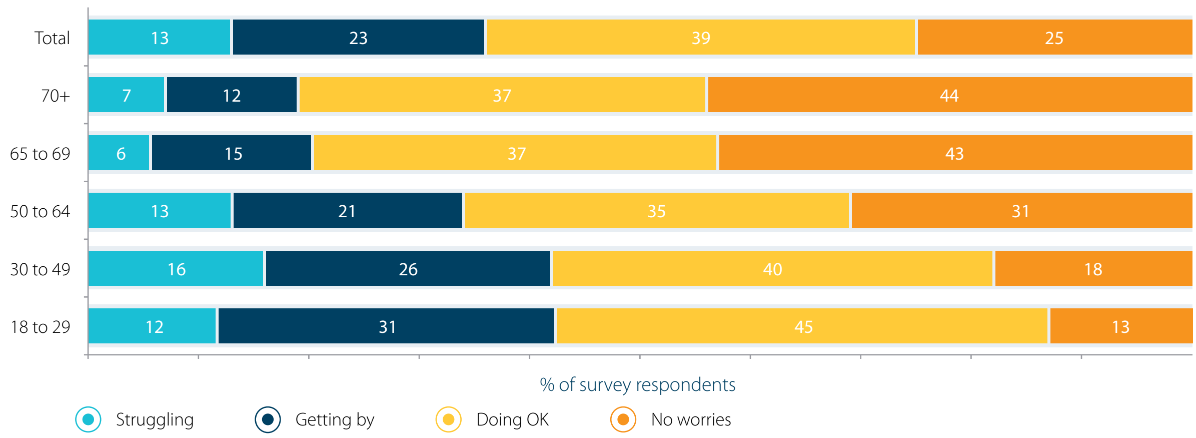
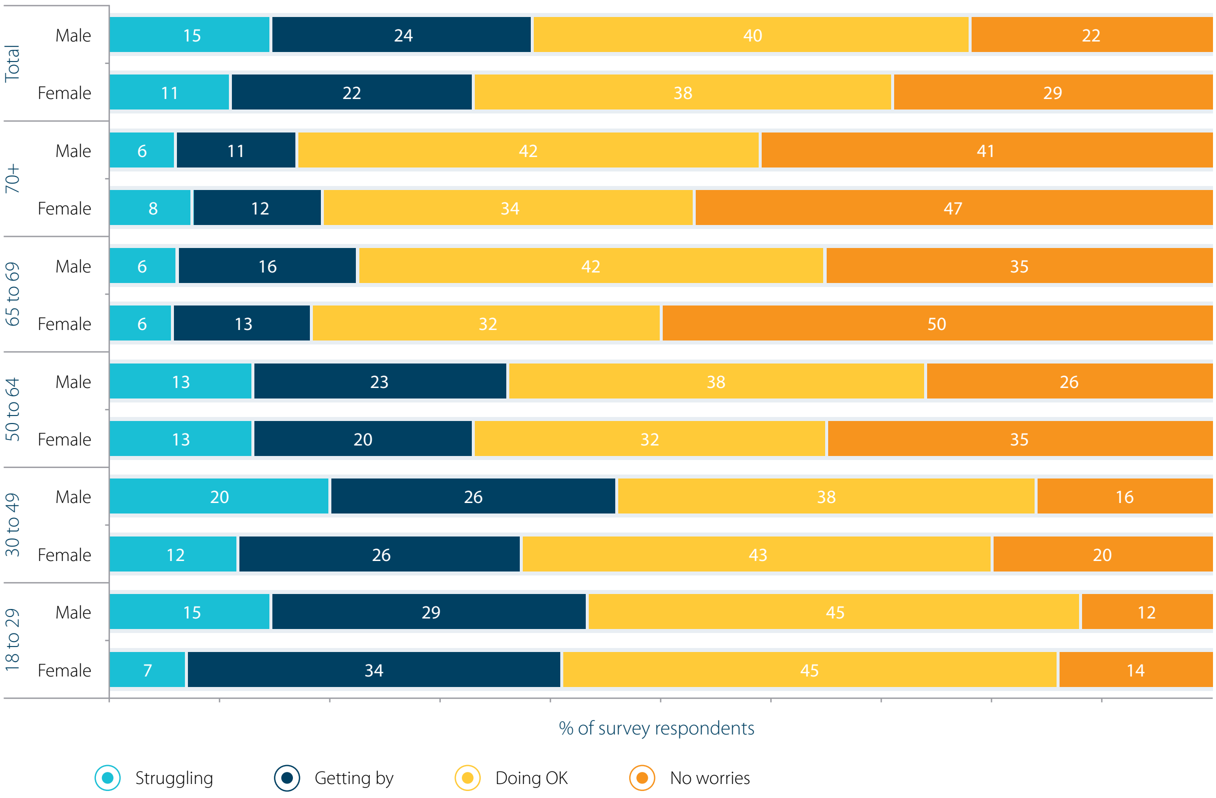


FIGURE 4. FINANCIAL WELLBEING CATEGORIES WITHIN EACH AGE GROUP



The picture of the financial lives of older Australians is complex. The demographic profile of older survey respondents does show lower levels of income, higher reliance on government pensions and low superannuation balances than younger age groups (see Table 1). Despite this, the ANZ (2018) survey indicated that overall, older Australians generally had higher financial wellbeing than younger cohorts. In terms of gender, men aged 50 to 64 were more likely to belong to the 'no worries' group compared to women. And while there appears to be more men aged 65 to 69 who belong to the 'no worries' group compared to women, the difference was not statistically significant. In the 70+ age group, there were also no statistically significant gender differences (Figures 4 and 5)[12].

FIGURE 5. FINANCIAL WELLBEING CATEGORIES WITHIN AGE GROUPS BY GENDER



12. It should be noted that the sample of older people included in the survey may not be representative of older people in the wider Australian population.

2.4 WHY ARE SOME OLDER AUSTRALIANS DOING BETTER THAN OTHERS?

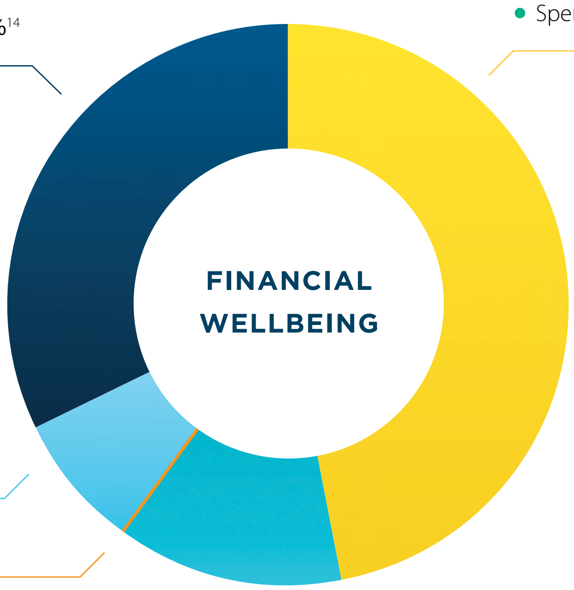
Overall, 13 per cent of Australians in the ANZ survey were categorised as struggling, with a financial wellbeing score of 30 or lower (ANZ, 2018). Being aged 60 years or older was a predictor of increased financial wellbeing, with only around 6 per cent of older people falling into the 'struggling' category. At the other end of the scale, 43 per cent of older people were in the 'no worries' category – that is, scoring higher than 80 out of 100 (compared to 24 per cent of the overall Australian sample).

The ANZ (2018) survey identified five domains that were important in influencing financial wellbeing. Each domain had important influences summarised in Figure 6. This report investigates whether these factors are important in explaining why some older Australians are 'struggling' while many others are doing better than average.

FIGURE 6. RELATIVE INFLUENCE OF THE FIVE DETERMINANTS OF FINANCIAL WELLBEING IN AUSTRALIA[13]

Economic factors 32%
- Income under $25,000 **3%**
- Income between $25,000 and $49,999 **5%**
- Income decreased substantially **4%**
- Own home outright **8%**[14]
- Other housing situation **3%**[14]
- Superannuation/self-funded retirement income **6%**[14]
- Other income (e.g. shares) **3%**[14]

Behavioural factors 47%
- Active saving **18%**
- Not borrowing for everyday expenses **16%**
- Planning/budgeting **5%**
- Informed decision-making **5%**
- Spending restraint **3%**



Social factors 8%
- Education – primary school or below **2%**
- Don't know if parents discussed finances **3%**
- Has a disability or long-term health condition **3%**

Knowledge factors[15] 0%
- Product knowledge **0%**
- Product experience **0%**
- Money management experience **0%**
- Understanding of risk **0%**

Psychological factors 13%
- High confidence in money management **6%**
- Internal locus of control **4%**
- High positive attitude to saving and negative to borrowing **3%**

Key: ● increases financial wellbeing scores ● decreases financial wellbeing scores

13. Data based on absolute coefficient values from the regression analysis in Tables 10, 11, and 12.
14. These variables were included under 'social factors' in the ANZ (2018) report, however in this analysis these items have been included as 'economic factors' as they directly relate to a person's economic as opposed to social situation. The ANZ (2018) report only included 'important influences', whereas this figure includes all components of the factors.
15. The knowledge factors were not important influencers (statistically significant) in the overall multivariate analysis. Whilst older Australians had higher levels of knowledge scores on all four items (page 25) when all other characteristics were taken into account, the influence of knowledge scores was negligible.

2.4.1 Financial behaviour

The following financial behaviours were measured in the ANZ financial wellbeing survey:

- planning/budgeting
- spending restraint
- not borrowing for everyday expenses
- monitoring finances
- active saving
- informed product choice
- informed decision-making.

'Not borrowing for everyday expenses', 'active saving' and 'spending restraint' were the three most important behaviours associated with greater financial wellbeing (ANZ, 2018).

TABLE 2. AVERAGE FINANCIAL BEHAVIOUR SCORES* FOR ALL AUSTRALIANS, THOSE AGED 18 TO 64 AND THOSE AGED 65+

Financial behaviour	18 to 64	65+	All Australians[16]	Sig[17,18]
Planning and budgeting	59	63	60	**
Spending restraint	72	86	74	***
Not borrowing for everyday expenses	80	94	82	***
Monitoring finances	71	72	71	NS
Active saving	61	71	63	***
Informed product choice	55	62	56	***
Informed decision making	65	71	66	***

*Scores are out of 100

Table 2 compares the financial behavioural scores for older people compared to younger cohorts. For nearly all of the financial behaviours, the older group (aged 65 years and over) had higher average scores than younger cohorts (aged 18 to 64 years). Older people scored highest in 'not borrowing for everyday expenses' and 'spending restraint'.

'Informed decision-making' includes seeking advice or information when important financial decisions need to be made, considering options and staying abreast of money matters. Australians aged 65 and over scored 71 on average compared to the total sample average of 66. The higher scores on this measure might reflect that older people are more likely to be cautious and need support when making financial decisions – especially those that are complex and have significant financial implications.

Table 3 compares the financial behaviour scores for older people within each of the four financial wellbeing categories. The behaviours that differed significantly by financial wellbeing category were: active saving; not borrowing for everyday expenses; spending restraint; and informed decision-making.

The largest contrast in financial behaviours, by category, was in 'active saving' behaviour: older Australians who were 'struggling' scored very low on this behaviour (32 out of 100), compared to those who had 'no worries' (85 out of 100). Active saving is increasingly being recognised as a critical financial behaviour that builds financial resilience and strongly contributes to financial wellbeing. 'Active saving' refers to saving money regularly—even small amounts—for unexpected expenses, for 'rainy days' and for short-term goals.

TABLE 3. AVERAGE FINANCIAL BEHAVIOUR SCORES* FOR EACH FINANCIAL WELLBEING CATEGORY (FOR THOSE AGED 65+)

Financial behaviour	Struggling	Getting by	Doing OK	No worries	Sig[18]
Planning and budgeting	61	63	65	62	NS
Spending restraint	76	79	82	94	***
Not borrowing for everyday expenses	71	85	96	99	***
Monitoring finances	77	72	70	73	NS
Active saving	32	43	71	85	***
Informed product choice	54	57	62	66	NS
Informed decision making	66	67	70	74	**

*Scores are out of 100

16. As reported in ANZ (2018), page 42, "weighted average scores out of 100", and so includes the 65+ cohort.
17. Based on t-test between the 18 to 64 age group and the 65+ group.
18. Sig: whether there is a difference across each of the segments using ANOVA (NS = not significant; *** p < .001, ** p < .01).

2.4.2 Psychological factors

Certain psychological factors are more closely associated with financial wellbeing than others. As Kempson et al. (2017) found, the factors that were highly correlated with financial wellbeing were:

- confidence in money management skills
- internal locus of control
- long-term time orientation
- positive attitude to saving
- negative attitude to borrowing
- high level of self-control
- low impulsivity
- action orientation.

In the ANZ (2018) report, the psychological factors that were significantly associated with financial wellbeing were 'confidence in money management skills' and 'locus of control'.

On all psychological and attitudinal factors, older people in the survey scored significantly higher than the younger cohorts. Over longer periods of time and with greater experience in a range of financial decisions, confidence was likely to increase. Older people were also more likely to have a negative attitude to borrowing and be less likely to be impulsive in their spending.

The psychological factors for older Australians and their importance in distinguishing between the four categories of financial wellbeing were analysed. Nearly all psychological and attitudinal scores differed by group (except for concern for social status).

Two items, however, more strongly differentiated each financial wellbeing category[22]. These were 'high confidence in money management' and 'internal locus of control'. These factors were also the two that were significantly associated with overall financial wellbeing in the ANZ (2018) study.

The psychological factor 'high levels of confidence in managing money' is interesting for older people. Recent evidence has shown that although cognitive decline is likely to be occurring in an older person, their level of confidence in making financial decisions often remains high (Finke et al., 2017). Research is showing that age and financial over-confidence are positively correlated.
This is an important factor to consider when older people are faced with life events that involve financial decision-making. A mismatch between confidence levels and actual decision-making abilities could leave an older person vulnerable to financial mistakes that might have long-term effects on their financial wellbeing.

TABLE 4. AVERAGE PSYCHOLOGICAL FACTOR SCORES* FOR ALL AUSTRALIANS, THOSE AGED 18 TO 64 AND THOSE AGED 65+

Psychological and attitudinal factors	18 to 64	65+	All Australians[19]	Sig[20]
Long-term time orientation	59	68	61	***
Low impulsivity	64	75	66	***
Low concern about social status	49	55	50	***
High self-control	56	63	57	***
Internal locus of control	60	68	61	***
High action orientation	53	62	55	***
High positive attitude to money[21]	68	78	69	***
High confidence in money management[21]	63	75	65	***

*Scores are out of 100

19. As reported in ANZ (2018), page 43, "weighted average scores out of 100", and so includes the 65+ cohort.
20. Based on t-test between 18 to 64 age group and 65+ group.
21. Attitude item.
22. This means that for each segment the score was significantly different to all the other segments.

2.4.3 Financial knowledge and experience

Kempson et al. (2017) and ANZ (2018) showed that financial knowledge had, in itself, limited effect on financial wellbeing scores. While financial knowledge would of course help in making financial decisions, when compared with the influence of psychological traits, socio-economic factors and behaviours, it was far less important in determining financial wellbeing.

The components of financial knowledge and experience measured were: money management experience; financial product experience; product knowledge; and understanding of risk. Compared to those aged 18 to 64, people aged 65+ had higher scores on all components of financial knowledge and experience.

Although older people are more likely to score higher on financial knowledge than younger cohorts, further analysis (see Section 2.5) shows that these knowledge factors do not contribute to the financial wellbeing of older people when all other factors are taken into account.

TABLE 5. AVERAGE FINANCIAL KNOWLEDGE AND EXPERIENCE SCORES* FOR ALL AUSTRALIANS, THOSE AGED 18 TO 64 AND THOSE AGED 65+

Financial knowledge and experience factors	18 to 64	65+	All Australians[23]	Sig[24]
Money management experience	85	95	86	***
Financial product experience	34	35	34	*
Product knowledge	55	64	57	***
Understanding of risk	66	73	67	***

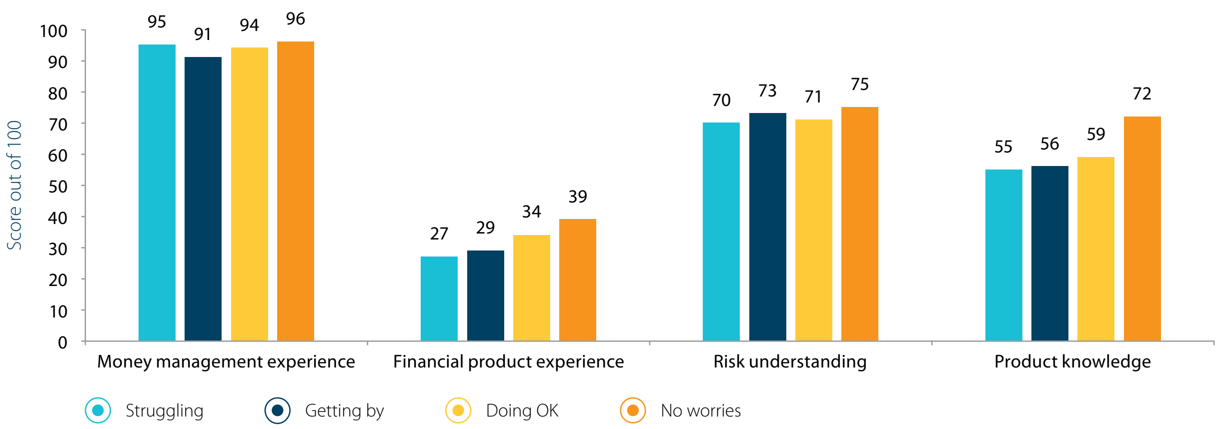
*Scores are out of 100

TABLE 6. AVERAGE FINANCIAL KNOWLEDGE AND EXPERIENCE SCORES* FOR EACH CATEGORY OF OLDER AUSTRALIANS (AGED 65+)

Financial knowledge and experience factors	Struggling	Getting by	Doing OK	No worries	Sig[25]
Money management experience	95	91	94	96	*
Financial product experience	27	29	34	39	***
Product knowledge	55	56	59	72	***
Understanding of risk	70	73	71	75	*

*Scores are out of 100

FIGURE 7. FINANCIAL KNOWLEDGE AND EXPERIENCE OF OLDER PEOPLE BY FINANCIAL WELLBEING CATEGORY



23. As reported in ANZ (2018), page 44, "weighted average scores out of 100", and so includes the 65+ cohort.
24. Based on t-test between 18 to 64 age group and 65+ group (NS = not significant; *** p < .001, ** p < .01, * p < .05).
25. Analyses conducted using two-way ANOVA.

2.4.4 Economic factors

Economic factors are important drivers of financial wellbeing. The ANZ (2018) research found that the most important influencers were: household income; income that varied month-to-month (negative effect); and income that fell substantially in the previous year (negative effect).

Main source of income[26]: Overall, older people aged 65 and over had higher financial wellbeing scores across all types of income source than those aged 18 to 64, except when superannuation or self-funded retirement income was the main source of income.

Owning a home outright: Owning your own home outright was associated with higher financial wellbeing, both for people aged 18 to 64 and those aged 65 and over.

Stability of household income: People who had stable and predictable incomes had higher financial wellbeing, and the older cohort did better still (interaction between stability of income and age group).

Superannuation balance: Financial wellbeing generally increased for people with higher superannuation balances. There was no interaction between age and superannuation balance and financial wellbeing.

Level of savings: As the level of savings increased, so did the average financial wellbeing score. People aged 65 and over had higher average scores for each level of savings compared to those aged 18 to 64.

TABLE 7. AVERAGE FINANCIAL WELLBEING SCORES* FOR ALL AUSTRALIANS, THOSE AGED 18 TO 64 AND THOSE AGED 65+

Economic factor	18 to 64	65+	All Australians
Main source of income			
Wages or salary	60	71	60
Self-employed earnings or proceeds from a business	58	75	60
Government benefit or allowance	42	64	51
Superannuation/self-funded retirement income	81	84	83
Home ownership			
Own home outright	72	78	75
Have a mortgage	59	57	59
Pay rent to private landlord	49	57	50
Pay rent to government agency	46	53	48
Pay rent/board to someone who lives in the house	52	52	52
Stability of household income			
Very predictable and stable	62	72	65
Generally predictable, varies a bit	55	71	57
Not that predictable, varies considerably	41	55	42
Annual income before tax			
Under $25,000	44	59	47
$25,000–$49,999	49	67	55
$50,000–$74,999	57	80	62
$75,000–$99,999	62	81	64
$100,000–$124,999	64	86	65
$125,000–$149,999	65	82	66
$150,000 or more	76	86	77

26. Analyses conducted using two-way ANOVA.

Economic factor	18 to 64	65+	All Australians
Superannuation balance			
Less than $50,000	49	62	50
$50,000–$99,999	58	68	59
$100,000–$499,999	65	80	68
$500,000 or more	80	91	83
Do not have superannuation	50	65	55
Income change in previous 12 months			
Increased substantially	68	79	69
Increased a little	64	75	66
Stayed the same	58	72	61
Decreased a little	51	69	55
Decreased substantially	42	54	44
Level of savings			
Less than $1,000	34	37	34
$1,000–$4,999	50	55	50
$5,000–$9,999	59	65	60
$10,000–$19,999	63	72	65
$20,000–$49,999	68	75	70
$50,000–$99,999	71	78	73
$100,000–$249,999	76	84	79
$250,000 or more	79	89	82

*Scores are out of 100

Photo credit: Getty Images

Table 8 provides the distribution of each economic variable for each financial wellbeing category of older people. Older people in the sample who were in the 'no worries' category were more likely to have superannuation as their main source of income rather than government income support.

Those who were in the 'no worries' category also had higher, stable annual incomes, were less likely to have experienced a substantial decrease in their income during the previous 12 months, had much lower levels of consumer debt (non-mortgage related debts and loans), owned their home outright, were more likely to have superannuation, and higher levels of savings.

TABLE 8. DISTRIBUTION OF ECONOMIC FACTORS BY CATEGORY OF OLDER AUSTRALIANS (AGED 65+)

Economic factor	Struggling	Getting by	Doing OK	No worries	All older Australians
Annual income before tax					
Under $25,000	37%	30%	19%	9%	17%
$25,000–$49,999	46%	60%	49%	35%	44%
$50,000–$74,999	7%	7%	20%	28%	21%
$75,000–$99,999	5%	2%	7%	14%	10%
$100,000–$124,999	-	-	2%	6%	3%
$125,000–$149,999	5%	-	-	3%	2%
$150,000 or more	-	1%	3%	5%	3%
Main source of income					
Wages or salary	13%	6%	15%	12%	12%
Self-employed earnings or proceeds from a business	2%	4%	3%	5%	4%
Government benefit or allowance	81%	83%	51%	37%	51%
Superannuation/self-funded retirement income	4%	3%	22%	42%	27%
Other	-	3%	6%	4%	5%
Don't know	-	1%	3%	-	1%
Stability of household income					
Very predictable and stable	64%	65%	64%	74%	69%
Generally predictable, varies a bit	23%	23%	31%	24%	26%
Not that predictable, varies considerably	13%	12%	5%	2%	5%
Income change in last 12 months					
Increased substantially	2%	-	1%	2%	1%
Increased a little	21%	19%	20%	28%	23%
Stayed the same	47%	48%	52%	56%	54%
Decreased a little	15%	13%	15%	11%	13%
Decreased substantially	13%	19%	10%	3%	8%
Don't know	2%	1%	2%	-	1%

Economic factor	Struggling	Getting by	Doing OK	No worries	All older Australians
Level of consumer debt					
Less than $1,000	38%	52%	49%	67%	57%
$1,000–$9,999	28%	26%	21%	19%	21%
$10,000–$49,000	15%	11%	6%	3%	6%
$50,000–$99,999	4%	-	2%	-	1%
$100,000 or more	6%	1%	-	2%	1%
Don't know or prefer not to say	9%	10%	22%	9%	14%
Home ownership					
Own home outright	30%	39%	63%	89%	69%
Have a mortgage	21%	20%	14%	4%	11%
Pay rent to private landlord	28%	23%	15%	4%	12%
Pay rent to government agency	15%	13%	4%	2%	5%
Pay rent/board to someone who lives in the house	2%	3%	1%	-	1%
Other	4%	2%	3%	1%	2%
Superannuation balance					
Less than $50,000	9%	7%	6%	2%	5%
$50,000–$99,999	2%	7%	4%	4%	5%
$100,000–$499,999	-	7%	15%	22%	16%
$500,000 or more	-	-	4%	18%	9%
Don't know or prefer not to say	6%	4%	16%	14%	13%
Do not have superannuation	83%	75%	55%	40%	52%
Level of savings					
Less than $1,000	70%	53%	6%	-	14%
$1,000–$4,999	11%	14%	7%	1%	5%
$5,000–$9,999	4%	4%	9%	2%	5%
$10,000–$19,999	2%	5%	10%	5%	7%
$20,000–$49,999	4%	3%	15%	11%	11%
$50,000–$99,999	-	4%	9%	10%	8%
$100,000–$249,999	-	2%	9%	19%	12%
$250,000 or more	-	-	8%	31%	16%
Don't know or prefer not to say	9%	15%	27%	21%	22%

2.4.5 Social factors

Older people who were in the 'no worries' category were also more likely to be living in a couple household, rather than on their own, had financial advice from their parents when they were growing up, were less likely to have a disability or long-term health condition and less likely to ever have been divorced from a long-term partner. Significantly more men than women were in the 'no worries' category.

TABLE 9. DISTRIBUTION OF SOCIAL FACTORS BY CATEGORY OF OLDER AUSTRALIANS (AGED 65+)

Economic factor	Struggling	Getting by	Doing OK	No worries	All older Australians
Household situation					
Live alone	47%	33%	29%	22%	28%
Single – live in shared household	9%	5%	4%	1%	3%
Single parent – children at home	2%	3%	2%		1%
Married/defacto couple – children at home	9%	7%	9%	6%	7%
Married/defacto couple – no children at home	32%	49%	54%	70%	59%
Other	1%	3%	2%	1%	2%
Financial advice from parents					
Had financial advice from parents while growing up (scores 1 to 4)	23%	44%	49%	57%	50%
No financial advice while growing up (score 5)	68%	52%	46%	41%	46%
Don't know	9%	4%	5%	2%	4%
Disability or long-term health condition					
Yes	62%	59%	38%	30%	38%
No	38%	41%	62%	70%	62%
Ever been divorced from a long-term partner					
Yes	55%	48%	39%	27%	36%
No	43%	50%	59%	72%	62%
Rather not say	2%	2%	2%	1%	2%
Gender					
Male	57%	52%	48%	60%	54%
Female	43%	48%	52%	40%	46%

2.5 IMPORTANT DETERMINANTS OF FINANCIAL WELLBEING

The previous sections used the survey results to investigate the broad relationships between financial wellbeing and the behavioural, psychological, knowledge, economic and social characteristics of older Australians. In this section, regression analysis was used to quantify these factors, allowing them to be ranked in order of their relative importance to financial wellbeing.

We applied a single regression model[27] where the dependent variable was the financial wellbeing scores of our survey respondents and the independent variables were their answers to the survey questions (statistically significant factors are highlighted)[28]. These results have been presented in Tables 10, 11 and 12 for ease of presentation and discussion.

27. Total variance explained by the model was 67.2 per cent: adjusted $R2 = 0.67$, $F(76, 655) = 20.69$, $p < .001$.

28. The variables (factors) included in the regression model that were not significant and also not been reported in the tables are: previous or current occupation; ever divorced; household type; level of non-mortgage debt; sub-age group categories; income predictability and stability.

Table 10 reports the relationships between behavioural, psychological and knowledge scores and financial wellbeing.

In terms of the behavioural factors, a one unit increase in the score for 'not borrowing for everyday expenses' increased financial wellbeing by 0.60 of a point, holding all other factors constant. This means that if there were two people that were identical in every respect, except one person scored 60 out of 100 for 'not borrowing for everyday expenses', while the other scored 70, the person with the score of 70 would have a financial wellbeing score 6 units higher. An increase in the 'active saving' score increases financial wellbeing by 0.29 of a point, and for 'spending restraint' it is 0.07 of a point.

Interestingly, increased scores of 'informed decision-making' and 'planning/budgeting' both reduce financial wellbeing by 0.11 and 0.08 of a point respectively. These potentially counter-intuitive results could indicate that people who are stressed about their financial situation are therefore more likely to engage in such behaviours.

For the psychological factors, a one unit increase in 'high confidence in money management' increased financial wellbeing by 0.12 of a point (holding all other factors constant); and for 'internal locus of control' the increase is 0.10 of a point.

An increase in 'high positive attitude to saving and negative attitude to borrowing' reduces financial wellbeing by 0.08 of a point, again indicating that these attitudes maybe more dominant or front of mind for people who are stressed about their financial situation.

Financial knowledge, included 'money management experience', 'financial product experience' (for example, number and types of products held), 'product knowledge experience' (personal understanding of different product types) and 'understanding the concept of risk' – none of which were significant. Hence, when the social, economic, psychological and behavioural factors are accounted for, financial knowledge is no longer significantly associated with financial wellbeing.

TABLE 10. BEHAVIOURAL, PSYCHOLOGICAL AND KNOWLEDGE SCORES

	Unstandardised coefficients (B)	Standard error	Standardised coefficients	P value
(Constant)	-16.27	7.34		*
Behavioural scores				
Active Saving Score	0.29	0.03	0.353	***
Not Borrowing for Expenses Score	0.60	0.05	0.316	***
Informed Product Choice Score	0.00	0.02	-0.006	NS
Planning/Budgeting Score	-0.08	0.02	-0.099	***
Informed Decision-making Score	-0.11	0.03	-0.100	***
Spending Restraint Score	0.07	0.03	0.070	***
Monitoring Finances Score	0.01	0.03	0.014	NS
Psychological scores				
High Confidence in Money Management Score	0.12	0.03	0.117	***
Internal Locus of Control Score	0.10	0.04	0.085	**
High Positive Attitude to Saving and Negative to Borrowing Score	-0.08	0.04	-0.064	*
Low Concern about Social Status Score	0.02	0.02	0.021	NS
High Self-control Score	-0.04	0.03	-0.031	NS
Long-term Time Orientation Score	-0.03	0.03	-0.026	NS
Low Impulsivity Score	0.01	0.03	0.008	NS
High Action Orientation Score	-0.04	0.03	-0.040	NS
Knowledge scores				
High Money Management Experience Score	0.02	0.03	0.015	NS
High Financial Product Experience Score	0.06	0.04	0.041	NS
High Understanding of Risk Score	0.03	0.03	0.027	NS
High Product Knowledge Score	0.04	0.03	0.040	NS

Note: NS represents not statistically significant, *p<.05, **p<.01, *** p<.001

Table 11 looks at the economic factors that drive the financial wellbeing of older Australians using categorical (or binary) variables.

For example, when considering 'source of income' as the reference category it refers to those with 'wages and salaries'. Therefore, the coefficient for 'superannuation/ self-funded retirement income' of 6.18 means that if there were two people that were identical in all respects except their source of income, the person whose income is from superannuation would have a financial wellbeing score that is 6.18 points greater compared with the other person whose main source of income was 'Wages and salary'.

In terms of 'annual income' levels our reference category is those with earnings $75,000-$99,000 per annum, and it is only individuals with income levels substantially below this who have significantly different financial wellbeing scores. If a respondent's annual income was $25,000–$49,000 per annum, their financial wellbeing score would be 4.85 points lower. A person with an annual income under $25,000 per annum would have a financial wellbeing score that is 4.19 points lower. For all other income categories, the financial wellbeing scores are effectively the same as for those in our reference group.

For 'change in income in the last 12 months' the reference category is 'no change' and the only statistically significant category is 'decreased substantially'. That is, if someone's income decreased substantially in the previous 12 months their financial wellbeing score would be 6.08 points lower compared to someone whose income had stayed the same.

The 'housing' reference group is 'buying with a mortgage' and for all those in the various other 'renting' categories their financial wellbeing was not significantly different from this group. However, a person that 'owned their own home' would have a financial wellbeing score 7.19 points greater.

TABLE 11. ECONOMIC FACTORS

Variables	Unstandardised coefficients	Standard error	Standardised coefficients	P value
Source of income				
Wages or salary	Ref. group			
Self-employed earnings or proceeds from a business	4.99	2.92	0.044	NS
Government benefit or allowance	0.73	1.87	0.016	NS
Superannuation/self-funded retirement income	6.18	1.87	0.121	***
Other	7.10	2.81	0.067	*
Don't know	1.21	6.31	0.006	NS
Annual income				
Under $25,000	-4.19	2.07	-0.066	*
$25,000–$49,999	-4.85	1.58	-0.104	**
$50,000–$74,999	-1.04	1.70	-0.018	NS
$75,000–$99,000	Ref. group			
$100,000–$124,999	3.10	3.25	0.023	NS
$125,000–$149,999	-1.26	4.29	-0.007	NS
$150,000 or more	3.52	3.23	0.027	NS
Change in income in last 12 months				
Increased substantially	0.47	4.49	0.002	NS
Increased a little	0.00	1.27	0.000	NS
No change	Ref. group			
Decreased a little	-2.92	1.63	-0.043	NS
Decreased substantially	-6.08	2.07	-0.073	**
Don't know	-10.50	5.99	-0.051	NS
Housing				
I/we own my home outright	7.19	1.76	0.147	***
Buying with a mortgage	Ref. group			
I/we pay rent to a private landlord	1.83	2.18	0.026	NS
I/we pay rent to a government agency	2.92	2.90	0.029	NS
I/we pay rent/board to someone who lives in the house	4.27	5.21	0.021	NS
Other	9.64	4.14	0.058	*

Note: NS represents not statistically significant, *p<.05, **p<.01, *** p<.001

Table 12 examines how social factors affect the financial wellbeing of older Australians, again using categorical (or binary) variables.

For 'education', the reference category was 'Year 11 or below' and the financial wellbeing scores were only affected for those whose education was below this level. That is, if someone had only completed primary school education, their financial wellbeing score would be reduced by 10.85 points compared to another person who had completed some high school.

For the question about whether parents discussed financial matters[29], respondents used a rating from 1 to 5. There were no statistically significant differences in financial wellbeing across these ratings. However, if the respondent 'did not know' whether their parents talked to them about money when they were growing up their financial wellbeing score was reduced by 6.8 points compared to someone who responded to this question with *any* other rating.

For the item 'has disability or long-term health conditions', if someone has a disability their financial wellbeing score would be 2.55 points lower compared to an identical person in every other respect except that they do not have a disability or a long-term health condition.

TABLE 12. SOCIAL FACTORS

Variables	Unstandardised coefficients	Standard error	Standardised coefficients	P value
Education				
Primary school or below	-10.85	5.02	-0.050	*
Year 11 or below	Ref. group			
Secondary – Year 12/6th form	0.25	1.77	0.004	NS
Trade/ apprenticeship	-0.25	2.23	-0.003	NS
Other TAFE/technical certificate or diploma	-0.31	1.54	-0.006	NS
Undergraduate certificate or diploma	-2.61	2.10	-0.035	NS
Have completed Degree/Masters degree/doctorate	-0.49	1.92	-0.008	NS
Parents discussed financial matters				
1 – Fits very well	0.03	2.01	0.000	NS
2	0.24	1.99	0.003	NS
3	Ref. group			
4	1.67	2.05	0.023	NS
5 – Does not fit at all	-0.20	1.61	-0.004	NS
6 – Don't know	-6.81	2.94	-0.059	*
Has disability or long-term health conditions				
No	Ref. group			
Yes	-2.55	1.10	-0.055	*

Note: NS represents not statistically significant, *p<.05, **p<.01, *** p<.001

29. This is the only non-categorical factor in Table 12.

2.6 SEEKING FINANCIAL GUIDANCE OR ADVICE

This section uses the data from the ANZ (2018) financial wellbeing survey to explore how older Australians are utilising banks and financial services.

It is well recognised that many people in Australia and globally find it difficult to access trustworthy, affordable financial guidance (OEE et al., 2016). As with most Australians, older people predominantly rely on family and friends for advice and information when making financial decisions.

Analysis of the ANZ (2018) data (Table 13) showed that older Australians who were included in the financial wellbeing category of 'struggling' were the most likely of all (28 per cent) to seek support from the Australian Government Financial Information Service (FIS)[30] along with seeking information from family and friends (28 per cent). This group of older people were also more likely to consult their church minister or community leader, compared to all other groups[31].

For older Australians who 'had no financial worries', advice was commonly sought from financial planners (40 per cent) and accountants (31 per cent).

Indeed, these preferences say more about the groups' capacities to pay for financial advice. On average, 20 per cent of older Australians consulted their bank manager or a bank employee with no difference found across the financial wellbeing categories.

TABLE 13. WHERE DO OLDER AUSTRALIANS (AGED 65+) SEEK FINANCIAL ADVICE?

Who they consulted in the last two years* about finances	Struggling	Getting by	Doing OK	No worries	All groups
Centrelink financial information service (.03)	28%	19%	14%	12%	15%
Family or friends (NS)	28%	24%	21%	22%	22%
Website, blog, webinar or other online resource (NS)	13%	11%	15%	24%	18%
Accountant	13%	13%	18%	31%	23%
A taxation specialist	13%	6%	17%	21%	17%
Bank manager or bank employee (NS)	11%	17%	18%	23%	20%
A financial planner or advisor	9%	11%	28%	40%	30%
Church minister or community leader	9%	3%	1%	1%	2%
Books on managing finances and investment (NS)	6%	6%	8%	9%	8%
A financial counsellor/budget advisor/ financial mentor (NS)	4%	2%	6%	7%	6%

*In the two years prior to completing the ANZ survey (2018).

30. The FIS delivered through Centrelink offices is independent, free and relatively easy to access.
31. A community welfare service or agency was not included in the list of options provided in the ANZ (2018) survey although it is included in the ABS definition of financial hardship (needing to seek support from such an agency).

2.7 OLDER AUSTRALIANS AND FINANCIAL BEHAVIOUR

The ANZ (2018) survey captured the banking behaviour of Australians in 2017. A high proportion of older people reported doing their banking online, but were more likely to do this via a desktop computer rather than a mobile phone or app. While using a banking app was the most common method for checking bank accounts for young adults (87 per cent), only 32 per cent of people aged 65 to 69 and 25 per cent of people aged 70 and over used banking apps (see Table 14). Rapid changes in mobile devices, apps and the physical challenges of using a smaller screen (such as a phone) were likely barriers to older people with physical and/or cognitive impairment.

Older Australians were generally accessing their bank accounts less frequently than other age groups. This might be attributed to low variability in income amounts or the spending restraint generally exhibited by older people. Preoccupation with mobile devices and the increasing frequency and duration of all online interactions of younger people might also contribute to the difference.

The different methods used by older Australians to access bank accounts was compared by financial wellbeing category. Quite significant proportions of older people from all categories hardly ever or never use an ATM. Older Australians who were in the 'struggling' category were more likely to access their accounts daily or several times a day via an ATM (see Table 15).

TABLE 14. METHODS FOR ACCESSING BANK ACCOUNTS: COMPARISON OF ALL AGE GROUPS

Methods to access bank accounts	18 to 29	30 to 49	50 to 64	65 to 69	70+	Total
Internet banking using a computer and an internet browser	87%	88%	85%	85%	81%	86%
An ATM	89%	87%	86%	82%	78%	85%
Over-the-counter in a branch	65%	69%	72%	72%	70%	70%
Bank website using an internet browser on a mobile phone or tablet	75%	74%	56%	51%	47%	64%
Calling bank and using the automated prompts or talking to a bank consultant	47%	49%	43%	36%	27%	47%
Mobile banking app using a phone or tablet	87%	75%	49%	32%	25%	61%

TABLE 15. FREQUENCY OF ACCESSING ACCOUNTS VIA AN ATM FOR OLDER AUSTRALIANS (AGED 65+) BY FINANCIAL WELLBEING CATEGORY

Frequency of accessing accounts via an ATM	Struggling	Getting by	Doing OK	No worries	All groups
Several times a day	2%	-	-	-	-
Once a day	4%	-	1%	-	1%
Several times a week	13%	4%	6%	2%	5%
Once a week	19%	17%	20%	18%	19%
Once a fortnight	21%	30%	14%	17%	18%
Once a month	2%	12%	11%	10%	10%
Less often	23%	25%	24%	33%	28%
Never	15%	13%	23%	20%	20%

CONCLUSION

As Australia's population ages, the financial wellbeing of older people becomes increasingly important.

Like any group with specific needs and vulnerabilities, older people are not a homogeneous group. Within this age range there is a diversity of capabilities, financial situations and needs. However, there are also many commonalities – for example in financial decision points and the capabilities necessary to make optimal decisions for a comfortable retirement.

There are particular unavoidable physical and cognitive issues that people will experience as they age and these invariably impact on financial capability. The particular challenges that older people face can leave them vulnerable to financial hardship, social isolation and financial abuse.

Analysis in this report showed that, on average, the financial wellbeing of people aged 65 and over was higher than younger cohorts in Australia. This is a positive finding but, at this stage of life, those who are 'struggling' or experiencing financial stress and hardship will have limited opportunities to improve their financial situation.

It has been confirmed that owning a home (mortgage-free) by retirement is critically important to financial wellbeing in older age. The current population of older Australians is enjoying relatively high financial wellbeing in part due to their rates of home ownership. However, the declining rate of home affordability and home ownership indicates that older people of the future (our younger cohorts of today) may not enjoy this level of financial wellbeing when they reach retirement.

Having adequate income in retirement also differentiates those who are doing well from those who are struggling. Those with income from superannuation or annuities generally have higher financial wellbeing and this emphasises the importance of supporting younger people to build their retirement savings. The changing shape of work (including increasing reliance on the gig economy and casual work) may lead to a different picture of financial wellbeing for older people in coming years. The over-representation of women in unpaid caring roles, casual, part-time and low-paid work will also continue to result in a higher risk of financial disadvantage when older.

Future surveys of this type will determine whether other factors become more important to financial wellbeing over time, and will indicate which policies and systems in Australia might best enable people to maintain financial wellbeing in older age.

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