ING DIRECT
FINANCIAL WELLBEING INDEX
Q1 2013

ING DIRECT

Spend your life well

Low rates no deterrent to saving

Some of the lowest interest rates in years haven't discouraged Australians from building a substantial pool of cash savings.

The first quarter of 2013 (Q1) sees Australian households continue to reduce personal debt and focus on growing personal savings – dual strategies that are paying off in terms of boosting household confidence.

The ING DIRECT Household Financial Wellbeing Index for Q1 2013 stands at 108.2 – an increase on the Q4 2012 reading of 107.4, and a level that is holding near the two year high of 109.0 reached in Q3 2012.

The Index is now well into its fourth year, and it continues to deliver meaningful insights into the way households manage their money, and how this impacts overall financial confidence and comfort levels.

Our latest findings confirm the strong link between household confidence and low debt levels and/or high personal savings.

But what is most remarkable about ING DIRECT's latest findings is the single-minded determination of Australian households in building savings. The first quarter of the year is traditionally a time of cash outflows as households virtually across the board recover from festive season spending. Yet Q1 2013 has demonstrated that Australians are intent on bucking this trend.

Median household savings currently stand at $15,427 - the highest since tracking began in Q1 2010 and exceeding the previous high of $11,798 recorded in Q4 2012. It means that despite the financial toll of the preceding holiday season, Australians are still finding spare cash to tuck into interest bearing deposits.

These efforts recall the findings of our Q4 2012 Financial Wellbeing Index report, in which 32% of households said they were aiming to build savings over the year ahead. The majority of these savers were aiming for a target equivalent to around three month's wages, or about $16,500. Based on our Q1 2013 findings, many households will meet – if not exceed – this target.

With 44% of home owners saying they are ahead with their loan, and households making a concerted effort to grow savings, it is little wonder that financial wellbeing has improved across the nation. As individuals we have no control over the state of the economy, the health of the labour market or the global price of commodities. What we can do is adopt a sensible approach to money management, and that is what many Australians are focusing on.

Reducing debt and building a buffer of cash will hold all Australian households in good stead – regardless of whatever curveballs 2013 may throw at us.

Vaughn Richtor
CEO, ING DIRECT Australia

Financial confidence rises as households grow savings

Index climbs in Q1 2013 to approach 2-year high

The ING DIRECT Financial Wellbeing Index rose to 108.2 in Q1 2013 up from 107.4 in Q4 2012.

The Q1 2013 Index reading of 108.2 is holding near the two year high of 109.0 reached on Q3 2012. Comfort levels across five out of six financial dimensions increased in Q1 2013, the only exception is confidence in long term assets and investments, which fell slightly over the quarter to a score of 3.5 (out of a possible 7) down from 3.6 in Q4 2012.

The efforts of Australian households to reduce debt are paying off. With 93% of home owners saying they are 'comfortable' with their mortgage, households are now focusing on building cash savings.

The nation's households currently have median savings of $15,427 - the highest since tracking began in Q1 2010 and exceeding the previous high of $11,798 recorded in Q4 2012. This represents significant savings growth since mid-2011 when the Index recorded a low point for savings of $5,155 per household.

At a glance

Credit card/short term debt

Households appear to be turning to their credit cards less, with the average number of cards per household falling from 1.9 in Q4 2012 to 1.8 in Q1 2013. Reflecting this, comfort ratings with card debt rose over the quarter from 5.07 in Q4 2012 to 5.2 in Q1. Confirming the impact that multiple credit cards can have on financial wellbeing, 25% of those who say they are uncomfortable with card debt have four or more credit cards compared to just 8% of those who report being comfortable with their credit cards.

Mortgage/long term debt

Comfort with home loans remains the highest across all six financial indicators, with a Q1 2013 score of 5.7. This represents a modest rise from 5.64 in Q4 2012. Nationally, 44% of households are ahead with their home loan though this has declined from 49% in Q4 2012.

Household income

Confidence with income remained broadly stable over the quarter with comfort levels steady at 3.9.

Ability to pay regular bills

Household comfort with ability to pay regular bills rose from 3.96 in Q4 2012 to 4.02 in Q1 2013.

Personal savings

Household savings are no longer the weak spot of financial wellbeing for Australian households as comfort levels rose modestly in Q1 2013. Median savings nationally are $15,427 per household though this varies widely between states with South Australia reporting the lowest level of savings – a median of $7,998 per household.

Investments/long term assets

This continues to be an area of concern for Australian households with comfort levels deteriorating over Q1 2013 – down to 3.5 from 3.6 in Q4 2012.

The ING DIRECT Financial Wellbeing Index

Measuring the pulse of the nation's financial health.

The ING Direct Financial Wellbeing Index rates household comfort levels across the six key aspects of personal financial wellbeing (as noted below).

Our respondents rated their personal comfort level for each of these aspects on a scale from 1 ('very uncomfortable') to 7('very comfortable'). The average of these scores is indexed to the scale midpoint, so that a score of 4 has an Index value of 100. By comparing the Index scores between quarters we can see how household financial wellbeing is changing over both short and longer timeframes.

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
	Index												
Short term debt (credit cards)	126	129	127	126	127	126	130	130	129	126	130	127	130
Long term debt	139	142	137	136	136	138	137	139	140	139	141	141	143
Household income	99	102	101	100	97	99	100	98	100	97	102	99	100
Short Term credit	88	87	86	88	83	86	84	84	86	85	91	89	89
Long term assets (investments)	91	93	92	91	88	88	88	86	88	90	89	90	88
Household bills	102	102	100	100	98	97	96	97	98	96	102	99	101
Overall	**107.5**	**109**	**107.2**	**106.5**	**104.8**	**105.8**	**105.9**	**105.6**	**106**	**105.6**	**109**	**107.5**	**108.2**

Events that helped shape sentiment

In the first quarter of 2013:

The Reserve Bank of Australia keeps rates on hold at 3.0% throughout the quarter.

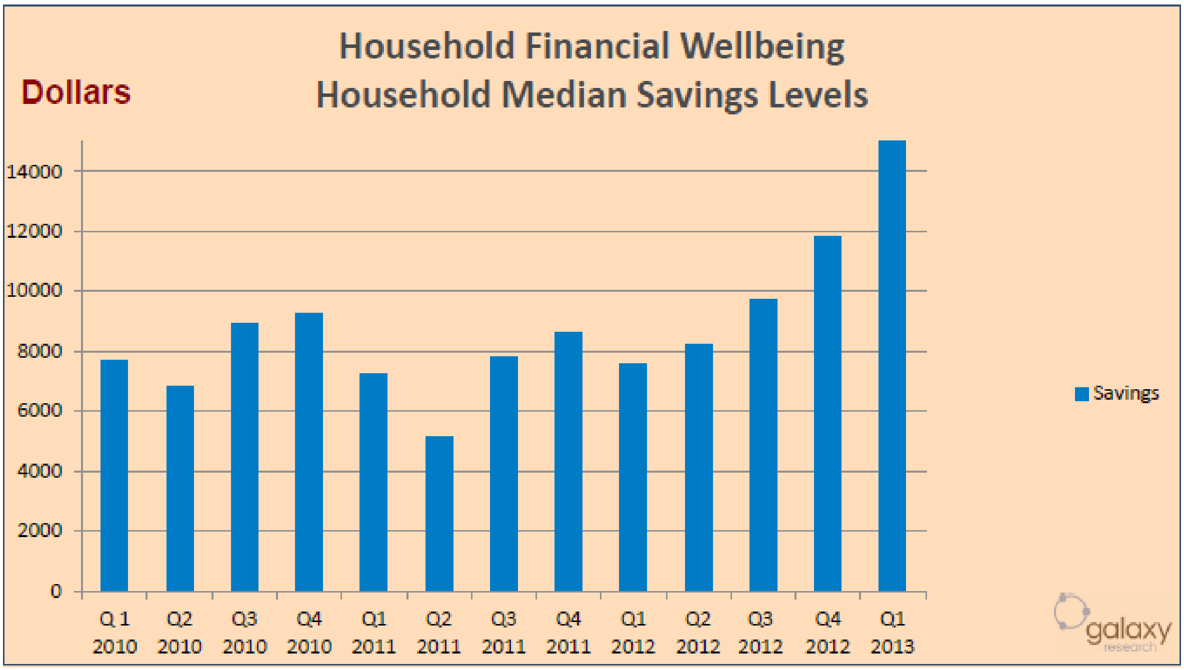
Unemployment rate remains steady in February 2013 at 5.4%. (Source: ABS Cat 6202).

Household savings triple in just two years

Low interest rates have failed to dampen enthusiasm for cash deposits as median household savings rise to $15,427 in Q1 2013 up from $5,155 in mid-2011.

The ING DIRECT Financial Wellbeing Index confirms that the efforts of Australian households to reduce debt are paying off. With 93% of home owners saying they are 'comfortable' about their mortgage, households are now focusing on building savings.

Across the nation median savings are $15,427 per household, the highest since tracking began in Q1 2010. This represents significant savings growth since mid-2011 when the Index recorded a low point for savings of $5,155 per household.



Savings differ widely
Gen X households (aged 35-49) are those most likely to be raising children, and these Australians are finding it harder to tuck away spare cash. Household savings are lowest for Gen X with a median of $8,060 compared to $14,377 for Gen Y (18-34) and $17,744 for baby boomers (50-64).

Additionally, one in three (31%) Gen Xers report having savings below $1,675 compared to 21% of Gen Y households and 21% of boomers.

In Q1 2013, 13% of all Australian households report having zero savings though this is the lowest level since inception of the Index in Q1 2010.

Mortgage proves no barrier to saving
Paying off a mortgage is proving no barrier to building savings. Eight out of ten (84%) households with savings of $67,000 or more are home owners; 47% of those with less than $1,675 in savings rent the home they live in.

Financial wellbeing around the nation

New South Wales

The ING DIRECT Financial Wellbeing Index for NSW rose to 107.0 in Q1 2013 up from 106.5 in Q4 2012.

Household confidence rose or remained stable across all six financial dimensions in Q1 2013.

NSW home owners are focusing on paying down their mortgage with 40% of households making additional loan repayments. This has boosted financial confidence, and among those households who report being comfortable with their mortgage, 82% are also comfortable with household savings.

Gen Y households (aged 18-34) have the highest median savings of $28,621. This is followed by baby boomers (50-69) with median savings of $14,249. Gen X residents (35-49) have the lowest level of savings – a median of $5,095 per household, suggesting that families are finding it harder to set aside any spare cash.

Sydneysiders lead the savings league table with median savings of $27,663 compared to $6,679 among regional residents.

Victoria

The Index score for Victoria rose to 111.2 in Q1 2013, up from 108.8 in Q4 2012, and above the national score of 108.2. This is the second highest state-based Index score behind Western Australia's reading of 111.5.

An increase in comfort levels was recorded across five key indicators in Victoria for Q1 2013. Notably, comfort with long term debt (mortgages) rose from 5.69 to 5.9 over the quarter – making this the highest reading across all mainland states. Comfort with credit card debt remained stable at 5.3.

Victorian households are taking advantage of low interest rates to pay down their mortgage sooner. More than half (51%) the state's home owners are ahead with their loan compared to 44% nationally.

Gen Y households, those most likely to be first home owners, are leading the charge to be mortgage-free with 59% making additional payments on their home loan. Comfort with household income is a factor in the ability to get ahead with a mortgage. Among the 16% of Victorians who say they are 'very comfortable' with household income, 89% are ahead with their loan.

South Australia

South Australia's Index score fell to 104.2 in Q1 2013 down from 104.9 in Q4. Comfort levels with long term debt – notably home loans, was the only key indicator to experience a significant improvement in SA over the quarter, rising from 5.5 in Q4 2012 to 5.7 in Q1 2013.

SA households have the nation's lowest level of savings, with a median of $7,998 in cash and deposits compared to $15,427 nationally. Within SA, Gen Y households (aged 35-49) recorded the lowest level of savings, with a median of $5,597 compared to $14,813 among baby boomers (50-64) and $8,326 among Gen X households (18-34).

Regional households have particularly low levels of savings – a median of $4,789 compared to $11,873 among Adelaide residents. Almost four out of ten (37%) regional households have savings below $1,675 compared to 25% of households in the state's capital.

Western Australia

The Index score for Western Australia rose to 111.5 in Q1 2013, up from 105.8 in Q4 2012. This is the highest state-based Index score across the nation.An increase was noted across all six key indicators in WA for Q1 2013. Comfort levels with household income (4.2) and credit card debt (5.5) are the highest across all mainland states.

WA's Gen X residents have the highest pool of savings – a median of $21,137 compared to $18,918 among the state's baby boomers and $5,914 for Gen Y households.

This bucks the national trend that sees Gen X households having the lowest level of savings across all three age bands – a median of $8,060, and suggests the resource boom is providing additional opportunities for WA families to build cash savings.

Queensland

Queensland's Index score fell to 105.9 in Q1 23013 down from 108.8 in Q4 2012.

Household savings in Queensland are below the national median for all types of households. The state's Gen Y residents have the highest median savings of $8,782 compared to $7,005 for baby boomers. Gen X households have the lowest median savings of $4,882. Over one in four (28%) Gen X households report having no savings at all.

Across the state, 32% of households say they are uncomfortable with their savings – this rises to 44% of Gen X households. Among those households who report being uncomfortable with their savings, the median level of savings is $610.

Financial Wellbeing – state by state snapshot

Aspect of financial wellbeing	National	NSW & ACT	Vic	Qld	SA	WA
Credit card debt						
Comfort level (out of 7)	5.2	5.1	5.3	4.9	5.3	5.5
Ave no of credit cards per household	1.8	2.0	1.8	1.8	1.7	1.7
Long term debt incl mortgages						
Comfort level	5.67	5.6	5.9	5.7	5.7	5.7
Paying extra on mortgage	44%	40%	51%	46%	37%	41%
Household income						
Comfort level	3.9	3.9	4.1	3.9	3.8	4.2
Savings						
Comfort level	3.5	3.6	3.7	3.4	3.3	3.7
Median household savings	$15,427	$15,907	$24,971	$8,043	$7,998	$19,442
Investments						
Comfort level	3.5	3.5	3.7	3.3	3.3	3.7
Managing household bills						
Comfort level	4.0	4.0	4.0	4.06	3.7	4.1
Overall comfort level - across all measures	4.33	4.28	4.45	4.23	4.17	4.46
Index score	**108.2**	**107.0**	**111.2**	**105.9**	**104.2**	**111.5**

Research methodology

The ING DIRECT Financial Wellbeing Index was complied by Galaxy Research from the online responses of 1,059 households between 4 April and 9 April 2013. The data was weighted by region and household size to reflect the Australian household population based on the 2006 census. The level of savings reported in the study is also calibrated to APRA national bank total deposits (households) to ensure accuracy of household savings levels.

About ING DIRECT

ING DIRECT began operating in Australia in 1999. By doing business online, over the phone and through intermediaries, ING DIRECT keeps it overheads low and passes the savings onto customers in the form of competitive rates. Today, it has grown to become Australia's fifth largest retail bank, with $29 billion in deposits, more than $38 billion in loans and around 1.4 million customers. Please note, ING DIRECT is never abbreviated to ING.